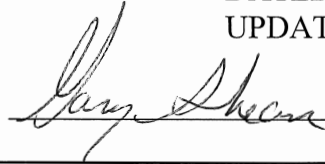




POLICY: I: 22—Budget Development and Revision
Procedure Review: Annually

DATED: December 2003
UPDATED: February 2020

APPROVED: Executive Director of Facilities and Construction:

 2/16/2021

I. PURPOSE

To explain the timeline, process, and procedures of the department's development and utilization of the annual budget, as well as Facilities Management's (FM) role in the university budgeting process, policies, and timeline.

II. DEFINITIONS

- A. Auxiliary funded personnel – The FM department has no auxiliary enterprise functions, but does have salaried and wage positions that are budgeted in auxiliary accounts. The services billed to auxiliary enterprises must bring these accounts to a zero balance by fiscal year end. The department's recovery budget must allow for this while also using auxiliary recovery to offset E&G funded personnel and non-personnel expenses, which are not fully funded by the University. Auxiliary accounts are brought to a zero balance by the transfer of auxiliary recoveries from the E&G accounts, where these are originally recovered, into the auxiliary accounts via an agency transaction voucher. Bringing these auxiliary accounts to a zero balance takes precedence over meeting recovery targets in the E&G accounts. The department utilizes turnover or vacancy savings in that only actual personnel expenses, not the budgeted amounts, are brought to a zero balance.
- B. E&G funded personnel – Approximately one-half of the positions assigned to FM are funded by the state's education and general fund. JMU uses recovery to offset the personnel cost of E&G funded salaries and benefits.
- C. FM's role in the JMU budget - FM plays an essential role in providing information for the JMU Budget Office's annual budget package. FM provides utility cost projections including refuse/IWM and Power Plant Steam, billable hour's data, and future customer service charges, also referred to as "craft rates". Billable hours and craft rates are used to budget FM services for auxiliary units.
- D. Labor recoveries - Reimbursements to the personnel budget from customer service charges or craft rate fees. For example, the labor hours performed by the paint craft workers are charged at the paint craft rate. If the painting is done for an auxiliary enterprise, the craft rate reflects both the direct labor and administrative overhead cost. If the painting is done for an E&G facility as routine, scheduled work, no customer labor charge or recovery is generated. If the painting is done as an E&G customer-generated request, (i.e. not a part of the routine paint schedule), the E&G customer pays a nominal labor fee or the E&G craft rate.

- E. E&G craft rates - Nominal fees reserved for academic departments and academic-related functions. Auxiliary craft rates are used for capital outlay projects, work paid by grants, private vendors and some E&G sponsored events where an admission fee is charged.

Note 1: Labor and material from an outside vendor are directly customer-charged. If the FM department is the “customer” because the purchase is for routine repair and maintenance of an E&G facility, then the FM non-personnel budget is charged. Recovery is not generated unless it is an expenditure refund or for services requested by a vendor from this department (e.g. a contractor pays for FM Housekeeping to clean up after a renovation project.)

Note 2: Auxiliary recovery and E&G recovery where auxiliary craft rates are used, there is a portion of the craft rate that is the calculated non-personnel cost of the administrative overhead. Approximately 95% of the labor recoveries are personnel recoveries and 5% are NPS recoveries. Budgets must be prepared to reflect this split and this allocation is determined yearly when craft rates are calculated.

Note 3: Labor recoveries are adversely affected by FM turnover/vacancy and time-loss rates, which are higher than departments that do not have employees performing physical labor, driving vehicles, using dangerous equipment, etc. Recovery budgets are not reduced by turnover/vacancy and the savings from E&G funded positions are not available to FM to offset contractual services or other measures taken because of unfilled positions, worker’s compensation and other injury/illness time loss, performance issues, etc.

- F. Material Recoveries - Non-personnel (NPS) recoveries for purchases related to customer work order completion. For example, FM obtains the paint from the FM Warehouse to complete a work order. The gallons of paint issued by the warehouse are charged to the customer at the average purchase price. If the painting is non-scheduled, customer-generated for an E&G facility, or for an auxiliary enterprise, the requesting department’s budget code is charged for the paint. If the painting is routine maintenance of an E&G facility, the FM maintenance budget code is the customer-charge code used, and the paint is a NPS expense to the FM budget as well as a warehouse recovery. (Painting labor is handled differently as defined in labor recoveries.) The warehouse budget receives the recovery for all stock distributed. The warehouse budget must meet a target for E&G recovery and for auxiliary recovery.
- G. Net budget - The total of personnel and non-personnel budgets less the recovery budgets. This “net” is the funding amount, not the total operational cost that is provided FM.
- H. Non-personnel (NPS) budget and expenses – Costs not related to direct employee costs, such as supplies and materials, contractual services, and equipment. Equipment is “zero-budgeted” and funding is based on departmental request/justification and approval of the vice president. Base budgets for NPS can be redistributed among the types or line items for NPS expenses as well as among work units in FM as long as the department’s net budget amount is not changed. During the year, adjustments such as these can be made via a budget revision. When customers are billed for materials and labor already received, recovery reimbursements will not actually occur unless the customer has sufficient funds in their account to cover the bill. At fiscal year end, these software controls are removed by Accounting and Reporting. At this point, decisions to spend E&G funding are made at a central level (AVP for Finance) to fully and best utilize E&G funding for university expenses. On June 1, under the prompt pay act where vendors receive payment within 30 days of the department’s receipt of the goods or the invoice (whichever is the latest date), payables can be the current or the upcoming fiscal year. The department’s available

funding for payables in the current fiscal year do not guarantee funding will be so utilized. Final year-end financial reports are the only notification for the department as to how its resources were used in the last month of the fiscal year.

- I. Personnel budget and expenses - The employee salaries, wages, overtime, and benefit costs. The personnel budget, except for general and student wages, wage FICA, and overtime, are controlled at the central budgeting and accounting levels. Savings from turnover and vacancy of salaried E&G funded positions are not available to the department. Any financial consequences created by position vacancy are issues for the department to resolve, unless a budget revision is prepared and approved: for example, a request to utilize unexpended salaries and benefits to increase the wage budget to hire a temporary worker. Generally, such a request will not be approved unless the university has fully met the budgeted turnover/vacancy projection. When base budgets are distributed by the Budget office, any increase to the wage and overtime budget can be made by the department as long as the net budget amount does not change.

- J. Recoveries – JMU uses all expenditure refunds not identified to a specific payable, all receivables, and all customer reimbursements for services as recoveries. The FM recovery budget is largely based on material and labor recoveries, defined above, and has separate, independent targets for E&G generated material (NPS) recoveries and for E&G generated labor (personnel) recoveries and for auxiliary generated material (NPS) recoveries and auxiliary generated labor (personnel) recoveries.
 - 1. Auxiliary recovery is reimbursement from an auxiliary enterprise.
 - 2. E&G recovery is reimbursement from any source other than an auxiliary enterprise including any expenditure refunded to the E&G accounts.

Note: Both E&G and auxiliary recoveries budgeted for personnel and for NPS can be re-adjusted between personnel and NPS during the fiscal year by a budget revision. However, E&G recoveries and auxiliary recoveries cannot be intermingled or re-adjusted to substitute for one another in situations of overage/deficit. For example, over-recovering in E&G recovery in one budget unit may be used for E&G under-recovery in another work unit in FM. However, over-recovery in E&G cannot offset under-recovery in auxiliary. Failure to meet recovery puts the net budget in jeopardy. Additionally, NPS budgets with unmet recoveries are at risk for being over-expended in the JMU financial software (which means payables may not be paid).

- K. University Budget Office - Under the Vice President for Administration and Finance and the Assistant Vice President for Resource Development, the Budget Director and Assistant Budget Director present annual budget guidelines and timetables for departmental budgets in the January preceding the July 1 start of a new fiscal year. Base budgets are provided that reflect the prior fiscal year's original budget less the amounts of that fiscal year's "one-time" funding and equipment funding. Funding for operating equipment must be annually requested and justified. Additionally, any new funding requests, including new positions, must be justified through a process called the budget initiative. Initiatives should follow the Budget office guidelines to address emergency needs, critical needs (such as aging building renovations), state and federal mandates, capital projects (such as new facility construction and major renovation projects), technology issues, and issues related to enrollment growth. Budgets are addressed at the March Board of Visitors meeting. Notification of the approval of new funding, positions, and operating equipment funding occurs in April-May. In May, current salary and position classification of

departmental employees are reviewed/confirmed by the departments in a two-week turnaround. The Budget Office calculates salary and benefit costs, projects turnover and vacancy costs that are re-budgeted, projects recovery and revenue offsets to operational funding and adds new funding to base budgets for loading into the budget software system for the July 1 of the new fiscal year.

III. RESPONSIBILITIES

- A. Executive Director of Facilities and Construction - Responsible for the approval, maintenance of the budget process, and for requesting approval of budget revisions.
- B. FM Associate Director for Operations – Responsible to ensure managers and supervisors operate within their area budgets.
- C. FM Budget Manager - Responsible for all areas of the budget as outlined in this procedure.
- D. FM Energy Manager - Responsible for utility cost projections for each facility, excluding refuse costs and steam produced by the Power Plants.
- E. Assistant Director of Environmental Services - Responsible for refuse cost projections for each utility customer and ensuring managers and supervisors operate within their area budgets.
- F. FM Managers and Supervisors - Responsible to operate their area(s) within the budget parameters set within the approved budget and to submit requests for budget revisions for emergencies and extraordinary expenses outside of the approved budget.

IV. PROCEDURE

- A. The FM Budget Manager compiles customer service craft hours billed to each auxiliary unit for the past several fiscal years preceding the November timeline. This information is distributed in the Budget office's annual guidance package for auxiliary enterprises. This information comes from data summarized by the maintenance management software program. It is adjusted for hours generated by new facilities for the current and upcoming fiscal year, for changes in facility functions and/or square footage usage, and time down for renovation and construction projects, as determined by FM management's analysis. The Budget Office customers and this department use this billable hour history, as adjusted, along with the next fiscal year's craft rates/customer service charges to project budget amounts for maintenance and reimbursement, respectively. The Budget Director oversees customer cost projections and FM recovery projections somewhat match.
- B. The FM Budget Manager develops/refines the FM customer service charges (or craft rates) for auxiliary enterprises and service charges for E&G Departments. FM policy I:01 (Establishing Labor Administration Overhead) explains the methodology for annually calculating rates so that direct operating costs as well as each craft's proportioned management/administrative operations are tied into a rate for each craft/function. By charging auxiliary enterprises for projected direct labor, non-personnel, craft overhead, and general administration overhead costs in the customer service charge, the university can offset this department's E&G funding with recovery or reimbursements earned from services provided to non-academic related functions. To the extent the craft rates applied to the actual billed craft hours actually do match the actual operating costs,

this recovery budget can, in theory, be met and the FM department can fully expend its operating budget.

- C. The FM Budget Manager examines prior billable history, with adjustments for current and future modifications, for all auxiliary and E&G labor recoveries to determine labor recovery potential at the craft rates for the upcoming fiscal year. This recovery potential must be split between labor and NPS. The remaining labor recovery must not only be higher than the calculated costs of all auxiliary funded personnel but high enough to meet the prior fiscal year's (unofficial) auxiliary recovery established in the E&G organizational budgets by the Budget Director. The prior year's auxiliary recovery in the E&G budgets serves as the unofficial guide to the FM Budget Manager, but the actual amount is not known until the start of the fiscal year. The Budget Director has the responsibility for determining this amount based on analysis of recovery potential and the available direct E&G funding designated by the University for this department.
- D. NPS recovery history is also examined and used to re-direct recoveries in E&G and auxiliary NPS recoveries. Some examples of NPS recoveries that are not warehouse material or the NPS portion of the craft rates are: vehicle trips, carpet cleaning by the square foot, miscellaneous stock purchased by the building maintenance and repair unit, portable generator rental by non-FM departments, fuel oil, oil, and antifreeze used to maintain all building generators, vehicle stock parts, and vehicle fuel purchased from FM by other departments.
- E. After recovery budgets are established, the net available funding for FM is distributed among overtime, wages, wage FICA, and NPS expenditures.
- F. Any requests to add or delete departmental budget units are made.
- G. In May, the Budget manager is notified of any new funding and/or new positions.
- H. Verification of positions and salaries, along with any requests to move employees among work units within the department, is completed in May.
- I. FM receives its final budget in June, it is the start of the fiscal year and the JMU Budget Office has downloaded the budget into the JMU financial system. Any new funding and the equipment funding is part of this download.
- J. FM reviews its fiscal year budget in its final form and begins the fiscal year, changes to what is termed the original budget can be made via a budget revision. The budget revision, as approved by the Executive Director of Facilities and Construction and the VP for Administration and Finance, can shift funds between overtime, wages/wage FICA, and types of NPS expenses and recoveries within and among work units. Any departmental increase in recovery will increase operational funding while a decrease in recovery will decrease operational funding. An example of this would be an expenditure refund/recovery where you increase the recovery budget by this amount and increase the NPS budget by this amount. Budget revisions are mandatory if any work unit's NPS budget is not funded sufficiently for outstanding payables. Budget revisions are essential to shifting operational funding and recovery if each work unit is to maximize its funding resources. Budget revisions are also done by the department or by the Budget office to place any additional funding provided by the university after the original budgets are established.

- K. The FM budget must be prepared and utilized throughout the fiscal year so expenditures and recoveries remain on track with budgeted projections, as originally budgeted or as revised throughout the year.