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**

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 will apply to all projects requiring project approval requests (PARs) and third-party developer projects.

Departure from these guidelines is permissible only in exceptional circumstances, as determined by the President and the Provost after recommendation from the Capital Funding & Priorities Committee.

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 annual capital budget and five-year capital plan.

**Capital Planning Principles and Expectations**

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.
- Units are expected to plan and budget for space and building renewal needs.
- Projects or proposed programs must prioritize synergies and coordination in the use of resources during their development and implementation.
- As units consider and develop proposals for space, facility, or infrastructure projects, scoping plans should address a significant level of deferred maintenance whenever feasible. The amount of deferred maintenance addressed will be evaluated as each project proceeds through the review and approval process.
- 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 prior to conducting a feasibility study or initiating any early-stage design process. The Executive Vice President also has authority to approve a feasibility study for infrastructure processes equal to or greater than $2 million, but to avoid confusion and potential conflict, use of this authority is limited to specific projects as determined by the Provost and Executive Vice President. 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 well aligned to a unit’s strategic priorities and which 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 well as future operations and maintenance.

- The funding plan and phase gating thresholds stated within this document apply to the budget for the entirety of the project. Units cannot meet thresholds by parsing projects unless the subproject can exist indefinitely without future phase execution.
- 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.

Exceptions or modifications to this requirement will be evaluated on a project-by-project basis by the Executive Vice President and Vice President for Budget and Planning.

- 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 the 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.

- 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 five-year capital plan. Such a study should assess the impact on existing and planned campus infrastructure, and adjacent or other spaces and/or 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.

Funding Requirements and Management of Project Funds

- The cost of a feasibility study must be in hand and available prior to beginning the feasibility study effort.

- 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 design services beyond feasibility.
  - Funds for design services 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, or an approved “backstop” funding plan must be in place before construction can be authorized to begin.
  - At least 75% of gifts included in the approved funding plan must be cash-in-hand before construction can be authorized to 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.

- Capital projects that are funded by the State University of New York (SUNY) Capital Plan for the benefit of a specific Contract College or Colleges will require a funding contribution from the college(s) of ten percent (10%) of the total project budget. SUNY-funded capital projects that are for the benefit of the Contract Colleges as a whole and not a specific unit or units - e.g., maintenance, utilities, and other infrastructure - are not subject to the 10% contribution requirement but will still require unit funding of costs not eligible for State funding.
  - The college contribution is intended to increase the impact of State funding at Cornell and to give the colleges an increased financial stake in the project costs. The expectation for contribution applies to the specific projects and scope defined in the SUNY Capital Plan, and is not applied to other capital activity, however related, that is pursued by the colleges.
  - Any requested ruling on or exception to the contribution requirement will be made by the Capital Funding & Priorities Committee.

- 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 major utility or other rate-recovery project that represents new capacity or capability 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 if the project is greater than $10M and was not included in the annual approved capital plan.

- 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 $1M 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. 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.

- 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.

- After project substantial completion and before project closeout, the unit may make one request to release some of the remaining contingency funds. In such cases, the Vice President for Facilities & Campus Services (FCS) or designee will provide a written request to Financial Affairs. The request will identify the portion of contingency that FCS deems no longer necessary to cover outstanding costs or liabilities through project closeout. The released funds will be returned proportionally per the next set of statements. Such release of funds does not relieve or change any unit funding responsibility should an unforeseen event occur requiring subsequent use of the previously released funds.

- 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.
For Contract College projects with State University Construction Fund (SUCF) funding and unit contributions, following project closeout, any savings that are realized will be distributed to the funding partners as follows unless otherwise documented and approved through the PAR:

- The share returned to the college will not exceed 10%.
- No savings will be returned for non-SUCF grant funding used for all or part of the unit contribution unless the grant funding can be reassigned.
- If college funding is completely expended on the project and therefore not available to return savings to the college, the SUCF funding will be returned to the Balance Account and the college will not share in the savings.
- Any college funding in the project beyond the 10% college share of savings will be held in Contract Colleges Facilities for use on other prioritized projects in Contract Colleges buildings.

Capital Budget and Plan Variances

- At project initiation, a capital budget variance exists if the project is not in the approved annual capital budget or the total project budget exceeds the approved, published capital budget. Capital budget 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 budget 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 budget variances as published in Appendix D of Policy 4.2, Transaction Authority and Payment Approval.

- Similarly, 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.