Date:       June 20, 2003                                      Code:       FT 03-04

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

From:       Richard K. Leffingwell
             Senior Director
             Financing and Treasury

Subject:    2003/04 Centrally Paid Costs - Dormitory Revenue Fund Housing (Final)

We are transmitting the final housing program centrally paid costs for fiscal year 2003/04 superseding the draft memo issued on May 9, 2003. The following attachments contain:

- 2003/04 Centrally Paid Cost (Attachment A) processed by the Chancellor’s Office.
- 2003/04 Centrally Paid Cost – Other Expenses (Attachment B).

In 2003/04, campuses will experience an increase in their total housing annual costs due to an increase 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 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 2003/04 budget year is impacted by an adjustment to actuals for fiscal year 2001/02. We have been informed by the Department of Finance that the CSU charges will be increasing by 201 percent in 2003/04 from 2002/03 prorata charges. This increase takes into account the differences related to the 2001/02 actual costs. In this case, an over expenditure roll-forward of $365,032 from 2001/02 accounts for approximately 9 percent of the total increase for fiscal year 2003/04. 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. In fact, we were able to gain a modest reduction since the draft memo was issued. Our goal continues to be to minimize expenditures for both the housing program and other CSU self-supporting programs.

As noted on the Draft 2003/04 Centrally Paid Costs memo, the Chancellor’s Office charges, as part of the systemwide costs, were being finalized before this final memo could be issued. The Chancellor’s Office charges have increased due to additional staffing in the accounting department, bringing the department to a level comparable to 1996/97.
In the past, PFAs for systemwide expenditures were scheduled to be processed on a monthly basis between July and April of each year. This monthly transfer method has been changed to a quarterly transfer method to improve efficiencies and lessen processing time for both campuses and the Chancellor’s Office. In addition, as discussed in August 2002 and February 2003 CABO meetings, the change to quarterly transfers is necessary to reduce the shortfall during the November bond payment period because the equal monthly transfers do not match the principal and interest payments due on November 1st. As discussed at CABO, the quarterly amounts include a fifteen percent reserve to expedite the housing program goal of reducing the shortfall for payments in debt service. This reserve plan will be implemented for two years starting in 2003/04. It will _not_ affect the calculation of the housing program’s net income coverage calculations as long as campuses appropriately record the transfers for debt service and reserve as a “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.

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.

RKL:RHR:as

Attachments
Distribution:

- Presidents (without attachments)
- Business Managers (with attachments)
- Housing Officers (with attachments)
- Budget Officers (with attachments)
- Accounting Officers (with attachments)
- Chancellor’s Office Staff (without attachments)
- Ms. Lily Wang (with attachments)
- Mr. Lam Le (with attachments)