

## **Capital Budgeting Solution**

# A Best Practice Approach to Creating an Optimal Facilities Capital Budget

Does each department or division get an equitable piece of the pie? Perhaps high-profile projects garner the bulk of the funding. Or the "squeaky wheel" gets the grease.

While capital projects represent a significant investment for an organization, the process used to determine which projects to fund is often highly subjective. Perhaps this is not surprising given the many overlapping and competing considerations and priorities involved, as well as the many stakeholders – each with their unique perspective – in the decision making process.

# Create a capital budget that:

- Aligns spending with long-term organizational objectives
- Reflects stakeholder consensus about organizational priorities
- Employs a consistent rationale for prioritizing capital needs
- Focuses investments where they will have the greatest business value

## A Solution for Optimal Capital Budgeting

VFA helps organizations ensure that capital spending aligns with business priorities and that facility investments are optimized to support long-term goals and objectives. Designed with input from facilities managers and institutional planners, VFA's solution unites the art of collaboration and consensus building with the science of hierarchical decision making to deliver a best-practice approach to capital budgeting.

In addition to enabling your organization to optimize capital allocations based on business priorities, VFA's solution provides a clear, consistent rationale for investment decisions. It gives all stakeholders visibility into established priorities, and the ability to understand how those priorities impact capital funding decisions.

### Five Steps to a Better Budget

- 1 Establish the Team We begin by working with your organization to define the team responsible for establishing key goals, objectives and responsibilities. The team typically includes representatives from Finance, Facilities, Operations and Executive Management.
- 2 Create a Common Understanding VFA provides the team with an overview of facility assessment and capital planning processes, including:
  - Assessment terminology
  - Categorization methods
  - Cost estimation
  - Metric calculations
  - Funding strategies

The VFA.facility Capital Budgets Ranking module allows organizations to establish consistent ranking strategies for capital requirements. Using proven processes for articulating business drivers and priorities, VFA works with your team to build consensus about strategic goals and values and how they will be applied to prioritize capital needs. The group determines the criteria that will be used to prioritize facility requirements, such as building use, type of building system, current facility condition and the impact of remediation on

3 Define Prioritization Criteria

Treate the Budget Based on the ranking strategy selected, VFA.facility® produces a multiyear capital budget, with a ranked list of funded requirements, and enables modeling of funding alternatives that will achieve the organization's facility and business objectives. The end result is a capital budget that aligns spending with organizational goals and delivers the greatest business value.

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condition.

### The VFA Advantage

Capital Planning Expertise VFA has provided Capital Planning and Management Solutions (CPMS®) to government, education, healthcare, banking and other corporate organizations since 1998. Our consultants bring a wealth of experience in helping clients create defensible multi-year capital plans and budgets.

A Best-in-Class Approach VFA's solution provides not only the software tools to facilitate the creation of budgets based on complex data sets, but also consulting services focused on establishing consensus about capital priorities among key constituencies, a critical component of successful long-term planning.

With this foundation in place, we empower your organization with the tools to understand the impact of business priorities on capital plans, make adjustments as your business needs evolve, and readily create capital budgets and projects that reflect current priorities.

To learn more about how VFA can help your organization implement capital budgeting processes and systems that support your strategic objectives, contact a VFA office or email *info@vfa.com*.

Using the Capital Budgets Ranking module in VFA.facility®, VFA consultants work with the group to rank these factors and their various attributes, employing pair-wise comparisons.

Contact us to learn how VFA can help your organization to optimize its

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facilities investment.

On the Web: www.vfa.com
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4 Prioritize Requirements By

applying a defined ranking strategy to a single facility or an entire portfolio within VFA.facility, users can see what requirements will be addressed at a given funding level. An organization may define different ranking criteria for various types of assets, and may also create multiple ranking strategies reflecting, for example, different funding sources. VFA.facility® provides sophisticated tools for evaluating the implications of various prioritization schemes and funding levels.