

Capital Expenditures

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Background and Purpose

The Associated Students, Incorporated (ASI) has made significant investments in capital assets, which are crucial to ASI’s ability to fulfill its instructional, public service, campus support and other educationally related functions. A significant amount of student fees has been invested in buildings, property, and equipment, and it is extremely important to protect these investments. Maintaining and improving the quality of capital assets is a high priority for ASI; therefore the systematic repair and renovation of these assets must be given high priority in the annual budgeting process.

In spring 2014 the student body approved a fee increase referendum placed on the ballot by the Student Fee Advisory Committee. As a condition of authorizing this referendum, the Committee stipulated that ASI adopt a policy on capital expenditures to ensure that proceeds from the fee increase are adequately invested in the acquisition, maintenance, replacement and improvement of ASI’s capital assets.

The purpose of this policy is to provide guidelines for acquiring, maintaining, improving, and replacing existing capital assets. The intent of this policy is to repair and replace capital assets on a schedule that minimizes the fiscal impact on programs and services. This policy applies only to

capital assets acquired through Associated Students funds. Capital assets acquired through University Student Union funds are subject to policies and procedures adopted by the University Student Union Board of Trustees.

Policy Statement

It is the policy of the Associated Students to budget adequately for the acquisition, repair, and replacement of capital assets. To accomplish this, ASI will include in its annual operating budget a capital expenditures allocation. This allocation will be funded in an amount equivalent to the estimated depreciation expense for the coming fiscal year.

Who Should Know This Policy

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|--|--|---|
| <input checked="" type="checkbox"/> Budget Area Administrators | <input checked="" type="checkbox"/> Elected/Appointed Officers | <input type="checkbox"/> Grant Recipients |
| <input checked="" type="checkbox"/> Management Personnel | <input type="checkbox"/> Program Advisors | <input checked="" type="checkbox"/> Staff |
| <input checked="" type="checkbox"/> Supervisors | <input type="checkbox"/> Volunteers | |

Definitions

For purposes of this policy, the terms used are defined as follows:

Term	Definition
Associated Students fees available for allocation	Projected annual income from mandatory AS fees net of fee waivers and allowance for bad debt
Building improvements	Repairs, renovations, or refurbishments to the Soroptimist House, Recycling Center, and Child Development Center
Capital assets	Tangible items of property (real and personal), plant, and equipment that have a normal useful life of at least three years and have an acquisition cost of at least \$5,000 per unit
Capital budget	A financial statement of estimated capital expenditures for a period of time.
Capital project	A project that results in the acquisition of a capital asset or that helps maintain, restore, or improve a capital asset.
Equipment	Moveable articles of non-expendable property which have a normal useful life of at least three years and have an acquisition cost of at least \$5,000 per unit
Equipment betterment	Betterment is the replacement of a portion of an existing piece of equipment with a much improved or superior portion. The betterment does not extend the life of the asset, but does increase its value.
Extraordinary repairs	Repairs and maintenance that extend the useful life of an asset rather than maintain it in its normal state. This includes repairs that are cyclical in nature, such as carpeting, painting, and replacement of window treatments.

Standards and Procedures

1.0 Capital Expenditures Budget

Each year at the beginning of the annual budget preparation process, the Executive Director or designee will recommend to the Board of Control a budget amount to be reserved for capital expenditures. This amount must be no less than the total depreciation expense for the most recent fiscal year ended as reported in the Associated Students annual audited financial statements. This amount may be augmented by an allowance for inflation based on the Consumer Price Index - All Urban Consumers for the Los Angeles-Riverside-Orange County, CA Metropolitan Statistical Area (MSA). This amount must also be augmented by an annual allocation sufficient enough to achieve the completion of all deferred maintenance within a five year period.

In establishing this guideline, it is the intent of ASI to appropriate a **MINIMUM** funding level for capital expenditures. The allocation of funds above this amount may be necessary and/or desirable as determined annually by the Board of Control and Board of Directors during the annual budget process. Any changes to these minimum funding requirements will require a two-thirds majority vote of both the Board of Control and Board of Directors.

2.0 Capital Expenditures Planning Process

The Capital Expenditures Planning Process will result in a prioritized list of projects for the fiscal year Capital Expenditures Budget as well as a five-year Capital Expenditures Plan. In general, the projects to be incorporated must reflect ASI's mission, strategic initiatives and, for building improvements, the CSULB campus master plan.

The Capital Expenditure Planning Process will be initiated each year by the Office of the Executive Director in a memo to the division Directors that contains instructions for the capital budgeting process. The memo will request that each Director solicit, review, and prioritize initial capital budget requests for those departments that fall under his/her responsibility.

Each request for a capital expenditure will be subject to the following steps:

Capital Expenditure Planning Process	Time Line
1. Initial Development and Review of Capital Proposals	July – November
2. Director's Review of Capital Proposals	December – January
3. Board of Control Review	February – March
4. Finalize Fiscal Year Budget	April – May
5. Project Authorized for Spending to Begin	Throughout the following fiscal year

2.1 Initial Development and Review of Capital Proposals (July - November)

If a department supervisor identifies a capital need, he/she may complete a Capital Budget Request form and submit it to his/her division Director. The purpose of this form is to encourage the flow of ideas and allow for advanced planning. The Capital Budget Request form should include the desired project timing, a brief description and justification of the project, a rough estimate of the project cost, and realistic potential of other funding sources such as grants or gifts. A very detailed analysis is not required at this point. This will be done after

management review in order to prevent unnecessary work in case the project is not determined to be feasible.

An annual submission deadline will be set each year in order for the capital projects to be considered for funding from the following fiscal year's Capital Expenditures Budget. If this date is missed, the forms may be submitted throughout the year for consideration in subsequent years' Capital Expenditure Budgets.

2.2 Director's Review of Capital Proposals (December – January)

Division Directors will review the various Capital Budget Request forms developed by their respective department supervisors and approve those they believe are consistent with the funding criteria and priorities identified in this policy. If a Director is submitting multiple projects for a single department, he/she must assign a preliminary ranking of the project's importance using a letter grade (A being the highest) and add additional commentary if necessary. Since resources are limited, Directors should only submit those projects that have a realistic funding potential. Directors should limit their lists to projects for which there is genuine and pressing need. Directors will then forward the Capital Budget Request forms (fully completed, approved, and ranked) to the Executive Director. If the project involves information technology assets, the Executive Director will consult with the ASI Network Administrator. The Executive Director will use these submissions to develop a master list of projects for ASI, which will be forwarded to the Board of Control for further consideration.

2.3 Board of Control Review (February – March)

The Board of Control will review the master list of projects and the various Capital Budget Request forms submitted by the Executive Director and rank the projects. The Board of Control will then decide which of the projects have the highest priority/immediate need and warrant funding. At this time, the Board of Control may choose to defer some projects in order to make way for other more urgent projects that come up in the planning process. Division Directors will be notified which projects are selected for further development.

The Board of Control will use the master list of projects to develop the fiscal year Capital Expenditure Budget and the 5-Year Capital Expenditure Plan. The process of prioritizing capital projects must allow for some flexibility. The development of the 5-Year Capital Expenditure Plan will be an annual exercise, but changing or unanticipated circumstances must be taken into consideration and incorporated into the plan.

2.4 Budget Approval (April – May)

The Board of Control will review the master list of projects for the projects determined to have an immediate need or opportunity and finalize the Capital Expenditure Budget for the coming fiscal year. The Capital Expenditure Budget will be forwarded to the Board of Directors for approval as part of the proposal annual operating budget.

2.5 Authorization to Spend (Throughout Year)

In order for spending on a project to begin, the department supervisor must complete a Detailed Capital Budget form and submit it to the respective Division Director for approval. The Division Director will forward the Detailed Capital Budget to the Executive Director for final approval.

When required by university regulations, operating agreements, or ground leases, facility improvement projects will be reviewed and approved by the Associate Vice President of Physical Planning and Facilities Management (AVP-PPFM) to ensure agreement with the Campus Master Plan.

Once the Executive Director and AVP-PPFM (when necessary) have authorized the request, it will be forwarded to the A.S. Business Office to verify that the project has been funded in the current fiscal year so that spending on the project may begin.

Due to the changing environment in which ASI operates and the need to react quickly (and change priorities if necessary), these authorizations will be given throughout the course of the fiscal year rather than during the budget process. Department supervisors must ensure that the necessary authorizations have been obtained on the Detailed Capital Budget form before committing to any type of expenditure. The A.S. Business Office will assign an account number only after the form has been fully authorized.

3.0 Funding Criteria

In order to receive funding, Capital Budget Requests must meet one or more of the following criteria, listed in order of importance:

- 1) The project or purchase will remediate or abate an existing hazard or violation that has been formally identified and documented
- 2) The project or purchase represents a preventive safety measure
- 3) The project or purchase will improve the revenue-generating capacity of the Associated Students, Incorporated
- 4) The project or purchase will yield cost-saving improvements in operating efficiency
- 5) The project or purchase will expand the availability of existing programs and services

Projects or purchases that do not meet at least one of the above criteria will not be considered for funding from the Capital Expenditures Budget and must be included in the department's operating budget proposal.

4.0 Funding Priorities

The first priority for funding of capital purchases will be given to equipment replacement. To be considered a replacement item, the purchase must be for the same item or an item that performs the same function as the item it replaces. Any item that expands the scope or purpose of the item it replaces will be considered a new piece of capital equipment.

The first priority for funding of capital projects will be given to the completion of deferred maintenance. Deferred maintenance is maintenance that was not performed when it should have been or was scheduled to be. Once all deferred maintenance projects have been completed, the priority for funding of capital projects will follow the funding criteria specified above.

5.0 Procurement

Procedures for purchasing capitalized assets, including competitive bidding and contracting requirements, are identified in the ASI Policy on Procurement. All purchases must comply with all provisions of this policy.

5.1 Information Technology Purchases

To maintain consistency and compatibility for all technology-based equipment, requested purchases must receive input from the Network Administrator. As a part of any request to purchase equipment with specifications outside existing information technology platforms, the implications of such purchases must be considered and documented in the request (i.e. additional maintenance and support costs). All information technology purchases must comply with ASI's Policy on Information Assets.

5.2 Purchasing Deadlines

To accommodate year-end closing and the annual audit of ASI's financial statements, all capital expenditure purchase requests must be submitted by May 31 of each year. For a capital expenditure to be expensed in a specific fiscal year, the equipment must be received by ASI by June 30. To be considered "received," ASI must take physical possession of the equipment. Placing an order does not constitute possession.

A Construction-in-Progress (CIP) account will be established for any building improvement project not completed by June 30. The CIP account will enable ASI to track costs for projects over multiple fiscal years. The ASI Accounting Manager will assign WIP account numbers when appropriate.

6.0 Disposition of Remaining Capital Expenditure Budget

Capital expenditure funds remaining unspent or unencumbered by the end of the fiscal year will be allocated to the Reserve for Capital Expenditures.

Administration

The Executive Director is responsible for the administration, revision, interpretation, and application of this policy. The policy will be reviewed triennially and revised as needed, unless earlier revisions are necessitated by changes in regulations of the California State University Office of the Chancellor.

Forms

The following forms are to be used in the execution of this policy.

Form Name	Purpose	Responsible Office	Approved By	Timeline for Submission
Capital Budget Request	To request initial funds for a capital project.	Office of the Executive Director	Board of Control/Senate	Due by November 30 of each year
Detailed Capital Budget	To request the release of Capital Expenditure funds so that spending for a capital project can commence.	Office of the Executive Director	A.S. Business Office	Due by the end of the month preceding the month in which expenditures are to begin.