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RICHARD P. WEST
EXECUTIVE VICE CHANCELLOR
CHIEF FINANCIAL OFFICER

Memorandum

To: Vice President for Administration/Finance

Date: April 30, 2004

From: Richard P. West
Executive Vice Chancellor and
Chief Financial Officer

Phone: 562-951-4560

Subject: Student Union Decentralization – Available for Eligible Campuses

As part of the Chancellor's initiative to improve the alignment of responsibility and authority for university programs, we see an opportunity to decentralize and improve cash flow for student union programs that 1) have Systemwide Revenue Bond (SRB) debt outstanding, and 2) have no senior student union debt outstanding. Under the SRB program, the bond indenture allows greater flexibility in managing flow of funds and releasing funds to operate facilities earlier as compared to outstanding senior debt for student union programs (old student union program stand-alone debt indentures).

Attachment A is a schedule of campuses that have student union programs that will be affected by the decentralization process commencing with the 2004/05 fiscal year. Campuses participating in the decentralization will no longer be required to submit operating budgets and surplus calculations to receive a return of surplus check for the following year's operations. As with other SRB programs, decentralized campuses will have direct control and access of fee revenue deposited in the Dormitory Revenue Fund (DRF) – Student Union Revenue Fund (No. 580) account. Campuses will make disbursements to the contracted auxiliary organization for operations and will be able to transfer and access funds in the repair and replacement fund for facility repairs. Quarterly amounts will be transferred from the DRF revenue funds to the Chancellor's Office for debt payments and other costs.

With the decentralization, I will hold the campus' Chief Fiscal Officer (CFO) accountable for implementation of all campus responsibilities under this program. We may withdraw a campus delegation if the campus does not adequately exercise its delegated responsibility to ensure funds are available for the planned quarterly transfers required to make payment to debt service obligations and reserves, and relevant State and Chancellor's Office overhead expenditures.

The office of Financing and Treasury will work with the Accounting office to allow campuses direct access to the DRF – Student Union Revenue Fund (No. 580) and the DRF - Student Union Repair and Replacement Fund (No. 575). As long as bonds are outstanding, we have legal requirements to deposit all student body center fee revenue

in the DRF – Student Union Revenue Fund and take all actions necessary to adequately maintain and operate the student union facilities in accordance with relevant statutes, bond sale documents and policy directives. The student union fee revenues are part of the security of the SRB program and resources invested in the Surplus Money Investment Fund.

Consistent with other decentralization programs, Attachment B delineates the program principles for the student union decentralization. The office of Financing and Treasury will be developing a training workshop to assist campuses with the implementation of the student union decentralization program. In addition, the Accounting office will be issuing a supplementary memo providing guidelines to campuses on changes to the accounting process.

Should you have any questions related to the program changes, please contact Dennis Hordyk at (562) 951-4674, and Rosa H. Renaud from the office of Financing and Treasury at (562) 951-4570. Accounting questions can be directed to George Ashkar at (562) 951-4671.

Attachments

cc:	Presidents	(without attachments)
	Vice Presidents/Deans, Student Affairs	(with attachments)
	Chief Fiscal Officers	(with attachments)
	Budget Officers	(with attachments)
	Student Union Directors	(with attachments)
	Chancellor's Office Staff	(with attachments)

**Summary of
 Campus Union Programs Eligible For Decentralization
 As of 2004/05**

<u>Campus Student Union Program</u>	<u>Debt Under Systemwide Revenue Bond Program With No Senior Bonds Outstanding</u>
Bakersfield	X
Dominguez Hills	X
Fresno	X
Hayward	X
Humboldt	X
Long Beach	X
Los Angeles	X
Sacramento	X
San Bernardino	X
San Marcos	X
Sonoma	X
Stanislaus	X
No Existing Debt Outstanding ⁽¹⁾	
Channel Islands	X
Maritime Academy	X
Monterey Bay	X

⁽¹⁾ When campus incurs debt, campus will come into the SRB DRF program as "decentralized"

**Summary of
 Campus Unions Not Participating in
 The Decentralization Program ⁽²⁾**

Chico	San Diego
Fullerton	San Francisco
Northridge	San Jose
Pomona	San Luis Obispo

⁽²⁾ These student unions have senior debt outstanding.

Principles for Student Union Program Decentralization

1. The Student Union Dormitory Revenue Fund (DRF) transactions will be operated in accordance with the relevant statutes, bond sale documents and policy directives.

Pursuant to its responsibility to oversee debt programs in the CSU, a single set of debt reserve and transfer requirements will be established by the office of Financing and Treasury (FT) for all student union bond financed programs. FT will provide campuses with an annual budget in the spring of each year showing transfers from the DRF – Student Union Revenue Fund (No. 580) that will be required during the coming fiscal year to support the payment of principal and interest on outstanding debt, replenish debt reserves, and pay centrally paid administrative expenses such as State and Chancellor’s Office overhead expenses.

FT will arrange with the CSU Accounting office to make the quarterly budgeted transfers to the respective accounts to fund debt obligations, debt reserves, and centrally paid administrative expenses of the bond program. The transfers will be executed by the 15th of the first month of the quarter. Note: these transfers will not fund the operating expenditures of the student union program, as previously identified as “return of surplus” funds.

2. **The campus Chief Fiscal Officer is delegated direct expenditure authority for the campus’ respective DRF – Student Union Revenue Fund (No. 580) and their DRF – Student Union Repair and Replacement Fund (No. 575). Expenditures from these accounts will be solely for operations or maintenance of the student union program.**

3. The campus Chief Fiscal Officer is responsible for review and oversight of an annual budget package submitted by the student union director and has the authority to release funds to the student union auxiliary organization for upcoming operating expenditures and a working capital reserve. Note: previously this was termed as “return of surplus” funds.

4. The Executive Vice Chancellor and Chief Financial Officer may withdraw a campus delegation if the campus does not adequately exercise its delegated responsibility to ensure funds are available for the planned quarterly transfers required to make payment to debt service obligations, debt reserves, and relevant State and Chancellor’s Office overhead expenditures.

5. Each campus is required to (a) establish and collect sufficient student union fees; (b) budget and control student union operating expenditures in such a manner that funds are available in the DRF - Student Union Revenue Fund to permit the budgeted quarterly transfers in accordance with instructions from FT; and (c) follow all relevant statutes, bond sale documents, and policy directives, such as Executive Order No. 876, which delineates Debt Service Coverage Ratio and Reserve requirements. The campus Chief Financial Officer and FT will use annual operating revenue and expenditure data provided by the CSU Accounting office to monitor the performance of the student union Debt Service Coverage Ratio per Executive Order No. 876.

6. Each campus is required to establish reasonable working capital reserve policies to govern the distribution of payments from the DRF –Student Union Revenue Fund to auxiliary

organizations with contracts for operating bond financed student union facilities owned by the Trustees. The campus Chief Fiscal Officer is responsible for the distribution of funds to the auxiliary organization to cover working capital reserves and current year operating expenditures. The distribution can only be made after review and approval of the student union budget and at such time that the operating agreement and lease of the auxiliary organization is in effect and not expired. The student union fee revenues are part of the security of the SRB program and are resources invested in the Surplus Money Investment Fund in the DRF – Student Union Revenue Fund and other DRF accounts. The campus CFO must make prudent decisions as to the DRF – Student Union Revenue Fund and how much is distributed to the auxiliary organization.

7. All renovations, expansions or new construction of student union facilities paid from student union fees or other revenues of a bond program are state projects and are to be administered and accounted for accordingly. All such projects must be approved by FT in accordance to the requirements specified in the Non-State Capital Outlay Program plan. As part of this process, campuses will be required to submit a viable financial plan to FT.

8. Campuses may request FT to initiate additional transfers from the Student Union Revenue Fund to the Dormitory Construction Fund (No. 576), Interest and Redemption Fund (No. 578), or Bond Reserve funds if sufficient revenues are available. FT will coordinate with the CSU Accounting department to execute the transfers.