

# Capital Financial Framework

- Background
- Capital Funds
- Project Funding Transfers
- Project Budgeting and Accounting
- Capital Reserve Funds (CSU Op, PaCE Funds)

## 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.

Revised 4/10/2020

	"Funding Source"	Unrestricted			Restricted		
		Operating CSU Funds	Internally Funded Non-Recurring Maintenance and Repair	Internally Funded Capital Improvement CSU Funds	Financed CSU Funds	Externally Funded NRMF CSU Funds <sup>4</sup>	Externally Funded CIMP CSU Funds <sup>4</sup>
	Purpose	To record "recurring" maintenance and repair expenditures	To record "non-recurring" maintenance and repair (NRMF) expenditures	To record capital improvement project (CIMP) expenditures	To record Long & Short Term financing NRMF & CIMP projects	To record "non-recurring" maintenance and repair (NRMF) from externally	To record CIMP Donations for a project
Non-Enterprise Funds	485 - TF-CSU Operating Fund	485 - TF-CSU Operating Fund	486 - TF-Academic Maintenance & Repair (86000)	487 - TF-Academic Capital Improvements (87000)	230 - DCF-Academic Capital Outlay	550 - TF-Restricted Expendable-Capital Projects (90002)	550 - TF-Restricted Expendable-Capital Projects (90004)
	General Fund		017 - General Fund Capital Outlay	017 - General Fund Capital Outlay			
	463 - Instructional Related Activities (IRA) <sup>5</sup>	491 TF-Special Projects Fund-Special Projects	491 TF-Special Projects Fund-Special Projects (64100)	491 TF-Special Projects Fund-Special Projects (64200)			
	496 TF-Miscellaneous Trust <sup>3</sup>	496 TF-Miscellaneous Trust <sup>3</sup>	491 TF-Special Projects Fund-Special Projects	491 TF-Special Projects Fund-Special Projects		550 - TF-Restricted Expendable-Capital Projects (90002)	550 - TF-Restricted Expendable-Capital Projects (90004)
Enterprise Funds (Self-Support)	Auxiliary Organization	537 - Auxiliary Org.-Operations and Revenue	538 - Auxiliary Org.-Maintenance & Repair <sup>2</sup>	539 - Auxiliary Org.-Capital Improvement <sup>2</sup>	228 - Auxiliary Organizations	538 - Auxiliary Org.-Maintenance & Repair	539 - Auxiliary Org.-Capital Improvement
	Housing	531 - TF-Housing-Operations and Revenue	532 - TF-Housing Maintenance & Repair (72000)	533 - TF-Housing Capital Improvements (72800)	221 - DCF-Housing	532 - TF-Housing Maintenance & Repair (72000)	533 - TF-Housing Capital Improvements (72800)
	Parking	472 - TF-Parking Revenue Fund-Parking Fees	474 - TF-Parking Maintenance & Repair (58000)	473 - TF-Parking Capital Improvements (58001)	222 - DCF-Parking	474 - TF-Parking Maintenance & Repair (58000)	473 - TF-Parking Capital Improvements (58001)
	Health Center	452 - TF-Facility Revenue Fund-Health Facilities Fees	454 - TF-Facility Maintenance & Repair (54000)	453 - TF-Facility Capital Improvements (54001)	223 - DCF-Auxiliary Facilities (Used for Health Facilities)	454 - TF-Facility Maintenance & Repair (54000)	453 - TF-Facility Capital Improvements (54001)
	Student Union	534 - TF-Campus Union-Operations and Revenue	535 - TF-Campus Union Maintenance & Repair (74000)	536 - TF-Campus Union Capital Improvements (74502)	224 - DCF-Campus Unions	535 - TF-Campus Union Maintenance & Repair (74000)	536 - TF-Campus Union Capital Improvements (74502)
	Extended Education	441 - TF-Extended Education Operations	443 - TF-Extended Education Maintenance & Repair (50000)	442 - TF-Extended Education Capital Improvements (49000)	229 - DCF-Extended Education	443 - TF-Extended Education Maintenance & Repair (50000)	442 - TF-Extended Education Capital Improvements (49000)
		444 - EE Campus Partners					

1- Not used.  
2- Use only when the Auxiliary is benefiting from the project. Auxiliary donations should be recorded to the enterprise fund benefiting from the donation or non-enterprise projects are to be recorded to CSU fund 550.  
3- Permanent transfer of funds should use Transfer in/out accounts while loans are to use Due to/from accounts.  
4- The default net asset category (NAC) of CSU fund 550 is 834 Restricted Expendable-Capital Projects. However, the Enterprise Funds default NAC is 881 Unrestricted and therefore a GAAP override for the restricted portion is required to NAC 834 Restricted Expendable-Capital Projects.  
5- Mandatory IRA fee must be approved for this specific purpose. Revenues other than the mandatory IRA fee recorded in this CSU fund are not subject to this restriction.

## 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 funding 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.

Project Fdescr	Fund Fdescr	Dept Fdescr	Account Fdescr	Current Budget	Actuals	Encumbrances	Balance Available	% Used Fiscal Year
P19021942 - 2020 Campus Concrete	86000 - NRMAR Academic Projs	1210 - SJSU 1x Budget Control	570485 - Tr in from CSU 485-TF CSU Oper	(377,259.29)	(377,259.29)	0.00	0.00	100%
		1210 - SJSU 1x Budget Control Total		(377,259.29)	(377,259.29)	0.00	0.00	100%
		1601 - M&O - Special Projects	607033 - Cap Construction Other (FD&O)	377,259.29	0.00	0.00	377,259.29	0%
			660064 - R&M - Landscape &Ground (FD&O)		0.00	261,619.47	(261,619.47)	
		1601 - M&O - Special Projects Total		377,259.29	0.00	261,619.47	115,639.82	69%
86000 - NRMAR Academic Projs Total				0.00	(377,259.29)	261,619.47	115,639.82	
P19021942 - 2020 Campus Concrete Total				0.00	(377,259.29)	261,619.47	115,639.82	
Grand Total				0.00	(377,259.29)	261,619.47	115,639.82	

Acct Type Fdescr is equal to 50 - Revenues, 60 - Expenditures and Bus Unit Fdescr is equal to SJ000 - San Jose State University and Fiscal Year is equal to 2019 and Project Fdescr is equal to P19021942 - 2020 Campus Concrete

- Using the Project filter, a sample project has been selected.
- Fund 86000 NRMAR Academic Projs is displayed with the Project’s activity. This is the standard Capital Fund for NRMAR 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 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.

Susan Jaynes

Manager of Capital Financial Planning & Analysis

408-924-1663 | [susan.jaynes@sjsu.edu](mailto:susan.jaynes@sjsu.edu)