

Financing & Treasury

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Date: August 10, 2006

Code: FT 06-02

To: Ms. Sally Roush
Vice President, Business and Financial Affairs
San Diego State University

From: Colleen Nickles *Colleen*
Senior Director
Financing and Treasury

Subject: 2006/07 Centrally Paid Direct Costs – Health Center Facilities (581-282) – REVISED PFA DATES

We are transmitting the 2006/07 direct charges for the Health Center programs for incorporation into your budget planning process. Please note that the attached worksheet summarizes the debt service and program reserves charges, however, it does not identify indirect charges, which will be processed separately as noted in Coded Memo FT 06-01. This change in communication to you is being incorporated this year to better categorize expenditures.

At the present time, your campus is the only one with a Health Center program with outstanding debt resulting in direct charges as noted in the attachment. Please ensure that the appropriate fiscal personnel at your campus have this information. We are requesting the Chancellor's Office Systemwide Financial Operations (SFO) department to prepare quarterly Plan for Financial Adjustments (PFA) to transfer the funds. An AD-NOAT memo will be issued at the time of the transfer indicating the journal entry information to ensure accurate FIRMS data submission and recording. **Please note revision:** Per discussion with the SFO department, the PFA timing has been changed as shown on Attachment A. In the coming year, we will reevaluate the timing of the PFA transfer dates with the intention of streamlining the process while meeting bond indenture requirements. We will advise you of the forthcoming changes.

Attachment A includes quarterly debt service transfers to cover principal and interest payments on November 1st and interest payments on May 1st of the coming fiscal year. The quarterly amounts include a fifteen percent reserve, which will not affect the calculation of the health center program's Net Revenue Debt Service Coverage Ratio (DSCR), as long as the campus appropriately records the transfers for debt service and reserve as a "Transfer Out" and not as an operating expense in the FIRMS database (see Attachment A for an example). We anticipate that the interest received from the reserve will be credited to your campus and will be used for

CSU Campuses
Bakersfield
Channel Islands
Chico
Dominguez Hills
East Bay

Fresno
Fullerton
Humboldt
Long Beach
Los Angeles
Maritime Academy

Monterey Bay
Northridge
Pomona
Sacramento
San Bernardino
San Diego

San Francisco
San José
San Luis Obispo
San Marcos
Sonoma
Stanislaus

future debt service payments. The transfer for reserve is required for the first two full years of a project's operations.

Please contact Rosa Renaud or Angelique Sutanto of my staff at (562) 951-4570 should you or your staff have any questions on your program. For questions regarding the accounting process, please contact George Ashkar or Kathy Skara at (562) 951-4610. Thank you for your assistance in this process.

CN:rhr

Attachment

Distribution:	President	(without attachment)
	Business Managers	(with attachment)
	Health Center Administrators	(with attachment)
	Budget Officers	(with attachment)
	Accounting Officers	(with attachment)
	Mr. Richard West	(with attachment)
	Mr. Dennis Hordyk	(with attachment)
	Mr. George Ashkar	(with attachment)
	Mr. Lam Le	(with attachment)
	Mr. Brian Lee	(with attachment)
	Ms. Kathy Skara	(with attachment)
	Ms. Lily Wang	(with attachment)

THE CALIFORNIA STATE UNIVERSITY
Health Center Facilities Fund
2006/07 Centrally Paid Direct Program Costs
(REVISED)

Campus	Debt Service Payments	Debt Service Reserve	Annual PFA Amount	Quarterly PFA Amount (a)
Bakersfield	0	0	-	-
Channel Islands	0	0	-	-
Chico	0	0	-	-
Dominguez Hills	0	0	-	-
Fresno	0	0	-	-
Fullerton	0	0	-	-
Hayward	0	0	-	-
Humboldt	0	0	-	-
Long Beach	0	0	-	-
Los Angeles	0	0	-	-
Maritime Academy	0	0	-	-
Monterey Bay	0	0	-	-
Northridge	0	0	-	-
Pomona	0	0	-	-
Sacramento	0	0	-	-
San Bernardino	0	0	-	-
San Diego	532,100	79,815 (a)	611,915	152,978.75
San Francisco	0	0	-	-
San Jose	0	0	-	-
San Luis Obispo	0	0	-	-
San Marcos	0	0	-	-
Sonoma	0	0	-	-
Stanislaus	0	0	-	-
Totals	532,100	79,815	611,915	152,978.75
Campus Journal Entry Required (FIRMS):				
Debit	680126	680126		
Credit	305022	305022		

Net Revenue Debt Service Coverage Ratio (DSCR) Calculation
Example:

If annual revenue = \$15,000,000
and annual operating expense = \$10,000,000
then, annual net income = \$5,000,000

If annual debt service payment = \$750,000 (b)
then, 15% reserve (of debt service payment) = \$112,500 (b)
and annual debt service transfer = \$862,500

Therefore, DSCR = \$5,000,000/\$750,000 = 6.67

- (a) **Revised:** Transfers to occur **September 1, October 1, February 1 and April 1**. Refer to coded memo FT 06-01 Attachment A for centrally paid indirect costs, which has different PFA dates.
- (b) Projected debt service reserve for 07/08 is \$213,627 and for 08/09 is \$136,062.
- (c) This should be recorded as "Transfer Out" (680126) in FIRMS.