Date: May 26, 2005

To: Vice Presidents for Administration/Finance
   Vice Presidents for Student Affairs

From: Colleen Nickles
      Senior Director
      Financing and Treasury

Subject: 2005/06 Centrally Paid Costs - Dormitory Revenue Fund Housing

We apologize for the delay in transmitting the housing program centrally paid costs for fiscal year 2005/06. We waited to finalize this memo so that we could incorporate the debt service payments for campuses affected by the recent issuance of the Systemwide Revenue Bonds (SRB), Series 2005A and 2005B. The following attachments contain:

- 2005/06 Centrally Paid Cost (Attachment A) processed by the Chancellor’s Office.
- 2005/06 Centrally Paid Cost – Other Expenses (Attachment B).

In 2005/06 most campuses will experience a small decrease in their total housing annual costs due to a decrease in state prorata charges. 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 state agencies, is charged a portion of these expenditures. As you know, we voiced our concerns related to the state charges affecting our programs to the Department of Finance and they have committed to making adjustments for the 2006/07 budget year.

We had an opportunity to refund the Housing System Revenue Bonds Series AU, AY and AV through the Systemwide Revenue Bonds Series 2005A and 2005B. A total of eleven campuses benefited from both these transactions with a net present value savings of $9,548,332. Below are the details of the transactions:

1) SRB Series 2005A (closed in April 2005) includes the refunding of housing bonds series AU (Humboldt) and AY (San Diego) and was structured to produce upfront savings by covering the May 1, 2005 payment from the escrow account. Since Humboldt and San Diego campuses were already charged for the May 1, 2005 debt service payments of Series AU and AY in 04/05, they will receive a credit for the amounts in 05/06 (see Attachments A and C – Savings related to Refundings in 04/05).
2) SRB Series 2005B, which will close in August 2005, includes the refunding of Series AV and was also structured to produce upfront savings starting in 05/06. We have adjusted the quarterly PFAs identified in the memo to reflect these 05/06 savings and thus no credit is necessary. Campuses affected by the refundings are Dominguez Hills, East Bay, Fullerton, Humboldt, Long Beach, Los Angeles, Northridge, Sacramento, San Diego, San Francisco and Sonoma. We will provide new debt service schedules to those campuses benefiting from the bond refundings under a separate memo.

We are including a summary of quarterly debt service transfers to cover principal and interest payments on November 1st and interest payments on May 1st of the coming fiscal year for campuses with projects that were funded by bonds. The quarterly amounts include a fifteen percent reserve, which will not affect the calculation of the housing program’s Net Revenue Debt Service Coverage Ratio (DSCR), as long as campuses appropriately record the transfers for debt service and reserve as “Transfer Out” and not as an operating expense in the FIRMS database (see Attachment C for an example). We anticipate that the interest received from the reserve will be credited to campuses and will be used for future debt service payments. The transfer for reserve is required for the first two full years of a project’s operations. As noted on Attachment C, some campuses already fulfilled this requirement and therefore will not be transferring anymore funds to the reserve sub-account in the Interest and Redemption Fund.

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 renaud@calstate.edu or asutanto@calstate.edu, if you or your staff have any questions.

CN:RHR:as

Attachments