Budget Data Summary

The budget notes and instructions consists of Attachments A, B, and C. Attachment C provides the annual DHUD subsidy (if applicable), the estimated interest income in the Revenue Fund, estimated transfers from the Revenue Fund to the Interest and Redemption and Repair and Replacement Funds, and various centrally allocated expenses. The estimates are given for planning purposes.

Schedule 1 - Student Union Cash Flow and Operating Projection

The purpose of the cash flow and operating projection is to determine the operating viability of proposed budget levels as they are projected into the future. This assists in the planning for changing enrollment patterns and fee adjustments.

The cash flow and operating projection clearly differentiates activity within the Revenue Fund at the Chancellor's Office and the Operating Fund at the campus level.

Prior Year Fund Balance (Line 1). These amounts should be taken from the bond audit for previous year operations, and developed from projections and estimated use of funds for the remaining years.

Revenue from Fees (Line 2). These amounts should agree with corresponding entries shown in the Fee Revenue Summary, Schedule 3.

Interest Income from Revenue Fund (Line 3). These amounts are restricted to interest earnings in the "Revenue Fund" only. The assumed interest rate used in computing interest income should be provided as a footnote.

DHUD Subsidy Grant Payment (Line 4). These amounts represent federal (DHUD) interest subsidy transfers to the Revenue Fund which affect several union facilities occupied subsequent to 1971. The subsidy will be the same each year until the related bonds are paid off.

Adjustments and Return to Operations (Line 6). The 1997/98 amount(s) can be taken directly from the bond audit.
Subsequent years would agree with the amount shown on Line 13, Schedule 1. The amount shown should not exceed the prior year’s net revenue fund balance (Line 12). **In addition,** the union needs to consider bond covenant requirements that limit returns to operations. (See Allocation of Net Revenues to Special Accounts, in the union’s Bond Resolution).

Net Transfer to Interest and Redemption (Line 7). These amounts are provided in Attachment C. These projections are based on the most current data available and are subject to change.

Transfer to Repair and Replacement (Line 8). These amounts are provided in Attachment C. Note: the union may increase the transfer amounts to meet future project requirements.

General Overhead Expense (Line 9). These amounts are also provided in Attachment C. These projections are based on the most current data available and are subject to change as unanticipated conditions arise.

In the past few years, the State has taken steps to significantly increase State Administrative Prorata charges, affecting all state agency self supported programs. The Chancellor’s Office has objected to these increases and continue with efforts to reduce future charges. Following is a summary of the methodology used by the State in assessing these charges:

> State Prorata Charges for 1998/99 were estimated in the Fall 1997. The budget was based upon historical cost data for the prior year, 1996/97. The 1998/99 Net Charges are composed of two factors:


**Note:** For planning purposes, Attachment C is now reflecting the 1998/99 Allocated Costs which does include the Prior Year Carryforward. We believe this will more realistically reflect the actual impact to the unions.

Transfer to Construction Fund Project (Line 10). For unions with ongoing or future construction projects, the amount to be transferred into the construction project account must be identified. Note: all construction projects must receive prior approval by the Office of Financing and Risk Management and must go through standard state procurement processes, coordinated with the Chancellor’s Office Capital Planning, Design and Construction department, prior to incurring expenditures. All project expenditures must be accounted for in the Construction Fund.
Return of Surplus Revenue Funds (Line 13). These amounts should correspond to amounts shown on Line 6 of Schedule 1.

Income from Operations (Line 14). This amount should be taken from the Student Union Auxiliary Audit for 1997/98 and projected from this base for subsequent years with growth assumptions footnoted.

Interest Income from Local Investments (Line 15). These amounts will be restricted to earnings on operating account balances and local reserves. The assumed interest rate used in computing interest income should be provided as a footnote.

Operating Expense and Equipment (Line 17). These amounts include expenses of operation as summarized on Schedule 4. Do not include depreciation as an expense unless a similar adjustment is reflected in Line 23. Subsequent years should be projected as accurately as possible with inflation assumptions footnoted on Schedule 4.

Salaries and Wages (Line 18). These amounts should include expenses for salaries and wages and should agree with subtotals on Schedule 4.

Staff Benefits (Line 19). These amounts should be taken from staff benefits amounts on Schedule 4.

Total Expenditures (Line 20). Total of Lines 17, 18, and 19.

Capital Equipment and Related Expense (Line 22). This amount represents expenditures for new construction (less than $250,000), remodeling, and Group II equipment or other expenditures of this nature which are not a repair or replacement of existing facilities or equipment.

According to the California Code of Regulations, Title 5, Section 42500(c), the Office of the Chancellor must be notified and consulted before an auxiliary organization may enter into certain transactions involving real property. Please refer to Sections 7.4 and 9.4 of the Manual of Policies and Procedures for Auxiliary Organizations of the California State University for specific requirements.

Note: Replacement of carpeting is an exception to this guideline. Carpeting replacement may be accomplished within this category and funded from the auxiliary organization's funds. Expenditures not qualifying as major repair and replacement or otherwise inappropriate as a regular operating expense should be included on this line. Items reflected should be only those which are $1,000 or more in expenditure.
The total amount shown for capital equipment and related expenses should agree with the amount shown on Schedule 4.

**Ending Fund Balance (Line 26).** Summary of lines 22 through 25.

**Year End Working Capital (Line 27).** This line is an estimate as of June 30, 1999. It represents "current assets" less "current liabilities." These categories are required as part of the Statement of Financial Condition in the CSU Reporting System for auxiliary organizations, and should be based on the standard criteria used by the accounting industry (AICPA). Auxiliary organizations holding assets which are cash-like or are easily converted to cash (e.g., certificates of deposit) must include them as current assets for the working capital computation even though they may not be converted to cash within the operating cycle. The current asset category also includes current assets which are restricted as to their use by the auxiliary organization's governing board.

**Schedule 2 - Working Capital and Contingency Reserve Computation**

This worksheet should be completed with Schedule 1 - Student Union Cash Flow and Operating Projection. Its purpose is to assist campuses in determining the maximum amount which may be returned for the on-campus Working Capital and Contingency Reserve. Please note that amounts to be returned for Working Capital should be included as part of the return of surplus request.

**Schedule 3 - Fee Revenue Summary**

This schedule relates proposed fee levels to projected enrollment patterns to determine amounts available from the revenue fund for return to campus operating accounts.

- Consult with the campus' Office of Analytic Studies for conversion ratio of FTE into full time and part time, as well as for projections of summer enrollment.

- Enter proposed student union fee level for each academic year into the respective columns. **NOTE:** the identification of a proposed student union fee change on this schedule does not constitute an approval of the proposed fee increase. New fee policies have been established by the Board of Trustees via Executive Order No. 661 (E.O. 661) which require campus president’s approval and must meet campus requirements.

- Note: E.O. 661 does have requirements for an increase in the university’s financial aid program given an increase in mandatory fees. We have developed a Student Union Bond Program Flow of Funds diagram to
serve as reference material on this issue. See our department world wide web page site, under the student union section:
http://www.co.calstate.edu/BusinessFinance/FRM/FRMhmpg.html

- Compute annual fee revenues for each fiscal year shown.
- Audited fee revenue generally differs from computed fee revenue based on enrollment data. Please enter the audited fee revenue amount for actual past-year operations so these differences may be noted.
- Please adjust the schedule to identify designated portion for the university’s financial aid program requirement per E.O. 661.

Schedule 4 – Capital Equipment and Related Expenses

A brief description and justification of capital equipment and related expenses should be given for all capital expenditures along with the year of expenditures and the budgeted amount. The totals for each year should equal the amounts shown on Schedule 1, Line 22.

Schedule 5 - Summary of Key Bond Covenant Tests

The purpose of this schedule is to: (1) provide an overview of the union’s financial position as it relates to bond indenture requirements; (2) summarize the union’s Interest and Redemption Fund requirements as they relate to deposits to the Interest Account, Redemption Account and Bond Reserve Account; and (3) identify how much “Surplus Revenue” is potentially available to fund operations, construction, maintenance, or other approved expenditures of the union.

To assist in planning purposes, we have identified the union’s status as of June 30, 1998 (given bond audit information), its estimated Interest and Redemption Fund balance, DHUD Subsidy, Interest and Redemption Return of Surplus bond requirements, and the Bond Reserve requirement.

Estimated Revenue Fund Balance
This amount should be the Ending Fund Balance as is shown on Schedule 1, Line 12, for both 1998/99, 1999/00 and 2000/01.

I & R Reqmt for R. of S. Test
The Interest and Redemption requirement for the Return of Surplus Test can be found in Section 5.02, Allocation of Net Revenues to Special Accounts, of the Bond Indenture. The amount identified represents the total amount which would be in the Interest Account and Redemption Account on June 30 of each fiscal year. When determining the amount, it is necessary to consider the timing of both the transfers and the debt service payments.
Bond Reserve Requirement
In Section 5.02 of the Bond Indenture, the amount may be referred to as the Maximum Annual Debt Service or the Average Annual Debt Service. In recent bond sales, the requirement may have been fulfilled by the purchase of a Bond Reserve Credit Facility insurance policy.

“Surplus Revenue”

Return of Surplus For Operations
This amount should be from Schedule 1, Line 13, Ret. of Surplus Revenue Funds. Note: it cannot exceed the “Surplus Revenue” described above.

Uncommitted/Facility Bond Fund Reserves
EQUALS: “Surplus Revenue” - Return of Surplus For Operations.

This amount may be viewed as potentially available to fund construction projects, maintenance and repair projects, or other approved expenditures.