CHAPTER 15
CAPITAL PROJECTS – FUNDING FOR UNIVERSITY FACILITIES

CSU FUND: Operating CSU Funds
441 – TF – Extended Education Operations
444 – TF – Extended 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 Capital Outlay
443 – TF – Extended 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
017 – General Fund Capital Outlay
442 – TF – Extended 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
538 – 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 – Extended 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
Implementation dates:
6/30/2016 (FY 15/16):
• The following projects require Project codes and Attributes (CPDC to provide project listing) and must be accounted for in their respective CSU funds:
  o Board-approved Capital Improvement Projects
  o General Fund Projects in CSU fund 017
    • AO 15-031 includes the Project List (Project Attribute = NRMR)
  o Systemwide Allocated Funds (SWATs) within CSU fund 486 or 487
  o Potential short-term financed projects (Commercial Paper)
• Full implementation of items listed below is optional in fiscal year 15/16. However, implementation of coded memo FS 2016-01 requires review of the GAAP override fund attributes on Capital Improvement funds when the fund is not funded from external resources.
7/1/2016 (FY 16/17):
• Record PeopleSoft Project Chartfield and Attributes in accordance with section 2.2.1
• Record all SRB-funded (0576) projects with PeopleSoft Project codes and Attributes
• Record all Non-recurring Maintenance and Repair costs in the NRMR funds, including all self-support funds
  - 017 – General Fund Capital Outlay
  - 443 – TF – Extended 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

• Record all Capital Improvement Projects in the CIMP funds, including all self-support
  - 442 – TF – Extended 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
As a result of Education Code Sections 89770-89774 and Board of Trustees resolution ________, 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 to be in 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\(^2\). At this time, this will be zero percent because the CSU uses 100% of General Fund monies on salaries and wages.

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

\(^2\) Campuses should stay within the 12%, however, the legislation applies the threshold only on a system-wide basis.
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 as 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.

1.1 Definitions

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

1. **Capital expenditure**\(^3\) 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 $709,000.

b. **Minor Project:** A project costing less than or equal to $709,000.4

3. **CSU project categories:**

   a. **Maintenance/repair project:** There are two categories of maintenance and repair projects5. There is no dollar limit on the use of operating funds for maintenance and 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.

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3 As defined by Education Code Section 89770(b) 1, 3, 4.
4 EO 672 (Proposed): 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 $709,000.
5 Refer to Executive Order (EO) 847, Facility Maintenance, for further clarification.
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** (also known as *pay-as-you-go*) includes:
      i. **Revenue:** Current year tuition fee.
      ii. **Reserves:** An accumulated net carryforward of revenue less expenses, or net income (equity).
      iii. **Interest earnings:** Earnings on tuition fees or an accumulated net earnings carryforward recorded in FIRMS project code “INTAC”.
      iv. **General Fund:** Appropriated funds from the Budget Act.
      v. **Supplemental funding:** Additional money, such as Trust, donor or enterprise program revenue.
   b. **Financed funding:** Includes Systemwide Revenue Bond proceeds, Commercial Paper (CP), equipment lease financing, Public Works Board (lease revenue bond) proceeds, General Obligation Bond proceeds, or 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 parking, housing, extended education, student union, and health facilities projects.

6. **Capital Outlay:** Includes deferred maintenance and capital improvement projects.
2.0 FUND SPECIFICS

CSU fund 017 – GF Academic Capital Outlay (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.
CSU fund 230 (within state fund 0576) - DCF-Academic Capital Outlay Fund (various FNATs): Established to record SRB proceeds for capital improvement projects that improve or alter a space, or that provide funding for the construction of new buildings or additions to buildings, or for non-recurring maintenance and repair projects. This fund provides data necessary for bond financing requirements, arbitrage tracking, etc.

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 Extended 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 Cash Flows
The CSU is subject to audit by the Internal Revenue Service (IRS) and must demonstrate that its tax-exempt Systemwide Revenue Bonds are in compliance 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.

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.

2.2.1 PeopleSoft Project Codes for Capital Projects
Per Section III of EO 672, campuses are required to provide a variety of reports concerning their capital projects to the Chancellor’s Office. 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. Board of Trustees-approved capital improvement projects over $656,000
3. Any capital projects receiving system-wide funding from the Chancellor’s Office (CSU funds 017, 486, or 487)
4. Any additional funding source for projects listed above. (If one funding source is subject to CPDC reporting, then all other funding sources must include same project attributes.)

2.2.2 PeopleSoft Project Attribute
For system-wide reporting, campuses need to utilize the PeopleSoft Project Attributes on the PeopleSoft Project Chartfield. 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. Therefore, per Section III of EO 672, the Chancellor’s Office requires the campuses to implement and utilize 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:

![ChartField Attribute](image)

   c. Campuses will then select Project Attribute: **CPDC_PROJ_TYPE** and make a determination of 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:**

<table>
<thead>
<tr>
<th>ChartField Attribute Values</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIMP</td>
<td>Capital Improvement Project</td>
</tr>
<tr>
<td>NRMR</td>
<td>Non-Recurring Maintenance &amp; Repair</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>PS Project Chartfield (campus defined)</th>
<th>PS Project Chartfield &quot;Attribute&quot; Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systemwide Revenue Bonds</td>
<td>Yes</td>
<td>FIRMS/CPDC Project Number</td>
<td>Project Title</td>
</tr>
<tr>
<td>Pay-as-you-go</td>
<td>Yes</td>
<td>&lt;CC-nnnnn&gt;</td>
<td>1) NRMR 1 2) CIMP</td>
</tr>
<tr>
<td>General Fund Appropriation</td>
<td>Yes</td>
<td>FIRMS/CPDC Project Number</td>
<td>Project Title</td>
</tr>
<tr>
<td>Pay-as-you-go</td>
<td>Yes</td>
<td>&lt;CC-nnnnn&gt;</td>
<td>1) NRMR 2) CIMP</td>
</tr>
<tr>
<td>Systemwide Allocations</td>
<td>Optional</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Pay-as-you-go</td>
<td>Optional</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Campus Pay-as-you-go</td>
<td>Optional</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Campus Pay-as-you-go</td>
<td>Optional</td>
<td>N/A</td>
<td>NRMR</td>
</tr>
<tr>
<td>Campus Pay-as-you-go</td>
<td>Optional</td>
<td>N/A</td>
<td>CIMP</td>
</tr>
<tr>
<td>Campus Pay-as-you-go</td>
<td>Yes</td>
<td>FIRMS/CPDC Project Number</td>
<td>Project Title</td>
</tr>
<tr>
<td>Campus Pay-as-you-go</td>
<td>Yes</td>
<td>&lt;CC-nnnnn&gt;</td>
<td>CIMP</td>
</tr>
</tbody>
</table>

1CIMP = 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.
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; 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. A legal edit placed on all operating funds, effective with the 16/17 fiscal year, ensures they are not used.

3. To fulfill CPDC’s reporting requirements for recurring maintenance/repair, 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 in order for the expense to 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
5. 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.

6. Cost recovery expenses 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 code and Chancellor’s Office-defined 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 Capital Outlay.

2. Projects funded via a Systemwide allocation (SWAT)
   a. Requires campus-defined PeopleSoft project code and Chancellor’s Office-defined 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 for bond-funded projects because CSU will rely upon project attribute reporting as the source of project reporting.

b. Requires campus-defined PeopleSoft project code and Chancellor’s Office-defined 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. May use FIRMS object codes 607XXX or other appropriate FIRMS object codes to describe the expenditure.

f. SRB-funded projects should be reported in CSU fund 230, Academic Capital Outlay Fund, or an appropriate enterprise program CSU fund within state fund 0576.

4. Projects funded by campus on a pay-as-you-go (non-financed) basis

a. Does not require approval by the Board of Trustees.

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

c. All expenditures should be recorded to FIRMS program code 0706, Major Repairs and Renovations, for non-enterprise funds and SRB-funded projects. However, for state fund 0948 auxiliary enterprise funds expenditures should derive to 2001, Auxiliary Enterprises.

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.

b. The following CSU funds are required depending on the funding source:

   i. SRB funding should be reported in state fund 0576.
ii. Campus pay-as-you-go should be reported in the capital improvement fund.

iii. Systemwide Operating Fund Allocations (SWAT) should be recorded in CSU fund 487.

c. All expenditures should be recorded to FIRMS program code, 0706, Major Repairs and Renovations, for non-enterprise funds and SRB-funded projects. However, for state fund 0948 auxiliary enterprise funds expenditures should derive to 2001, Auxiliary Enterprises.

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 for bond-funded projects because CSU will rely upon project attribute reporting as the source of project reporting.

e. Requires campus-defined PeopleSoft project code and Chancellor’s Office-defined 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. The following types of activity should be recorded in the appropriate capital improvement CSU fund:

      1. Campus pay-as-you-go funding;

      2. Systemwide Allocations (SWAT).

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.

   iv. Does not require a campus-defined project code

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 code and Chancellor’s Office-defined project attributes (both project type and project title).

3.4 Spending Hierarchy and Reporting Requirements for Multi–Funded Projects

In order to meet the reporting requirements outlined in this document, campuses should consider the following when structuring their multi-funded projects:

1. On a quarterly basis, expenditures must be recorded in the source fund at the voucher level. For example, if Extended Education (EE) paid $200,000 in cash towards a capital improvement project during the 1st quarter, then $200,000 of project expenditures shall be recorded in CSU Fund 442-EE Capital Improvement Fund by 9/30/CY.

2. Regardless of where an expense was recorded initially, all claim schedules must be forwarded to the State Controller’s Office (SCO) for processing within 30 days for both academic and enterprise bond-funded expenditures.

3. 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 hierarchy:
   a. Optional #1a, planning and design costs: Pay-as-you-go funding for up-front project costs until proceeds are available, if included in the original budget proposal.
   b. Required #1b, bond funding: Once commercial paper or bond financing proceeds are available for a project, these funds should be spent first to meet the IRS spending requirements. See Section 2.1 of this chapter for further information.
   c. Required #2, General Fund (SCO fund 0001) funding: Campuses need to evaluate if a project has General Fund appropriation(s) with earlier available to or

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6 EO 672 (Proposed) policy: Requirement to record expenditures in the source fund at the vendor level on a quarterly basis.
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.

d. Optional #3, supplemental funding (donor, reserve, interest and enterprise)
e. Optional #4, pay-as-you-go funding
f. Optional #5, auxiliary funding

4. All multi-funded projects must be captured at the PeopleSoft project chartfield level. In addition, projects with at least one funding source that meets criteria outlined in Section 2.2.1 of this chapter must have the CPDC attributes assigned to all funding sources within that project.

For appropriate uses of transfers to CSU fund 491, see Chapter 19, Capital Projects – Special Projects Fund, in this manual.

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, Extended Education, etc.) and academic/non-enterprise funds shall not be used as a vehicle to pool resources of fund groups\(^7\) 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. The campus is to post in PeopleSoft budget ledger for approved projects specified in Section 2.2.1.

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\(^7\) 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.
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\(^8\) and how those capital projects will be funded, along with the capital projects’ budget proposals. The details with regard to the procedures for complying with this requirement can be found in the Call Letters link available in Section 7.0, Resources.

4.1.2 **Capital Project Reporting Reconciliation Requirement**

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\(^9\) 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.

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\(^8\) As defined by Education Code Section 89770(b).

\(^9\) Current at the time the book was published. Amendments may occur throughout the year.
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. SW and campus funding should be recorded as a “transfer in” of cash from one fund to another. Preferably, the transfer in (not out) should carry the project attribute.

3. Facility management expenses charged to the project are to be recorded in the project fund (not the cost recovery fund).

4. Ensure that expenses recorded to CIMP or NRMR CSU funds that are not part of Major Capital Outlay project (carry a CPDC Project Attribute) are appropriately reportable as minor projects (currently under $709,000).

5. Expenditures to not exceed spending authority or that additional funding has been recorded to augment this 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.

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
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. pay-as-you-go 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 ICSUAM 2001.00 – Campus Reserves, effective October 1, 2015. 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.

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

10 As defined by Education Code Section 89773.
• 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**

• **ICSUAM 2001.00 Campus 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](image)

• Chapter 15 – Coding Summary

![Chapter 15 Coding Summary.xlsx](image)

• Funding Matrix – Resource from East Bay
• Capital Project Funding (CPF) Form – Resource from San Diego State University
## REVISION CONTROL

<table>
<thead>
<tr>
<th>Section(s) Revised</th>
<th>Summary of Revisions</th>
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<tr>
<td>Intro</td>
<td>Clarification on Implementation Timeline</td>
<td>Kelly Cox</td>
<td>Lily Wang</td>
<td>Roberta McNiel</td>
<td>5/31/2016</td>
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<td>1.1.2</td>
<td>Definitions were clarified that major and minor applies to both NRMR and CIMP related to the Public Contract Code.</td>
<td>Kelly Cox</td>
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<td>Any additional fund source for a major capital improvement project was added to be in sync with the year-end presentation.</td>
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<td>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.</td>
<td>Kelly Cox</td>
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<td>Program Code 0701 may also be used by facility departments as necessary to meet other reporting requirements.</td>
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