Date: August 10, 2006

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

From: Colleen Nickles
Senior Director
Financing and Treasury

Subject: 2006/07 Centrally Paid Direct Costs – Continuing Education Programs – REVISED PFA DATES

We are transmitting the 2006/07 direct charges for the Continuing Education programs for incorporation into your budget planning process. In prior years, this information was transmitted informally by our office. Please note that the attached worksheet summarizes the debt service and program reserves charges, however, it does not identify indirect charges such as State Prorata and Chancellor’s Office costs, which will be processed by the Systemwide Financial Operations (SFO) Department as it has been in the past. 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.

At the present time, your campus is the only one with a Continuing Education 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 that in order to align the Continuing Education program with other Systemwide Revenue Bond programs, we are identifying the need to transfer a fifteen percent debt service reserve for two fiscal years. This is noted in the attachment and will be part of the quarterly transfer amount. The reserve will not affect the calculation of the Continuing Education
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 future debt service payments.

Please contact Rosa Renaud or Angeline 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 Kelly Cox at (562) 951-4610. Thank you for your assistance in this process.

CN: rhr

Attachment

Distribution:  
President  
Business Managers  
Continuing Education Administrators  
Budget Officers  
Accounting Officers  
Mr. Richard West  
Mr. Dennis Hordyk  
Mr. George Ashkar  
Ms. Kelly Cox  
Mr. Lam Le  
Ms. Sylvia Olivas  
Ms. Kathy Skara  
Ms. Lily Wang  
(without attachment)  
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## THE CALIFORNIA STATE UNIVERSITY
Continuing Education Revenue Fund
2006/07 Centrally Paid Direct Program Costs
(REVISED)

<table>
<thead>
<tr>
<th>Campus</th>
<th>Debt Service Payments</th>
<th>Debt Service Reserve</th>
<th>Annual PFA Amount</th>
<th>Quarterly PFA Amount (a)</th>
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<td><strong>56,824</strong></td>
<td><strong>435,650</strong></td>
<td><strong>108,913</strong></td>
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Campus Journal Entry Required (FIRMS):
Debit 680126  680126
Credit 305022  305022

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**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 (c)
- then, 15% reserve (of debt service payment) = $112,500 (c)
- and annual debt service transfer = $862,500

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

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**Note:**
(a) **Revised**: Transfers to occur *September 1, October 1, February 1 and April 1.*
(b) Projected debt service reserve for 07/08 is $57,690.
(c) This should be recorded as "Transfer Out" (680126) in FIRMS.