

# VARIANCES

Project Management Professional Development  
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# Variations - General

- 4 types – Choose 1 - the most applicable
  - Capital budget variance
  - Project budget variance
  - Capital budget omission
  - Scope variance
- Measurement – not a value judgement
- Support reporting
- May support changes in process and procedures
  - E.g., removing requirement for projects with budget variances > 25% but less than \$1M total cost to go through CF&PC



# Capital Budget vs. Capital Plan

- Strike “Capital Plan” from common use in approvals process
- The Trustees approve a **one-year capital budget** each May
  - May be referred to as the annual capital budget, the one-year capital budget, the fiscal year budget, or the FYXX budget (e.g., the FY20 capital budget)
  - It does include a 5-year spending plan for the one-year projects
- Variiances are measured against this approved budget
- The leadership also has and supports a capital plan – a long-term vision that includes major projects, expected fund sources, and sequencing – but this does not exist as one document against which changes can be measured or should be identified for purposes of PAR approvals
- There are not capital plan variiances, only capital budget variiances





# Capital Budget Variance

- A capital budget variance exists if the total project budget exceeds the current fiscal year capital budget for the project
- Only used at project initiation
- The total dollars available in the capital budget against which the project budget is measured may include more than one row in the capital budget

## Examples

- Sage Hall Dining Reconfiguration \$1.8M; Capital Budget Variance = \$1.5M
  - \$300,000 by Johnson under “Sage Hall Space Reconfiguration”
  - \$1.5M by SCL; Not listed by SCL in FY19 capital budget – had planned for a future year
- East Avenue Rehabilitation (approved at end of FY17); NO Capital Budget Variance
  - FY17, Steam Line Replacements, \$80,000, ETB \$3,655,000
  - FY17, Stewart Bridge Stormwater Repair line, \$25,000, ETB \$500,000
  - FY17, Cross Campus Tie Improvements line, \$250,000, ETB \$500,000
  - FY18, Planned Electric, \$65,000, ETB \$6,032,000
  - FY18, East Ave-Rebuild, \$140,000, ETB \$3,100,000



# Project Budget Variance

- A project budget variance exists if the total project budget increases from one PAR approval to the next, whether or not the cost of the revised budget is within the overall capital budget.
- Never used on first PAR, used on subsequent PARs

## Examples

- Fall Creek Suspension Bridge – Coating and Access Stairs Repairs
  - Construction phase – budget increase from \$700,000 to \$750,000 (abatement)
  - Project Budget Variance = \$50,000
  - All funds in Planned Maintenance Portfolio
- Myron Taylor Hall Dean Suite Renovation
  - Construction phase – budget increase from \$200,000 to \$290,000 (high bids)
  - Project Budget Variance = \$90,000
  - FY19 Capital Budget for Law Academic Program Renovations 2019 is \$250,000
    - Project cost is higher than capital budget, but because this is a 2<sup>nd</sup> PAR, the only variance is a project budget variance



# Capital Budget Omission

- A capital budget omission exists if the project is not listed in the current fiscal year capital budget and doesn't "fit" under a portfolio that is in the capital budget
- May occur at project initiation or at the time of a subsequent approval

## Examples

- Unanticipated Project, 1<sup>st</sup> Approval
  - Hughes Hall Acoustic Upgrades
- Anticipated Project, 1<sup>st</sup> Approval
  - Ives Hall East Catherwood Library Collaboration Space – planned project, applied for grant but didn't submit for capital budget consideration (due to uncertain funding)
  - Might not have been an omission if ILR had an Academic Program Renovation portfolio
- Anticipated Project, Design Approval Received, Subsequent Approval
  - Delta Kappa Epsilon Entry Repair – scope expanded, costs increased, additional fundraising required, not re-entered into the capital budget submission
  - Langmuir Lab Freight Elevator Modernization – delays during design phase, overlooked for re-submission to the capital budget



# Scope Variance

- A scope variance exists if the project is substantially different than intended when it was entered for consideration into the annual capital budget
- Exists at project initiation
- Not very common – usually from re-prioritizing a portfolio

## Example

- Campus Road from Teagle Hall to Manhole F Steam Line Replacement – substitution for Kennedy to Clark Steam Line Replacement



# PAR Process Fields

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## Phase

\* PAR ID #: ?

2

\* Phase: ?

Other

If Phase = Other, describe:

Equipment Upgrade Only

## Capital Budget

\* In Approved Capital Budget?: ?

### Longview Capital Reports

No

Project Name in Capital Budget: ?

Capital Budget Estimated Total Project (\$): ?

\* Type of Variance: ?

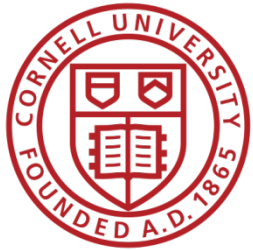
Capital Budget Omission - project is not listed in the current fiscal year capital budget; may occur at project initiation or at time of subsequent approval.  
 Capital Budget Variance - total project budget exceeds the current fiscal year capital budget for the project; only used a project initiation (first PAR).  
 Project Budget Variance - total project budget increases from one PAR approval to the next, whether or not the revised budget is within the overall capital budget; never used on first PAR, used on subsequent PARs if needed.  
 Scope Variance - project is substantially different than intended when it was entered for consideration into the annual capital budget;

- Please select an option --
- No Variance
- Capital Budget Omission
- Capital Budget Variance
- Project Budget Variance
- Scope Variance

Explanation of Variance: ?

## Requested Authorization





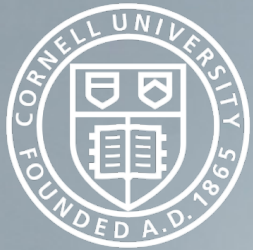
# QUESTIONS?

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Approved Capital Budget:

<https://internal.dpb.cornell.edu/LongviewCapitalReports/index.html>





THANK YOU!