BOARD OF DIRECTORS

MARYLAND ENVIRONMENTAL SERVICE

RESOLUTION

(98-01-1R)

A RESOLUTION AMENDING Resolution 96-04-1R, as previously amended by Resolution 97-06-1R; and generally relating to the financial affairs of the Service.

R E C I T A L S

The Service was created by, exists under, and exercises the powers contained in Sections 3-101 to 3-130, inclusive, of the Natural Resources Article of the Annotated Code of Maryland (the "Act") including (among others) the power to fix, alter, charge, and collect rates, fees, and charges for the use of or for the services furnished by the Service or its projects, including administrative and overhead expenses. On April 25, 1996, the Board adopted Resolution 96-04-1R. Resolution 96-04-1R provided *inter alia*, for the adoption and use of an Indirect Cost Recovery Methodology for the Service. The Resolution also included an attachment which detailed the Service's Indirect Cost Recovery Methodology. Resolution 96-04-1R was subsequently amended by Resolution 97-06-1R. The Service has determined to amend the Indirect Cost Recovery Methodology to reduce the rate at which it recovers overhead and G & A costs on contract labor costs.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MARYLAND ENVIRONMENTAL SERVICE, THAT:

1. In the Attachment to Resolution 96-04-1R, as amended by Resolution 97-06-1R, the section entitled "Overhead and General and Administrative (G & A) Costs" is hereby changed to read as follows:

Overhead and General and Administrative (G & A) Costs

- Overhead and G & A costs will be accumulated into a single cost pool for all program level and agency level costs. Multiple cost centers will be used to record, manage and control costs and then accumulated for recovery.
- The base index for recovering overhead and G & A costs that are processed for payment as of December 31, 1997, is the sum of straight time billable direct labor and contract labor (not to

include sub contract labor). For costs processed for payment on or after January 1, 1998, the base for recovering overhead and G & A costs is the total straight time billable direct labor.

- The actual base recovery rate for a fiscal year will be confirmed by the agency's independent auditors as part of the regular fiscal year end audit.

- The base recovery rate will be adjusted to meet the following customer criteria:

    1. For that portion of the labor index that exceeds $350,000 and is less than $700,000, the recovery rate will be 75% of the base rate.
    2. For that portion of the labor index that equals or exceeds $700,000, and is less than $1,500,000, the recovery rate will be 50% of the base rate.
    3. For that portion of the labor index that equals or exceeds 1,500,000, the recovery rate will be 25% of the base rate.
    4. A base recovery rate of 5% will be applied to contract labor (not to include subcontract labor).

- The most recent audited base recovery rate will be adjusted for any known or required changes to the rate components. This adjusted base recovery rate will then be used for the next full budget cycle (second fiscal year after the audited year).

- Based upon the annual audit, if recovery of costs varies from actual overhead and G & A costs by more than plus or minus 3% of actual costs, that difference will be a required adjustment to the next established budgeted base recovery rate.

2. All other terms of Resolution 96-04-1R, as amended by Resolution 97-06-1R, remain the same.

3. This Resolution shall be effective as of January 1, 1998.

ADOPTED, this 22nd day of January, 1998.

SEAL

MARYLAND ENVIRONMENTAL SERVICE

BY: _____
JAMES W. PECK, DIRECTOR

BY: _____
CATHERINE PIEPER STEVENSON
DEPUTY DIRECTOR

BY: _____
KENNETH HOWARTH, TREASURER

BY: _____
CAROLYN D. DAVIS, SECRETARY