

Capital Background Document

October 2016

What is the Capital Plan?

- A plan meant to cover capital needs from 2016/2017 through to 2020/2021
- It is a rolling plan in that amounts allocated can be shifted forward or back depending on actual spending in a given year
 - A new year will be added at budget time annually
- Reviewed annually by Board and Council
- Funded by the capital fee
- Illustrates how capital fees are to be spent in each of the 5 years
- Incorporates leased equipment from within Creative Services (and others if there were any)
- Incorporates interest and principle repayments on outstanding loan for Mustang Lounge
- Contains a contingency of 5% of total expected fee
- Contains a maintenance piece as well – 5% of total expected fee
- Contains cost of software to run the organization – POS systems, Acc Pac licenses, LinkedIn, etc
- Provides a plan of how the student fee is to spent each year
- A reconciliation of total capital spending is performed annually

Process for Building the Capital Plan?

Business and Service Unit Managers:

- Units preparing a capital plan are: Events and Building Services, Purple Store, Western Film, Wave, Spoke, IT, Renovations, Creative Services and Promotions
- Managers prepare the capital plan for their areas based on:
 - Replenishment need
 - Refresh/replacement of equipment
 - Renovations required
 - Health and safety requirements that need to be implemented
 - Purchase of new equipment for new piece of business or business enhancement
- Managers submit a written narrative along with the capital template to provide context as to why the purchase/submission is relevant
- Managers provide: cost of item, life expectancy of item, maintenance for the item and in what year the item should be purchased
- Managers provide a priority listing of the items submitted to ensure that if sufficient funds are not available, the plan will provide for the top priorities for all areas

- Managers perform research on the items with their suppliers, internet, etc to secure 3 quotes for the items being purchased. They make a recommendation as to which item is the one being requested – the rationale for these items is included in their narrative or in follow up conversations

Managing Director

- Reviews all documentation submitted to ensure that all the pieces are there and that there aren't any missing areas
- Pulls all of the capital asks together, in order of priority and by year, to obtain a dollar amount to be included in each year
- Determine what the expected fee collection will be for the years in the plan
- Calculate maintenance total, contingency total and add in the interest on the loan and the equipment lease amounts
- Determine the total annual ask and compare to the expected fee to be collected in each year to determine if the fee is adequate or requires adjustment – makes relevant recommendation

Board/Finance Committee/Council

- The capital plan is brought to Finance Committee and the Board for approval along with the annual budget (February)
 - Questions and further information can be requested
- Once approved by the Finance Committee and the Board, the capital plan goes to Council for approval in conjunction with the Budget.
- Once approved, all items that were individually listed out are deemed approved and can be purchased
 - Approval is required to move forward with the purchase (approval from MD Finance and Admin)
 - Approval based on cash flow, priority and urgency
- Most departments/services have detailed items that are included in the capital plan. The exceptions are events and building services and corporate renovations.
 - These areas are allocated lump sums
 - A plan needs to be determined by the areas for how the money will be spent during the upcoming year
 - Plan gets presented for approval at Board level
 - This can happen all at once or could occur at multiple times during the fiscal year
- Each year, at budget time, the next year's listing of capital comes forward to the Board to ensure that the priorities within the capital plan still reflect those of the organization
 - Items deemed irrelevant or obsolete can be removed from the plan

- New items would be brought forward as part of the budget process, with quotes and narrative to the Board for evaluation and review
 - Board would determine if new items go onto the capital plan
 - Board would also determine if other items get “pushed back” or removed in order to make room for the new item
- The revised plan would then go to Council as part of the budget presentation for approval
- Board reviews the annual capital spending reconciliation so that they are aware of any capital deficit or surplus positions that the USC may have

Assumptions and Priorities Embedded?

- No fee increase other than inflationary increases
- Capital plan breaks even over the course of 5 years
 - This means that some years may spend more than collected and other years will spend less than collected
- Assumes fee increases by 1.5% per year
- Assumes that we are not adding any new departments or areas
 - Very little money available to fund new ventures – only contingency dollars at 5% of total expected fee
- Managers of the business and service units are the experts in their areas and know best what types of capital need to be purchased and when
- Total number of students remains constant for the next 5 years

How it Functions?

- It is an approved document of Council
 - For all items that were individually listed within the plan, they are considered approved and managers follow the capital procedures to obtain permission to go ahead with the purchase
 - They bring updated quotes, obtain purchase orders or use credit cards to purchase the items
- For items that were granted an allocation of funds, the managers must bring a detailed plan as to how that allocation is to be spent (using the new PER form)
 - This is presented to the board for approval
 - The two areas are events and building services and renovations
 - Also the two areas who would typically spend more than \$25,000 on a single spend
- If new items come up during the year (items break unexpectedly), the manager is expected to make it work within the approved amount of capital granted for the year (work better deals

than originally submitted with our suppliers). If this cannot happen then if the item is under \$25,000, the MD of Finance and Admin can approve the purchase from the contingency within the plan.

- If a new purchase is to be made for a new way to do things or a more efficient way to do things, this would be evaluated and brought to Board, even if the item is below \$25K, or if the priority is not high, it would be delayed to the budget process where new capital requests can be made and evaluated by the Board at that time.

Board Role for Approving Capital at Budget versus Expenditure?

- Because the plan is an approved document, all of the items individually listed, regardless of dollar value (even those greater than \$25K), within the plan are considered approved and managers follow the capital procedures to obtain permission to go ahead with the purchase
 - This is done to expedite purchases so as to not hold up the regular operations of the organizations – the day to day
- For items that were not detailed out in the plan, expenditures over \$25K always go in front of the Board to ensure that the Board is comfortable with the organization making large purchases. This would mainly relate to renovations and events and building services spends
 - Is it relevant? Is it necessary? What is the return on investment look like? is it a priority item?

Approving Capital at Budget (January/February)

- Board reviews the upcoming list of capital items and distribution of capital spend in conjunction with the budget
 - Ensures fairness across the organization with capital spending
 - Ensures that capital requests reflect the priorities of the organization as a whole
 - Enables the Board to question the relevancy and/or reasonableness of the purchase
 - Enables Board to use management expertise to determine what items should be purchased
 - Enables management to indicate current pricing for the requested items
 - Prices may increase or decrease
 - Board may need to shift spending to accommodate

Approving Capital Expenditures (June-December)

- Ensures that the Board is aware of large spends by the organization before they happen
- Enables Board to determine the relevancy/reasonableness of the spend before it happens
- Enables Board to assess the level of planning that has gone into the spend

- Not spending money on a whim

Reporting

- Annual reconciliation of capital spending report to go the Board in September of every year
 - Will show spending against capital fee from inception to current date
 - Will outline successes/challenges
- Reporting on year end capital status at summer Board meeting
- Quarterly updates on capital spending at quarterly board meetings