In order to maintain the university's fiscal integrity, the university has developed the following capital project funding guidelines. This document will be reviewed and adjusted annually, with adjustments made based on the economic environment and financial position of the university at the time of the review.

Capital Project Funding Guidelines

A capital project is defined as any activity to acquire, develop, improve and/or maintain a capital asset for the university. Capital projects may include third-party developer projects. The threshold for inclusion in the annual capital budget and five-year capital plan is a total project cost greater than $250,000, in addition to compliance with the principles and criteria below.

The following guidelines have been developed to reflect the priorities for capital activity - renewal of the university’s physical plant, financial viability and the best use and management of project funds. The guidelines are consistent with the university’s strategic plan and will apply to all projects and project approval requests (PARs), including those with a total budget below $250,000.

Capital project submittals must satisfy criteria related to strategic renewal and financial viability as outlined below in order to be included in the university’s approved five-year capital plan.

Strategic Renewal

Units should first meet program needs through reuse and redevelopment without the addition of net new space or infrastructure.

- Proposed capital activity needs to optimize the use of existing space, facilities and infrastructure, or propose demolition and redevelopment, if necessary.
- Projects or proposed programs must prioritize synergies and coordination in the use of resources during their development and implementation.
- Newly proposed space, facility, or infrastructure projects (i.e. project not yet approved to begin execution in the current capital plan) should address a significant level of deferred maintenance whenever feasible. The level of deferred maintenance to be addressed will be decided as part of the development of the capital plan and will be approved by the Provost or the Capital Funding and Priorities Committee for projects greater than $2 million. Projects included in the capital plan must demonstrate the potential to address a significant amount of deferred maintenance, but the actual measure against a defined threshold will occur as part of the project execution and approval process for new projects.
- All requests for net new space or infrastructure that anticipate a project budget equal to or greater than $2 million must be approved by the Provost (for academic program-related projects) or the Executive Vice President (for infrastructure-related projects) prior to conducting a feasibility study or initiating any early-stage design process. The Provost may seek input from the Provost Capital Planning Group. Requests for new space must include a program-based rationale and prioritization, explanation
and documentation indicating why use of existing space is not feasible. A space study may be required to analyze the potential of existing space to meet anticipated space needs. A business plan that supports the initial capital cost as well as ongoing operating costs will also be required.

Financial Viability

Units must demonstrate the availability of funding for the full cost of the proposed project as well as future operations and maintenance.

- The project must have a submitted and approved funding strategy that must include:
  1) the full anticipated capital cost of the project, including project development studies; architectural and design fees; construction; furniture, fixtures, and equipment; contingencies; enabling costs, etc.;
  2) the incremental annual cost of ongoing operations and maintenance for the facility;
  3) an estimated cost and timeline for capital renewal, and
  4) any other relevant information.

- Feasibility of planned fundraising must be approved by the Vice President for Alumni Affairs and Development or the Vice Provost for Development at Weill Cornell Medicine. Recognizing that funding sources are as diverse as university projects, each project’s funding strategy should be developed with consideration given to both the project’s merit and university priorities.

- Any proposed capital activity that has funds in hand must be included in the university’s approved one-year capital budget and five-year plan before any formal design or construction work begins. However, inclusion in the capital budget does not constitute authorization to proceed with any phase of a project as each project phase must be approved through the regular project approval process.

- New York State funded projects may be divided between design and construction phases, with funding spanning SUNY capital plans, allowing the design phase to be included in the approved capital budget.

- With a preliminary cost estimate, a unit may submit a request to the Provost to spend a limited amount of existing unit funds to the extent necessary to conceptually develop and size a project idea for the purpose of advancing discussion for possible inclusion in the university’s approved five-year capital plan. Such a study should assess the impact on existing and planned campus infrastructure, and adjacent or other spaces/facilities that may be impacted by the project under consideration. All requests that anticipate a project budget equal to or greater than $2 million must be approved by the Provost (for academic program-related projects) or the Executive Vice President (for infrastructure-related projects) prior to conducting a feasibility study or initiating any early-stage design process. The Provost may seek input from the Provost Capital Planning Group.
The following guidelines apply to projects or activity in the approved capital budget.

Use and Management of Project Funds

- At least 30% of the total project budget must be committed and a plan for funding any additional operating costs must be approved by the Executive Vice President and the Vice President for Budget and Planning prior to hiring a consultant for a feasibility study or concept design.
  - Funds for the cost of a feasibility study or design work must be in hand and available prior to beginning any such work.
  - Clarifications and exceptions to the requirement for an operating cost funding plan will be evaluated on a project-by-project basis by the Executive Vice President and Vice President for Budget and Planning.

- If there is gift funding:
  - Fundraising must be completed before construction begins or an approved “backstop” plan must be in place.
  - At least 75% of gifts included in the approved funding plan must be cash-in-hand before construction can begin.
  - The majority of the remaining gift pledges must be scheduled to be collected within five years of the start of construction.
  - Accounting standards require that gifts received in support of a capital project must be used before other sources of funding.
  - A review of gift funding and expenditures will be completed at each year end, and adjustments made as needed. Based on this review, backstop funding may be returned to the unit.

- Funds in hand will be transferred by Plant Accounting to the project account at the start of each phase of the project. Such transfer will include all unit funding, gift funding, and/or backstop funding if gift funding has not been fully received. The intent of this is to fully fund the value of the approved PAR. NOTE: Use of Funds Functioning as Endowment (FFE) in excess of $1,000,000 to fund a project must be approved by the Executive Vice President and Provost prior to PAR submittal and per the university’s “FFE Guidelines” (https://www.dfa.cornell.edu/accounting/investedfunds/investinginpool). If approved by the Executive Vice President, the cashing out of FFE funds may be scheduled in a manner that fully covers all project costs on a current month basis, but does not unreasonably require cashing out invested funds prematurely.

- Before a project’s construction phase is permitted to begin, the following must take place:
  - All funds within the funding strategy must be committed for the entire project cost.
    - Gift sources must be 75% in hand with written commitments for the full 100%
    - Any source of funding for an authorized expenditure which is not in-hand must have an available source of “backstop” funding identified and committed.
Committed New York State funds must include an assessment of certainty of funding.

Any utility or other rate-recovery project must include 1) a detailed statement of expected cash flow, and 2) a rate impact analysis approved by the Executive Vice President and Vice President for Budget and Planning.

For projects with total budgets greater than $10M, the Executive Committee of the Board of Trustees must approve the funding plan. The Executive Committee approval will occur through the annual approval of the university capital budget and capital plan unless a project greater than $10M arises outside of the annual approval process.

The university’s borrowing capacity is limited by a requirement to maintain a minimum AA bond rating. The use of debt financing will be prioritized and decided by the Capital Funding and Priorities Committee.

The amount of debt financing allocated to any capital project will adhere to the following guidelines:

- No more than 50% of any capital project should be debt-financed unless the project is for life-safety, a major infrastructure priority, or in support of auxiliary enterprises such as residence halls. The amount of debt will be evaluated based on overall debt capacity;
- Academic facilities should be at least 50% funded by available resources such as unit reserves, philanthropy, or other sources;
- Non-curriculum and non-research facilities (e.g., Johnson Art Museum, Cornell Botanic Gardens, etc.) will be expected to fund up to 100% with available resources such as unit reserves, philanthropy, or other sources.

At project closeout, any remaining funds are returned to units on a pro-rated basis informed by the original funding model. If central funds were used in any part, those funds must be returned first, before the remaining balance is disbursed to the other funding units.

**Capital Plan and Budget Variances**

- At project initiation, a capital plan variance exists if the project is not in the approved capital budget or the total project budget exceeds the approved, published capital budget. Capital plan variances occur at the time of the first PAR approval for a project.
- The capital project budget, against which project budget variances will be measured, is established by the first approved PAR.
- A capital project budget variance exists if the total project budget increases from one PAR approval to the next. Most typically, the project budget is set with the design PAR approval, and a variance may occur at the time of submission of a construction PAR.
• Projects not included in the approved annual one-year capital budget may be brought forward for consideration as a capital plan variance between capital budget cycles as an addition to the capital budget if funds are in hand to cover full project costs. This determination will be made by the appropriate official, based on transaction authorities for capital plan variances as published in Appendix D of Policy 4.2, Transaction Authority and Payment Approval.

• Capital plan variances and capital project budget variances need to be approved by the appropriate official, based on transaction authorities for budget variances as published in Appendix D of Policy 4.2, Transaction Authority and Payment Approval.

• Variances in funding source or expenditures for approved capital activity will also be reviewed by the appropriate university official.

Departure from these guidelines is permissible only in exceptional circumstances, as determined by the President and the Provost after recommendation from CF&PC.