POLICY:

It is the policy of California State University, Northridge to appropriately reimburse the General Fund for expenses incurred in providing materials and services to non-General Fund entities.

In addition, it is the practice of California State University, Northridge, that campus units operating with funds outside the General Fund be appropriately reimbursed for expenses incurred in providing materials and services to an entity operating within any other fund group.

REFERENCES:

Executive Order 753 (7/28/00)

Title 5 (California State University) Subchapter 6, Auxiliary Organizations

Chancellor's Office Coded Memorandum ABS 93-13 (7/16/93)

Report of the Committee for the Study of Cost Recovery from Non-State-Funded Operations (CSUN: 1/31/00)

Campus Policy: Accounting for General Fund Reimbursed Activities

DEFINITIONS:

For purposes of this policy, the University can be divided into two types of units:

I. State-Support Units:

Units whose primary funding is derived from General Fund appropriations (including student tuition and fees deposited in the General Fund, and supplemental General Fund appropriations).

II. Self-Support Units:

Units whose primary funding is derived from services they provide to the University community and to non-University units. Self-Support units consist primarily of auxiliaries and enterprise funds.

III. Auxiliaries include the separate 501 (c) (3) corporations:

1. The University Corporation
2. University Student Union, Inc., California State University, Northridge
3. Associated Students, California State University, Northridge, Inc.
4. North Campus – University Park Development Corporation
IV. Enterprise Funds Include:
1. Housing
2. Parking
3. Continuing Education/Extended Learning
4. Health Facilities (Managed by the Student Health Center)

V. Other: Sub-units within State-Support units which are supported entirely by fees for services they provide, such as:
1. Reprographics
2. Sundial

For purposes of this policy, the University can be divided into two categories:

1. Core Services: Those services which a State-Support unit was created to provide to other State-Support units of the University community and which must be provided without charge (e.g., routine maintenance and custodial services provided by Physical Plant to any other State Support Unit).

2. Supplemental Services: Supplemental services: Other services which a State-Support unit has the capacity to provide to the University community (e.g., construction services provided by Physical Plant to any other State Support Unit or any Auxiliary/Enterprise Unit).

For purposes of this policy, cost can be defined as follows:

1. Direct Cost: A direct cost is a cost that can be easily and conveniently traced to the provision of services and/or materials to another fund or unit. (For example, the cost of a unit employee who devotes full time indirect support of other funds.)

2. Indirect Cost: An indirect cost is a cost that cannot be easily and conveniently traced to the provision of services and/or materials to another fund or unit. (Indirect costs would include the salary expenses of department for all employees who support another fund, but who's time involvement varies over time and cannot be easily measured.)

3. Incremental or Marginal Cost: An incremental cost is the added cost required to provide materials and/or services to another fund or unit. These costs can be viewed as the added direct or indirect cost component of a department that provides materials and/or services to other units, over and above those costs required to provided services and/or materials to the primary service area or fund. (Example: it is estimated that eight staff persons are required to provide services to a department's primary service area or fund. If this department also provides services to other funds, but employs a staff of ten, then the average salary of two staff members would constitute an indirect marginal cost.)

It is the intent of this policy that campus units charge only incremental costs to other campus units. (See the University Rate discussed below.)

DISCUSSION:
California State University, Northridge is a multi-faceted organization operating within several uniquely defined, and/or legally separate, funds. These funds are defined as:
1. General Fund

2. Reimbursed Activities

3. University Self-supporting Enterprise Funds
   a. Parking
   b. Housing
   c. Health Facility Fund

4. Continuing Education Fund
   a. Lottery Revenue Fund

5. University Auxiliary Corporations
   a. Associated Students, California State University, Northridge, Inc.
   b. California State University, Northridge Foundation
   c. North Campus-University Park Development Corporation
   d. The University Corporation
   e. University Student Union, Inc.

6. Other University Funds (Such as State Trust and Special Projects)

By university policy, services and/or materials (hereafter collectively referred to as services) provided by State Support operating units in support of other funds must be appropriately reimbursed. Likewise, it is expected that Self Support operating units will be appropriately reimbursed for services provided to other operating units of the campus. Further, all services provided to a non-University unit by any campus unit must be fully reimbursed. In implementing this policy the following principles shall apply:

APPLICABLE RATES:

1. The UNIVERSITY RATE equals direct costs plus indirect costs only through the first level of supervision for the unit providing service, and applies to:
   a. Supplemental services provided by one State Support unit to another State Support unit
   b. All services provided by a State Support unit to a Self Support unit
   c. All services provided by a Self Support unit to another Self Support unit
   d. All services provided by a Self Support unit to a State Support unit

2. The FULL-COST RATE equals direct costs plus full indirect costs for the campus (including costs for space, utilities and campus central administration), and applies to:
   a. All services provided by a State Support unit to a non-University unit
   b. All services provided by a Self Support unit to a non-University unit

3. Either of the following methods may be used to implement these cost reimbursement principles for campus units:
a. A Memoranda of Understanding (MOU's) for services to be provided on a regular basis throughout the fiscal year, or

b. Chargeback rates for one-time services

4. Reimbursements for services provided to a non-university unit should be formalized by contract.

5. For University Costing:

   a. The assignment of direct costs, and the application of indirect costs based on workload and usage factors, will be the norm for the calculation of reimbursements. The fact that services may have been provided in the past without reimbursement shall not be considered as justification for the avoidance of cost reimbursement.

   b. Reimbursable expenses should not include costs above the first level of supervision, nor should they include the costs of a central administrative unit of the department providing the services. Inherent in this statement is the concept that certain levels of management and certain administrative units are charged with oversight responsibilities on a university wide level, and therefore these expenses should be viewed as non-incremental and non-reimbursable.

   c. The proration of costs shall be based on actual expenses and usage factors, with adjustments based on agreed upon factors. All salary and operating expenses should be developed to include appropriate adjustments for compensation increases and inflation.

6. Workload and usage factors may vary from unit to unit depending on the services provided. In addition there may be multiple usage factors utilized in the allocation of costs among units receiving services for any given level of service.

7. The methods chosen to allocate costs shall be simple, understandable, repeatable and fully documented.

**PROCEDURES:**

This statement provides guidance to implement the principles of cost reimbursement stated above for three types of costs incurred by the campus: facilities usage, goods purchased, and services provided. Discussion is focused on the reimbursement of cost from a campus auxiliary/enterprise to a State Support unit, but procedures are equally applicable to other on-campus reimbursements.

**I. Facilities Rentals:**

*When reimbursement is required:*

Reimbursement will be expected only when an auxiliary/enterprise has exclusive use for more than one month of space that is supported by the General Fund.

1. How reimbursement is computed: If not otherwise specified, reimbursement to the General Fund will be calculated based on square feet multiplied by the State General Services rate per square foot.

2. How/when reimbursement will be invoiced/recorded: If use of space by an auxiliary/enterprise is for less than a full fiscal year, the auxiliary/enterprise will be invoiced at the end of each applicable quarter of the fiscal year. If use by the auxiliary/enterprise is expected to cover the full fiscal year, the auxiliary/enterprise will be invoiced once in mid-fiscal year for the entire year.

3. Reimbursement revenue will be recorded in the Reimbursed Activities Fund and the equivalent amount of the related expenses will be charged to the Reimbursed Activities Fund.
II. Goods Purchased:

1. When reimbursement is required: Every effort should be made to identify goods purchased by the campus that will be used/consumed exclusively by an auxiliary/enterprise in advance of purchase so they can be charged directly to the Reimbursed Activities Fund. Reimbursement for goods already purchased from General Fund resources will be expected only when identifiable goods of significant cost are used/consumed by an auxiliary/enterprise.

2. How reimbursement is computed: Reimbursement will be limited to actual costs, with no markup by the campus unit that initially purchased the goods.

3. How/when reimbursement will be invoiced/recorded: Reimbursement revenue will be recorded in the Reimbursed Activities Fund and the related costs will be charged to the Reimbursed Activities Fund. The cost of items not purchased directly from the Reimbursed Activities Fund must be transferred at least quarterly to the Reimbursed Activities Fund.

III. Services Provided:

When reimbursement is required:

The reimbursable costs of services provided to auxiliary/enterprises will include:

**Salaries & Wages:**

a. Supervisory personnel will be included through first level of supervision only (i.e., no allocation of general management costs).

b. Individual employees whose entire, or a fixed portion of their work assignment is providing services to auxiliary/enterprises will be treated as direct costs of providing services to those auxiliaries/enterprises.

c. Other personnel will be grouped according to the primary type of service provided, and allocations based on the proportions of those types of services provided to auxiliary/enterprises.

**Benefits:**

Benefit costs will be estimated based on the number and classification of employees participating in providing services to auxiliary/enterprises.

**Operating Expenses:**

a. The cost of supplies and services for a group that provides services to auxiliary/enterprises will be allocated in the same proportion as salary and wage costs.

b. **Specialized Equipment:** (including computer equipment, printers and copiers, but excluding furniture):

c. Equipment costs will be calculated using replacement cost and a 3-year useful life for computer equipment and a 5-year useful life for all other equipment.

**How reimbursement is computed:**

a. The following methodology will be used for computing the cost of services provided to auxiliary/enterprises.

b. A department, unit, group or individual employee is identified as providing substantial services to one or more auxiliary/enterprises.
c. It is determined that this department, unit, group or individual employee causes incremental costs in providing services to auxiliary/enterprises.

d. The costs identified above are computed for the department, unit, group or individual providing specific services to both State Support units and one or more auxiliary/enterprises. (Note: The costs of a unit, group or individual providing a service only to a single auxiliary/enterprise would be treated as a direct cost reimbursable by that auxiliary/enterprise.)

e. An activity base(s) (or measure) is identified for the services provided.

f. The activity base is used to allocate costs among State Support units as a group and among auxiliary/enterprises receiving services.

How/when reimbursement will be invoiced/recorded:

a. If services are provided to auxiliary/enterprises for less than a full fiscal year, the auxiliary/enterprise will be invoiced at the end of each relevant quarter of the fiscal year. If services are expected to be provided for the full fiscal year and an MOU fixes the agreed amount of reimbursement, the auxiliary/enterprise will be invoiced once in mid-fiscal year for the entire year.

b. Reimbursement revenue will be recorded in the Reimbursed Activities Fund and the related costs may be charged directly to the Reimbursed Activities Fund. The cost of services not charged directly to the Reimbursed Activities Fund must be transferred at least quarterly to the Reimbursed Activities Fund.

PROCESS:

On or before April 1, 2005, all operating units providing facilities usage, goods purchased, and/or services provided (hereafter referred to as services) to other units will send to those units a proposed Memorandum of Understanding (MOU) for the next fiscal year. The MOU will define the level of services to be provided, and detail the proposed method of costing. Approved MOU's should be signed and forwarded to the University Controller, who will maintain a repository for all campus MOU's. It is the intent of this policy that approved MOU's will remain in effect for a period of five years. However, should there be a significant change in the level of services provided during this five-year period, the original MOU should be revised to reflect the new cost conditions.

Within the five-year term of these agreements, every MOU will be adjusted annually to reflect:

Labor Cost Increases:

Salaries, wages and benefits will be adjusted by the average annual salary increase proposed by the CSU, and/or average changes in campus benefits percentages.

Operating Cost Increases:

Operating expenses will be adjusted by the most recent change in the calendar year CPI for the Los Angeles/Riverside areas.

New MOU agreements approved after fiscal 2005/06 will remain in force through June 30, 2010 at which time all campus MOU's will be renegotiated and approved to establish a new five-year cycle. For additional information relating to this process refer to:

b. The July 6, 1999 memorandum from CSUN Interim President Kennedy on Memorandums of Understanding

The services called for in the MOU will begin July 1st of the new fiscal year. Payments will normally be made mid-year for services that extend for the entire year. Exceptions to this billing process may be made with the concurrence of both parties. Service providers are responsible for initiating the billing process under the terms of the MOU.

All units requesting services not provided for within an agreed upon MOU must complete a chargeback requisition form.

**RESPONSIBILITIES:**

The manager of each department providing reimbursable services of an on-going nature to any other department shall initiate a Memorandum of Understanding as described in the above procedures.

It is the responsibility of a department requesting services not covered under the terms of an MOU to complete an appropriate chargeback requisition form. Upon completion of services, the service provider must request the Office of Resource Management within Financial and Accounting Services to charge the expense to the service requestor, and credit the appropriate revenue to the service provider.

**FURTHER INFORMATION:**

Office of University Budget Planning and Management (818) 677-4509

Office of the Associate VP of Finance (818) 677-2305

**APPROVED BY THE PRESIDENT**