

Budgeting for a Capital Campaign

Dear Ask the Pro,

We are considering a capital campaign and are at the stage where we need to develop a proposed budget to test in our feasibility study. Are there line items to include that we haven't considered? So far we have projected costs for:

Construction, Furnishings and Fixtures, Fundraising, Campaign, Fundraising and Marketing, Cost of obtaining a bridge/construction loan.

Signed,
Looking at the Numbers

Dear Looking at the Numbers,

First let us compliment you on your planning and use of a pre campaign planning and feasibility study prior to the initiation of a capital campaign. Budgeting in connection with a capital campaign can be tricky. Often, prior to engagement of contractors and final plans, the estimated cost of construction and furnishings are determined by architects based upon cost per square foot for similar facilities. Usually the costs are close but not exact since all of the information that is needed to finalize plans are usually incomplete at the time of the estimate. While land acquisition and construction costs are your main items they are not the only ones which should be of concern and included in your budget. Other considerations in addition to preplanning costs, architecture, zoning, legal, permitting, land, construction and furnishings include:

- Construction and Owner's contingencies to cover any unexpected, change orders and cost overruns
- Cost of Owners construction representative to oversee the contractor and construction project day to day on your behalf
- Creation of an Ongoing Maintenance/Capital Reserve to cover items such as future repair and replacement of roof, parking lot resurfacing, painting, re-carpeting, technology, etc. which are beyond the ability of annual operation budgets to cover.
- Budgeting for Reserve for Doubtful Accounts- Uncollectible Pledges- Usually 2 to 5% of your overall campaign goal
- Financing of project and multi-year pledge receivables, bridge loan or long term bonds
- Business Interruption costs- especially when the project is a renovation or a remodel of existing facilities
- Moving and Relocation- Especially if replacing a building with a new facility
- Fundraising and Marketing Costs
- Donor and Volunteer Recognition
- Ribbon Cutting , Groundbreaking and other Events
- Administrative, consulting and Staff Supports
- Start up costs
- Operating Endowment
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Do your homework and include, in the goal to be tested, (within your pre-campaign planning and feasibility study), everything you think will be needed to build and sustain your building. Once you determine what you can raise you may want to scale back your construction and/or develop a phased construction plan so that you can build based upon what you are able to afford. Typically capital projects end up costing more than originally projected or estimated so err on the side of raising as much as you can over the established goal. Any excess funds can be utilized in endowment or in a building maintenance reserve. Shortfalls are hard to make up. The worse thing to happen would be to build more than you can afford to operate and sustain.

Hope this expands your thinking about budgeting for a capital campaign.

Signed,
Ask the Pro