Capital Plan FAQ

1. Background:

The USC has never had a formal Capital Plan nor has it had any form of informal plan or process pertaining to the purchase of new capital or the maintenance of existing capital. In the past, the USC would do call outs for capital during the budget process. Those requests would be reviewed as part of the budget process and would randomly be selected based on what the budget could "afford" in capital. Each year those requests changed and there were rarely carry over of items from one year to the next despite the fact that not all capital requests were granted in any given year due to budget constraints. This process allowed for departmental and organizational wants to be met however it did not necessarily allow for departmental and organizational needs to be met. This process also enabled the USC to go forward with a budget that allowed for zero capital dollars to be built into it. This not only resulted in the USC being forced to forgo certain capital needs altogether but also prevented the USC from having funds to repair and replace broken or missing capital items that had been previously purchased. As a result, the USC developed a very large liability called Capital. And up until a few years ago, didn't have a fee that was dedicated to fund that large liability either. This resulted in the USC having an unfunded liability.

When Council determined that we were to come up with a Capital Plan, the USC had all departmental managers compile their lists of needs and wants going out 10 years. They were instructed to make such requests assuming status quo for their department.

Once this information came back it was compiled into the official capital plan. The other piece that was added was the maintenance piece. In year 1, there is no maintenance piece identified in the capital plan given the volume of renovations that are to be conducted.

2. How the Capital Plan works

In any given year, the capital plan priorities will come forward in conjunction with the annual budget. At that point, Council can determine whether the priorities identified are in line with the strategic plan and the general objectives of the organization. If they are not, Council can set a directive to the Executive Council to reprioritize such that capital purchases for the year are in line with the strategic plan and direction of the organization. Once that has been determined and the funding for the plan has been approved (student fee), the Executive Council has the ability to alter the priorities such that they meet the objectives of the EC for that year, provided that any changes made do not go against the strategic plan or direction of the organization as set by Council. If priorities are brought into the current year, the EC must determine what will be moved into future years in order to remain within the funding as determined by Council. If priorities are pushed off to future years, the EC must provide a clear rationale for doing so and Council must be informed of the decision as well as the rationale. This flexibility enables an EC to shift priorities if need be in order to achieve all goals and objectives for a given year. However, pieces that are shifted into other years, cannot be done so indefinitely – the projects must get done over time otherwise the integrity of the capital plan is lost.

The maintenance piece of the capital plan is one piece that cannot be altered or shifted – this piece must be done every year.

3. Approval Process

The importance of the Capital Plan is that it allows the USC to plan for capital and it ensures that we will have capital purchases on an ongoing basis. Each year, Council will set overarching directives for the Capital Plan and the Executive Council will be responsible for determining scope etc for the approved priorities.

Once Council has approved the funding for the priorities, it is up to the EC to approve projects in principle. Once management gets the approval in principle, it allows them to proceed to facilities management to obtain quotes for the work as well as determine potential timing for the project to proceed. Once management determines what projects can be done and when by facilities management, USC management will then come back to EC for determination and approval of scope and budget for the approved projects. Best practice indicates that at this point the EC would appoint a “point person or persons” (likely the VP Finance) to work on a project team to get the project completed in a timely manner. Information would be brought back to the EC by this point person and feedback would be sought in that manner as well. The only time a project would come back to EC in a formal manner by USC management would be if scope changed or if there were budget issues.