Capital Activities
through the Budget & Planning Lens

November 15, 2023

AGENDA

- Key Takeaways

- Capital Planning to Capital Budget

- Institutional Controls

- Touchpoints: Capital Budget and Approvals

- Project Approval Revisions Update

Key Takeaways

- The work of all of us is highly interconnected; understanding those connections can help the work proceed more smoothly
  - And enable a better experience at work ☺

- Our processes and systems strive to find the right balance between oversight, consistency, and flexibility
  - Your feedback matters

- Planning, budgeting & executing capital projects is complicated and dynamic; when in doubt, ask questions
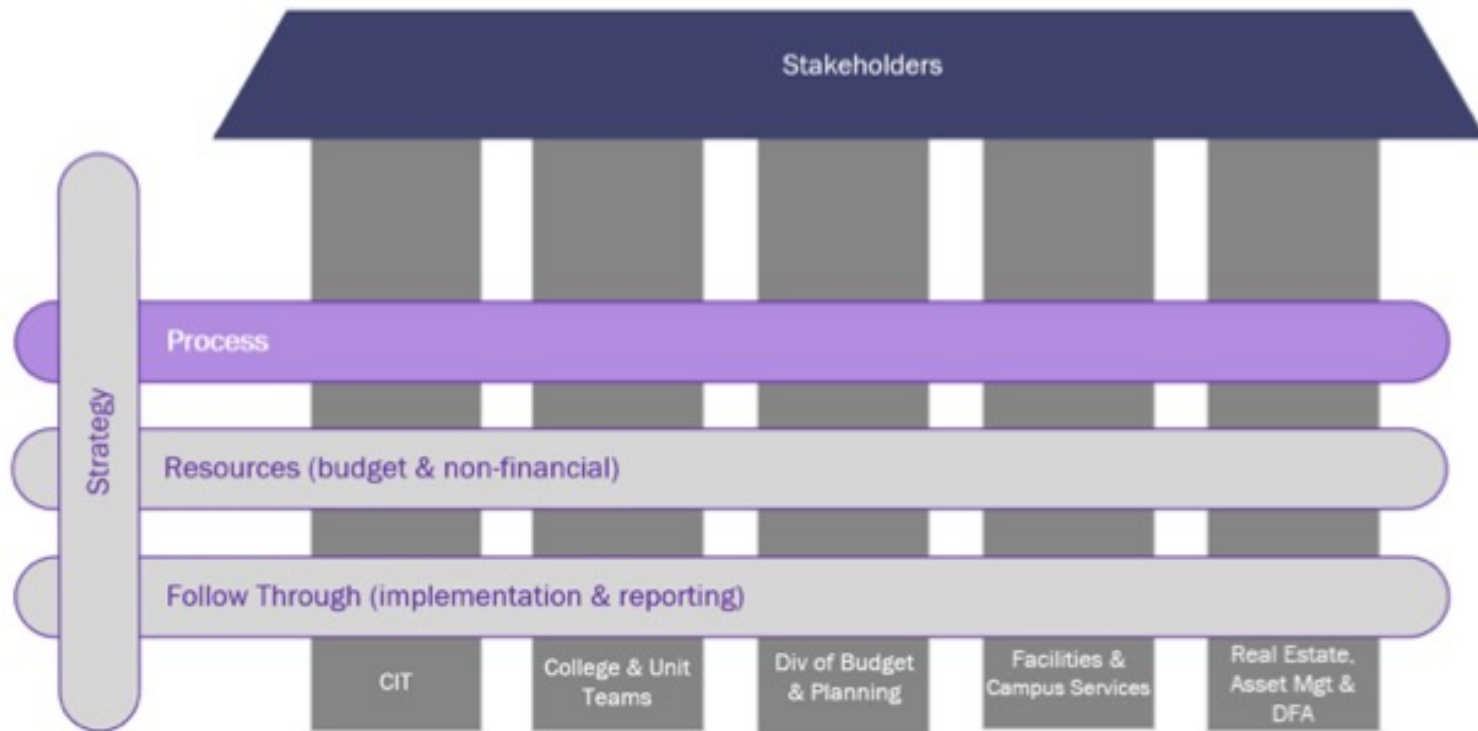
Capital Activities

Capital Planning

Capital Budget

Capital Approvals
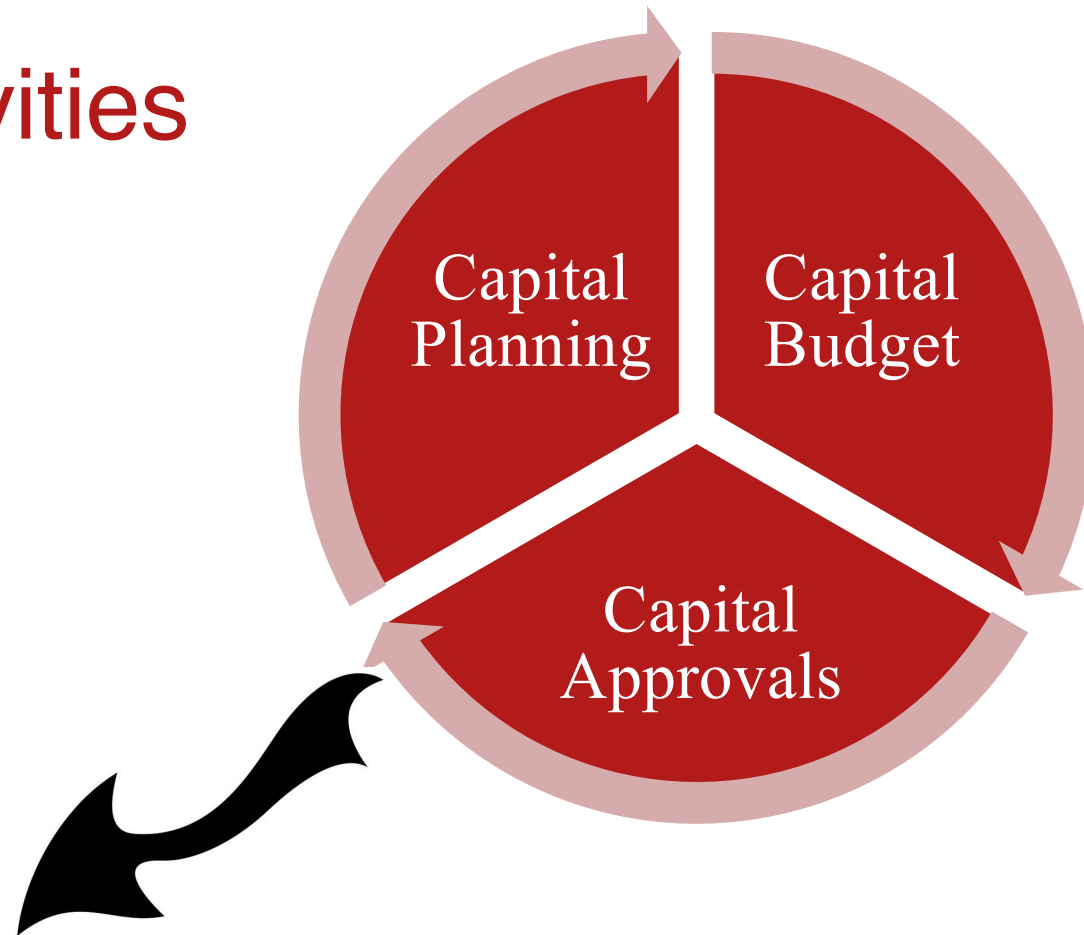
Capital Project Execution

Capital Planning: Align our physical and technical assets with our university mission and priorities, all within the limits of available financial, staff, and space resources.
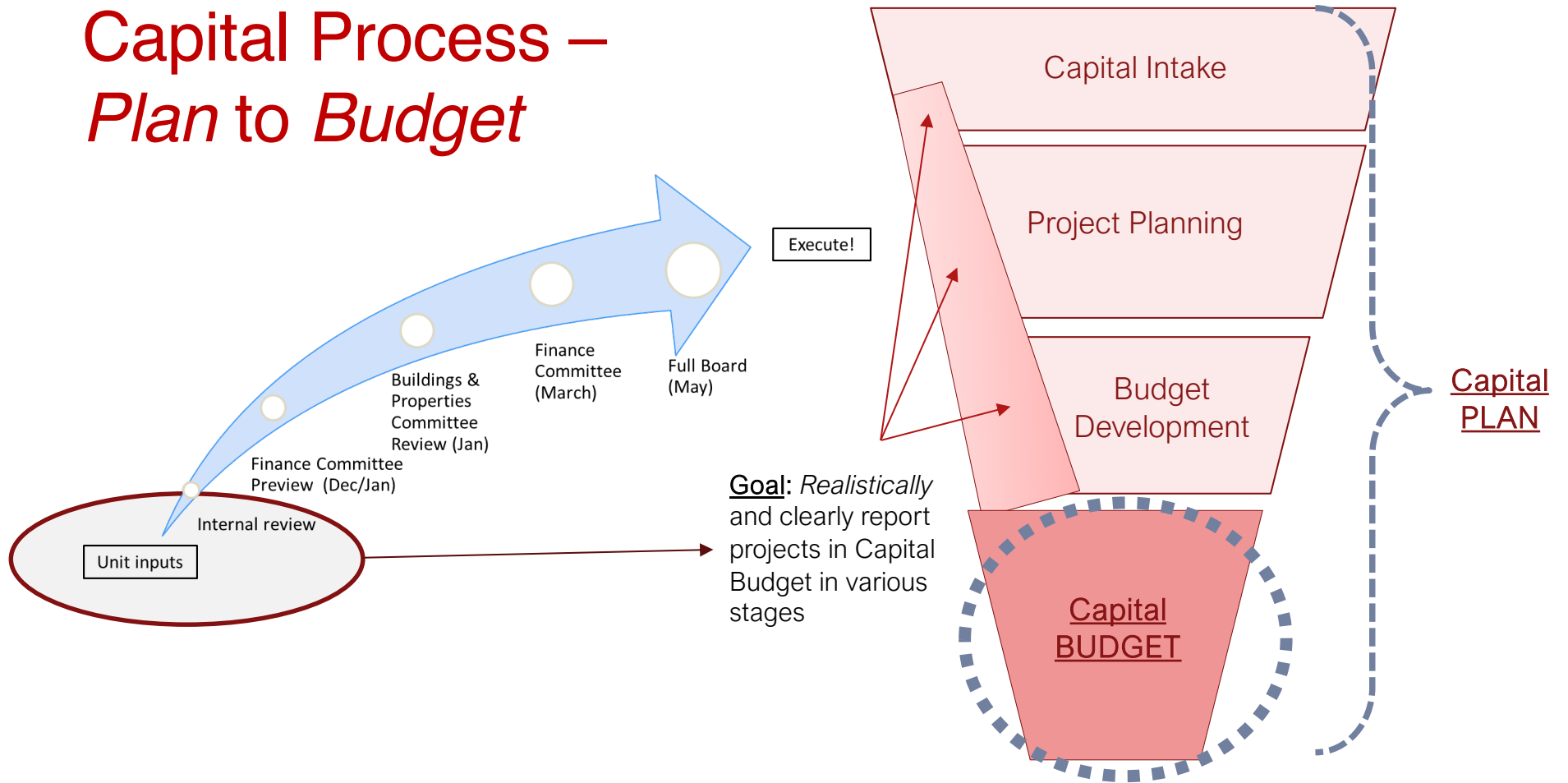
Current Status – Capital Activities

- Activity is very high

- Resources are limited – people, funding

- Costs are increasing, budgets are tightening

- We have an obligation for fiscal responsibility

- Planning benefits everyone – smoother process with improved opportunities to leverage and sequence

Annual Process

- Units provide key data necessary for the Division of Budget and Planning to fulfill two primary responsibilities:

  1. Develop a realistic and accurate annual capital budget, and

  2. Support on-going capital planning to identify and understand university needs helping to define future capital projects in partnership with units and Facilities and Campus Services.

- Framing context:

  - Implement appropriately scaled planning for capital needs that are in early development, reviewing size, scope, and budget;

  - Establish a prioritized list of needs that can shape the plan and planning decisions in future years, and

  - Align the funding resources with priority needs.

Capital Process – *Plan* to *Budget*

Execute!

Full Board (May)

Finance Committee (March)

Buildings & Properties Committee Review (Jan)

Finance Committee Preview (Dec/Jan)

Internal review

Unit inputs

Capital Intake

Project Planning

Budget Development

Capital BUDGET

Capital PLAN

Goal: *Realistically and clearly report projects in Capital Budget in various stages*
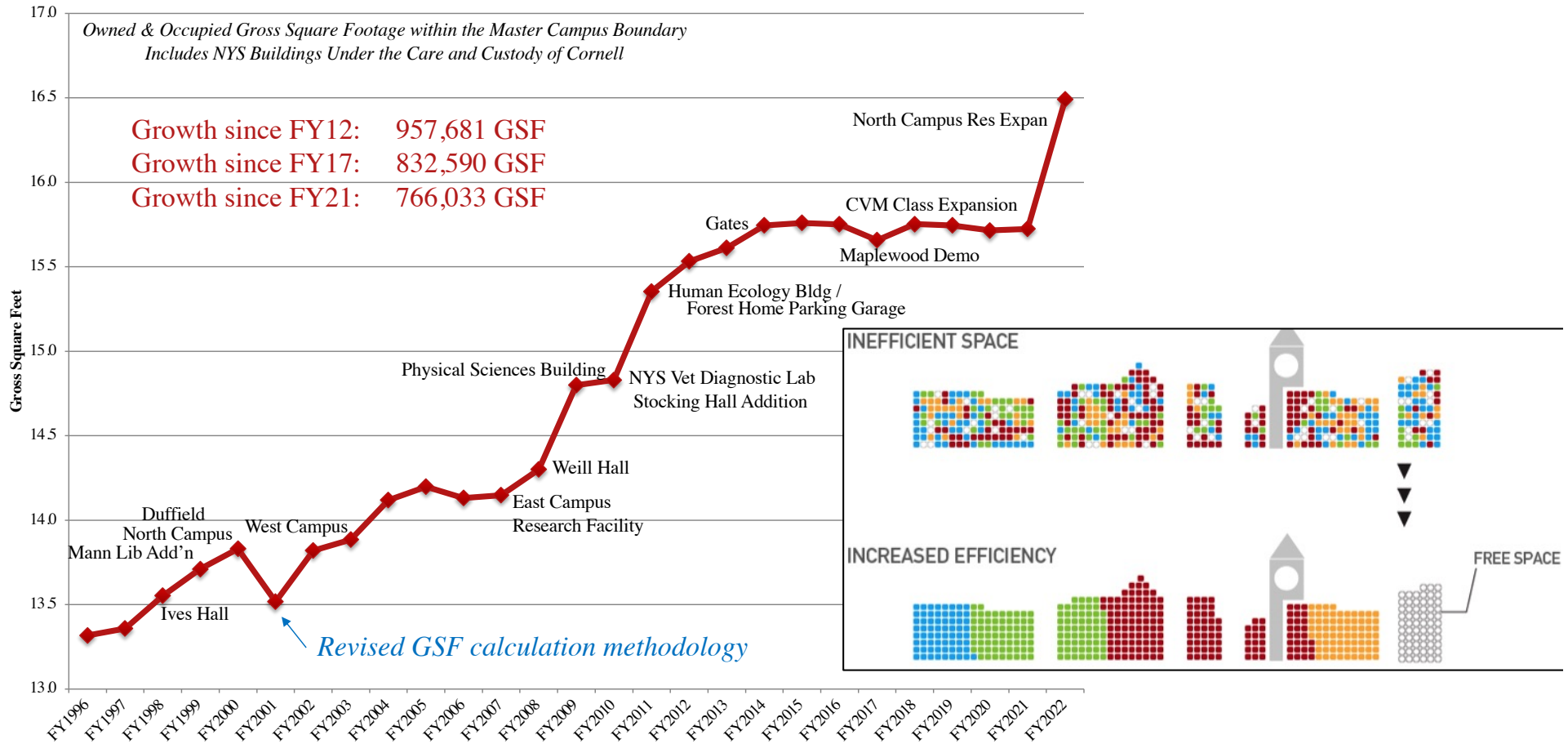
Capital Plan Focus – Reinvest in Existing Unless Externally Funded

Guiding Strategies

- Monitor existing project budgets for inflation and other escalations, prioritizing where needed to manage resource constraints
- Focus on maintenance backlog, asset protection, compliance, and health and safety
  - In coordination with programmatic renovations where possible
- Maximize internal funding sources, when available
- Adhere to funding controls
- Pursue space utilization improvements and efficiencies, and limiting net new space to fully funded priorities or revenue generating programs
- Maintain stewardship of the historic campus
- Align capital campaign, ten-year capital, and operation plans
- Prudently manage university debt capacity

Ithaca Main Campus

Owned & Occupied Gross Square Footage within the Master Campus Boundary
Includes NYS Buildings Under the Care and Custody of Cornell

Growth since FY12:   957,681 GSF
Growth since FY17:   832,590 GSF
Growth since FY21:   766,033 GSF

North Campus Res Expan

CVM Class Expansion

Gates

Maplewood Demo

Human Ecology Bldg /
Forest Home Parking Garage

Physical Sciences Building

NYS Vet Diagnostic Lab
Stocking Hall Addition

Weill Hall

East Campus
Research Facility

Duffield

North Campus

West Campus

Mann Lib Add'n

Ives Hall

Revised GSF calculation methodology

Gross Square Feet

INEFFICIENT SPACE

INCREASED EFFICIENCY

FREE SPACE

Committees more integral to vetting and preparing projects for smoother approval process; FPAR finishes the conversation, doesn't start it

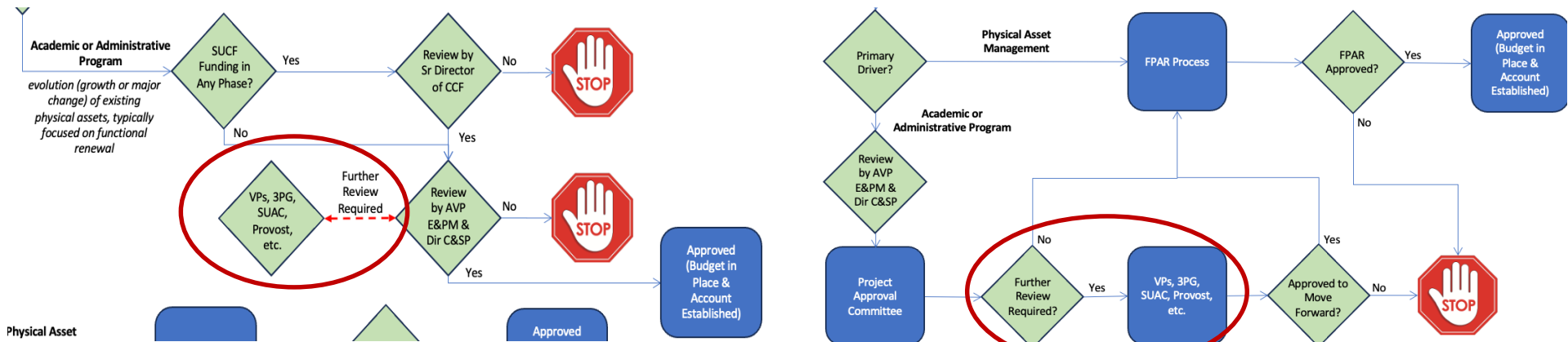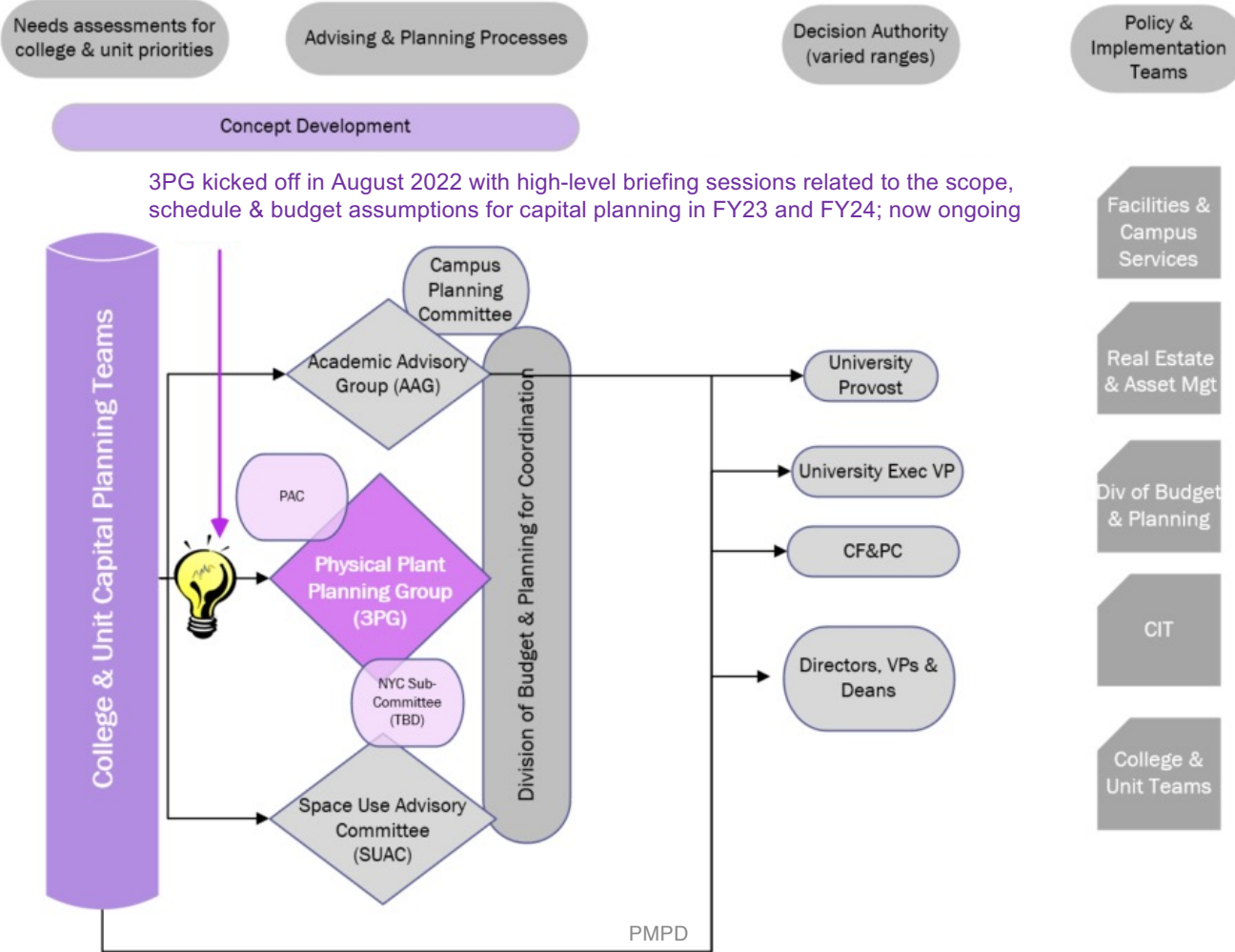## Comments section in FPARs

Institutional Direction

Institutional Direction:	
Additional Institutional Direction:	For Sr Director Capital Budget only: please provide any additional institutional direction comments that you would like documented in the process and in the FPAR pdf here (500 character limit):
VP Budget & Planning Directive Comment:	VP Budget & Planning only: please write any comments that you would like documented in the process and in the FPAR pdf here (optional - 500 character limit):

Study approvals

Cornell University Capital Planning Process

Needs assessments for college & unit priorities

Advising & Planning Processes

Decision Authority (varied ranges)

Policy & Implementation Teams

Concept Development

3PG kicked off in August 2022 with high-level briefing sessions related to the scope, schedule & budget assumptions for capital planning in FY23 and FY24; now ongoing

College & Unit Capital Planning Teams

Campus Planning Committee

Academic Advisory Group (AAG)

PAC

Physical Plant Planning Group (3PG)

NYC Sub-Committee (TBD)

Space Use Advisory Committee (SUAC)

Division of Budget & Planning for Coordination

University Provost

University Exec VP

CF&PC

Directors, VPs & Deans

Facilities & Campus Services

Real Estate & Asset Mgt

Div of Budget & Planning

CIT

College & Unit Teams

3PG: Physical Plant Planning Group

- Review briefs for current year projects and upcoming capital submissions
  - Major projects, studies (internal & external), real estate actions, IT, leases
  - Key reviews:
    - Funding (use of unit and central funds, debt, philanthropy
    - Alignment with university priorities
    - Timing: cash flow, workload scheduling, sequencing, coordination
    - Synergies and conflicts

- Review draft capital budget & capital plan

- <u>Larger Projects:</u> Facilitate alignment of concept, scope and budget with university priorities at the onset of a project
  - Happens ad hoc throughout the year, for emergent projects
  - Influential in determining if projects can move forward or require further vetting

Project Approvals Framework

Institutional Governance: Policy 3.9, Capital Assets; Policy 4.2, Transaction Authority and Payment Approval;
Managing Capital Activity
Budget & Planning: Communications, Workflow, Committee Management

	Provost			Provost for Medical Affairs
	Facilities-related Activities[1]	Lease-related Activities	Systems-related Activities	Facilities-related Activities
Admin Lead Communications Workflow Training	Facilities & Campus Services	Real Estate	Cornell Information Technologies	Weill Cornell Medicine (WCM)
Capital Approvals Form of Approval	Facilities Project Approval Request (FPAR)	Lease Approval Request (LAR)	Systems Project Approval Request (SPAR)	WCM Project Approval Request (PAR)
Central Admin Threshold ($)	100,000	500,000	500,000	10M

[1]Including CIT projects for infrastructure or other facilities-related activities, and capital fit-out for leased space when contracted through Cornell

Capital Approvals – Key Institutional Guidance

- <u>Policy 3.9, Capital Assets</u>: outlines how the university complies with government regulations and accounting industry standards, and how it supports accurate reporting of the physical assets used to conduct its mission
  - Defines building capital @ $100,000 – one reason why we did not change the approval threshold this year

- <u>Policy 4.2, Transaction Authority and Payment Approva</u>l: to protect the interests and manage the risks of the university, the Board delegates authority to specific individuals to undertake transactions with external parties and the Board provides for the appropriate review of all transactions by establishing payment approval. Includes:
  - Appendix C: Transaction Authorities for Real Estate and Facility–Related Matters
  - Appendix D: Facilities-Related Capital Project Approval Authorities, Ithaca Campus Units
  - Appendix E: Capital Project Approval Authorities, Weill Cornell Campus Units

- <u>Managing Capital Activity</u>: Describes the major oversight and control points for campus capital activity
  - Includes approval thresholds for capital information technology systems

Major Touch Points: Capital Budget/Plan & Project Approvals

- Purpose and Need

- Scope

- Cost Identifier: level of development and certainty (new)

  - Order of Magnitude Budget

  - Benchmark Budget

  - Design Phase Estimate

  - Final Project Cost

Major Touch Points: Capital Budget/Plan & Project Approvals

- Sources & Uses
  - Sources of funding
  - Timing of authorizations of funding (FPAR request – puts $ in account)
  - Timing of expenditures (cash out the door)

- Variances
  - Measurement of a deviation against a stated expectation - has no value and does not suggest "judgement" about the request
  - Identification of variances by type and amount supports reporting
  - The Trustees approve a one-year capital budget each May
  - Capital budget variances are measured against this approved budget

($ in Thousands)	YTD Actual FY23	FY23 TRUSTEE BUDGET FY23
Ithaca		
Sources:		
Gifts In Hand	26,630	26,390
Gifts Pledged	-	72,000
Gifts to be Raised	-	27,235
Total Gift Funds	**26,630**	**125,625**
Central, Unit, and Auxiliary & Service Ops	123,284	170,135
...ed / Govt. Programs / SUCF Capital	23,724	9,175
...Debt	25,043	17,600
Third Party Developer	-	7,300
Total Sources	**198,681**	**329,835**
Uses:		
Planning and Design	1,127	5,675
Net New Space - Program	66,606	98,361
Net New Space - Infrastructure	7	-
Building Renewal	26,018	48,110
Renewal - Programmatic Fit	42,002	80,171
Renewal - Capital Infrastructure & Maintenance	49,267	90,959
Demolition	65	1,100
Administrative Systems	2,991	5,458
Ithaca Campus Capital Uses (all projects)	**188,083**	**329,835**

Screenshot

Budget states expected expenditures – inflation and conservative estimating serves no one well

Variances will account for how the annual capital budget moves up (rarely down) through the year

Variances are reporting measure, that's all

57% Actuals to Budget!

Vision and Goals of PAR Revision Initiative
Expanded into Related Efforts

- Reimagine and reengineer the approvals process from the ground up
- Reflect current business needs
- Listen to and leverage and acknowledge expertise of staff subject matter experts
- Highlight meaningful content through the capital planning, budgeting and approvals process
- Provide for more continuity in our collective work
- Design for decision-making, analysis, and reporting

A Few Highlights…

- **FPAR Effort More Manageable**
  - Reduced data entry fields from 98 to 48 (50%)
  - Reduced actionable steps from 10-22 to 7-16 (30%)

- **FPAR Increased Collaboration**
  - Increased transparency & continuity of key project information – intake through approval
  - Relevant unit data transferred from intake
  - Project manager and unit rep in "Prepare FPAR" step together
  - PMs and finance managers on Sources & Uses together

- **Project Cost Identifiers – incorporating across life of project**
  - Order of Magnitude, Benchmark Budget, Design Phase Estimate, Final Project Cost
  - Capital Approvals FAQ provides approval statement templates for CF&PC presentations – use of new terms

And a Few More…

- ## New Studies Authorization process
  - Overlook fewer studies in capitalization process
  - Optimization alignment – effort spent on studies is aligned with mission critical priorities
  - Improve tracking and overall coordination
  - Reduce work in eB and accounting

- ## Capital Budget Omissions now Capital Budget Additions
  - Variance documentation updated

- ## Capital portfolios did go away, but CF&PC approval threshold raised to $2M for all FPARs (Policy 4.2 updated)
  - Real Estate and SPAR approvals remain the same

- ## 3PG in second capital cycle – conversations enhance common understanding

Schedule Highlights

January 2024   Survey (FPARs, Study process)

Response review and follow-up

February 2024   Final Report to Sponsors

Where to Find Reference Material

- Capital Activities Web Pages (https://dbp.cornell.edu/home/capital-activities/)
    - PAC Statement of Purpose
    - Capital Approvals FAQ
    - Capital Approvals Framework
    - Project Cost Development Framework
- FCS Projects Web Pages (https://fcs.cornell.edu/projects)
- eBuilder
    - FPAR resources

    https://app.e-builder.net/public/PublicFolderView.aspx?FolderID={030360ea-6be1-4325-95a0-6e57115a1ccc}

    - Study approval resources

    https://app.e-builder.net/public/PublicFolderView.aspx?FolderID={5318a131-e0f7-47a4-9301-def4ec177793}

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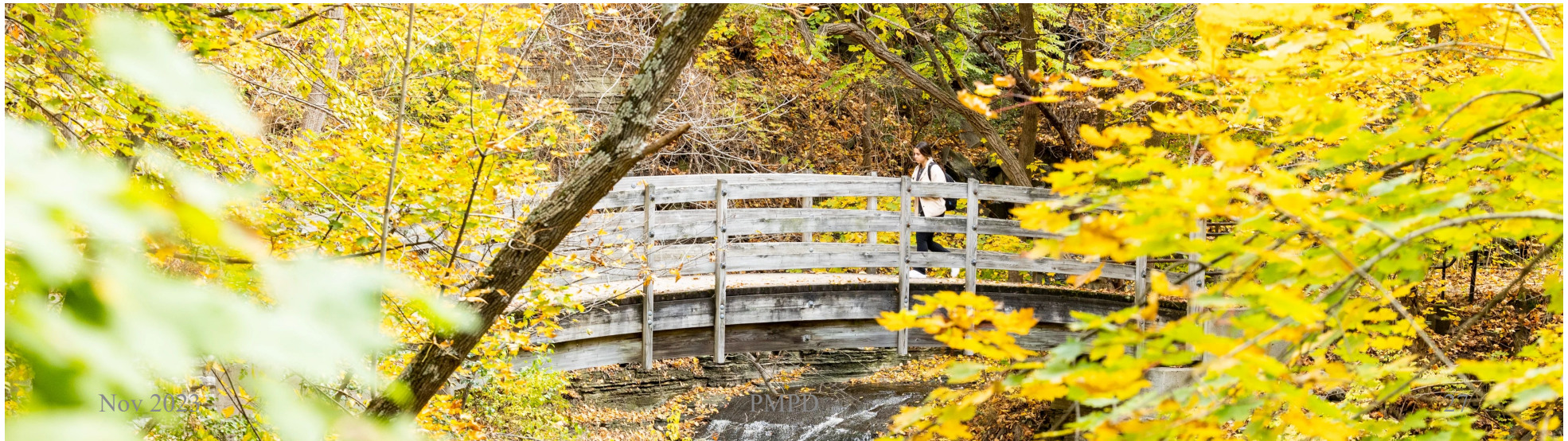
Thank you!
? Time for Questions ?

Appendix

PMPD

2023 Improvements

	Studies	Capital Plan / Capital Budget	Approvals
Workflows, Committees	• SUAC Revised Charge & Mtg Format • 3PG Establishment • Provost Capital Planning Mtgs Regularized • PAC Statement of Purpose	• 3PG • Portfolio Adjustments (Close Gap, Budget to Actuals)	• CF&PC Workflow Reinforced • Project Advocate/Unit Director Role Engaged • Approvers Aligned by Funding • Minor Edit Function • PAC Statement of Purpose
Documentation, Guidance, Policy	• Space Study Data Collection • Study Authorization: Requirements and Best Practices • Study Typologies and Approvals • High Level Workflow for Study Authorization	• Variances (deck, chart), including sample request statements • Variance Changes – Capital Budget Addition, Remove Scope Type	• Project Approvals Framework • Policy 4.2 Thresholds • FPARs Requirements and Best Practices • CF&PC FAQ • Sources & Uses Simplified
		• Project Cost Development Framework • Capital Activities Web Pages	
Managed Process (electronic)	• Single Sign-On		
	Study Authorization Process	Longview (no change)	FPAR Process