

Budget Conversation: Capital Projects

Quest Speaker: Rob Basto, Assistant Director Business Operations, CPFM

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Overview of Capital Projects and How We Account for Them

Capital Projects are anything that adds value, efficiency, or life expectancy of an asset. Assets are not computers, they are a building, a field, parking lot or a scoreboard.

Each asset has a different threshold,

- Building Improvement: \$100k to capitalize work done, includes additions. This is a guideline.
 - If we are adding a \$25k roof to a building that is valued at \$75k, we would capitalize that because of the value that is being added to the asset.
- Land Improvements: (parking lots, athletic fields, fences, gates): \$75k,
- IOTVs (fountains, bleachers, scoreboards): \$50k,
- Infrastructure (roads, sidewalks, tunnel systems, drainage systems): \$50k.

How we account for various funding sources for a project depends on size,

- Below \$5M does not need Board approval, above \$5M will need approved,
- Big projects, like Huestis deferred maintenance and Housing project, will use bond funding as well as internal/departmental funding.

Revenue Bonds, Q Bonds and G Bonds,

- Q Bonds and G Bonds come from the State of Oregon. We get the funds on a reimbursable basis, incur the expense first then send an expense report to Treasury, who sends to the state for reimbursement.
- Revenue Bonds are local bonds, the university does its own bond funding. Housing was largely financed thru revenue bonds
- Internal/department funding can be gift funds, General Fund (GF), auxiliaries, and grant funding can also be used

Plant funds will be created for each different color of money for a project,

- If using 3 different funding sources but all from GF, we would use 1 plant fund (unless requested by unit)
- Typically the fund starts with 8.
- Capital expenses are in the 4XXXX series, unless its equipment or GF or similar nature.
- Anything that is capitalized should be in a plant fund
- CPFM creates the plant funds and will get money transferred in, will correspond with you to find out where to transfer funds from.

Revenue Bonds have a draw down,

- Cash flows are shared with user and try to make quarterly draws,
 - Example: Housing would approve and then CPFM will do a draw down. Treasury would put draw in the plant funds, with appropriate series.
- Bonds have sales series depending on when they are sold,
- Typically have 3 years from date of sale to spend. That is heavily watched and adhered to very strictly. State requirement.

Plant Fund Side,

- All expenses typically go thru plants funds that are watched by CPFM accounting team.
- Bond funds have restrictions on what you can spend and not spend on, so CPFM and Treasury watch closely to make sure correct for when setting up reimbursement request.
- Typically gift funds and GF to do not have restrictions.
 - Gift funds might have restrictions by the donor then we monitor how the money is spent.
- Entire project is captured in plant funds, balanced, and runs thru the life of the project.
- Any funds leftover at end goes back to the department.

Does not have to be a Capital Project to have a Plant Fund,

- Can be used for minor renovations, minor remodels, furniture procurements, painting, and carpeting that does not reach threshold for capitalization,
- Or if you don't want to run project thru your departmental index, can pull the money out and put in a Plant Fund.

Contact CPFM to create a Plant Fund.

Questions?

1. We want to have offices repainted, could we move money over to a plant fund?
 - a. Yes, if you don't want to co-mingle interdepartmental indexes. We never override your default in Banner, e.g., activity code. We track with a location code or an activity code on Plant Fund side so we can reconcile and know that we are not overspending. Activity code (Plant Fund side) will match our CP number for the project
2. Is there a place on CPFM website with details on thresholds to establish a plant fund or basic info on Plant Funds?
 - a. There is a fixed asset accounting policy on BA's website, <https://fpm.uoregon.edu/fixed-assets.html>.
3. If a budget partner has a question about the finance side of a capital project, who should they contact?
 - a. Contact CPFM.
4. Who is the contact for non-finance questions related to a project?
 - a. The Owner's Rep or Project Manager for project details.
5. What if I'm working with my Owner's Rep (OR) about project ideas and designs, once a project starts shaping up would they connect with you as part the project design on the finance side if we give them the info on the plant fund or should I connect with you separately to give you the information and connect you with design team myself?
 - a. Typically, projects have a charter document that we estimate the low and high end of the budget. On that form can list funding sources and if it's a signed charter document with an index will use that. The OR will contact me when ready to start contract, then I will contact unit to get financial information and decide at that time if going Plant Fund route or using the funding sources given by unit.

6. We have a building reserve. Can you directly draw from building reserve? Is there a minimum to do that?
 - a. If you have a building reserve fund that you need to draw down from then contact me to move funds. There is no minimum.
7. If I have a building reserve for a project in a plant fund and I want to move money out to do a new roof, then does that go into another Plant Fund called roof or a different type of Plant Fund, or do you leave it in the building reserve Plant Fund?
 - a. Typically, in a building reserve fund we don't charge anything there. We will move to a Plant Fund 841xx. Will coordinate the draw down with the unit. If you don't have a generic building reserve plant fund and want to move it to a project specific plant fund, we can create a fund number within same series. If running several projects in same fund, will track with location codes and activity codes to account for correctly. We can track with whatever the unit is comfortable with.
8. On minimums for different types of projects, what if project design is touching different areas such as touching building as well as sidewalk. Is portion hitting sidewalk treated under a separate minimum then others or is it a different project?
 - a. Will look at cost breakdown, could run thru same plant fund. Would ask design team to breakdown and can ask contractor to track pay for different assets. Can track by square footage, so architect and contractor will bill breakout costs to different assets.