KPU | KWANTLEN POLYTECHNIC UNIVERSITY

FM9 Financial Structure of Revenue Based Activities Policy

Category: FM (Financial Management)
Effective Date: November 1, 2004
Approving Jurisdiction: President
Administrative Responsibility: Chief Financial Officer

A. Context and Purpose

Kwantlen Polytechnic University is committed to seeking and expanding its government-funded base budget through alternative sources of funding that enable the delivery of quality educational programs and services.

B. Statement Of Policy Principles

1. The primary purpose for Revenue Based Activities will be to extend educational programs and services to new and diverse groups.
2. The secondary purpose for Revenue Based Activities will be to expand opportunities for employees and to generate funds for ongoing operations.
3. The quality of Revenue Based Activities should enhance the reputation of the University.
4. Revenue Based Activities must recognize that learners will pay a fair price for a quality product.
5. Revenue Based Activities should honour all existing contracts the University has entered into.
6. Revenue Based Activities should not expose the University to unreasonable financial risk.
7. Revenue Based Activities should only begin when there is a clear understanding that revenue will at least meet both direct and overhead expenditures. Overhead expenditures are those institutional infrastructure costs that are consumed by Revenue Based Activities but are difficult to cost directly.
8. There will be a central contact point for all contracts, including Revenue Based Contracts. This will ensure an effective client liaison providing an opportunity for development while averting potential duplication and internal competition.

Financial Structure of Revenue Based Activities

When Kwantlen Polytechnic University contracts with an organization to provide services, the complete costs of delivering the services will be paid by the client organization and, wherever possible, a reasonable return (net revenue) above the direct and overhead costs will be built into the pricing of the services provided.

Revenues will at least meet expenditures including all direct and overhead costs.

1. Revenues are those funds that can be directly attributed to the Revenue Based Activity and would not have been received otherwise.

2. Direct costs are those that can be directly and easily attributed to a particular Revenue Based Activity, and include (but are not limited to):
    2.1. costs of faculty, staff and administrators as they relate to the activity;
    2.2. costs of contracted work;
    2.3. costs of units established for Revenue Based Activities;
    2.4. costs of employees in the development, negotiation and/or management of the Revenue Based Activity;
    2.5. employee costs will be at their applicable pay level and will include benefits at rates established annually by Financial Services;
    2.6. program supplies and materials;
    2.7. mileage, travel, meals, catering, etc.;
    2.8. off campus facility rental;
    2.9. advertising;
    2.10. additional furniture, equipment, computer hardware and software and any other capital requirements;
    2.11. special communications requirements;
    2.12. greater than normal usage of:
        2.12.1. printing and photocopying
        2.12.2. long distance telephone charges
        2.12.3. postage
        2.12.4. extensive or special requirements from support areas
        2.12.5. computing services

2.12.6. other educational technology services;

2.13. budget omissions are the responsibility of the Manager and will be charged against the contract.

3. Overhead costs include those institutional infrastructure costs that are consumed by Revenue Based Activities but in a level and manner that makes them more difficult to attribute and cost directly. Such costs include (but are not limited to):

   3.1. human resource and payroll services;

   3.2. accounting and purchasing services;

   3.3. cleaning and maintenance;

   3.4. computing and network services;

   3.5. counseling, library and other student and learner services;

   3.6. utilities, telephone, fax and security;

   3.7. photocopying, printing and postage.

4. Ministry provides approximately 30% for general institutional support and off-campus activities consume less than on-campus activities.

   In recognition of this, a two-tiered overhead rate will be used:

   4.1. 8% for Revenue Based Activities delivered off-campus or have minimal on-campus needs (less than 3 workstations);

   4.2. 15% for all other Revenue Based Activities.

Distribution of Net Revenues

5. Revenue Based Activities are managed within each Division/Department. Allocation of net revenues for all completed activities will take place at the end of each fiscal year. Calculation of net revenues will be based on all completed Revenue Based Activities within a division/department.

6. Cumulative positive and negative net revenues are carried forward to the following fiscal year.

7. Negative net revenues on a Revenue Based Activity are the responsibility of the designated administrator. Future positive net revenues will be used to offset negative net revenue carry forward.

8. All net revenues from Revenue Based Activities will be divided as follows:

    8.1. first $10,000 to the responsible division/department;

    8.2. 50% of remaining balance to the division department;

    8.3. balance to support future revenue based initiatives.

9. The Dean/Director has spending authority over division/department net revenue carry forward. Net revenues may be used at the discretion of the Dean/Director based upon unit priorities.

Other Considerations

10. Contract funds that are essentially "flowed through" to other organizations or institutions are exempt from the overhead allocation. In situations where these contracts provide for an administration fee, this amount will be split equally between the managing unit and general revenue.

11. International Education and Ancillary Services are subject to other guidelines and are exempt from this policy.

12. A Revenue Based Activity that is deemed to be an institutional priority and would normally be subject to this policy (but does not have revenues to cover all expenditures) may be exempted from full application of this policy by Senior Leadership. This exemption must be approved prior to entering into the contract. This exemption would normally only be granted if this Revenue Based Activity leads to a longer-term benefit to the University.