

MEMORANDUM

From: Katrina Spencer, Associate Vice President of Finance and Budget Director
To: University of Chicago Unit Finance Leaders
Date: March 16, 2018

Subject: Space Cost Allocation Budget Model

I. Purpose

The purpose of this memorandum is to provide the University of Chicago unit financial leadership and management teams with their FY19 space estimate as well as an overview, information and better understanding of the Space Costing Model. As part of your FY18 Budget Letter the Budget Office provided each unit with an FY18 space cost total that would be charged in FY18. Due to a variety of factors, that has not been done to date. Below you will find information on what is included in the Space Model, the sources for each piece of data, calculations (where applicable) and definitions for each component of the Space Model. As part of the revision of the Space Model, a revised space allocation for the FY18 budget will be shared with you. As a reminder, for FY18 each unit will be charged the amount included in their FY18 Budget Letter.

II. FY18 Space Cost Allocation Model

The Space Model consists of various components. Each unit is receiving a detailed output from the updated FY18 Space Cost Model in a table that details space costs by line item for each component of the unit's total occupied space at the Department level. An example of this output is provided in the table below.

	A	B	C	D
	FY18 Budget	FY18 Updated Allocation*	FY19 Target Adjustment	FY19 Estimate**
Depreciation - Building	4,843,758	5,730,681	886,923	5,845,295
Interest Expense	8,878,552	8,393,197	(485,355)	8,561,061
Facilities Operations & Maintenance	1,227,003	233,809	(993,194)	238,485
Utilities	1,291,720	1,078,740	(212,980)	1,100,315
Space Credits	(5,846,589)	(5,846,589)	-	(5,846,589)
Total	10,394,444	9,589,839	(804,605)	9,898,568

	<i>Surplus/(Deficit)</i>
FY19 Target (per budget meeting deck)	5,675,299
Target Adjustment	804,605
FY19 Target including space adjustments	6,479,904

For each of the space cost line items, the columns to the right provide proportional space cost allocations for your unit for each of the following amounts:

- A. FY18 Budget:** This represents the original FY18 Space Cost Allocation Model developed during the FY18 budgeting process. These amounts correspond to the space allocation inputs that were used to develop the FY18 Budget targets documented in each unit's FY18 Budget Letter. **This is the amount units will be charged for space in FY18.**
- B. FY18 Updated Allocation:** These amounts reflect space occupancy for each unit as of June 30, 2017 and updated costs for depreciation, interest, O&M, and utilities based on end of year actuals for FY17.
- C. FY19 Target Adjustment:** Difference between the FY18 Budget and FY18 Updated Allocation. This is the amount your FY19 target will be adjusted based on updated space assignments and costs. The calculation of how this target adjustment impacts the overall FY19 Budget Target for your unit is included with the space allocation worksheet as shown in the example above.
- D. FY19 Estimate:** Estimate of FY19 costs is based on forward-looking estimates for depreciation, interest, O&M, and utilities. The net assignable square footage (NASF) for each unit used to calculate the FY19 Estimate is based on actual assigned space in the University space system of record, ARCHIBUS, as of February 28, 2018.

For each space cost line item, costs for each building have been compiled. Then building totals have been allocated based on the net assignable square footage (NASF) occupied by units within each building. Definitions for each line item, sources of data, and methods of calculation are provided in the table in section (III) below. Assumptions are detailed in section (IV) below. Frequently Asked Questions (FAQs) have also been provided in section (V). Please review the Space Cost Allocation Model output for your unit and the accompanying information provided with this memo. If you have questions, please contact the Budget Office Analyst for your unit or email your questions to the Budget Office at budgetoffice@uchicago.edu.

III. Definitions and Calculations

Component	Definition	Data Source	Unit Allocation Formula
% Net Assignable Square Footage (NASF)	The proportion of the total NASF occupied by a unit within a building.	ARCHIBUS	(NASF Occupied by Unit within Building) / (Building Total NASF)
Depreciation - Building	Total charges assessed against buildings based on the property attribution of asset line items in the Property Management System.	University of Chicago Capital Asset Accounting, Financial Services, Finance and Administration	(Total Building Depreciation for Each Building) x (% of Total Building NASF occupied by unit within a building) Note: For monthly reporting, the total Building Depreciation actual is assumed to be 1/12 of the budgeted total for the fiscal year.

Component	Definition	Data Source	Unit Allocation Formula
Interest Expense	Total interest expense allocated to buildings is determined by multiplying the University internal interest rate published by the Treasurer by sum of proceeds for building related debt instruments. This total is then allocated to occupants of campus space per the defined unit allocation formula.	University of Chicago Treasury Services, Finance and Administration	$(\text{Total Debt for Building} \times \text{Blended Interest \%}) \times (\% \text{ of Total NASF occupied by unit within a building})$ Note: For monthly reporting, the total Building Interest actual is assumed to be 1/12 of the budgeted total for the fiscal year.
Facilities Operations & Maintenance (O&M)	Cost related to delivering basic services, such as building engineering, custodial, carpentry, decorating, grounds, pest control, elevator, administrative management and support. For purposes of the space cost allocation model, Facilities Services provides the Budget Office with FY18 budget amounts by building. Budget totals by building are then allocated to building occupants per the unit allocation formula. Recharge facilities costs are not included in the Space Allocation Model and are billed directly to units that occupy space in recharge facilities.	University of Chicago Facilities Services	$(\text{Total Building O\&M Budget}) \times (\% \text{ of Total Building NASF occupied by unit within building})$ Note: For monthly reporting, the total O&M actual is assumed to be 1/12 of the budgeted total for the fiscal year.
Total Utilities	Total utilities includes charges for steam, electricity, chilled water, water & sewer, natural gas, and fees associated with the Metropolitan Water Reclamation Districts. FY18 Budget amounts were determined using the methodology detailed in the assumptions in section (IV) below. Actual costs are allocated to units monthly based on metered usage and the budgeted utilities rates. Units are held harmless to any rate fluctuations.	University of Chicago Facilities Services	$(\text{Total Building Consumption} \times \text{Budget Utility Rate}) \times (\% \text{ of Total NASF occupied by unit within building})$

IV. Assumptions

- 1) Campus space includes offices, research laboratories, classrooms, specialized teaching laboratories, and all usable spaces, active and inactive, that support the academic programs and administrative units.
- 2) FY18 Revised Model reflects space assignments in the University's space system of record, ARCHIBUS, as of June 30, 2017. This data is assumed to be accurate as each unit is expected to maintain a process that maintains the accuracy of their assigned space records. FY19 estimates are based on data as of February 28, 2018. FY19 actuals will be based on monthly space records.

- 3) Space expense is based on a unit's total net assignable square footage (NASF) across buildings as reflected in ARCHIBUS. If applicable for allocating expenses, when more than one unit occupies a building, a unit's proportional (% of total NASF) occupancy will be calculated against the building's total NASF.
- 4) The NASF of all rooms covered by the definition of a campus classroom and listed as a campus classroom by the University Registrar's Office are excluded from the total NASF for the divisions. Instead these spaces are allocated to the College and will factor into the College's allocations of total space expenses.
- 5) Total space expense includes direct costs (e.g., depreciation, interest expense, facilities operations & maintenance) and variable costs influenced by occupancy (e.g., utilities).
- 6) Direct costs consist of depreciation on the building, building components, and interest expense. Operations and maintenance costs related to delivering basic services in buildings (e.g., building engineering and custodial services) are also considered direct costs.
- 7) Utilities (e.g., steam, electricity, natural gas, and chilled water) are variable costs. FY18 budget amounts are based on projected cost estimates by building as developed by Facilities Services in the *Campus Utilities Pro-Forma Report* during the FY18 budgeting process.
- 8) Utilities budgets consist of two-year averages of consumption and projected utility rates.
- 9) FY18 actual utilities costs for each building are determined by Facilities Services based on actual usage by building. In most cases, a unit's usage is determined by multiplying total building utilities costs by the percentage of the building's total NASF for each building the unit occupies. Where possible, actual meter readings for buildings with multiple meters are used to track consumption of particular units.
- 10) For spaces that are highly technical and have significant utility requirements, and when it is reasonably possible to do so, an effort will be made to segregate those expenses for a more accurate allocation (e.g., the nanofabrication unit in ERC).
- 11) Depreciation, operations, maintenance, and utilities expenses vary by building and by building systems, and are influenced by age and the level of recent capital investments.

V. Frequently Asked Questions (FAQs)

1) If a unit plans to add, release, or change space in FY19, are those planning assumptions included in the FY19 Estimates?

No. As a reminder, units will be charged for FY18 budgeted space cost unless there have been material changes to a unit's space assignment in FY18. The FY19 Estimate for each building is based on forward-looking estimates for depreciation, interest, O&M, and utilities, but the NASF for each unit used to calculate the FY19 Estimate is based on actual assigned space in the University space system of record, ARCHIBUS, as of February 28, 2018. The FY19 Estimate is provided as an informational tool to guide units in space planning and budget development for FY19. The February 28, 2018 ARCHIBUS space occupancy data, and, thus, the FY19 estimate, do not reflect space that will be vacated and/or reallocated in FY19. If units expect significant changes to their space occupancy, they should work with their budget analysts to understand the impacts of those changes on their FY19 budgets. In FY19, units will be assessed monthly space charges based on space allocations in ARCHIBUS as of the close of the last month. It is the responsibility of the units to submit requests for space changes to the Associate Provost for Planning for review and approval. For units that anticipate changes to the amount and/or location of the space they occupy, they will need to adjust their estimates accordingly.

and ensure space costs are budgeted appropriately for their units in FY19. If a unit has questions about its space assignments or the net assignable square footage numbers in the space model, please contact your budget analyst or email the Budget Office at budgetoffice@uchicago.edu.

- 2) What happens to space allocation amounts if a unit gives up or changes space within a building?**
If a unit changes or gives up space within a building, the % of total NASF that is occupied by that unit will change accordingly. If a unit desires to make a change in its space occupancy, unit managers should contact Blair Archambeau, Associate Provost for Planning. Each request will be reviewed by the Associate Provost for Planning and a recommendation made to the Provost for final decision on changes to units' space assignments.
- 3) What if I find an error in the space cost allocation information that was distributed to my unit?**
All square footage data has been pulled from ARCHIBUS. If the error is attributable to source data issues, units must resolve the issue with the appropriate system owners. If there is an error in a space cost allocation calculation, please contact your unit's designated Budget Analyst or email the Budget Office at budgetoffice@uchicago.edu.
- 4) How do units use these numbers for FY19 budget planning?**
Units should use the FY19 estimate as the baseline for their space cost assumptions for FY19 budget planning.
- 5) How will changes to space allocations impact our FY19 targets?**
If a unit changes or gives up space within a building in FY18 and it is approved by the Provost's Office, the changes to % total NASF in a building that is occupied by that unit will change accordingly. If a unit gives up space, the allocated space costs will be reduced according to the unit allocation formula described in the table in section (IV) above. Likewise, if a unit acquires additional space, the allocations will increase. When a unit is approved to release space (which requires approval from the Provost), including classrooms and server rooms, they will no longer be responsible for the associated expenses and can accrue these savings for re-allocation to other internal budget priorities. In this way the unit realizes a benefit by no longer bearing space related expenses.
- 6) How does this work with Facilities Services cost savings initiatives?**
Facilities Services cost savings initiatives are incorporated in the rates for FY19.
- 7) What happens for those who have been charged already for space in FY18?**
For those who have been assessed space charges already in FY18 according to other space and rental agreements not governed by the University space cost allocation model, they will continue to be assessed space charges per those existing agreements. Any changes made in FY18 will account for these circumstances to ensure that no unit gets double charged.
- 8) What if a unit pays rent to another unit? How is that incorporated in the allocation model?**
Charges for rent to other units is not included in the allocation model. The units in this situation will continue to work directly with those units from which they pay rental charges.

9) How often will units be provided this information?

The University Budget Office will provide this information in the form of a report on a monthly basis beginning in April 2018. With each monthly budget reporting cycle, this information will be included in each Unit's Budget Shared files.

10) How often and by what process will units be charged?

Units will be charged monthly for space costs beginning in FY19.