**UCSF Finance and University Development and Alumni Relations (UDAR)**

**Response to Academic Senate Space Committee Questions – February 2, 2022**

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**How are new buildings funded?**

* Construction costs may be funded through a combination of gifts, equity (cash on hand), and external financing (debt). Please see the [2021 Capital Plan](https://financesecure.ucsf.edu/uses) deck, specifically slide 9 and 13.
* For the campus, equity contributions and debt service payments for major projects largely come from the Core Financial Plan (CFP). The schools also contribute, mostly for lab renovation projects.
* The CFP, in turn, is funded from a variety of sources, including F&A cost recovery, State funds, investment earnings, and gift assessments. Please see the [Fall 2021 Core Financial Plan](https://financesecure.ucsf.edu/funds-flows) deck, specifically slide 10.
* In addition, the CFP typically provides the funding needed to cover facilities operations and maintenance costs – janitorial, repairs, utilities, etc.

**The Weill Building was funded by a donation of around $180 million. However, the building cost around $560 million. Additionally, only a fraction of the donation goes to the building itself, with the rest going to programming. How are the remaining Weill building costs funded?**

* The final budget for the Joan and Sanford I. Weill Neurosciences Building was $535 million, funded with $316.6 million of external financing and $219 million of gifts.
* As of January 28, 2022, UCSF has commitments from a total of 7 donors to fund $219 million for the Joan and Sanford I. Weill Neurosciences Building. The total fundraising exceeds the capital philanthropic goal for this project of $182.5 million. These commitments are designated for general capital costs (including planning, design, construction, and operating expenses) and equipment for the building.
* Remaining costs for construction are funded from external financing secured in 2017-18 and 2020-21. Debt service will be funded from the Core Financial Plan. UCSF Health will contribute to the CFP for its share of the building.
* Building operations and maintenance costs are also funded by the CFP, with a contribution from UCSF Health for its share of the building.
* Any programmatic elements associated with commitments from donors to the Joan and Sanford I. Weill Neurosciences Building are not included in the above capital fundraising financials.

**Building on that question, to what extent are faculty liable for the remaining building costs?**

* Technically, the Regents and by extension the Chancellor are liable for the debt service on the Weill Building and other UCSF facilities.
* Ultimately, nearly all UCSF revenue is generated from the patient care, research, and education missions and the faculty is largely responsible for its generation.

[Even investment earnings derive from the original sources of revenue. The only other notable source of revenue at UCSF is from auxiliary services: housing, parking, fitness centers, etc.]

[But also, credit where it is due, there are a lot of staff, such as nurses, research team members and research administrators, student affairs staff, development officers, leadership and others helping to ensure that revenue flows into the organization.]

**How do we ensure equity given that not all faculty use new buildings?**

* Ultimately, the Chancellor and his leadership team must make decisions about where to invest limited dollars to support UCSF’s missions. Equity is one of the principles considered, but other factors, such as seismic/life safety, campus consolidation, and strategic growth (as well as operational needs) have all played a role in recent years.
* Regarding who uses which buildings: Cross-subsidies and spillover effects are core phenomena in the operation of a University and certainly at UCSF. Cutting-edge research bolsters both the education programs and patient care enterprise. The patient care enterprise alternatively provides resources and access to patients for research.
* These cross-subsidies and spillover effects shift over time and across the institution, the schools, academic departments, and even faculty.
* Over the last 25 years, research at Parnassus and the F&A cost recovery generated there (along with gifts and borrowing) has allowed UCSF to make major investments in research facilities at Mission Bay. Now, the pendulum is swinging back as UCSF turns its attention toward revitalizing the Parnassus Heights campus. Growth in F&A cost recovery funding generated by research in Mission Bay facilities will help support the investments in Parnassus Heights.

**What are the current plans (timelines and funding sources) for new buildings and building renovations?**

* Please see the [2021 Capital Plan](https://financesecure.ucsf.edu/uses) deck.
* The plan includes funding for replacement of UC Hall with a new research and academic building that will provide new research space and a new home for the School of Nursing. One of the goals of this building is to provide swing space (or an “empty chair”) for researchers that would enable UCSF to decant other laboratories on Parnassus Heights for renovation.
* The plan also includes funding each year (averaging $29 million) for deferred maintenance and code compliance. These funds are allocated to projects prioritized based on likelihood of failure and risk. Given the recency of most Mission Bay buildings, most of this money will be spent on facilities at Parnassus Heights.
* The plan includes funding for scheduled renewal -- replacement of building equipment, systems, controls or finishes at the end of their useful life, typically after 15 or 25 years. Some scheduled renewal funding for building finishes and controls will also be spent at Parnassus Heights. This program will expand in the coming years as buildings at Mission Bay reach 15 years.
* The plan does not currently include notable funding for laboratory renovations. HSIR and Medical Sciences Building renewal and laboratory modernization are both listed as Category 2 projects, which are projects needed to implement UCSF’s capital strategy, but for which funding has not yet been identified.
* The Chancellor, Provost, and other leadership are aware of the need for laboratory modernization. Lab renovation projects and funding have not yet been added to the plan for a couple of reasons. First, we’ve been going through a period of significant financial uncertainty, with patient care revenue suppressed due to the pandemic and State budget cuts during 2020-21. The 2021 capital plan was developed in spring 2021, before the Legislature and Governor came to agreement on restoring funding for UC during 2021-22. Furthermore, the two major projects planned for Parnassus Heights – the new hospital and the research building – are very large and carry risks associated with total costs, philanthropic attainment, and costs of financing. Thus, leadership has not been ready to commit to further projects until the revenues stabilized and planned projects are closer to realization. [Note: there are also some large seismic challenges looming and housing commitments that need to be considered.]
* Specific projects and funding will be considered and likely added to the capital plan during this cycle (planning work happening now through May 2022) or in 2023.

**How can this committee, and the faculty more broadly, help to ensure that renovations are prioritized?**

* Participate in campus committees and town halls addressing capital planning, renovations, and space.
* Send your feedback and recommendations regarding campus priorities and resource allocation to leadership, specifically the Chancellor, Provost, and Senior Vice Chancellor-FAS. Please cc SAVC-CFO Mike Clune on all Finance issues and SAVC-Real Estate Brian Newman on all capital issues.
* Related, in part to help support faculty access to information and awareness of campus finances and financial processes, UCSF Finance is launching a revitalized internal website to providing reports and presentations. Link: [UCSF Finance Explained](https://financesecure.ucsf.edu/ucsf-finance-explained). (We welcome feedback and additional questions!)

**How can this committee, and the faculty more broadly, help to ensure that sufficient funding for renovations is available?**

* Promote efficient allocation and use of use space. Efficient use of space means UCSF can provide more opportunities for faculty recruitment and retention.
* Assist department administrators in properly recording space assignments in the University’s Archibus system. Accurate space assignment data ensures that research infrastructure costs are allocable to the research function during F&A rate negotiation.
* Avoid F&A cost recovery waivers. Although it might be appealing to seek funding that covers only direct costs, waivers mean UCSF must subsidize the indirect costs of the associated cost research with other sources.
* Encourage private sponsors to provide adequate F&A cost recovery (see the [F&A Cost recovery explainer video](https://financesecure.ucsf.edu/sources-funds#F&A)).
* Support UDAR’s philanthropic campaigns for capital projects.
* Support the application of the 10% gift assessment for the Infrastructure & Operations Fund, which provides the Chancellor with additional resources to fund administrative and academic support.