CAPITAL ASSET MANAGEMENT AND FINANCING POLICY

Effective Date: October 7, 2014

Originating Office: Office of the Chief Financial Officer

Supersedes /Amends: December 14, 1998

Policy Number: CFO-4

SCOPE

The University owns, operates, and maintains a number of infrastructure assets. The Capital Asset Management and Financing Policy ensures that as these assets age and deteriorate over time, they will continue to meet acceptable levels of performance over the long term, and are managed for present and future users, within the University’s short and long term fiscal capacity.

PURPOSE

The purpose of this Policy is to articulate the University’s principles and guidelines for managing and financing its capital assets in a way that enables a coordinated, cost effective and organizationally sustainable approach across all University sectors in order to:

- Ensure optimal allocation to the University’s strategic and operational needs
- Ensure financial protection of the University’s capital investments
- Develop and sustain a financially healthy financial position for the University
- Minimize the University’s operational budget exposure

DEFINITIONS:

For the purpose of this Policy, the following definitions apply:

“Capital Asset” is an infrastructure asset, which is physical in nature, is a significant economic resource, and provides the delivery of programs and/or services at the University.

“Third-Party Capital Asset” is any capital asset that is owned by a party other than the University but in which the University has a significant interest.

“Capital Asset Type” is used to organize capital assets that exhibit similar characteristics in broad classifications.

“Capital Asset Management” refers to a systematic process to guide the planning, acquisition, operation and maintenance, rehabilitation and disposal of capital assets. Its objective is to maximize service delivery potential, manage related risks and minimize costs of ownership while delivering acceptable levels of performance to the University in a sustainable manner.
“Capital Asset Financing” is the application of financing principles and practices to capital investments to ensure a coordinated, cost effective and organizationally sustainable approach. There is a large variety of financing techniques that the University may use in order to support its capital asset management within the University’s affordability levels.

“Life-cycle” refers to the time interval that commences with the identification of the need for an asset and terminates with the disposal of the asset.

POLICY

1. The University will establish and maintain an integrated Capital Asset Management and Financing (“CAMF”) program. (see Appendix A)

2. The CAMF program will be carried out systematically, with a view to supporting and facilitating the achievement of the University’s strategic, operational and financial objectives, by applying recognized principles and practices to provide the services required to support its needs, on an ongoing basis, and all in a sustainable manner.

3. The University will maintain and manage an accurate inventory of all of its principal capital assets and each will be maintained and managed according to defined levels of performance to ensure that they meet expectations, compliance and legislative requirements, technological and environmental factors. (see Appendix B)

4. Capital asset management and financing strategies will be established through the use of full lifecycle costing principles.

5. Decision-making processes regarding each capital asset will be risk-based and consider the probability and consequences of any capital asset’s failure, to minimize the University’s risk exposure. (see University’s Enterprise Risk Management Policy (BD-14))

6. The University will ensure that it is always developing and enhancing capital asset management knowledge and competencies to ensure the availability of skill sets required for the implementation of CAMF programs.

7. The University will implement planning processes to ensure that the optimum level of maintenance is maintained, to ensure reliability while maximizing the lifecycle, and will ensure that adequate financial planning will support sustainable long term funding to acquire, rehabilitate, replace, or dispose of its capital assets. (see Appendix C)
8. The University will monitor and periodically evaluate the performance of each capital asset type and associated strategy, to track the effectiveness of applied principles and practices, for continuous improvement. (see Appendix C)

9. All CAMF-relevant information will be gathered and consolidated for accurate, timely and up to date compilation, interpretation and intervention, including financial information relating to each capital asset type.

10. For this purpose, all CAMF-relevant information will be communicated to the Office of the Treasurer, Financial Services, in a timely and accurate manner.

11. University capital investments will be integrated with the operations of the University—physical and financial resources, revenues and expenditures, and effective and efficient service delivery will be considered. (see Appendix D)

12. The University will ensure that each capital asset is valued in accordance with its true rate of consumption and will measure the aggregated value of both the investment and the operational costs of the asset. (see Appendix B)

13. The University will execute adequate financial planning to support sustainable long term funding to acquire, rehabilitate, replace, or dispose of all of its capital assets. For this purpose, every capital investment made by the University will be made in relation to the University’s tolerance to risk, its overall fiscal capacity, affordability and liquidity, using full lifecycle costing principles, to sustain that investment over a long period of time. (see Appendix E)

14. The University will implement a funding and investment planning process which will precede each University capital investment, to ensure that the investment has an enhanced value-for-money proposition, that the overall expenditure is controlled, and that the project’s overall projection is kept within the agreed budget. (see Appendix C)

15. All capital assets purchased with University operating, capital or restricted funds, as well as all donated capital assets, remain the property of the University regardless of physical location.

RESPONSIBILITIES

16. The CAMF program is overseen by the Capital Project Budget Review Working Group (“CPBRWG”), co-chaired by the Chief Financial Officer and the Vice-President, Services, appointed by the President and Vice-Chancellor.
17. The CPBRWG exercises oversight for the successful incorporation of CAMF principles, strategies and supervision activities into the University’s administration. Regular reports of all CAMF activities will be provided to the President and Vice-Chancellor and to the Finance Committee of the Board of Governors.

18. The CPBRWG is designated, with accountability, to implement capital asset management and financing strategies and plans directly contributing to the University’s achievement of its strategic goals.

19. The Office of the Treasurer, Financial Services, is designated as the unit responsible for supporting the CPBRWG in the accomplishment of its responsibilities while Facilities Management, Instructional and Information Technology Services, Office of Research, and many other units at the University are responsible for capital needs identification, prioritization by sector and project management functions.

20. The CPBRWG’s work relative to the implementation and execution of CAMF principles, strategies and supervision activities does not in any way relieve Unit Heads of responsibilities assigned to them.

Approved by the Finance Committee of the Board of Governors on October 7, 2014
APPENDIX A

CAPITAL ASSET AND FINANCIAL MANAGEMENT FRAMEWORK

[Diagram showing the relationships between capital asset management, financing policy, and financial management frameworks.]
APPENDIX B

CAPITAL ASSET MANAGEMENT

The University is currently in the process of reviewing, designing and implementing various fixed asset systems for its property, information technology, research and equipment infrastructure capital investment program. In addition, the University is also reviewing, designing and implementing a capital leasing program including disposition of certain types of capital assets.

Once all formally implemented, the guiding principles, governing rules and controls as well as valuation principles will be outlined within the appendix B of this policy.
APPENDIX C
CAPITAL BUDGETING PLANNING AND MONITORING FRAMEWORK
Appendix D

Integrated Institutional Budgeting Framework
### Fiscal Capacity and Affordability Determination Framework

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<th>Description</th>
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- To measure the university's ability to meet its operating costs.
- To assess the capacity of the university to provide adequate education and research services.
- To determine the affordability of the university's education and research programs.

#### Financial Indicators

- Revenue sources
- Operating expenses
- Debt service
- Endowment returns
- Student fees

#### Summary

- The university's fiscal capacity and affordability are determined by the financial indicators provided above.
- The university's ability to meet its operating costs is assessed by its revenue sources and operating expenses.
- The university's capacity to provide adequate education and research services is determined by its debt service and endowment returns.
- The university's affordability is measured by its student fees and overall financial performance.

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### Appendix E

- Title of appendix
- Description of appendix
- Key points:
  - Fiscal capacity
  - Affordability
  - Determination framework

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### Conclusion

- Summary of findings
- Recommendations for improvement
- Future directions

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### References

- List of sources cited in the appendix.
- Additional readings for further understanding.
### FISCAL CAPACITY AND AFFORDABILITY DETERMINATION FRAMEWORK

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### Notes
- Revenue growth is calculated as the percentage increase in revenue from the previous fiscal year.
- Debt service ratio is calculated as the ratio of debt service payments to total revenue.
- Liquidty ratio is calculated as the ratio of liquid assets to total liabilities.