Capital Financial Framework

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Background
At SJSU, the Capital Project scope refers to more complex facilities projects that are managed by the Facilities Development and Operations (“FD&O”) service group.

Unlike work orders, Capital Projects...

- Typically require funding beyond the annual FD&O operations budget that supports ongoing maintenance and operations
- Are managed by a Project Manager (PM) from FD&O
- Utilize the Project ID field in the financial chartstring
- Rely on the Project Approval Form (PAF) and process to document the approval of scope and budgetary commitments for the project
- Are classified as Non-Recurring Maintenance and Repair (“NRMR”) or Capital Improvements (“CIMP”), not recurring (ongoing or annual) maintenance
- May be considered a Minor Project or a Major Project (currently over $752,000), based on Public Contract Code
- Have financial activity recorded in Capital Funds, not Operating Funds

FD&O retains the Delegation of Capital Outlay Management Authority and Responsibility and works closely with the Chancellor’s Office, campus leadership, and Strategic Sourcing to attain approvals and services in support of the Capital Projects. FD&O project managers are the primary point of contact regarding the scope and transactional details of potential and existing Capital Projects. The information that follows pertains more closely to the financial framework and funding of Capital Projects, which is overseen by Finance & Business Services.

Capital Funds
In response to an expansion in CSU authority related to financing Capital Projects, the Chancellor’s Office implemented a new framework for the financial management of Capital Projects to improve the transparency of activity across the CSU system, which is outlined in Chapter 15 of the CSU Legal and Reporting Manual. Effective beginning in fiscal year 2016-17, the framework requires that capital
expenditures are direct charged to funds used only for Capital Projects, which are collectively referred to on campus as Capital Funds.

For each Capital Project, the specific Capital Fund is selected based on 1) the project classification as NRMR or CIMP, and 2) the project’s funding source.

**NRMR or CIMP**

For the purposes of Legal accounting, the following definitions are applicable for Capital Projects recorded in Capital Funds.

- **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 on cycles greater than one year.

- **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.

These two categories of projects do not include Recurring Maintenance/Repair, which is recorded in Operating Funds and is defined as the following: 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.

The FD&O project management team and staff at the Chancellor’s Office are most knowledgeable about the overall scope of work. When the scope incorporates both NRMR and CIMP features, the project is classified based on the majority of the work. The classification as NRMR or CIMP is recorded by the project manager on the PAF.

**Funding Source**

The “Capital Projects CSU Fund Matrix” contained in Chapter 15, shown below, determines the CSU Fund type of the project’s Capital Fund based on the funding source listed to the left of the chart. Alongside the listed CSU Fund, the standard campus PeopleSoft fund number is also listed in red text. These expenditure funds are used to record a majority of campus-funded Capital Projects, with a few notable exceptions:

- If a project is to be capitalized as an asset, a new distinct PeopleSoft fund is created.
- Feasibility studies, physical master plans, and environmental impact reports expenditures are recorded to the Operating Fund in which that project will ultimately be funded. (e.g., CSU Fund 485 for Academic Projects, CSU Fund 531 for Housing, etc.)
Upon review of the project scope and anticipated budget, the appropriate Capital Fund is recorded on the PAF (Section E, Project Expenditure Tracking). Projects funded from multiple sources could result in multiple Capital Funds.

### Project Funding Transfers

During the PAF routing, the Requesting MPP or designee is required to list the committed project funding (Section D, Funding Source). After execution of the PAF, the funding is transferred from the listed funding source to the project and Capital Fund using transfer account codes (670XXX / 570XXX). Projects with PAFs executed before the 15th of the month are usually funded in the same accounting period; PAFs executed after the 15th of the month are funded the following period. The practice of funding a project upfront as the PAF is approved ensures that the funding is secured and avoids a potential “balance due” years after a project has been initiated and approved. Staff departures, changes to budget practices, and declining departmental balances may present challenges if a project is not funded upfront. In some circumstances, a delayed funding schedule may be permitted if financially feasible (i.e., project cash flow) and supported by University administration. In the event that a project is completed under budget, any excess funding is transferred back to the original source.

### Project Budgeting and Accounting

All activity in Capital Funds is budgeted and recorded at the Project ID level. Capital Funds are only to be used for approved Capital Projects overseen by FD&O and may not be used by other departments for program activity or expenditures associated with a Capital Project.
Most dashboards available in the CFS Data Warehouse can be used to view Capital Project activity using the Project filter.

Below is a sample Manage My Budget dashboard report displaying a project selected using the Project filter.

- Using the Project filter, a sample project has been selected.
- Fund 86000 NRMR Academic Projs is displayed with the Project’s activity. This is the standard Capital Fund for NRMR projects funded from the CSU Operating Fund. This Capital Fund was also recorded on the PAF Section E, Project Expenditure Tracking.
- The budget and actuals ledger both display a revenue budget for Dept 1210 SJSU 1x Budget Control. This department is typically used to record the funding transfers for non-enterprise program projects. The $0 Balance Available indicates that the project has been fully funded, and no funding is outstanding.
- The corresponding expenditure budget is shown on Dept 1601 M&O Special Projects. This department is one of several FD&O departments that are utilized in conjunction with Capital Projects. As shown in this sample report, FD&O has $115,639.82 remaining to encumber or spend against the existing approved budget.

The Inception to Date dashboard is also a useful tool to view actuals activity (only) through the life of a Capital Project. For more complex reporting utilizing project attributes created by Systemwide or funding reversion dates, the Financial Summary As of Period may also offer additional fields of information.

### Capital Reserve Funds

**CSUOp, PaCE Reserve Funds**

With the introduction to the new Capital Framework, funds 70100 CSUOp Capital Reserve and 48500 PaCE Capital Reserve were created in 2017 to allow Divisions to set aside Operating funds for future Capital Projects. The transfer of funding in and out of these Reserve Funds are made at the request of the Division Budget Offices, and do not constitute payments made to the actual Capital Projects.
As these are funds are shared across Divisions, the ownership of the equity in the funds are managed and tracked using the budget ledger. Divisions are asked to manage the reserves using class codes. An alphanumeric naming convention for new class codes is encouraged: 3-digit Division prefix + 2-digit number. Division Budget Officers may contact the Manager of Capital Financial Planning & Analysis for additional details and journal templates to support transfers in and out of the Reserve Funds.

**Enterprise Reserve Funds**

Enterprise units may establish budgeted reserves in Enterprise Capital Funds for future capital needs. Reserve levels should be evaluated in conjunction with approved Business Plans, the Campus Reserve Policy, and long term fee levels. Funding entries may be coordinated through the Manager of Capital Financial Planning & Analysis

**Contact**

For any questions regarding the financial framework for Capital Projects or the Capital Reserve Funds, please contact Finance & Business Services.

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