CHAPTER 15

CAPITAL PROJECTS – FUNDING FOR UNIVERSITY FACILITIES

CSU FUND:

Operating CSU Funds

441 – TF – Professional and Continuing Education Operations
444 – TF – Professional and Continuing Education Campus Partners
452 – TF – Facility Revenue Fund-Health Facilities Fees
472 – TF – Parking Revenue Fund-Parking Fees
485 – TF – CSU Operating
531 – TF – Housing-Operations and Revenue
534 – TF – Campus Union-Operations and Revenue
537 - TF - Auxiliary Org-Operations and Revenue

Non- Recurring Maintenance and Repair (NRMR) CSU Funds

017 – General Fund – Academic Deferred Maintenance
443 – TF – Professional and Continuing Education-Maintenance & Repair
454 – TF – Facility Revenue Fund-Maintenance & Repair
474 – TF – Parking-Maintenance & Repair
486 – TF – Academic Maintenance & Repair
532 – TF – Housing-Maintenance & Repair
535 – TF – Camp Union-Maintenance & Repair
538 – TF – Auxiliary Org-Maintenance & Repair

Capital Improvement (CIMP) CSU Funds

442 – TF – Professional and Continuing Education-Capital Improvements
453 – TF – Facility Revenue Fund-Capital Improvements
473 – TF – Parking Revenue Fund-Capital Improvements
487 – TF – Academic Capital Improvements
533 – TF – Housing-Capital Improvements
536 – TF – Campus Union-Capital Improvements
539 – TF – Auxiliary Org-Capital Improvements

SRB-Financed CSU Funds (0576)

221 – DCF – Housing
222 – DCF – Parking
223 – DCF – Auxiliary Facilities (Used for HEALTH Facilities)
224 – DCF – Campus Unions
228 – DCF – Auxiliary Organizations
229 – DCF – Professional and Continuing Education
230 – DCF – Academic Capital Outlay

FUND TYPE: CSU Proprietary - Enterprise Trust Funds

AUTHORITY: Education Code 89770 -89773, 990083
Senate Bill 860 Trailer Bill
Board of Trustees (BOT) Resolution RFIN/CPBG 11-14-01

1.0 OVERVIEW AND DEFINITIONS

This chapter was implemented in fiscal year 15/16 with full implementation by 7/1/2016 (fiscal year 16/17). This included the implementation of coded memo FS 2016-01.

As a result of Education Code Sections 89770-89774 and Board of Trustees resolution RFIN/CPBG 11-14-01, the definitions in Section 1.1 of this chapter have been modified to comply with state and CSU reporting requirements. **This applies to all capital reporting for the campuses, including Enterprise Programs (Parking, Housing, Student Union, Auxiliaries, etc.).** One of the main purposes of this new reporting requirement is to report the efforts of campuses to increase annual non-recurring expenditures in order to reduce the deferred maintenance backlog. This chapter is to be read in conjunction with Chapter 3, FIRMS, in this manual (in connection with derivation rules) and Chapter 13, Capital Assets Guide, in the *GAAP Manual*. Nothing in this chapter is intended to replace the information in these materials.

This chapter will focus on the accounting and reporting requirements necessary for compliance with the academic capital spending authorities. In fiscal year 2014-15, the legislature and a CSU Board of Trustees resolution approved the CSU's use of the General Fund (GF) support appropriation and student tuition fees to fund academic buildings and infrastructure projects, to

refund, restructure, or retire State Public Works Board (SPWB) bond debt, and for pledges securing payment of debt obligations issued by the Trustees pursuant to the State University Revenue Bond Act of 1947. The legislation and resolution include the following elements:

(1) Authority to pledge CSU's annual General Fund support budget appropriation and other revenues (tuition fee revenues and interest) to secure CSU debt.

(2) Authority to pay for capital improvements on a pay-as-you-go[1] basis:

   a. Limits the use of the General Fund support appropriation (state fund 0001) for pay-as-you-go capital improvements[1] and debt financing to a maximum of 12% system-wide. At this time, this will be zero percent because the CSU uses 100% of General Fund monies on salaries and wages.

   b. At this time, consideration is being given to an internal policy to limit the use of tuition fees (CSU Fund 485) for pay-as-you-go capital improvements and debt financing.

(3) A prohibition against the State's restriction or impairment of the CSU's ability to pledge its annual General Fund support budget appropriation so long as any debt supported by the pledge remains outstanding.

(4) The flexibility to utilize the spending authorities through its existing Systemwide Revenue Bond program.

(5) The ability to finance State Public Works Board debt with debt issued under its own authority.

(6) A streamlined capital projects submission and review process to the Department of Finance and the legislature.

[1] Refer to the definition in Section 1.1(3)(a) of this chapter.

1.1 Definitions

Terms used within this chapter are defined as follows and are in accordance with the Education Code:

1. **Capital expenditure**[2] can be any of the following:
    a. The cost to acquire real property; design, construct or equip academic facilities to address seismic and life safety needs, enrollment growth, or modernization of out-of-date facilities; and renew or expand the infrastructure to serve academic programs.
    b. The cost to design, construct or equip energy conservation projects.
    c. The cost of deferred maintenance of academic facilities and related infrastructure.

    These do not define capital expenditures for capitalization purposes as defined by the GAAP standards. Refer to discussion in section 6.0, *GAAP Impact*.
2. **Public Contract Code** establishes the maximum costs of a project that may be budgeted as a minor capital outlay project and requires the project cost to be adjusted biennially. Public Contract Code defines a "project" as the erection, construction, alteration, repair, or improvement of any structure, building, road or other improvement of any kind. The CSU has adopted this code to include both maintenance/repair and capital improvement projects as follows:
    a. **Major Project:** A project costing more than $752,000.
    b. **Minor Project:** A project costing less than or equal to $752,000[3], inclusive of all project cost not just for construction.
3. **CSU project categories:**
    a. **Maintenance/repair project:** There are two categories of maintenance and repair projects[4]. There is no dollar limit on the use of operating funds for maintenance and

[2] As defined by Education Code Section 89770(b) 1, 3, 4.
[3] EO 672 (): Campuses will be required to have an approval process whereby the president or his designee approves projects greater than $100,000, but less than or equal to $752,000.
[4] Refer to Executive Order (EO) 847, *Facility Maintenance*, for further clarification.

repair projects and Board of Trustees' approval is not required, **except** if debt financing is needed.

i. **Recurring maintenance/repair:** Activities, typically in cycles less than one year, required for ongoing, routine operations and maintenance of buildings and equipment. Work necessary to **keep** facilities, buildings, equipment, roads, sidewalks, sewer and water systems, utility infrastructure, and grounds in good repair, appearance and operating condition.

ii. **Non-recurring maintenance/repair (NRMR) – deferred maintenance:** Work required to **restore** facilities, buildings, equipment, roads, sidewalks, sewer and water systems, utility infrastructure, and grounds to their original condition or to such condition that they can be effectively used for their intended purpose, ensuring ongoing operation of the campus. Typically, this work occurs in cycles greater than one year (and is not funded as part of the new space budget allocation). Some campuses budget non-recurring maintenance separately and, for example, may establish (1) use of one-time funds for such expenditures, or (2) set aside permanent base funds to address non-recurring maintenance and deferred maintenance.

b. **Capital Improvement Project (CIMP):** An activity which improves or alters an existing space or creates new space. New construction of facilities, buildings, equipment, roads, sidewalks, sewer and water systems, utility infrastructure, and grounds are all capital expenditures, as distinguished from maintenance/repair.

See Section 7.0, *Resources*, for link to the *GAAP Manual*, Chapter 13, regarding capitalization of assets.

4. **Funding types:**

a. **Non-financed funding** includes:

i. **Reserves (PayGo):** campus or systemwide.

ii. **General Fund:** Appropriated funds from the Budget Act.

iii. **Supplemental funding:** such as Trust, donor or enterprise program revenue.

b. **Financed funding:** Includes:

i. Systemwide Revenue Bond (SRB)
ii. Commercial Paper (CP)
iii. Equipment lease financing
iv. Public Works Board (lease revenue bond)
v. General Obligation (GO) Bond
vi. Any other debt issued by the Trustees.

5. **University Project Types**:
   a. **Academic Projects:** Includes both academic and instructional support campus structures, including administration, library and student administration buildings; classrooms; and infrastructure improvements.
   b. **Self-Support Projects**: Includes all auxiliary enterprise programs, such as parking, housing, professional and continuing education, student union, and health facilities projects and Auxiliary Organizations.
6. **Capital Outlay:** Includes deferred maintenance and capital improvement projects.

2.0 FUND SPECIFICS

CSU fund 017 – GF Academic Deferred Maintenance (FNAT 131642): Established to record General Fund expenditures for specific projects approved by the Department of Finance that must be tracked, claimed from the state, and reported in the General Fund.

CSU fund 485 – TF-CSU Operating Fund: For purposes of the authority described in this chapter, this fund is used to expend monies for recurring maintenance and repair expenditures, as well as other support costs. Campuses must establish appropriate department identifications (also known as derivation "Rule 4" --- see Chapter 3, *FIRMS*, of this manual for a further description of this rule) so that recurring maintenance and repair charges derive to one of the following FIRMS program codes: 0702, 0703, 0704. (See program code definitions in the *FIRMS Data Element Dictionary* for further descriptions of these codes.)

CSU fund 486 – TF-Academic Maintenance & Repair Fund (FNAT 131242): Established to record accumulated reserves and interest earnings transferred from CSU fund 485, CSU Operating Fund, for non-recurring maintenance and repair projects. This type of funding is referred to as pay-as-you-go (see **Definitions** in Section 1.1 of this chapter). This fund tracks the money spent on deferred maintenance to quantify progress in addressing the deferred maintenance backlog. Interest earned on money in this fund can be recorded in this fund.

CSU fund 487 – TF-Academic Capital Improvement Fund (FNAT 131243): Established to record accumulated reserves and interest earnings transferred from CSU fund 485, CSU Operating Fund, for capital improvement projects that improve or alter a space, or which involve the construction of new buildings or additions to buildings. This type of funding is referred to as pay-as-you-go (see **Definitions** in Section 1.1 of this chapter). The separate accounting for capital improvement projects funded by CSU fund 485 is consistent with the reporting structure established for the enterprise funds (parking, housing, etc.) and establishes an audit trail for the funding of capital expenditures. Interest earned on money in this fund can be recorded in this fund.

Various CSU fund within state fund 0576: Established to record SRB proceeds for capital improvement and/or non-recurring maintenance and repair projects. This fund provides data necessary for bond financing requirements, arbitrage tracking, etc. See Chapter 17 for more information about the SRB program.

Capital Project CSU Fund Matrix - Capital project CSU funds break down into two program categories; enterprise funds and non-enterprise funds and into two net asset categories, unrestricted and restricted. Enterprise funds include the auxiliary enterprise programs; Housing, Parking, Health Center, Student Union and Professional and Continuing Education. Non-enterprise funds include CSU fund 001, 463, 485, 496, 537, 542, 543, and 544. The unrestricted category has three (3) types of funds to be used when monies are from internal sources (e.g. student fees): 1) operating, 2) non-recurring maintenance and repairs and 3) capital

improvements. The restricted category also has three (3) types of funds: 1) financed activities, 2) non-recurring maintenance and repairs and 3) capital improvements. These funds are to be used when monies are from external sources (i.e. SRB proceeds or donations). Unique to the enterprise programs, the same CSU fund is to be used for unrestricted and restricted activity, however, a fund attribute called a GAAP override must be set up on the PeopleSoft fund to restrict the fund to net asset category 834, Restricted Expendable – Capital Projects, when external monies are used to fund a portion of the project. See Section 7.0, *Resources*, for the embedded file *Chapter 15 Fund Matrix*.

See Section 7.0, *Resources*, for link to the *GAAP Manual*, Chapter 13, regarding capitalization of assets.

2.1 Critical Spending Requirements and Retention

There are two types of financed projects, Tax Exempt and Taxable. The CSU issues tax-exempt financing instruments for Academic and Self-Supporting projects. The CSU is subject to audit by the Internal Revenue Service (IRS) and must demonstrate that its **tax-exempt** Systemwide Revenue Bonds comply with the Internal Revenue Code of 1986. Non-compliance could lead to the loss of the tax-exempt status of the university's bonds and the imposition of penalties. The CSU has the responsibility to ensure proper use of bond proceeds, proper use of bond-financed facilities (through monitoring of private activity use) and timely spend-down of bond proceeds to minimize arbitrage penalties. Consistent with the CSU debt management policies and IRS spend-down requirements, tax-exempt proceeds must be spent from the date of debt issuance as follows:

- At least 10 percent of expenditures should be paid by 6 months;
- At least 45 percent by 12 months;
- At least 75 percent by 18 months;
- 100 percent by two years.

The CSU also issues **taxable bonds** for private purpose use and those do not have IRS spenddown requirements although there is a cost of borrowing. Campuses are advised to spend taxable bond proceeds in a timely manner.

All claims must be forwarded within 30 days of payment to vendor to the State Controller's Office (SCO) for processing. Only expenditures that are recorded at the SCO are counted towards the benchmarks (i.e. spending requirements). Allow two weeks for the SCO to process and post claims. Campus expenditures submitted but not yet paid by the State and encumbrances are not considered expenditures.

To comply with IRS and CSU records retention requirements, campuses are to maintain the following prior to bond issuance and throughout the term of the bonds (generally 30 years), plus five years following payoff of the bonds:

a. Records documenting allocation orders and expenditures;
b. Copies of requisitions, draw schedules, draw requests, invoices, and bills and cancelled checks related to bond proceeds;
c. Records of expenditure reimbursements.

For on-line workshops related to tax-exempt bond requirements, refer to Finance and Treasury website in Section 7.0, *Resources*.

2.2 Requirement for Facility Reserves

Campuses may set aside reserves specifically designated for capital improvement projects, or deferred maintenance (non-recurring maintenance and repair) projects. It is recommended that campuses incrementally accumulate cash reserves to provide debt service and pay-as-you-go funding for capital projects that are essential to the academic mission of the campus.

In addition, the debt policy (pending revised EO 994) requires campuses to set aside reserves to fund future project costs for university facilities and infrastructure. This approach is consistent

with the historical use of campus funds to pay for preliminary plans and working drawings prior to going to the Board of Trustees for approval of the Systemwide Revenue Bonds not-to-exceed financing amount. The reserve can also fund cost overruns or contractor claims, as is current practice with SRB-financed projects. See Section 7.0, *Resources*, for link to EO 994.

2.3 Accounting Setup

Per Section III of EO 672, campuses are required to provide a variety of reports concerning their capital projects to the Chancellor's Office.

2.3.1 PeopleSoft Fund Chartfield

When multiple funding sources are involved with a project and as additional funding may come throughout, an understanding of when to create a fund is important. The fund chartfield identifies the source of funds. A fund is needed when you are tracking the fund source, as in a specific bond sale. It is needed if there are spending restriction or designations used in the GAAP financial statement, and when a unique balance sheet is needed.

2.3.2 PeopleSoft Project Chartfield

The Project chartfield identifies a discrete set of activities that occur within a finite time period which has a defined start and end date. To leverage the technology available and increase the timeliness of data, campuses must use the PeopleSoft project chartfield to meet the form and content requirements for the following four types of capital project reports to the Chancellor's Office:

1. Debt-financed capital outlay projects
2. Any capital projects receiving system-wide funding
3. Board of Trustees-approved projects
4. If one funding source is subject to CPDC reporting, then all other funding sources must include same project attributes.

In other words, **everything** except minor capital improvement or non-recurring maintenance and repair, funded 100% with campus reserves.

2.3.3 PeopleSoft Project Attribute

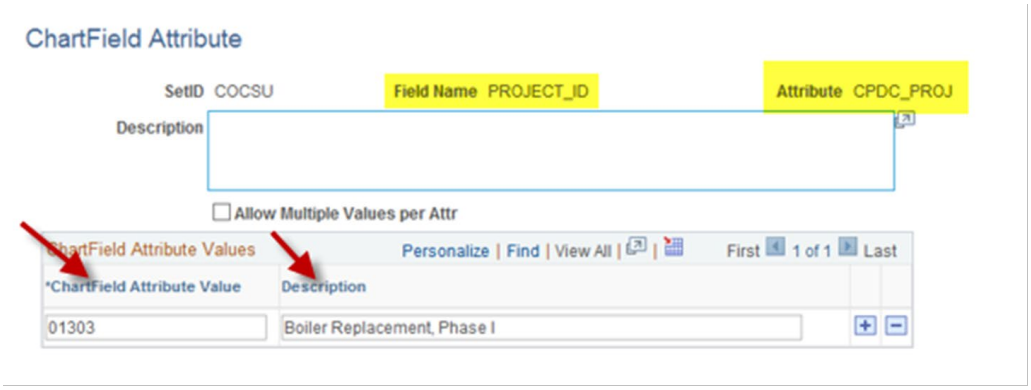
Use of the PeopleSoft Project Attributes on the PeopleSoft Project chartfield are required for system-wide reporting as outlined in Section III of EO 672. This function allows campuses to maintain their existing project naming convention (not restricting their current and continued use of the campus-specific project attribute) and allows Capital Planning, Design and Construction (CPDC) to define the values needed to report the project data to external users.

Project information must be retained in the ledger and comply with Chapter 15 requirements for one year after the fiscal year that the notice of completion (NOC) for the last project phase is issued, unless there is a contractor dispute such as an on-going claim or litigation. In such cases, the project can be closed one year after the settlement of the construction dispute. If there are project savings from the initial project that are authorized by CPDC to be used for a new project but will be reported using the same systemwide project, the new project savings project will become the last phase of the initial project for this requirement. If the funding source has different requirements, see Chapter 2, Section 3.4(B) of the Legal Accounting and Reporting manual.

To use the PeopleSoft Project Attribute for capital projects:

a. Campuses will select from the Project Field Name, Project Attribute: **CPDC_PROJ**:
    i. Project Attribute
        1. Project Attribute Value: <**Project code>** assigned by CPDC. The value should be entered with a hyphen and no space. Example, MA-01378.
        2. Project Attribute Description: <**Project title>**
b. For campuses with multiple PeopleSoft project IDs, assign the same CPDC_PROJ project attribute value for consistent system-wide reporting.

Example:



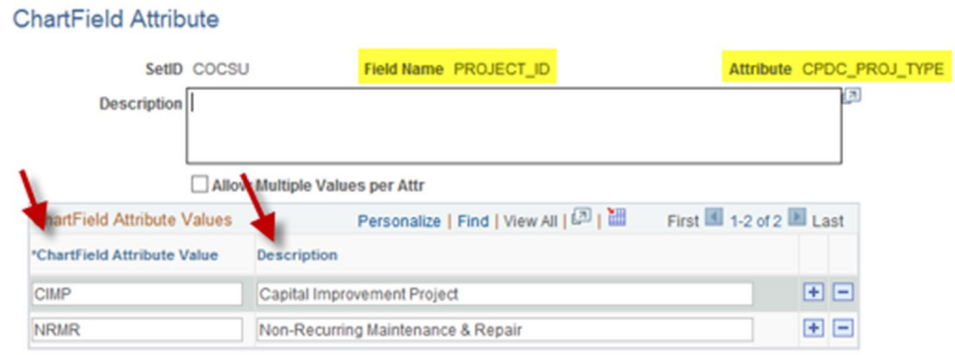
c. Campuses will then select Project Attribute: **CPDC_PROJ_TYPE, determine the type of project and select the corresponding attribute code and description.**

i. Project Attribute

1. Project Attribute Value: **NRMR or CIMP**
2. Project Attribute Descriptions: **Non-Recurring Maintenance and Repair or Capital Improvement Project**

ii. **51% Rule:** The 51% rule applies to all project types when a project is split between types.

Example:



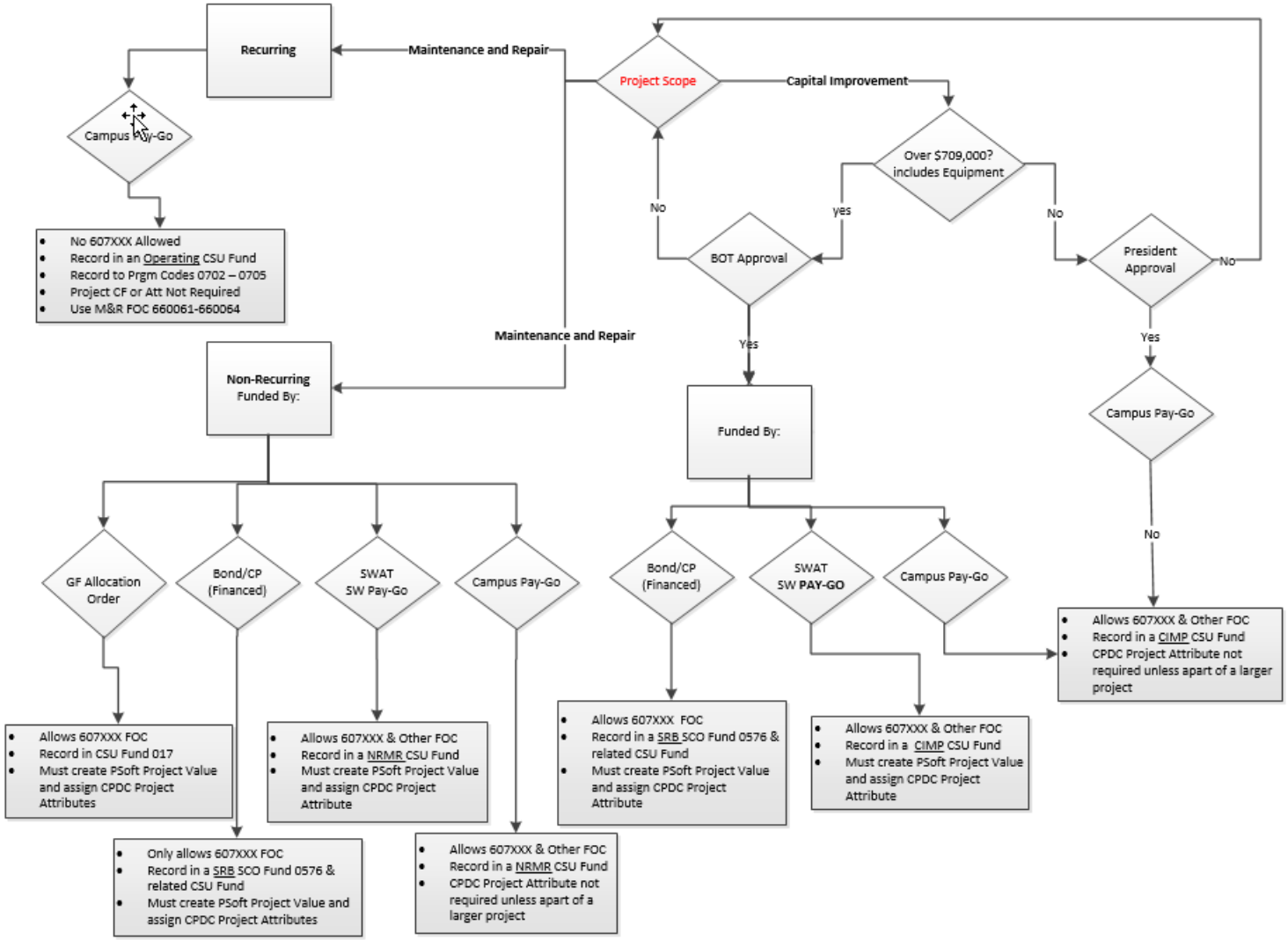
The following table summarizes the project chartfield and attribute requirements for reporting non-recurring maintenance and repair and capital improvement projects across all programs, inclusive of enterprise programs.

Funding Source	PS Project Chartfield (campus defined)	PS Project Chartfield "Attribute" Value I Description CPDC_PROJ		PS Project Chartfield "Attribute" Value I Description CPDC_PROJ_TYPE	
Systemwide Revenue Bonds (SRB)	Yes	FIRMS/CPDC Project Number <CC-nnnnn>	Project Title	1) NRMR [1] 2) CIMP	1) Non-Recurring Maintenance & Repair 2) Capital Improvement
Systemwide Allocations (SWAT) Pay-as-you-go	Yes	FIRMS/CPDC Project Number <CC-nnnnn>	Project Title	1) NRMR 2) CIMP	1) Non-Recurring Maintenance & Repair 2) Capital Improvement
General Fund Appropriation (Allocation Order)	Yes	FIRMS/CPDC Project Number <CC-nnnnn>	Project Title	1) NRMR 2) CIMP	1) Non-Recurring Maintenance & Repair 2) Capital Improvement
Campus Operating Funds	Optional	N/A	N/A	N/A	Recurring Maintenance & Repair
Campus Pay-as-you-go	Optional	N/A	N/A	NRMR	Non-Recurring Maintenance & Repair
Campus Pay-as-you-go Minor CIMP	Optional	N/A	N/A	CIMP	Capital Improvement
Campus Pay-as-you-go Major CIMP	Yes	FIRMS/CPDC Project Number <CC-nnnnn>	Project Title	CIMP	Capital Improvement

[1]CIMP = Capital Improvement; NRMR = Non-Recurring Maintenance & Repair; Non-Recurring Maintenance & Repair could be considered CIMP if total project is at least 51% betterment/renovation.

3.0 FUND MANAGEMENT AND ACCOUNTING PRACTICES

The following flow chart depicts the requirements for reporting recurring and non-recurring maintenance and repair and capital improvement costs across all programs, inclusive of enterprise programs, depending on the funding type.


Recurring
Maintenance and Repair
Project Scope
Capital Improvement
Campus Pay-Go
Over $709,000? includes Equipment
No
yes
No
BOT Approval
President Approval
No
No Allowed
Record in an Operating CSU Fund
Record to Prgm Codes 0702 – 0705
Project CF or Att Not Required
Use M&R FOC 660061-660064
Maintenance and Repair
Yes
Yes
Non-Recurring Funded By:
Funded By:
Campus Pay-Go
No
GF Allocation Order
Bond/CP (Financed)
SWAT SW Pay-Go
Campus Pay-Go
Bond/CP (Financed)
SWAT SW PAY-GO
Campus Pay-Go
Allows 607XXX & Other FOC
Record in a CIMP CSU Fund
CPDC Project Attribute not required unless apart of a larger project
Allows 607XXX FOC
Record in CSU Fund 017
Must create PSoft Project Value and assign CPDC Project Attributes
Allows 607XXX & Other FOC
Record in a NRMR CSU Fund
Must create PSoft Project Value and assign CPDC Project Attribute
Allows 607XXX FOC
Record in a SRB SCO Fund 0576 & related CSU Fund
Must create PSoft Project Value and assign CPDC Project Attribute
Allows 607XXX & Other FOC
Record in a CIMP CSU Fund
Must create PSoft Project Value and assign CPDC Project Attribute
Only allows 607XXX FOC
Record in a SRB SCO Fund 0576 & related CSU Fund
Must create PSoft Project Value and assign CPDC Project Attributes
Allows 607XXX & Other FOC
Record in a NRMR CSU Fund
CPDC Project Attribute not required unless apart of a larger project

3.1 Recurring Maintenance/ Repair Projects

Regular, ongoing, scheduled maintenance and repair costs should be recorded only in a CSU operating fund (e.g., CSU fund 485, CSU Operating Fund; or CSU Fund 531, Housing). The following criteria must be followed in order to provide the Chancellor's Office the ability to report recurring maintenance and repair:

1. On-going maintenance and repair projects do not require a PeopleSoft project code or project attribute. However, campuses may choose to utilize this field for consistent project financial management.
2. Capital project FIRMS object codes, 607XXX, are **not** allowed in operating CSU funds.
3. Campuses are instructed to associate facilities departments with one of the following FIRMS program codes, as appropriate, using program code derivation Rule 4:
    - 0702 - Building Maintenance
    - 0703 - Custodial Services
    - 0704 - Utilities
    - 0705 - Landscape and Grounds Maintenance.

    Additional mappings to other program code derivations may be necessary to facilitate other reporting requirements, such as 0701– Physical Plant Admin for property insurance premiums.
4. When only a single FIRMS object code is needed to record an expenditure for contractual services arrangements, campuses will select from below so that the expense will derive to the proper FIRMS program code:
    - 660061, Repairs & Maintenance – Building Maintenance (program code 0702)
    - 660062, Repairs & Maintenance – Custodial Services (program code 0703)
    - 660063, Repairs & Maintenance – Utilities (program code 0704) TO BE USED BY CAMPUSES WITH CO-GENERATION PLANTS ONLY
    - 660064, Repairs & Maintenance – Landscape and Grounds Maintenance (program code 0705)

5. Firms Object Code 660065- Capital Planning and Design Fees, should be used for feasibility studies, physical master plans, and environmental impact reports. These expenditures should be recorded to the CSU operating fund in which that project will ultimately be funded. (e.g. CSU Fund 485 for Academic Projects, CSU Fund 531 for Housing, etc.)
6. Utilities object codes (605001 – 605090) map to program code 0704 through program derivation Rule 2. This code includes expenses related to heating, cooling, light and power, gas, water, and any other utilities necessary for operation of the physical plant.
7. Direct allocation of costs to other CSU entities should utilize the same object codes referred to in this section to facilitate accurate reporting.

3.2 Non-Recurring Maintenance/Repair Projects (NRMR)

The following coding is required so that the Chancellor's Office can accurately report non-recurring maintenance and repair project costs:

1. Projects funded by the General Fund (Allocation Orders)
    a. Requires campus-defined PeopleSoft project chartfield and CPDC project attributes (both project type and project title).
    b. All expenditures are to be recorded to FIRMS program code 0706, Major Repairs and Renovations.
    c. May use FIRMS object codes 607XXX or other appropriate FIRMS object codes to describe the expenditure.
    d. Record in CSU fund 017, General Fund Academic Deferred Maintenance.
2. Projects funded by PayGO (Cash Posting Orders)
    a. Requires campus-defined PeopleSoft project chartfield and CPDC project attributes (both project type and project title).
    b. All expenditures are to be recorded to FIRMS program code 0706, Major Repairs and Renovations for non-enterprise funds and 2001 for auxiliary enterprise funds.
    c. May use FIRMS object codes 607XXX or other appropriate FIRMS object codes to describe the expenditure.

d. Record in the appropriate maintenance and repair CSU fund.

3. Projects funded by debt (financed funding)
   a. A FIRMS project code is required in fiscal year 2015/16 for each project, but thereafter a FNAT key will only be required at the bond series level.
   b. Requires campus-defined_PeopleSoft project chartfield and CPDC project attributes (both project type and project title).
   c. All expenditures are to be recorded to FIRMS program code 0706, Major Repairs and Renovations for non-enterprise funds and 2001 for auxiliary enterprise funds.
   d. Requires Board of Trustees approval.
   e. Must use FIRMS object codes 607XXX.
   f. Record in the appropriate CSU fund within state fund 0576.
4. Projects 100% funded by campus PayGo
   a. Does not require approval by the Board of Trustees.
   b. Record in the appropriate maintenance and repair CSU fund.
   c. All expenditures are to be recorded to FIRMS program code 0706, Major Repairs and Renovations for non-enterprise funds and 2001 for auxiliary enterprise funds.
   d. May use FIRMS object codes 607XXX or other appropriate FIRMS object codes to describe the expenditure.

3.3 Capital Improvement Projects

1. Major capital projects
   a. Require approval by the Board of Trustees or delegated approval.
   b. The following CSU funds are required depending on the funding source:
      i. SRB funding should be reported in state fund 0576.
      ii. Campus and Systemwide PayGo should be recorded in CSU fund 487.
   c. All expenditures are to be recorded to FIRMS program code 0706, Major Repairs and Renovations for non-enterprise funds and 2001 for auxiliary enterprise funds.
   d. FIRMS project code is required in fiscal year 2015/16 for each project, but thereafter FNAT key will only be required at the bond series level.

e. Requires campus-defined_PeopleSoft project chartfield and CPDC project attributes (both project type and project title).

2. Minor capital projects
    a. Non-financed funding
        i. Does not require approval by the Board of Trustees.
        ii. Campus and Systemwide PayGo funding should be recorded in the appropriate capital improvement CSU fund.
        iii. All expenditures should be recorded to FIRMS program code, 0706, Major Repairs and Renovations, for non-enterprise funds and 2001 for auxiliary enterprise funds.
    b. Financed funding
        i. Requires approval by the Board of Trustees.
        ii. SRB funding should be reported in CSU Fund 230 or appropriate enterprise program CSU fund within SCO fund 0576.
        iii. A FIRMS FNAT will be set up based on the bond series.
        iv. All expenditures should be recorded to FIRMS program code 0706, Major Repairs and Renovations.
        v. Requires campus-defined PeopleSoft project chartfield and CPDC project attributes (both project type and project title).

3.4 Spending Hierarchy for Multi--Funded Projects

In order to meet the reporting requirements outlined in this document, campuses should spend based on availability of money and utilize a spending hierarchy to meet spending benchmarks. Below is an illustration of a recommended spending priority.

1. **Tax-Exempt bond or commercial paper funding:** These funds should be spent first to meet the IRS spending requirements. See Section 2.1 of this chapter for further information.

2. **Taxable Bonds:** while taxable bonds do not have IRS spenddown requirements, there is a cost of borrowing. Campuses are advised to spend taxable bond proceeds in a timely manner.
3. **General Fund Deferred Maintenance**: Campuses need to evaluate if a project has General Fund appropriation(s) with earlier available to or reversion dates than bond funds. If so, the timing in the spending of these funds needs to be coordinated with the timing in the spending of the bond funds.
4. **Cash/Short Term Investments**: Campus or Systemwide PayGo or Supplemental funding
5. **Long Term Investments**

3.5 General Accounting Guidelines for University Projects

This section discusses how to handle various activities related to university projects.

1. Transfer accounts in auxiliary enterprise (Housing, Parking, Professional and Continuing Education, etc.) and academic/non-enterprise funds shall not be used as a vehicle to pool resources of fund groups[5] for multi-funded projects. The account used to record an expenditure should reflect the precise nature of that expenditure. Also see Section 3.4 in this chapter.
2. Expenditures and commitments recorded in a fund should not exceed the resources available in that fund.
3. Bond proceeds recorded in state fund 0576 may only be augmented by additional bond proceeds. Other campus funds allowed to be used for a project must be spent in the source fund.
4. Budgets are required and must be posted in the PeopleSoft budget ledger for approved projects specified in Section 2.3.2.

[5] Fund groups are the suite of funds for each enterprise activity and academic/non-enterprise activity. They consist of a fund for operations, a fund for repair and maintenance and a fund for capital Improvements. For example, transfers are allowed between the Housing Operations and the Housing Capital Improvements funds (Housing fund group, but transfers are not allowed between the Housing fund group and the Parking fund group.

5. If, as outlined in sections 3.2 or 3.3, a project id is required to be used, on a quarterly basis, expenditures must be recorded in the source fund.
6. Expenses may be moved between funds via journal entry, only if the original transactions were marked with the project id and appropriate CPDC project attributes. Conversely, if the project id and CPDC attribute was not used to record the original transaction, or a claim schedule must be generated, voucher corrections must be processed to reclassify the fund and/or project.

3.6 Investment Earnings Used to Fund Capital Projects

Investment earnings recorded in CSU fund 485 (includes either SMIF or SWIFT earnings) may fund capital projects and can be transferred to CSU funds 486 and 487 for capital expenditures.

4.0 REPORTING REQUIREMENTS

4.1 Campus Reporting

4.1.1 CPDC Capital Expenditure Reporting Requirement

Pursuant to Education Code Section 89771, campuses shall supply to the Chancellor's Office, on or before September 1, 10 months before the commencement of any given fiscal year, a report that details the scope of all capital expenditures[6] and how those capital projects will be funded, along with the capital projects' budget proposals. The details for this requirement can be found in the Call Letters link available in Section 7.0, *Resources*.

4.1.2 Reconciliation Requirements

Per Executive Order 672, Delegation of Capital Outlay Management Authority and Responsibility, Campus shall provide a quarterly status report on capital outlay progress, including financial expenditures. As outlined in this chapter, campuses are to utilize the CFS PeopleSoft Project Attribute for capital projects and are to reconcile on a quarterly basis that expenditures are recorded in the appropriate funding source and CPDC project attribute. To

facilitate this reconciliation, campuses should utilize the campus' Previous Five-Year Capital Improvement Program (CIP) document found in the annual Five-year Capital Outlay program to determine the current[7] approved and funded projects, as well as Resources on the CPDC Executive CSYou page for projects amended to the capital outlay program that have yet to be documented in the Five-Year CIP and CPDC allocation schedules for the type of funding provided against the Finance Data Warehouse (FDW) financial reporting dashboard. The following elements should be validated.

1. Spending Authority has been granted in the funding source and it is recorded in the appropriate SCO and CSU fund. "Spending Authority" is defined as either an allocation order, systemwide transfer, or campus transfer.
2. Campus and systemwide PayGo funding should be recorded as a "transfer in" of cash from one fund to another. It is required that the transfer in (not transfer out) carry the project attribute.
3. Facility management expenses (607032 - Capital-Construction Management) are to be only charged to the project fund (not the cost recovery fund) and should carry the project attribute for that project.
4. Ensure that expenses recorded to CIMP or NRMR CSU funds that are not part of Major Capital Outlay project (those that carry a CPDC Project Attribute) are appropriately reportable as minor projects (currently under $752,000).
5. Expenditures to not exceed spending authority or that additional funding has been recorded to augment a project.
6. Ensure that all expenditures are recorded based on their natural classification and that "Transfer out" FIRMS object codes are only used as a reduction of spending authority in SCO fund 0948. Reductions in spending authority in SCO fund 0576 are as a result of a de-allocation and are not recorded in the actuals ledger.

[6] As defined by Education Code Section 89770(b).
[7] Current at the time the book was published. Amendments may occur throughout the year.

4.2 Chancellor's Office Reporting Requirements

The following reporting requirements can be accomplished by the Chancellor's Office through reference to information in the system-wide data warehouse and FIRMS.

4.2.1 Capital Project Reporting Requirement

CDPC will report quarterly on all Board of Trustees-approved capital improvement projects and deferred maintenance projects that are financed or which receive system-wide funding. The report will include budget amounts, capital expenditures and budget balance available. The capital program information will identify the use of the bond proceeds and how the projects address the board's priorities relating to critical capital expenditure needs.

The purpose of this report is to provide information concerning the campuses' efforts to increase annual non-recurring expenditures and reduce the deferred maintenance backlog.

4.2.2 Annual Deferred Maintenance Reporting

Per Executive Order 847, Facility Maintenance is tasked with ensuring that appropriate resources are applied to the proper operation and maintenance of the campus physical plant. The long-term objective is to eliminate deferred maintenance. Tracking systems should be capable of reasonably accounting for the resources allocated to routine and scheduled maintenance work. Based on the campus' reconciliation of project data in NRMR funds, CPDC will report total spend in CSU fund 486, excluding transfers, as the annual resources used to manage the CSU's deferred maintenance backlog.

4.2.3 12% Limit on General Fund and Financing[8]

The California State University (CSU) shall manage its debt programs in a manner so that not more than 12 percent of its General Fund support appropriation, less the amount of that appropriation required to fund general obligation bond payments and State Public Works Board rental payments, is used for the total of the following:

a. debt service for capital expenditures;
b. PayGo capital outlay projects.

The costs of deferred maintenance of academic facilities and related infrastructure are not included in the 12% general fund limitation. Based on the campus' reconciliation of project data in the academic capital improvement fund, CPDC will report the total spend in CSU fund 487, excluding transfers, plus all debt service payments recorded in CSU fund 489.

4.2.4 California Air Resources Board (CARB) Reporting Requirement

Project reporting is required to identify energy efficiency project costs and energy savings. As the CARB program is still under development, additional program details will be forthcoming.

4.2.5 Audited Systemwide Revenue Bond (SRB) Supplemental Schedule

Campuses must record maintenance/repair and capital improvement costs in the appropriate CSU fund as outlined in this chapter to facilitate the Systemwide Revenue Bond audit and preparation of the related supplemental schedules.

5.0 FUND BALANCE

Reserves should be recorded in accordance with the Designated Balances and Reserves Policy, effective November 28th, 2019. A link to this policy is available in Section 7.0, *Resources*.
For further instructions concerning recording the reserves in the ledger, see Chapter 4, Section 5.0, *Year-End*.

6.0 GAAP IMPACT

To determine when an asset should be capitalized on the financial statements, refer to *GAAP Manual, Chapter 13 Capital Assets Guide*.

[8] As defined by Education Code Section 89773.

To determine the proper classification of investment balances on the financial statements, refer *to GAAP Manual, Chapter 4.1.1 Cash, Cash Equivalents, and Investments, Section 4.4 Reclassification of Other Long-term Investments from Short-term Investments*.

7.0 RESOURCES

- Major Capital Outlay Program
- Capital Projects Cash Management SharePoint site
- CPDC Resources
- EO 1000
- FIRMS Activity Period 07 Adjustment Submission Instructions
- GAAP Manual
- Systemwide Budget Website
- FS 2016-01 – Definition of Major (Non-recurring) Maintenance & Repair Costs as Used in Executive Order 994 and Chapter 15 of the *Legal Accounting and Reporting Manual* - **Updated**
- Superseded by FS 2016-01 (see above) FS 2011-05 Definition of Major Maintenance & Repair Costs as Used in Executive Order 994 for Auxiliary Enterprise Funds in the SRB Program
- Designated Balances and Reserves
- Legal Edits Table
- ADNOAT
- EO 994
- CSU Policy for Financing Activities
- Finance &Treasury Website
- Call Letters
- 2018 Annual Training - SW Update Presentation for CPDC project attribute reconciliation (TBA)
- Chapter 15 - Fund Matrix and Project Scenarios

Chapter 15 Fund Matrix.xlsx

- Chapter 15 – Coding Summary

Chapter 15 Coding Summary.xlsx

- Funding Matrix – Resource from East Bay

Funding Worksheet CH 15.xlsx

- Capital Project Funding (CPF) Form – Resource from San Diego State University

CPF Form Revision Jun 2016 SDSU.docx

REVISION CONTROL

Document Title:	Capital Projects Funding for University Projects
Contributor:	Terri Williams
Reviewer:	Kelly Cox/ Vi San Juan
CO Owner:	Terri Williams
Issuance Date:	Enter date of final review by CO Owner

Revision and Approval History

Section(s) Revised	Summary of Revisions	Revised By	Reviewed by	Approved by	Revision Date
Intro	Clarification on Implementation Timeline	Kelly Cox	Lily Wang	Roberta McNiel	5/31/2016
1.1.2	Definitions were clarified that major and minor applies to both NRMR and CIMP related to the Public Contract Code.	Kelly Cox	Lily Wang	Roberta McNiel	5/31/2016
2.0	Capital Project CSU Fund Matrix was added	Kelly Cox	Lily Wang	Roberta McNiel	5/31/2016
2.2.1	Any additional fund source for a major capital improvement project was added to be in sync with the year-end presentation.	Kelly Cox	Lily Wang	Roberta McNiel	5/31/2016
2.2.2	PS Project Attribute format clarification was provided that the value should be entered with a hyphen and no space (MA-01378)	Kelly Cox	Lily Wang	Roberta McNiel	5/31/2016
3.0	Flow chart and text were updated to remove program code 0706 as a required attribute from all projects. Since Auxiliary Enterprise program are to derive to 2001.	Kelly Cox	Lily Wang	Roberta McNiel	5/31/2016
3.1	Program Code 0701 may also be used by facility departments as necessary to meet other reporting requirements.	Kelly Cox	Lily Wang	Roberta McNiel	5/31/2016
3.1	Labor related to the cost of delivery of utility programs were removed as a valid combination in program code 0704	Kelly Cox	Lily Wang	Roberta McNiel	5/31/2016

Section(s) Revised	Summary of Revisions	Revised By	Reviewed by	Approved by	Revision Date
	Utilities.				
3.2 & 3.3	Modified program derivation requirements for the Auxiliary Enterprise funds.	Kelly Cox	Lily Wang	Roberta McNiel	7/5/2016
2.0	Capital Project CSU Fund Matrix was added	Kelly Cox	Lily Wang	Roberta McNiel	8/23/2016
7.0	Added Funding Matrix from East Bay	Kristina Randig	Kelly Cox	R. McNiel	3/1/17
7.0	Added Capital Project Funding (CPF) form from SDSU	Kristina Randig	Kelly Cox	R. McNiel	3/1/17
Throughout	Updated CSU FUND 486 name to TF – Academic Maintenance & Repair Fund to match new name on App. 19.	Kristina Randig	Kelly Cox	R. McNiel	3/1/17
3.1	Added new repair and maintenance FIRMS object codes	Kelly Cox	N. Freelander -Paice	R. McNiel	3/1/17
1.1	Updated definitions	Kelly Cox	N. Freelander -Paice	R. McNiel	3/1/17
7.0	Added Coding Summary	Kelly Cox	N. Freelander -Paice	S. Pickering	11/1/2017
2.0	Added information regarding interest earnings in 486/487	N. Bryant	S. Pickering	S. Pickering	1/9/2017
6.0	Updated chapter reference to 4.1.1	Cinthia Santamaria	S. Pickering	S. Pickering	2/26/2018
4.1.2	Added campus reconciliation requirements	Kelly Cox	N. Freelander -Paice	S. Pickering	3/20/2018
7.0	Added Capital Outlay Program Book, Cash management SharePoint sites and annual training link for reconciliation guidelines	Kelly Cox	N. Freelander -Paice	S. Pickering	3/20/2018
1.1	Increased Public Code reference from	Kelly Cox	N.	S.	3/20/2018

Section(s) Revised	Summary of Revisions	Revised By	Reviewed by	Approved by	Revision Date
	$656,000 to $709,000 for minor capital outlay		Freelander -Paice	Pickering	
7.0	Update Coding Summary format and Fund Summary	Kelly Cox	S. Pickering	S. Pickering	3/29/2018
2.1	Explanation regarding taxable bonds	Kelly Cox	S. Pickering	S. Pickering	2/8/19
2.3	Add section on the required accounting setup for a capital project	Kelly Cox	S. Pickering	S. Pickering	2/8/19
3.4	Update Spending Hierarchy for Multi-funded Projects	Kelly Cox	S. Pickering	S. Pickering	2/8/19
2.0	Page 15-9 comment/question regarding Fund 230	Terri Williams	S. Pickering	S. Pickering	2/8/19
3.5	Page 15-24-added verbiage to #5 and added #6 for consideration.	Terri Williams	S. Pickering	S. Pickering	2/8/19
Various	Updated extended education verbiage to Professional and Continuing Education	S. Pak	K. Helfrick	S. Pickering	4/14/2020
5.0 and 7.0	Updated Campus Reserves 2001.00 to Designated Balances and Reserves Policy	S. Pak	K. Helfrick	S. Pickering	4/14/2020
1.0	Page 15-1, Item 2. Revised Major & Minor project amount. Also revised amount in Footnote related to EO-672.	Terri Williams	S. Pak	S. Pickering	4/14/2020
3.4	Page 15-18, Item 1. Corrected spelling Tax "Exempt."	Terri Williams	S. Pak	S. Pickering	4/14/2020
4.1.2	Page 15.21, Item 4. Revised amount for minor capital projects.	Terri Williams	S. Pak	S. Pickering	4/14/2020
3.1.5	Page 15-16, Item 5 added object code 660065 for Feasibility studies, etc.	Terri Williams	S. Pak	S. Pickering	4/14/2020
2.3.3	PeopleSoft Project Attribute, additional content added to the section.	Terri Williams	S. Pak	S. Pickering	4/14/2020
7.0	Updated Chapter 15 Fund Matrix	Terri Williams	S. Pak	S. Pickering	4/14/2020