

**Policy Title:** Capital Reserve  
Policy Approver: Board of Governors  
Policy Holder: Finance and Administration  
Executive Lead: Director of Finance  
Category: Operational  
Original Date: June 2020  
Next Review: June 2022

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### Policy Statement

Yukon University recognizes that effective planning and prudent fiduciary management requires a Capital Reserve as a buffer against risk and unexpected economic pressures. The Reserve may be used under strictly defined criteria and with Board approval to support expenditures consistent with the University's strategic plan and ongoing sustainability. These may include capital development projects, renovations, building maintenance and repair, catastrophic event recovery, or other expenditures the Board determines are necessary.

### Approval Statement

With the consent of the Board of Governors and approval of the Chair of the Board of Governors, this policy is hereby deemed in effect the 5<sup>th</sup> day of June 2020.



June 5, 2020

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Chair, Board of Governors

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Date

## 1. Purpose of Policy

Yukon University recognizes that effective planning and prudent fiduciary management requires contributing to and maintaining a Capital Reserve Fund. A Reserve provides the University with options to fund otherwise unsupported strategic activities, respond to unexpected issues, and mitigate risk. It may be required to address capital projects, capital renovations, facilities maintenance and repair, encumbrances, catastrophic events, or other specified purposes consistent with the sustainable operations of the University.

## 2. Governing Legislation and Relevant Documents

Yukon University Act  
PO 4.0 Conflict of Interest Policy  
FM 1.0 Approval Authority Policy  
FM 4.0 Finance Policy

## 3. Scope

The Policy applies to all operating and ancillary units of Yukon University. The board is responsible for overseeing and directing all matters respecting the management, administration and control of the university's property, revenues and financial affairs. Recognizing that it is not practical for the board to approve all financial decisions, authority is delegated to academic and administrative unit managers. This policy applies to all operations and organizational units of the university.

The focus of the policy is Financial Reserves held at all levels of the university (including academic or administrative units and at the university level) at a point in time (typically at the close of the fiscal year), and the application of those reserves in achieving strategic priorities and addressing risks.

This policy does not apply to fund balances held in Restricted Fund categories. Currently the categories of Restricted Funds include: Research, Student Aid, Capital and Endowments.

#### 4. Definitions

- **Core Operating Funds.** Core Operating Funds are generally unrestricted and support the university's program delivery, service and administrative activities.
- **Reserve Fund:** The Reserve Fund is the accumulated balance of monies directed from operating surpluses, if any, each year. Its purpose is to support long term capital planning and to mitigate risk from unanticipated or otherwise unsupported urgent expenses.
- **Reserve Fund Plan:** The Finance and Risk Committee develop a Reserve Fund Plan during each annual budget process, with the support of the President and the Senior Executive Team. The Board of Directors approves the Reserve Fund Plan.

#### 5. Guiding Principles

- **Stewardship:** As a publicly funded institution, Yukon University has a responsibility to ensure that resources are used appropriately and effectively.
- **Accountability:** The Director of Finance and the Finance and Risk Committee are responsible for monitoring the efficient and effective use of Reserve Fund and reporting activities and outcomes to their respective stakeholders.
- **Autonomy:** Within the scope of the Reserve Fund Plan, the President is responsible for leading and directing University operations, including the deployment of financial resources according to strategic priorities, risk assessment, emerging opportunities and commitments.
- **Practicality:** The policy must be clear and easy to implement.

#### 6. Other Related and/or Accompanying Documents

Addendum A – Policy Communication Checklist

#### 7. Document History

Include all updates here, including housekeeping changes, beginning with formal approval.

<i>Date</i>	<i>Update</i>
Feb 2020	Approved by Finance Audit & Risk Committee
June 2020	Approved by Board of Governors

## 8. Process for Fund Management and Allocation

Year-end surpluses that arise from Core Operating Fund activities carry forward to the subsequent year through the Capital Reserve Fund. The Finance and Risk Committee prepares a Capital Reserve Plan during the annual budgeting process to allocate funds for strategic priorities or to address unanticipated forthcoming expenses. The Committee does so again at yearend, after reviewing the audited financial statements, to address operating surplus allocations or deficit recovery. Allocating university funds to the centrally managed Capital Reserve Fund will be reported to and approved by the Finance and Risk Committee, for presentation to the Board of Governors.

Up to 10% of the University's Core Operating Budget can be maintained in the Capital Reserve Fund at any given time. For balances over 10%, the President must submit a plan to the Finance and Risk Committee for review and approval.

Capital Reserve Funds can be directed towards:

- Existing or future liabilities such as: pension plan deficits, unexpected events, self-insured claims, legal disputes;
- Acquisition of capital assets including construction of new facilities, fixtures or equipment;
- Deferred maintenance;
- One-time strategic initiatives such as matching contributions, endowments or major research projects.

Capital Reserve funds may be spent under the authority of the President, subject to the approved Capital Reserve Plan and current Approval Authority policies.

### Investment Management

The Reserve Fund is to be managed such that it provides maximum long-term consistency and stability of return. As such, the Fund may be vested in:

- Government obligations (i.e. Treasury Bills Notes, Strip Coupons, Debentures and/or Bonds) issued directly or indirectly by the Federal government or an agency (Canadian and U.S.) or any of the provinces with an appropriate credit rating (see investment limits below).

- Canadian Chartered Bank Securities, being Bearer Discount Notes, Deposit Receipts, Term Notes, Certificates of Deposit, Bankers Acceptances, bonds and strip coupons with an appropriate credit rating.
- Guaranteed Investment Certificates where such deposits are covered by Canada Deposit Insurance Corporation or its provincial equivalent.

A maximum 5-year term of investment is allowed for any individual investment instrument.

**ADDENDUM A - POLICY COMMUNICATION CHECKLIST**

Policy Name: Capital Reserve Policy

Number: AF 10.0

Submitted by:

List those consulted with in preparation of this policy:

<b>Name</b>	<b>Department</b>	<b>Date</b>

This checklist must be completed prior to the final draft of a policy being presented to SEC for presidential approval.

<b>Body</b>	<b>Communication Planned?</b>	<b>Completed?</b>	<b>Comments</b>
SEC			
Student Union			
Employee's Union			
Occupational Health and Safety			
Senate			
Board or a Board subcommittee			
Other			
SEC for Final Review	June 2019		