

Capital Plan

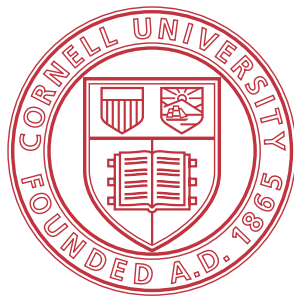
By Thomas E. Cole, Jr.

Division of Planning & Budget

Reprinted from

Cornell University
2004-05 Financial Plan

May 2004



Cornell University

CAPITAL PLAN

CAPITAL ACTIVITY

The capital plan includes a projection of capital activity over the next five years, a schedule for the repayment of external debt, and a budget for the repayment of intra-university loans by operating units.

- The schedule of capital activity (pages 46 to 47) includes projects or project groupings with budgets greater than \$2 million that are being planned within the next five years. While they are in various stages, from fully approved with construction underway to a number that are still in the early stages of planning and design, all projects listed have received some level of approval to proceed through the capital project process.
- There are a number of other projects that are planned or are being contemplated for this five-year period that have not yet been brought forward for approval. As the university works through its ongoing capital planning process and determines capital campaign fundraising priorities, the capital plan will be revised for 2005-06.
- Projected budgets are given at the total level reviewed in the approval process. The costs of projects that do not yet have fixed approved budgets may need to be inflated based on anticipated expenditure time lines. While the budgets reflect the total capital cost, several major projects, such as the West Campus Residential Initiative, Duffield Hall, and Lynah Rink, have endowments to fund program or operations and maintenance costs added to their fundraising targets.
- The Board of Trustees and the administration have approved \$976 million for the planning, design, and construction of capital projects and the acquisition of certain capital assets. In the case of contract college projects, the approved budget includes the amount allocated by the State University Construction Fund (SUCF) as part of its five-year capital budgeting process. Each contract college project is brought through the university's capital approval process as it proceeds through design and construction phases.
- Of the approved project costs, \$415.5 million has been spent to date. If future projects and phases are approved as shown, expenditures during 2004-05 will total \$316.1 million. The sum of all approved capital activity in process is \$1.687 bil-

lion, with \$1.169 billion of expenditures planned during the next five years.

The schedules highlight plans for addressing the university's strategic initiatives through investment in capital facilities and equipment. Projects directed toward the Ithaca campus's emphasis on undergraduate education and living environment, strategic research areas, and information technology, make up \$794 million, or two-thirds, of the list of approved capital activity on the Ithaca campus.

- Projects to improve undergraduate education and create a living/learning environment include major reconfiguration of the university's West Campus residential facilities, and extensive renovations to Mann Library and Helen Newman Hall.
- Support of strategic research areas includes the construction of Duffield Hall (for the fields of nanofabrication and material science), a life sciences technology building and a research facility at the east end of campus (to support of components of the life sciences initiative), and a new facility for the physical sciences, as well as a variety of renovations creating labs and support facilities for genomics and physical sciences research.
- Significant investment in the university's information technology infrastructure is planned. A project to rewire the campus and upgrade the speed and capacity of the data network will be carried out across campus over the next 14 years. In addition, the university is making an investment of \$50 million over five years in new and upgraded administrative systems.
- Major capital projects addressing the program needs of a variety of units include a replacement of the North Martha Van Rensselaer wing due to structural problems, the construction of a new facility for the Department of Architecture, expansion of the off-site library storage facility, a series of facilities improvements for the Cornell Plantations, renovations in the College of Human Ecology and the School of Hotel Administration, renovation and expansion of the Africana Studies and Research Center, and a number of construction and renovation projects for the Department of Athletics and Physical Education.
- The university will continue its efforts in the maintenance and renewal of the buildings and infrastructure of its physical plant. Included in

this category are the renovations of Stocking and Bailey Halls; replacements and improvements to the HVAC and life safety systems in Olin and Uris Libraries; an upgrade of the fire protection systems in the residential facilities; and a large group of planned maintenance and utilities projects.

- Projects not shown in the schedule of approved capital activity that are being considered include an animal health diagnostic center; a new facility for Computing and Information Science; an expansion of the Johnson Museum; additional renovations in Olin and Uris Libraries; and a variety of information technology, utilities, and parking structure projects.

More than half of the funding for capital projects will come from external resources.

- Gift and grant funding is projected at \$950.8 million, or more than half of the total. The estimated value of gifts in hand or pledged for these projects in 2004 dollars is \$418.9 million, leaving \$531.9 million in 2004 dollars to be raised, should all of these projects be undertaken as shown.
- New York State funding for projects for the contract colleges is projected to cover 15 percent, or \$259.3 million, of total project costs. Approved projects include those that are part of the new SUCF five-year capital plan, beginning in 2004-05. The ultimate scope and timing of contract college projects is dependent on state appropriations for these purposes.
- Funding from enterprise operations and general purpose or unit resources cover \$44.7 million and \$399.7 million respectively.
- The source of funding for the Olin/Uris Libraries renovations has yet to be determined. That unidentified funding, totaling \$32.5 million, might come from external grants or gifts or utilize other university resources.
- Based on an analysis of project expenditures and funding availability, the university expects to finance \$232.7 million of project costs using long-term debt and another \$151.0 million of short-term bridge financing that is often used to accommodate the timing in gift receipts. This total excludes debt issued by New York State to finance contract college projects.

DEBT AND DEBT REPAYMENT

The proceeds from various university debt issuances and borrowings allow the university to finance capital projects. Debt permits the university to undertake capital projects when cash funding is not available at the time capital expenditures are made and to spread the cost of a project over multiple fiscal years. It is also to the university's financial benefit to take advantage of the low cost of tax-exempt debt. The university's external debt includes tax-exempt and taxable borrowings. It does not include debt issued by New York State for contract college projects. Debt service on these projects is paid directly from a consolidated State University of New York debt-service appropriation and is not included in the university's budgets or financial statements.

- It is anticipated that the university will have \$559.8 million of external debt at the beginning of the 2004-2005 fiscal year. (See line 23 on page 48.) Of the total debt, \$544.6 million finances capital assets and \$15.2 million finances educational loans for Cornell students. During 2004-2005, the university is scheduled to pay an estimated \$47.9 million in principal and interest.

Cornell has established a \$100 million credit line for tax-exempt commercial paper to finance the Medical College Strategic Plan and other projects where variable-rate debt is the most effective option, such as gift-funded projects that require bridge financing. In 2003-04, Cornell also established a \$100 million credit line of taxable commercial paper to finance projects that are not eligible for tax-exempt financing. In addition, the university is planning to issue \$90 million of tax-exempt, extended maturity debt before the end of 2003-04 that will refinance approximately \$47.5 million of tax-exempt commercial paper. The remaining funds will be used to fund capital project renovations and deferred maintenance on the Ithaca and Weill Medical College campuses.

Unit Debt and Sources of Debt Repayment

The schedule on page 49 identifies outstanding debt and budgeted debt service by operating units. A distinction is made between debt service paid directly by an operating unit and that paid by central university resources for the benefit of operating units.

CAPITAL PLAN

Approved Capital Activity (dollars in thousands)	Est. Budget	PV Gifts/ Grants In Hand/ Pledged	Gifts/ Grants To Be Raised	General Purpose/		State or SUCF	Funds To Be Ident.
				Unit	Enterprise		
1. W. Campus Residnt. Init.	\$207,000	\$116,300	\$90,700				
2. Mann Library Renovation	26,779					26,779	
3. Helen Newman Hall	15,000	114	14,886				
4. Undergrad. Education	248,779	116,414	105,586			26,779	
5. Life Sciences Tech. Fac.	140,000		115,000			25,000	
6. Physical Sciences Facility	100,000		95,000	5,000			
7. Duffield Hall	58,500	58,500					
8. Duffield Hall Fit Out	12,000	1,000		10,500		500	
9. Engineering Quad Reconfig.	4,000	4,000					
10. East Campus Research Fac.	55,000		4,000	37,250		13,750	
11. Nutritional Sci. Animal Fac.	10,000			10,000			
12. Civil/Envir. Engr. Teach. Labs	8,040	1,285	6,255	500			
13. Uris Hall Animal Facility	8,000		4,000	4,000			
14. Geneva Food Sci. Renov.	6,739					6,739	
15. Riley-Robb Renov.-I	5,450			3,550		1,900	
16. Corson-Mudd Animal Fac.	4,300			4,300			
17. Chem./Chem. Bio. Renov.	4,140			4,140			
18. Contract Coll. Anim. Fac.	4,000					4,000	
19. Plant Science Renovations	4,000			2,719		1,281	
20. Vet. Molecular Med. Lab.	3,000			1,800		1,200	
21. Research	427,169	64,785	224,255	83,759		54,370	
22. Network Wiring Upgrade	68,000			62,315	5,685		
23. Administrative Systems	50,000			50,000			
24. Information Tech.	118,000			112,315	5,685		
25. North MVR Replcmt.	35,000					35,000	
26. Milstein Hall	27,500	14,602	12,898				
27. Plantations Fac. Upgrades	18,217	9,884	8,333				
28. Library Storage Annex Exp.	10,800			10,800			
29. MVR Renovations	8,169			6,227	160	1,782	
30. Collyer Boathouse Impv.	8,000	975	7,025				
31. Schoellkopf Hall Upgrade	8,000	8,000					
32. Lynah Rink Enhancements	5,000		5,000				
33. Africana Center Renov.	4,230			4,230			
34. Hotel School Reconfig.	3,900			3,900			
35. Program	128,816	33,461	33,256	25,157	160	36,782	
36. Planned Maintenance	43,800			43,800			
37. Olin/Uris HVAC/Life Safety	33,000			525			32,475
38. Stocking Hall Renovation	25,000					25,000	
39. Contract Coll. Misc. Rehab.	17,361					17,361	
40. Bailey Hall Renovation	16,300	2,000		2,000		12,300	
41. MVR Exterior/Syst. Upgrds.	16,000					16,000	
42. Student House Renov.-V	15,300				15,300		
43. Radiation Disposal Site	13,900			1,390		12,510	
44. Residence Fire Prot. Upgrd.	11,169				11,169		
45. Dining Facilities Upgrades	10,000				10,000		

Approved Capital Activity (cont.) (dollars in thousands)	Est. Budget	PV Gifts/ Grants In Hand/ Pledged	Gifts/ Grants To Be Raised	General Purpose/		State or SUCF	Funds To Be Ident.
				Unit	Enterprise		
46. Ives Faculty Building	9,000					9,000	
47. Contract Coll. Roof Replcmt.	7,494					7,494	
48. Vet. Necropsy Suite Rehab.	7,000					7,000	
49. Vet. Waste Mgmt. System	6,000					6,000	
50. Fernow Hall Rehabilitation	6,000					6,000	
51. Ward Lab Decommissioning	5,467			5,467			
52. Rice Hall Rehabilitation	5,000					5,000	
53. Gannett HVAC Rehab.-II	4,000			4,000			
54. Chem. Waste Disp. Site	3,600			2,592		1,008	
55. Hedrick Hall Roof/Syst.	3,293					3,293	
56. Barton Hall Roof/Exterior	3,000					3,000	
57. Contract Coll. Fire Alarm	2,415					2,415	
58. Transport. Proj. <\$2 mil.	2,364				2,364		
59. Bruckner Lab Syst. Upgrds.	2,000					2,000	
60. Riley-Robb Repairs/Upgrds.	2,000					2,000	
61. Bradfield Rehab./Systems	2,000					2,000	
62. Swine Farm Fac. Replcmt.	2,000					2,000	
63. Renewal/Infrastructure	274,463	2,000		59,774	38,833	141,381	32,475
64. Ithaca Campus	1,197,227	216,660	363,097	281,005	44,678	259,312	32,475
65. Strategic Plan-I	181,799	84,455		97,344			
66. Strategic Plan-II	226,736	117,817	108,919				
67. Deferred Maint.-I	26,090		4,778	21,312			
68. Deferred Maint.-II	55,097		55,097				
69. Medical College	489,722	202,272	168,794	118,656			
70. Total Approved Projects	1,686,949	418,932	531,891	399,661	44,678	259,312	32,475

Approved Capital Activity Cash Flow

(dollars in thousands)

	Endowed Ithaca	Contract Colleges	Shared Projects	Medical College	Total
1. To Date	146,538	10,820	53,585	204,598	415,541
2. 2004-2005	90,516	27,627	51,600	146,380	316,123
3. 2005-2006	93,520	49,550	99,100	73,494	315,664
4. 2006-2007	99,777	60,448	79,400	28,307	267,932
5. 2007-2008	76,502	38,900	25,738	10,078	151,218
6. 2008-2009	77,864	31,355	4,800	3,599	117,618
7. Post 2008-2009/TBD	42,710		36,877	23,266	102,853
8. Total Expenditures	627,427	218,700	351,100	489,722	1,686,949
9. Approved Budget	198,684	199,711	87,875	489,722	975,992
10. Short-Term Financing	111,000		40,000		151,000
11. Long-Term Financing	64,265	11,800	47,235	109,414	232,714

Notes: • Est. = estimated; PV = present value; SUCF = State University Construction Fund; TBD = to be determined.
• Shared projects are those that have both endowed Ithaca and contract college involvement.

CAPITAL PLAN

Sources of External Debt Financing

(dollars in thousands)

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Actual Balance 6/30/03</u>	<u>Forecast Balance 6/30/04</u>	<u>Projected Debt Service Payments</u>		
					<u>04-05</u>	<u>05-06</u>	<u>06-07</u>
Tax-Exempt Debt							
1. Series 1990B	<i>Variable</i>	2025	\$59,000	\$58,700	\$2,094	\$2,182	\$2,168
2. Series 1992 Education Loan	<i>6.70–6.80%</i>	2009	4,083	2,688	1,270	695	215
3. Series 1993 Education Loan	<i>5.00–5.50%</i>	2007	3,089	2,334	800	805	1,155
4. Series 1993	<i>4.90–5.10%</i>	2005	1,290	685	694		
5. Series 1995 Education Loan	<i>5.35–6.15%</i>	2011	12,001	10,196	1,589	2,100	2,040
6. Series 1996	<i>4.80–5.40%</i>	2014	91,795	82,550	13,486	12,846	12,203
7. 1998 Commercial Paper	<i>Variable</i>	2028	68,760	21,260	2,193	2,193	2,193
8. Series 2000A	<i>2.99%</i>	2029	64,505	63,055	3,349	3,360	3,379
9. Series 2000B	<i>4.63%</i>	2030	83,695	82,085	5,497	5,489	5,487
10. IDA Series 2000	<i>4.65–5.25%</i>	2011	7,900	7,070	1,229	1,229	1,227
11. IDA Series 2002A	<i>4.52%</i>	2030	43,070	42,905	1,999	2,002	2,007
12. IDA Series 2002B	<i>4.33%</i>	2015	15,390	15,390	666	666	666
13. Series 2004	<i>Variable</i>	2029		<u>90,000</u>	<u>4,115</u>	<u>4,146</u>	<u>4,181</u>
14. Subtotal Tax-Exempt Debt			454,578	478,918	38,981	37,713	36,921
Taxable Debt							
15. Series 1987B	<i>11.11%</i>	2012	15,150	14,135	2,695	2,697	2,697
16. 2004 Commercial Paper	<i>Variable</i>	2034		42,604	3,750	3,750	3,750
17. Capitalized Leases	<i>Variable</i>	2020	13,213	12,925	1,500	1,500	1,500
18. Sallie Mae – Series 1999	<i>5.75–6.50%</i>	2019	6,430	6,195	656	655	654
19. Urban Development Corp.	<i>0.00%</i>	2029	3,250	3,125	125	125	125
20. DASNY Pooled Loan Pgm.	<i>Variable</i>	2012	1,696	1,517	225	229	234
21. Other	<i>Various</i>	2010	<u>431</u>	<u>349</u>	<u>17</u>	<u>13</u>	<u>10</u>
22. Subtotal Taxable Debt			40,170	80,850	8,968	8,969	8,970
23. Total External Debt			494,748	559,768	47,949	46,682	45,891

- Notes:
- The total outstanding external debt and the sum of debt service payments for 2004-05 shown above are different from the corresponding totals shown on page 49 due to: (a) timing differences; (b) proceeds of debt issues used to pay issuance costs; (c) proceeds deposited into reserves to pay future debt service or fund project maintenance; (d) proceeds and interest earnings on deposit in construction funds; (e) debt costs, including compounded interest, to be recovered from future interest payments on operating unit debt; (f) debt incurred for student loans that is not reflected in operating unit balances; and (g) debt owed to the central university by internal borrowers.
 - While Series 2000B, 2002A, and 2002B were issued as variable-rate debt, they have been swapped to fixed rates for various terms, which are reflected in the interest-rate information and projected debt service payments.

Debt Service by Operating Unit

(dollars in thousands)

	Outstanding Balance		2004-05 Debt Service		
	<u>2/28/03</u>	<u>2/29/04</u>	<u>Unit Budget</u>	<u>Central Budget</u>	<u>Total</u>
Endowed Ithaca					
1. Arts & Sciences	\$15,643	\$14,604	†	\$600	\$600
2. Engineering		5,361		1,801	1,801
3. Hotel Administration	18,368	17,247	1,940		1,940
4. Johnson School	10,762	10,793	†		
5. Law School	<u>5,501</u>	<u>5,182</u>		<u>622</u>	<u>622</u>
6. Endowed Ithaca Colleges	50,274	53,187	1,940	3,023	4,963
7. Biotechnology	9,999	9,421		1,021	1,021
8. Theory Center	3,250	3,125		127	127
9. Wilson Laboratory	3,037	2,803		375	375
10. Life Sciences/All Other	<u>58</u>	<u>2,959</u>	†	<u>600</u>	<u>600</u>
11. Research Centers	16,344	18,308		2,123	2,123
12. Athletics & Physical Education	6,241	5,394	187 †		187
13. Cornell in Washington		2,900	251		251
14. Library	3,383	3,105		1,712	1,712
15. All Other	<u>2,787</u>	<u>2,709</u>	<u>235</u>	<u>486</u>	<u>721</u>
16. Other Academic Programs	12,411	14,108	673	2,198	2,871
17. Campus Life	165,288	157,821	15,203		15,203
18. Fraternities/Sororities	2,417	2,806	249		249
19. Gannett Clinic				340	340
20. Student Services	167,705	160,627	15,452	340	15,792
21. Information Technologies	14,088	13,917	3,014	1,235	4,249
22. All Other	<u>1,794</u>	<u>1,316</u>		<u>436</u>	<u>436</u>
23. Administrative & Support	15,882	15,233	3,014	1,671	4,685
24. Facilities & Campus Services	97,063	95,435	8,426	1,283	9,709
25. Life Safety	1,182	1,114	121		121
26. Real Estate	22,126	21,742	2,690		2,690
27. Transportation/Mail Service	<u>10,628</u>	<u>9,483</u>	<u>1,536</u>	<u>72</u>	<u>1,608</u>
28. Physical Plant	130,999	127,774	12,773	1,355	14,128
29. Endowed Ithaca All Other	15,150	14,135		2,633	2,633
30. Total Endowed Ithaca	408,765	403,372	33,852	13,343	47,195
Contract Colleges					
31. Agr. & Life Sciences (incl. Ornithology)	2,187	11,037	352 †	61	413
32. Human Ecology	1,849	1,742	225		225
33. Vet. Med. College (incl. Baker Institute)	<u>3,400</u>	<u>4,490</u>	<u>188</u>	<u>216</u>	<u>404</u>
34. Total Contract Colleges	7,436	17,269	765	277	1,042
Medical College					
35. Research	22,270	21,130	2,272		2,272
36. Residences	14,721	13,605	2,720		2,720
37. Clinical Care	1,696	1,591	180		180
38. Administrative & Support	<u>9,666</u>	<u>10,599</u>	<u>399</u>		<u>399</u>
39. Total Medical College	48,353	46,925	5,571		5,571
40. Total University	464,554	467,566	40,188	13,620	53,808

Note: † These debt service payments are pending receipt of gifts; portions of the interest are being compounded.