DATE: April 22, 2016

TO: Vice Presidents for Administration and Finance
Executive Facilities Officers

FROM: Elvyra F. San Juan
Assistant Vice Chancellor

SUBJECT: 2017-2018 Tax Compliance, Custodial, Space and Facilities Reporting

This call letter requests campus updates to private use reporting, and to the custodial space report for the development of the 2017-2018 support budget requests for new space, property insurance, and updates to the Space and Facilities Database (SFDB) for fall 2016.

WHAT’S CHANGED: CSU FINANCING

As the CSU moves forward with the expanded financing authority, new terminology has been proposed to categorize capital projects. Capital outlay projects that were once categorized as state will now be referred to as academic and nonstate will be referred to as self-supporting projects. Both sets of terms will be used simultaneously until CPDC can make necessary changes to the capital planning forms and the SFDB.

IRS REPORTING PROCEDURES

The steps needed to comply with the Internal Revenue Service (IRS) and State Treasurer’s Office (STO) private use reporting procedures are outlined below for all state and self-support tax-exempt bond-funded facilities. The steps for compliance with the private use reporting procedures and a records retention system are described herein to facilitate the campus response during the current Space and Facilities Database reporting window.

Chancellor’s Office (CO) staff continues to work with our tax counsel to improve and clarify report forms (CPDC Forms 4-2, 4-4) to identify “safe-harbors” acceptable to the IRS for tax-exempt bond-funded facilities that receive external research funding and/or contain areas subleased for private use. Private activity use is generally defined as any arrangement with a commercial entity, a nonprofit organization unrelated to the CSU, or the U.S. Government (including federally funded research grants) for a right to use a facility by means of ownership, leases, management, special legal entitlement, or special economic benefit. Campuses may have several facilities, spaces, or areas with externally-funded research activities and/or privately subleased facilities or areas. The

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Sacramento
San Bernardino
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San Marcos
Sonoma
Stanislaus
status of all such tax-exempt bond-funded campus facilities, spaces or areas must be reported annually and monitored to assure compliance.

Campus Vice Presidents for Administration & Finance shall assure compliance in reporting tax-exempt bond-financed facilities and spaces occupied by externally funded research, and subleased areas or spaces.

1. The CO has reviewed the fall 2015 campus submittals for state and self-support tax-exempt bond-funded facilities and compiled the enclosed 2016 Private Use Status Update (Attachment A) list.
   a. On the 2016 Private Use Status Update list answer the question in the last column, “Are there any changes to the Private Use info/status compared to the previous year?”, with a “yes” or “no” in regards to any changes compared to the information previously submitted.
   b. If “yes”, please follow the instructions in Steps 3 and 4 below and submit appropriate forms to reflect updates. Once the campus has reviewed the list and completed all updates, the 2016 Private Use Status Update list form will require the signature of the Vice Presidents for Administration & Finance verifying the list.

2. For this reporting period, identify any new or previously unreported state and nonstate tax-exempt bond-funded facilities which may include external research funding and/or areas subleased for private use.
   a. The facilities subject to IRS compliance on private activity use include all facilities initially financed or subsequently re-financed with either: (1) State General Obligation Bonds (GO); (2) State Public Works Board (PWB) issued lease revenue bond funds since 1988; (3) CSU Systemwide Revenue Bond (SRB; and (4) Commercial Paper (CP). All four types shall be reported for the duration of the bond life, plus five years (generally 35 years). Please note that the life of a bond may be extended through subsequent refinancing.
   b. Campuses shall continue their efforts to monitor, identify, and report any new tax-exempt bond-funded facilities on the main campus, off-campus center(s) and off-site. See Step 5 for additional information.
   c. Please follow instructions in Steps 3 and 4 below and submit the appropriate forms to reflect any new or unreported private use items.

3. Complete the Private Use Checklist and all appropriate forms.
   a. For facility updates identified in Step 1 or reporting a new tax-exempt funded facility from Step 2, campus will complete a Facilities and Property Survey Private Use Checklist (Attachment B). If you respond “Yes” to any of the six checklist questions, follow the directions for that item to complete the appropriate supporting documentation on CPDC Form 4-2 and/or 4-4 as described below.
4. Report the space use as part of the annual SFDB reporting process.

   a. CPDC Form 4-3 (Attachment E) Space And Facility Database Worksheet should be completed to update space use for private activity, as reported in Step 1 or Step 2. Note that these space changes should be submitted along with fall 2015 updates.

5. Next Steps

   a. Campus shall continue to incorporate internal procedures for monitoring of any on-going or new private activity usage and leasing of space utilizing the review of the Facilities and Property Survey Private Use Checklist as part of the continual compliance with IRS regulations. This includes private activity use that may relate to equity contribution from facilities such as student unions and campus housing, or program reserves. Note: In general, there is a 10% limit on private use based on assignable square footage.

   b. Campus shall forward this memo to the Enterprise Program Directors, Auxiliary Organization Directors, and to any person(s) that will be involved in providing the necessary information to comply with the reporting procedures.

   c. Campuses with State Public Works Board (PWB) lease revenue bond funded facilities shall continue to provide proposed sublease agreements within these facilities to CPDC for State Public Works Board review and approval at least two months prior to leasing space to auxiliaries or private lessees.

   d. Both the campus and CO will continue to retain auditable records for the term of the bonds (typically 35 years) as required by the IRS as outlined in Records Retention Checklist, Attachment F. Campus records are required for each bond funded project (for both state and self-support facilities) to document accounting and payment of invoices for the original project construction or renovation funded by tax-exempt bonds (as best possible for older buildings); and all subsequent facility leases, subleases and management contracts for private activity use such as food service, bookstores, etc. Records of sponsored research must also be retained. Campuses need to be able to access records in a timely and systematic manner.
2017-2018 CUSTODIAL SPACE AND PROPERTY INSURANCE

Please review and follow the Custodial and Farm Space Policy and Guidelines, which are available on the CSU website: http://www.calstate.edu/cpdc/Facilities_Planning/Space_Mgmt/Resource_Documents/.

Attachment G is your campus’ 2016-2017 Custodial Report. Please review this document and report all new state-maintained square footage and any changes to the campus’ facility, farm square footage and improved and unimproved acreage on the custodial worksheet (CPDC 4-1). Your campus’ CPDC 4-1 worksheet is available on the CSU website. Please access the following URL to download the file: http://www.calstate.edu/cpdc/Facilities_Planning/Space_Mgmt/Forms/CustMaint/index.shtml.

Custodial funding requests for new facility space must be accompanied by the Facility Information Sheet (CPDC 4-2) and the Space and Facility Database Worksheet (CPDC 4-3). The detailed use of assignable square feet for occupied new space during fall 2016 is also required to be reported by the campus SFDB coordinator during this SFDB annual update. CPDC 4-2 and CPDC 4-3 forms can be downloaded from the CSU website: http://www.calstate.edu/cpdc/Facilities_Planning/Space_Mgmt/Forms.

Campuses are required to submit square footage data for all state and self-support facilities listed on the campus master plan and legend. Complete information on the campus facility inventory is required for accurate facility data for insurance purposes, as well as benchmarking for energy conservation and physical plant.

Any reported changes submitted to CPDC by May 31, 2016 will be reflected on the 2017-2018 Custodial and Farm Space Report, and forwarded to the CSU Budget Office after review.

FALL 2016 SPACE AND FACILITIES DATABASE UPDATE

The SFDB provides essential information related to facility planning, space planning and utilization. Campus capacity entitlements of lecture and teaching laboratories are based on the SFDB data. The SFDB must be updated and reconciled on an annual basis as this information serves as the foundation for several capital planning processes and campus requests for new space support budget funding. Reported changes in capacity and assignable square footage are updated annually for use as capital planning tools: http://www.calstate.edu/cpdc/Facilities_Planning/Space_Mgmt/Reports/campus_SumCap.shtml

The CO has recently reviewed the existing facilities inventory and developed a revised list of facility categories for academic, auxiliary, self-support and other campus facilities. The revised list is provided in the Definition of Codes section of the attached Facility Information Worksheet (CPDC 4-2).

Campuses are being requested to review the 2015 Facility Report (Attachment H) and the list of new facility categories relative to current classifications and transition the campus list to the revised categories, as appropriate.
a. Campuses can make facility category updates directly to their 2015 Facility Report file under the column titled “Revised Category”. Please submit updated file to Theresa Tsik, Associate Facility Planner, please see below for contact information.

b. Note that changing the facility category does not affect the facility ownership status.

c. Facilities currently coded as 81-Foundation and 99-Other should be recoded to one of the expanded categories that best fits the use of the facility.

d. Facilities currently coded as 80-Auxiliary and 98-Nonstate should be recoded using one of the expanded categories, as categories 80 and 98 are proposed to be eliminated.

e. The following categories will be combined and recoded: 32-Classroom Multipurpose will be recoded as 07-Classroom and 44-Performing Arts/Dual Funded will be recoded to 42-Performing Arts. No action is required by campus.

f. Please review the designations for all campus facilities and provide comments and suggestions regarding the accuracy and adequacy of the category list.

g. The CO will continue efforts to update outdated space type codes and create new space type codes so as to accurately report all campus self-support spaces. Campus feedback and suggestions are appreciated as changes are implemented.

The SFDB annual reporting window will be open from May 1, to May 29, 2016 in order to support the capital outlay planning processes and to correlate the update with the Academic Planning Database (APDB) fall term reporting schedule.

The campuses’ fall 2015 SFDB space files are available in Excel format on the CO website at: http://www.calstate.edu/cpdc/Facilities_Planning/Space_Mgmt/Reports/Campus_Fac/2015/.

All rooms that are scheduled for fall term classes must be included in the SFDB update to correlate with the APDB 2016 fall term section audit report and to avoid non-matching SFDB facility/space ID errors. All SFDB updates must be entered during the May 2016 reporting window period. Please refer to the SFDB User Manual for step by step instructions on the update process.


SUBMITTALS AND CONTACTS

a. Submittals: Please return your electronic custodial and property insurance submission and IRS Private Use reporting forms to Theresa Tsik, Associate Facility Planner at ttsik@calstate.edu.

b. For questions contact:
   - Custodial space and SFDB - Theresa Tsik, Associate Facility Planner at (562) 951-4159.
   - Facility leases – Darryl Dearborn, Interim Associate Director of Contract Services & Procurement at (562) 951-4581.
Vice Presidents for Administration
Executive Facilities Officers
April 22, 2016
Page 6

- Property insurance - Rebecca Skidmore, Senior Risk Mgmt Manager at (562) 951-4574.
- Private use in state facilities - Theresa Tsik, Associate Facility Planner at (562) 951-4159.
- Private use in self-support facilities - Rosa Renaud, Associate Director at (562) 951-4566.
- Sponsored programs - Sue DeRosa, Director of Sponsored Programs (562) 951-4213.

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Attachment A: 2016 Private Use Status Update List
Attachment B: Facilities and Property Survey Private Use Checklist
Attachment C: Facility Information Worksheet (subleased area), CPDC 4-2
Attachment D: Compliance with IRS “Private Business Use” Exclusions for Research Projects in Tax-Exempt Bond Funded Facilities (externally funded research), CPDC 4-4
Attachment E: Space and Facility Database Worksheet, CPDC 4-3
Attachment F: Records Retention Checklist
Attachment H: 2015 Facility Report

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