

MEMORANDUM

From: Katrina Spencer, Associate Vice President of Finance and Budget Director
To: University of Chicago Unit Finance Leaders
Date: March 26, 2018

Subject: Space Cost Allocation Budget Model – Addendum 1: FAQ Update

Attachments: (1) Space Cost Allocation Budget Model FAQ's 11 - 17
(2) Accounts and Sub-Accounts for Space Costs for FY19 Budgets

I. Purpose

This is an addendum to an original memorandum regarding Space Cost Allocation that was distributed to University of Chicago unit financial leadership and management teams on March 16, 2018. The purpose of this addendum is to provide unit financial leadership and management teams with an updated list of Frequently Asked Questions (FAQ's) that includes both the original FAQ's and subsequent questions that have been received by the Budget Office since the original memorandum was distributed. For convenience, **Attachment (1)** is provided and contains only the new FAQ's (numbers 11 – 17). No changes were made to the original FAQs; however, in an effort to be comprehensive, the complete list is provided below for reference, including the new FAQ's (numbers 11 – 17). If you have additional questions, please contact the Budget Office Analyst for your unit or email your questions to the Budget Office at budgetoffice@uchicago.edu.

II. 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 to 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. For FY18 the charges will be equal to budget, but the report will show what the revised number would have been in an effort to provide meaningful reports.

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

Units will be charged monthly for space costs beginning in FY19. Units will be given the monthly report (which will outline the specific space charges) prior to the actual transaction taking place.

11) Will the rationale be that we receive the cost of depreciation for a building we occupy where the University is the "internal" landlord? For example, we have two internal spaces that we lease from the University, and the schedule says we are allocated depreciation. Should a unit pay for lease and depreciation for these situations? What happens if the landlord (whether it being the Provost Office or another unit) decides to renovate the space without the tenants control or decision?

For buildings owned by the University, we have calculated the costs of depreciation, interest, facilities O&M, and utilities related to each building. We have then allocated those costs to the units occupying those buildings based on the percentage of the net assignable square footage (NASF) that each unit occupies. If a unit is renting a space from CREO or another unit, or another unit is renting space from your unit, you will need to work with the Budget Office to ensure that ARCHIBUS space assignment records accurately reflect those situations. Please contact your unit's budget analyst for further information. With respect to decisions about capital repairs and/or renovations, the University determines when it is appropriate to perform repairs and/or renovations based on capital needs and programmatic priorities.

12) What is the "Total Assignable Sq ft" number? For example, Harper Center has a gross square footage of 415,000. The sheet lists 254,546 as assignable; what has been excluded that represents the other 160,454 "unassignable" square feet?

The terms "Total Assignable Sq ft" and "Net Assignable Square Footage (NASF)" represent the same measures of area and exclude common spaces (such as elevators, lobbies, etc.); Facilities Services-managed spaces (boiler rooms, utility closets, etc.); and unusable space (for example, space that needs to be renovated to be made usable). Units are charged based on NASF.

13) Another unit occupies space in the building and pays rent to us – we do not see any depreciation amount assigned to the other unit for the portion of the space they occupy.

For specific situations such as these where other units occupy space and have a rental agreement with your unit, you will need to work directly with Facilities Services to update space

occupancy records in ARCHIBUS to accurately reflect these situations. If you have additional questions, please contact your unit's Budget Office Analyst or email the Budget Office at budgetoffice@uchicago.edu.

14) Comparing the FY19 Estimate for depreciation to actual charges in FAS for FY17, the FY19 Estimate is slightly lower. How is this possible?

It is possible that a component building asset has reached the end of its useful life or that there are differences in how depreciation is assigned between FAS and the system used to generate the depreciation costs that were incorporated into the FY19 Estimates. For specific questions related to your unit's depreciation charges, please contact your unit's budget analyst or email the Budget Office at budgetoffice@uchicago.edu.

15) What accounts and sub-accounts do we use to budget for space costs in our FY19 budgets? Attachment (2) included with this memo provides a list of accounts for each unit for budgeting space charges and a list of common subaccounts for each space cost component.

16) We do not understand the O&M charges in the cost allocation that was provided to us. Can you provide us with a detailed breakout of what comprises the O&M costs?

The Space Cost Allocation model allocates total Operations and Maintenance (O&M) charges to units by the % NASF they occupy within buildings. O&M expenses allocated to buildings include Facilities Services costs related to delivering basic services such as building engineering, carpentry, interior design, grounds, custodial, pest control, elevator, and administrative management and support. For additional detail on what is included in a building's total O&M costs, please contact Facilities Services.

17) Which number is the FY19 Target that units should use to budget in Delphi? Is it the target received during unit budget meetings (if a unit has already had its budget meeting) or the target that appears on the Space Cost Allocation Adjustment worksheet that was uploaded to each unit's shared folder?

The FY19 Target for budget purposes is the 'FY19 Target including space adjustments' number that appears on the unit's Space Cost Allocation Adjustment worksheet that was uploaded to each unit's FY19 shared folder.