Date: May 18, 2004

To: Vice Presidents for Administration/Finance
Business Managers

From: Dennis Horton
Assistant Vice Chancellor, Financial Services
Financing and Treasury

Subject: 2004/05 Centrally Paid Costs — for Student Unions Eligible for Decentralization

Pursuant to the memorandum from Richard P. West to your office dated April 30, 2004 on Student Union Decentralization — Available for Eligible Campuses, we are transmitting the centrally paid costs for fiscal year 2004/05 to the student union programs that have Systemwide Revenue Bond (SRB) debt outstanding and have no senior student union debt outstanding. This memo replaces our annual budget memo to the unions and will now serve as our means of exchanging budget information to the campuses. As explained in the decentralization memo, Financing and Treasury will work with the Accounting office to transfer quarterly amounts from the student union revenue funds (#580) to the respective accounts at the Chancellor’s Office for debt service payments, debt reserves and centrally paid administrative expenses of the bond program. The attachment contains:

- 2004/05 Centrally Paid Cost - processed by the Chancellor’s Office.

Please note that for 2004/05, we have a one-time opportunity to provide some student union programs a “credit” for the prior year fund balance in their respective Interest & Redemption Funds. Under the SRB program, our policy is to transfer from program funds needed to pay debt service obligations just prior to becoming due. This is a change from the prior existing union program resolutions in which funds were set aside one year in advance in determining the “return of surplus” available for operating the union program. After the 2004/05 fiscal year, unions must budget their full debt service obligations. Financing and Treasury will identify these debt obligations in future coded memos.

While a union will be receiving the credit in 2004/05, we will still calculate the union program’s Net Revenue Debt Service Coverage Ratio (DSCR) using the 2004/05 debt service as shown on the attached schedule. The calculation will be adversely affected if campuses do not appropriately segregate operating expenses from transfers out in the FIRMS database.

The state prorata charges consist of administrative expenditures related to various state agencies such as the Department of Finance, the State Controller’s Office, the State Treasurer’s Office, the Bureau of State Audits, the Legislature and others. The CSU, as other
agencies, is charged a portion of these expenditures. The methodology employed to distribute these costs involves a future year projection with an adjustment for prior year actuals as it relates to the last fiscal year that such actuals are available. In this case, the 2004/05 budget year is impacted by an adjustment to actuals for fiscal year 2002/03. We have been informed by the Department of Finance that the CSU charges will be increasing by 50 percent in 2004/05 from 2003/04 prorata charges. This increase takes into account the differences related to the 2002/03 actual costs. Please be assured that as in the past, we will continue to voice our concerns related to the increases affecting our programs to the Department of Finance. Our goal continues to be to minimize expenditures for both the student union program and other CSU self-supporting programs. In addition, a CABO task force has been formed to look into the current method of allocating state prorata charges for future years.

Please note that this memo is intended for planning purposes only. The Chancellor’s Office Accounting department will issue an AD-NOAT memo with journal entry information to ensure accurate FIRMS data submission and recording.

Please contact Rosa Renaud or Angelique Sutanto in Financing and Treasury at (562) 951-4570, or email at rrenaud@calstate.edu or asutanto@calstate.edu, if you or your staff have any questions.

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Attachment