



Managing Multiple Funding Sources

on Public Projects

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Executive Summary

The funding for public construction projects often comes from a variety of sources (federal, state, local, private sector, etc.) and in many forms. The type and number of funding sources for a project depends on a variety of factors. If it is a public project, common funding sources include general obligation bonds, oil and gas tax revenues, grants, and sometimes government funding in the form of stimulus programs. Private institutions fund their building projects through donations, grants, and educational endowments, among other sources.

Each source has its own usage and distribution rules for handling those funds. Managing finances can be an extremely complicated endeavor when multiple sources are used to fund one project. Owners must stay organized and remain in compliance with funding requirements or risk difficult audits, penalties, or, worse, loss of funding.

The ability to calculate complex funding distribution ratios and plan/assign funding according to budget and commitment levels, while retaining the flexibility to add new and different funding sources at any time, is vital to owners who strive to achieve maximum visibility over and control of funding. The use of advanced, integrated tools to quickly and accurately set up, use, track, and report funding sources is imperative.



Monitoring and Reporting Requirements

For each different type of funding, there are unique rules and requirements. Funding sources may have complicated reporting requirements or spending restrictions that place limitations on what is done with all or just a portion of the funds.

“Some sources have much more strenuous reporting requirements, and also spending restrictions, and other funding sources allow you to spend on certain things, so sometimes you need to set up multiple funding sources for different portions of work on projects,” says David Mispagel, Project Manager for Design and Construction at the California Institute of Technology in Pasadena, CA. He notes that some funds, even if they technically come from the same place, need to be split into separate accounts for proper tracking.

“Typically speaking, we track a minimum of two funding sources on each project, usually a capital funding source and a noncapital funding source. We separate funds into two accounts so that we can track what’s spent on different things,” says Mispagel.

Other types of funding require reporting in accordance with a spending timeline. Gifton Passley, Assistant Director of Construction Services at the Georgia State Financing and Investment Commission (GSFIC) in Atlanta, GA, says that 6-month, 3-year, and 5-year reporting is required on general obligation bond funding. “We have three milestones for the general obligation bond funding. At six months, you must commit 5% of the fund. At three years, you should spend 85% of the fund, and at year five, all the funds should be spent, or it will be used to retire debt,” he says. Passley also notes that certain types of funds have built-in restrictions.

“Sometimes you can’t use the funds to build revenue-bearing entities. So, let’s say you’re building a science center with an amphitheater, or any section that will generate revenue, you would not be able to use the general obligation bond fund to construct that portion of the building.”

Gifton Passley



According to Anja Mathews, Senior Project Manager at GSFIC, certain types of moving costs, equipment purchases, or IT support costs cannot be funded out of certain sources.

Reporting meetings and audits are common occurrences in order to maintain compliance with funding source rules. “As a state agency, we have to have a financial audit performed every year,” says Jeffrey Eaton, Chief Financial Officer at the New Mexico Public School Facilities Authority in Santa Fe. “For a school district project, we have to track all the different sources of funds that are received from the state.”

He adds, “There’s also a council that we staff, and they meet monthly. We present a project status report of all the projects that we have active and open across the state, which can number in the range of 150 or more at any given time.”



“Regional managers across the state visit projects and report back to the council to give a narrative to the financial information that we’re presenting, which shows the award amounts, how much we’ve got under contract, and how much we’ve expended to date.”

Jeffrey Eaton

In order to comply with the wide variety of monitoring and reporting requirements, owners must be able to **provide insight** into spending and project management practices to stakeholders and funding agencies.



Compliance Risks and Challenges

Failing to comply with reporting and monitoring requirements, or making a mistake because of the extremely complicated nature of managing multiple funding sources, can have harsh results. Penalties, fines, and loss of funding can stall or stop a project in its tracks.

“We run into federal law with regards to arbitrage, and the entity that receives general obligation funds can lose the funding and be prevented from continuing the project that they’re assigned,” says Passley.

The timing and availability of funds is an important and challenging aspect of funding management.

“Timing is everything”

“If the funding isn’t timed right, you have to borrow, if you can, and that will cost you. If you can’t borrow or find alternative funding to bridge the gap, you have very unhappy partners all around.”

Jeffrey Eaton

Mathews notes that the federally funded projects she encounters depend on getting funding sources squared away in advance. “In some cases, depending on if we’re waiting on the bond funding or any type of federal funding, some clients need to do a funding agreement to put cash into the project while waiting for the actual project funding to come into place,” she says.

“All of the funding for the project must be in place before we can move forward,” adds Passley.



There is also risk involved when a matched funding partner over- or under-pays its share. “It’s about making sure that you’re not exposed to too much risk,” says Eaton. “The risk is when you don’t know how much a district might be putting into a project.

There is also risk involved when a matched funding partner over- or under-pays its share. “It’s about making sure that you’re not exposed to too much risk,” says Eaton. “The risk is when you don’t know how much a district might be putting into a project. Prior to having a robust system to work with, we found ourselves in some situations where we were over-participating in terms of our match, and having to either deduct through change orders or put some of the financial responsibility back onto the district.”

Eaton adds that the risk is about making the other partner come to financial difficulties because of those imbalances. “So, when you get in those situations and you don’t have the expectations and the timing right, or maybe you think you’re right on target, but you’re not, then that’s where the risks are. There could be cash flow issues that one or the other party can experience down the road, so we want to keep our funding very clear all the way through the project,” he says.

Establishing a clear view of funding is challenging, especially when multiple, different funding rules are being applied. Calculating complex distribution ratios adds another layer of difficulty.

“One challenge for us on the PM side is having to track all your multiple projects, and then all of your projects have multiple funding, and trying to remember or always having to calculate on a monthly basis, or four months out, or a year out. ‘How close am I? Can we even go ahead and pay for this?’”

Anja Mathews



Simplifying the Process

Despite the complex nature of funding management, there are ways to bring order and clarity to the chaos. Organizations can benefit from streamlining funding processes into a robust, integrated system that performs the functions necessary to manage multiple funding sources and rules while providing visibility. A good construction program management system should allow you to:

- Set funding controls so you never over-budget, overcommit, or over-spend your funding sources.
- Link funding to budgets, commitments, and even actual invoices to keep projects and funding in sync.
- Balance funding automatically to the commitments and actual costs.
- Improve audit outcomes through consistent controls and maximum visibility into how funding is tied to project budgets, commitments, and actual spending.
- Give project managers clarity in choosing appropriate funding categories without having to always know the specific funding details.
- Create meaningful, yet flexible, relationships between different funding sources and projects, including one-to-one, one-to-many, many-to-one, and even many-to-many.
- Eliminate the need for manually calculating distribution ratios by establishing automatic formulas and rules.
- Use real-time dashboards and reports to track all funding sources, their total and available balances, and distribution history with real-time dashboards and reports.

Having an integrated construction project management software program in place allows for easier reporting and increased visibility. In addition to gaining control over funding, owners can use the available financial data to establish new best practices. Empirical evidence can be gathered from funding and project management data to show project team members where performance is lacking or excelling. “If I can draw a correlation between the project status—if it’s ahead of schedule or behind schedule—and who my designers or construction managers or contractors are on a project, maybe I can make more informed decisions about whether or not that person’s shop is capable of handling this much work,” says Eaton.

“I think the more clarity that we get and bring to the process through good reporting helps everybody because everybody wants to do a good job.”

Jeffrey Eaton



Benefits of an Integrated System

Owners realize multiple benefits when funding management is streamlined within an all-inclusive software system. In addition to helping establish best practices based on project team performance, a system like **Trimble Unity Construct™** powered by e-Builder provides visibility into the muddy waters of funding.

“We put all our funding in there [Trimble Unity Construct],” says Mispagel.

“We associate all commitments with a funding source in [the software], so it allows us to identify and track the funding that’s been budgeted and allocated toward commitments. That’s a good thing.”

David Mispagel

Eaton appreciates the control Trimble Unity Construct offers over funding rules. “What works well with the [Trimble Unity Construct] system is that there are different levels of funding rules that start at the very top project where you have different funding sources that cannot be exceeded, and then down into the contracts where you select from certain funding sources to say, this is the contract amount and these are the funding sources I want to use against that contract amount. That’s a good check,” he says. “And then you get down to the budget

line items within a contract that have different components, and you want to keep track so that your design doesn’t go too high over your construction costs, or you want to track something like transportation costs or travel costs. So, those are good controls. That’s why we’re really using [Trimble Unity Construct].”

Eaton also mentions the positive reaction lenders and stakeholders have when an integrated system with sophisticated reporting capabilities is in use.



"I think that, for anybody who's in a situation where they've got to earn confidence and trust from a lender, a system like [Trimble Unity Construct] is the kind of thing that helps your case," he says. "We require the use of the [Trimble Unity Construct] system to receive state funding. In fact, if we didn't have some kind of system to track funds, we would never have gotten out of the gate with the first \$50 million back in 2002."

Jeffrey Eaton

Since then, Eaton and his team have managed multiple sources of funding on **over 350** active projects worth **over \$2.4 billion.**

How did Eaton do it before Trimble Unity Construct™? "Let's just say I have a way with process management and spreadsheets, and that I am so very glad we made the switch to [Trimble Unity Construct]," he says.

While managing multiple funding sources can be daunting to even the most seasoned owner, an integrated tool like Trimble Unity Construct can ease the process. With greatly improved visibility, owners can get a real-time picture of how funding is disbursed, as well as specific, granular information on spending specifics.

Using accuracy and high-level reporting capabilities to keep stakeholders and investors informed will help with compliance and audits, and the good example of organized funding management may even generate more funding opportunities for the future.



Risky Business

By Jeffrey Eaton, Chief Financial Officer, New Mexico Public School Facilities Authority

On public projects, there is great risk involved when handling certain funding situations particularly unless you have a robust project management system in place. Our school projects that have state funds in them require a local school district participation, or “district match.”

If we don’t complete the project with the right ratio of spending, one side/partner (state or school district) owes the other money. It seems simple, but it can get you out on a limb that’s hard to come back from. Say, for example, a partner has a cash shortage. You, on the other hand, have plenty of cash to get the project started. You lose sight of who is paying what, and at the end you realize you have paid 75% of the \$40 million project when you should be 50-50. You have paid \$30 million!

Now, you have to ask your partner to pay you back \$10 million to get back to 50-50. This is an extreme example, and has never happened on that scale of disproportion, but it drives home the point

—if you don’t have tight controls and monitoring **every step of the way**, you can find yourself in a tough spot financially that can take time to recover from fully, **if ever**.



About Trimble Unity Construct

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