

Facilities Operational and Utilities Budget Development

Questions – please contact John Kaufhold, Director of Finance & Administration – Facilities

Budget Process Overview:

- ❖ Please note, we recommend reading the memos titled “*Facilities Central Operational Rates and Charging Methodology*” and “*Utilities Rates and Charging Methodologies*” in advance to help understand our cost structures, rates and methods prior to reading this memo.

In summary, the budget development process starts by evaluating what has changed from the prior year, which includes large scale campus square footage changes (new construction, property acquisitions, demolitions, previously unused space, etc.), and largely excludes programmatic changes (for example, a unit/department intends to host more evening events or slightly alters its building use, these impacts are budgeted within the unit/department itself).

Budget development within Facilities contains the following types of changes:

1. Large scale campus changes are tracked within Facilities when the Officers of the University approve funding for renovations or campus expansion via the “capital impact analysis”, commonly referred to as CIA tracking. The CIA sheets for a given project include estimates for the incremental operational and utilities related costs that will be needed upon completion of the project. These CIA’s are formally tracked and the resulting costs are included in the next budget development cycle.
2. Budget Office directed changes, which generally includes updated fringe rates, parameter growth, building org reassignments, etc.
3. All other known changes, which may include union negotiations, effects of reorganizations, resource allocation changes between work units/buildings, utilities infrastructure/consumption changes within buildings, utilities hedge and rate changes, cost reduction initiatives, etc.

The above costs are combined with the prior year budget to determine the cost base for next year’s budgets (total cost pool or TCP).

The next step is to review last year’s actual costs on a building by building basis and incorporate the cost changes in 1, 2, & 3 above into a new “building load”. Facilities attempts to allocate costs to buildings based on specific building knowledge, historical knowledge, known square

footage changes, specific department changes, etc. General cost changes such as parameter growth or fringe rate changes are allocated to buildings based on proportional scale. The updated “building loads” for Facilities costs are distributed by the Budget Office to the respective departments/units for inclusion in their overall budget development (typically in the Oct-Dec timeframe).

Variance Review – Budget to Actual:

Facilities’ completes a Q2 forecast and yearend review of actual to budget results with formal explanations for variances submitted to the Budget Office (same requirement for all Yale departments/units). This review includes salary, material, overhead, contractor variances, as well as billing, cost recovery/allocation variances, etc. Large scale impacts for storms, renovations, square footage changes, etc. are included as well.

Upon request, Facilities will review costs at the specific building/org level when needed.

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- ❖ *For additional information, please refer to the memos titled “Facilities Central Operational Rates and Charging Methodology” and “Utilities Rates and Charging Methodologies”.*