



Capital Budget Summary

The University Capital Budget Process is the tool used to identify, assess and plan for the capital needs of the institution and fully supports the overall objective and goals of the Five-Year Financial Plan. This process provides a basis for determining alternative sources of funding, a framework for assessing the impact of new capital expenditures on the operating budget, as well as providing a system to account for the capital resources of the institution.

The annual capital budget is prepared for the next fiscal year, but it is presented within the context of the Five-Year Financial Plan. This budget is also presented to the Finance and Audit Committee and the Board of Directors near the end of the current fiscal year.

Significant Points to the Capital Budgeting Process

There are several significant points to the capital budgeting process which will be in place to better evaluate capital projects within OHSU. The following is a summary of these matters:

- ✓ Beginning with Fiscal Year 2012, Rubix Budgeting will replace KBace as the primary tool for university capital budget planning. The Rubix Budgeting capital module has been designed to provide an all encompassing project/request approach. More details are available in this document and in Rubix training sessions.
- ✓ Central Financial Services Budget and General Ledger teams, along with departmental super users, will be on hand to introduce and guide you through Rubix. The training events are designed for all (new and existing) university budgeters.
- ✓ All budgeters are expected to register for training before entering in their capital budgets into Rubix Budgeting. You can sign up by logging into TrainingForce which can be found here: <https://trainingforce.ohsu.edu/registration/>. As is customary, individual training sessions can be arranged if you contact Gene Whiteley-Ross at extension #47158 or whiteleg@ohsu.edu.
- ✓ Capital requests over \$50,000 will require financial justification (ROI). See “How to Submit Capital Budget Requests” below. Also, any capital requests exceeding \$200,000 may require presentation to the Capital Allocation Committee (CAC). See “Capital Presentation Instructions” below.
- ✓ Costs and benefits that are identified in the ROI model will be used in the development of operating targets in the following fiscal year.
- ✓ Requests that impact or involve ITG and/or Facilities must be coordinated with those areas prior to submission.
- ✓ Always refer to the capital guidelines when completing your capital budget requests. This may require your department to take more operating expense on capital requests. Once the capital project is approved and expenditures begin, there may be certain activities reclassified as an operating impact to your GL. Please contact CFS Capital Budgets and/or Capital Accounting if you have any questions as to how to classify anticipated expenditures. The accepted guidelines can be found here: <http://www.ohsu.edu/xd/about/services/financial-services/forms/upload/CapitalGuidelines.pdf>



How to Submit Capital Budget Requests

Beginning with FY 2012, Rubix Budgeting will replace KBace as the primary tool for university capital budget planning. The Rubix Budgeting capital budgeting module has been designed to provide an all encompassing project/request approach.

The University will use Rubix Budgeting to submit all capital budget requests. Access to Rubix Budgeting will be provided to all departments for capital budgeting. Each field within the capital module of Rubix should be completed in order to complete a capital request. Please see the CFS budgeting website at <http://www.ohsu.edu/xd/about/services/financial-services/managing/budget/index.cfm> for additional information on Rubix.

The University capital process requires a completed ROI for all requests over \$50,000. This information will be supplied to the Capital Allocation Committee (CAC). The ROI is system generated from those details entered into Rubix Budgeting.

All requests will be considered by the CAC for both construction projects and/or equipment purchases, and submitted to the CAC for their review. If there is additional information you wish to attach, please submit to CFS and it will be included with your request. The committee will examine and consider all impacts to OHSU, both operating and capital, associated with the request as well as any incremental costs and/or benefits to the institution. Costs and/or benefits related to all capital requests should be identified on the forms provided within Rubix.

The responsibility for the development of the financial justification rests with the initiator of the budget request. In the event that the request relates to expenditures necessary to remain, or become, in compliance with current legislation or regulations, the financial justification will need to reflect this. In addition, requests that impact or involve ITG and/or Facilities must be coordinated with those areas prior to submission.

When completing the required forms within Rubix Budgeting, there are certain requests that will not require a completed ROI. Those types of projects are as follows:

- ◆ Safety
- ◆ Regulatory
- ◆ Equipment replacements
- ◆ Capitalized Maintenance
- ◆ Previously approved requests
- ◆ Requests – Fully-funded with restricted funds
- ◆ Requests – Split-funded, with less than \$50,000 in unrestricted funds
- ◆ Recruitments

Although a complete model is not required in these cases, capital reports will still be system generated from the data entered and submitted to the CAC.

As stated, please notify CFS of your completed submission. Capital requests submitted without the required details will be returned back to the departments for completion.



Capital Financial Model - ROI

The ROI is the presentation of details specific to a capital request which will identify, assess and plan for the needs of the University and should fully support the goals of the Five-Year Financial Plan. It will provide the financial justification for the request as well as projected savings, if applicable.

This model is the basis for assessing the impact of new capital expenditures on the operating budget, as well as providing a system for accounting for the capital resources of the institution. The system contains input areas and summaries, which will be used to evaluate your request along with all other strategic capital requests. Projects are evaluated both on financial and non-financial indicators so it is important to complete all parts of the template to the best of your ability.

One of the purposes of the ROI is to provide a framework for you to complete an incremental analysis of your project. This means that only revenues and expenses directly related to the approval of this project should be included. The template will also present the impact of implementing this project with and without productivity (soft) savings, those impacts that have the possibility of savings to your bottom line in the future. Hard savings impact the bottom line upon implementation.

The budgeting website also has useful forms and resources to assist through the capital budgeting process.

Capital Allocation Committee (CAC)

The CAC will oversee the capital budget process. The Executive Leadership Team and acting Chief Financial Officer will establish the level of funding available for next fiscal year's Capital Budget, which will coincide with the Five-Year Financial Plan.

Although all capital requests are subject to review by the CAC, *projects that were previously approved or involve capital carryover will be given greater consideration due to the commitment made by the CAC in prior fiscal years to complete.*

Following submission of the FY 2012 Capital budgets, the CAC will review all annual capital submissions. The CAC will rank, vote, allocate and finalize each request based on priority determined and applicable factors.

Capital Q&A Session

Once all capital requests are reviewed, you may be notified and asked to meet with the CAC in order to discuss your capital request. For those requests over **\$200,000**, Departments may be allotted a time to present a brief summary of the request and answer questions.

When preparing your presentation, please submit handouts to CFS one day prior to the meeting and limit to one sheet max per project. The CAC will have already obtained and reviewed your completed ROI. This presentation should be no more than ten minutes. When your scheduled time is up, you will be asked to stop. The anticipated scheduled presentation dates will be on the budgeting website within the FY 2012 University Budget Calendar.



It is expected that you will be prepared by this schedule date to present. Please contact CFS Capital Budgets as soon as possible if other arrangements are needed.

Once the capital presentation is complete, the CAC will individually prioritize the request based on the criteria set. Follow up questions may be needed; however the final assessed ranking will be accumulated and used as the basis to approve the request. If more details are needed on these criteria, please contact CFS – Capital Budgets, further details can be made available.

Capital Criteria – An Overview

The following section outlines various capital budget requests that can be made during the capital budgeting process. For additional guidance in budgeting capital, you can access other information on our budgeting website.

Capital Construction Project

A capital project is any non-recurring capital expenditure for the acquisition, construction, and improvement of a permanent facility. It is defined as any expenditure required to be made over a period of time to acquire, develop, improve and/or replace a capital asset (land, building, other fixed asset) with a cost of \$10,000 or more, not including related furnishings or movable equipment, and with a depreciable life of at least two years. (Note: Refer to Capital Guidelines under “Buildings and Improvements” for more detail.) Capital projects fall into four categories: (Note: Refer to Capital Guidelines.)

1. Construction of a new facility for new, expanded or enhanced programs, replacement of an existing facility, or the acquisition of land or a facility.
2. Remodeling of an existing facility for new or existing programs.
3. Effort related to the installation of a major IT system.
4. Adaptation of an existing facility to comply with legislative mandates health and safety requirements.

Please note that expenditures not meeting capital guidelines but purchased through a capital construction project will need to be budgeted as Operating. If expenditures are further reviewed to be an operating expenditure rather than capital expenditures as budgeted, this impact will be reclassified and expended as an operating expense.

Capital Equipment

To be considered a capital asset, equipment must first meet the following general definition: Any expenditure for tangible personal property owned, leased, or controlled by the institution having a value of at least \$3,000 **per base unit** and a useful life of more than one year. These are not expenditures consumed in the normal course of business. Please refer to the Capital Guidelines which is here: http://www.ohsu.edu/xd/about/services/financial-services/forms/upload/Capital_Guidelines.pdf.

Library

Books, periodicals and reference materials in an established reference library, such as the OHSU, SSE, ONPRC, Van Hessel Libraries or audio-visual department, regardless of value, are considered capital assets. Please refer to the Capital Guidelines, which is here: http://www.ohsu.edu/xd/about/services/financial-services/forms/upload/Capital_Guidelines.pdf.

Requesting Capital outside of the Budgeting Cycle

Recognizing that budget plans or budget priorities can change, a process for considering making revisions to the annual capital budget will be available. Once the capital budget is approved for a fiscal year, capital substitution will be approved via the same process as in the capital budget process. Therefore the following information will be required for out of cycle requests:



(1) An individual ROI for the specific request and (2) The OHSU University Capital Project Request Form which is a one-page description of the request and its associated costs, funding sources and justification. This will be located on the CFS Budget website. The appropriate Vice-President or Dean may approve substitution for requests under \$50,000, if funds are available. All University requests will need to be submitted to the University's Budget Department after approval from the appropriate Vice-President/Dean's office.

Quarterly CAC Meetings

The CAC meet to review current actual capital spending against the requested budget and other respective capital activities. In the event capital spending is significantly below budget, balances may be transferred to satisfy other capital needs.

Project Overruns

In the event that a capital request for equipment or a project was underestimated, a revised ROI, which will be available on the CFS Budget website, will be required that includes all costs related to the project. These projects must receive appropriate approval of the Capital Allocation Committee before authority to proceed is given. If these requests are out of cycle, the appropriate Vice-President/Dean's office and the acting Chief Financial Officer will need to give the appropriate approval before additional capital is spent. Additional funding for these projects need to be reviewed with VPs in each area.

Project Expenditure Reclassifications

When budgeting, always refer to the Capital Guidelines when completing your capital budget requests. You will need to be sure to include any possible operating expenses associated with the project. If this is not properly reflected, this may require your department to take more operating expense on capital requests. Once the capital project is approved and expenditures begin, there may be certain activities reclassified as operating impacts to your GL. Please contact CFS Capital Budgets and/or Capital Accounting if you have any questions as to how to classify anticipated expenditures. The accepted guidelines can be found here: <http://www.ohsu.edu/xd/about/services/financial-services/forms/upload/CapitalGuidelines.pdf>. These reclassifications, if not reflected in your budget according to these guidelines, can be things such as Furniture, Fixtures and Equipment which would be reclassified from a capital expense (object code 6341) to operating expense (minor equipment, object code 5321), or capital project expenses (object code 6349) to operating expense (Building Maintenance & Repair, object code 5711).

Capital Budget Schedule

Please see the University Budgeting website for important dates and deadlines. If you have any further questions, please contact a member of the budget team.

Capital Items – Foundation Funded

Foundation funded capital purchases will be reviewed by the CAC. Foundation funded capital items may be budgeted in the general ledger section of the foundation budget not within the capital module of UBS. Equipment that is purchased directly by the foundation should be budgeted in object code 6345 (FDN Funded equipment - University). For further information, please contact the foundation for assistance.

Capital Items – Faculty Practice Plan (FPP)

Departments requesting routine capital activity within designated FPP funds will be subject to the same guidelines, practices and procedures as any other University department. Additionally, they would be subject to those internal policies as held by the School of Medicine. As with other departments, unexpected capital expenditures are managed through the University capital contingency process.



Budget Contacts

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