

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

EXECUTIVE SUMMARY

<p>Applicant: University of San Francisco ("USF") 2130 Fulton Street San Francisco, California San Francisco County</p> <p>Facility Type: Private College</p> <p>Project Locations: Multiple (see Page 2 for details)</p> <p>Accreditation: Western Association of Schools and Colleges, State Bar Examiners</p>	<p>Amount Requested: \$40,000,000</p> <p>Loan Term: 25 - 40 Years</p> <p>Date Requested: April 24, 2003</p> <p>Resolution Number: 210</p>																												
<p>Use of Bond Proceeds: Bond proceeds will be used for various construction, renovation, and campus technology upgrades. In addition, bonds will be used to refund a construction note and reimburse USF for prior capital expenditures.</p>																													
<p>Type of Issue: Public Offering, Weekly Variable Interest Rate</p> <p>Credit Enhancement: Letter of Credit from Allied Irish Bank</p> <p>Expected Rating: Aa3/VMIG1 (Moody's) based on Allied Irish Bank's rating</p> <p>Underwriter: Banc of America Securities LLC</p> <p>Bond Counsel: Sidley Austin Brown & Wood LLP</p>																													
<p>Financial Status: USF management has offset declines in investment income by increasing student enrollment and fees, grant, contract and fundraising activities. These measures have lead to a net increase in revenues during the FYE 2000 to FYE 2002 period. Although the growth in student enrollment has increased corresponding instructional expenses, the net impact to unrestricted net assets has been positive. USF's balance sheet remains strong as the University continues to invest in its campus facilities.</p>																													
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<p>Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.</p>																													
<p>Staff Recommendation: Staff recommends the Authority approve a resolution for an amount not to exceed \$40,000,000 for the University of San Francisco, subject to the bonds being rated at least "A" by a nationally recognized rating agency.</p>																													

STAFF SUMMARY AND RECOMMENDATION

University of San Francisco (“USF”)

April 24, 2003
Resolution Number: 210

I. PURPOSE OF FINANCING:

Bond proceeds will be used for various construction, renovation, and campus technology upgrades. In addition, bonds will be used to refund a construction note and reimburse USF for prior capital expenditures.

Construction/renovation \$23,326,000

USF management has planned a number of construction and renovation projects as follows:

McLaren Hall – McLaren Hall houses the School of Business and Management. The proposed renovation encompasses the addition of approximately 26,000 square feet of new office space and the renovation of approximately 24,000 square feet of existing space.

Memorial Gymnasium – The Memorial Gymnasium serves as a site for many University events, including basketball games for the men’s and women’s Division I home games. The proposed renovation encompasses the addition of 6,000 square feet to the front of the gym and the renovation of the main lobby and front façade.

Campion Hall – Campion Hall is one of the oldest buildings on campus and is currently serving as a multi-use facility (e.g. instruction, administration, faculty offices, theater, etc.). With the exception of the building’s shell, the proposed project will result in a complete renovation of the building and supporting systems. The renovated building will be primarily used as an instructional facility with some offices for faculty and academic departments.

In addition to the above construction and renovation projects, bond proceeds will be used to complete a core facility infrastructure upgrade and add a new parking facility. Bond proceeds will also be used to reconfigure and resize several classrooms and offices across campus to accommodate anticipated growth and teaching requirements over the next ten years, relocate several administrative departments from Campion Hall to the USF’s Lone Mountain facility, and upgrade some plumbing and other capital maintenance projects in various buildings to extend the useful lives of the underlying systems.

Refunding \$9,500,000

In 2002, USF completed construction on a campus housing project financed with a \$27 million bond issued through CEFA and a \$10 million line of credit issued by Allied Irish Bank. USF obtained the \$10 million line of credit to finance a portion of the housing project that was anticipated to be for non tax-exempt purposes such as building housing to sell to faculty. During the final phases of the project, the University decided to convert the units into student housing. As a result of this change in use, the University plans to refinance the taxable construction note using tax-exempt bond proceeds.

Equipment Purchases \$3,376,000

Bond proceeds will be used to purchase desktop and laptop computers as part of the University’s computer replacement program. Each year, the University replaces approximately one-third of all computers. The allocated bond proceeds will provide funding for two years of replacements.

Reimbursement 3,200,000

USF has paid \$3.2 million in up-front capital expenditures and is requesting reimbursement for these costs at closing. These expenditures relate to current projects for which the USF has a reimbursement resolution in place.

Financing Costs 598,000

Underwriter discount	320,000	
Counsel fees.....	127,500	
Authority fee.....	60,000	
Other	90,500	_____

***TOTAL USES OF FUNDS* \$40,000,000**

Financing Structure:

- Variable rate set every 7 days.
- Maximum forty-year maturity.
- Public offering.
- Letter of Credit from Allied Irish Bank to provide Aa3/VMIG1 rating by Moody’s.
- General obligation pledge.

II. FINANCIAL ANALYSIS:

University of San Francisco

Statement of Activities

Unrestricted (000's)

	Fiscal Year Ended May 31,		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
Revenues:			
Net tuition and fees	\$ 132,256	\$ 121,351	\$ 109,161
Auxiliary revenue	20,554	18,780	20,298
Grants and contracts	10,618	8,338	7,505
Investment income	4,622	7,391	5,783
Contributions	12,233	6,864	9,731
Unrealized gains (losses) on investments, net	(9,480)	(6,636)	8,434
Other income	2,457	2,195	1,980
Net assets released from restrictions	14,985	833	827
Total revenues	<u>188,245</u>	<u>159,116</u>	<u>163,719</u>
Expenses:			
Instruction	75,570	68,708	62,598
Scholarships and fellowships	29,048	26,047	23,135
Auxiliary enterprises	20,736	18,643	16,621
Institutional support	20,697	19,370	16,641
Academic support	16,460	15,646	17,192
Student services	14,550	13,595	12,912
Research	854	907	700
Public service	757	610	752
Other	1,791	1,052	755
Total expenses	<u>180,463</u>	<u>164,578</u>	<u>151,306</u>
Change in unrestricted net assets	7,782	(5,462)	12,413
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>160,466</u>	<u>165,928</u>	<u>153,515</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 168,248</u>	<u>\$ 160,466</u>	<u>\$ 165,928</u>

University of San Francisco
Statement of Financial Position (000's)

	As of May 31,		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
ASSETS:			
Cash and cash equivalents	\$ 14,157	\$ 16,037	\$ 17,177
Accounts and other receivables, net	17,467	13,690	15,843
Contributions receivable, net	19,614	11,581	9,098
Investments	157,426	205,741	219,856
Prepaid expenses and other assets	4,366	4,348	4,440
Premises and equipment, net	195,233	145,799	133,492
TOTAL ASSETS	\$ 408,263	\$ 397,196	\$ 399,906
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 18,995	\$ 15,270	\$ 15,247
Deferred revenue	7,916	8,928	7,626
Federal student loan funds	9,001	8,361	8,378
Line of credit	5,500	3,585	3,500
Bonds and notes payable	100,895	100,355	101,155
TOTAL LIABILITIES	142,307	136,499	135,906
Net assets:			
Unrestricted	168,248	160,466	165,928
Temporarily Restricted	21,953	27,064	26,272
Permanently Restricted	75,755	73,167	71,800
TOTAL NET ASSETS	265,956	260,697	264,000
TOTAL LIABILITIES AND NET ASSETS	\$ 408,263	\$ 397,196	\$ 399,906

Financial Ratios:

	Proforma (a)			
	FYE June 30, 2002	<u>2002</u>	<u>2001</u>	<u>2000</u>
Debt service coverage (x)	2.38	3.22	1.19	4.77
Debt to expendable net assets (x)	0.70	0.54	0.54	0.53
Expendable net assets to operations (x)		1.05	1.14	1.27
Margin (%)		4.1%	-3.4%	7.6%

(a) Recalculates 2002 results to include the impact of this proposed financing.

Financial Discussion:

USF management has offset declines in investment income by increasing student enrollment and fees, grant, contract and fundraising activities. These measures have led to a net increase in revenues during the FYE 2000 to FYE 2002 period.

Although investment income decreased by 20% from FYE 2000 to FYE 2002 and the unrealized return on investments fell from a \$8.4 million gain to a \$9.4 million loss during the same period, total revenues have increased 15% over the period.

Management has been able to achieve this growth in revenue by increasing student enrollment and fees and bolstering grant, contract, and contribution revenue. During the past three fiscal years, FTE student enrollment has increased by 5%, even as the selectivity ratio for students offered admission has remained stable and tuition and fees charged to undergraduates have been raised by 15%. The result of these efforts has been an increase to net tuition and fee revenue from \$109 million in FYE 2000 to \$132 million in 2002.

Management also increased its efforts to raise revenue through grants, contracts and contributions. To increase grant funding opportunities and revenue diversity, in fiscal 2002, USF management created a position for a Director of Sponsored Programs whose responsibilities include the identification of grant funding opportunities and proposal development assistance. The University is also in the quiet phase of a \$150 million capital campaign, the effects of which were beginning to be seen in the 2002 financial statements. The campaign has progressed well and management anticipates entering the public phase of the campaign soon.

To increase the expected return and diversification of the investment portfolio on a risk adjusted basis, USF's Investment Committee of the Board of Trustees ("Committee") replaced some managers that were not performing against their benchmarks and voted to change the asset allocation. The asset allocation change will be implemented over a period of time as opportunities are identified.

Although the growth in student enrollment has increased corresponding instructional expenses, the net impact to unrestricted net assets has been positive.

Most student service expenses have risen markedly over the review period. For example, during the past three fiscal years, instructional costs have increased 21%, scholarships/fellowships have increased 26%, auxiliary services have increased 25% and institutional support has increased 24%.

The increases to student enrollment-related expenses, however, have been more than offset by the increase in actual revenues. Excluding unrealized gains and losses over the past three fiscal years, total revenues have increased by 27% while total expenses have risen 19% during the same period. Over the past three fiscal years, unrestricted net assets have increased from \$165 million to \$168 million.

USF's balance sheet remains strong as the University continues to invest in its campus facilities.

Although USF's investment portfolio has shrunk as a result of the current stock market downturn, the balance sheet remains stable as the University has invested in its property and equipment. Since FYE 2000, property and equipment has increased by nearly \$65 million while the total debt load has remained stable.

III. STUDENT, COLLEGE COSTS, AND FACULTY STATISTICS:

Applications and New Enrollments

Fall Semester	Freshman*			Transfer*		
	Number of Apps.	Offered Admission	New Enrollments	Number of Apps.	Offered Admission	New Enrollment
2002	3,590	2,960	844	916	720	349
2001	3,838	3,038	845	1,006	773	354
2000	3,557	2,848	760	1,044	822	392
1999	3,505	2,805	766	1,008	798	339
1998	3,064	2,372	645	959	740	341

Fall Semester	Freshman and Transfer (Combined)*			
	Number of Apps.	Offered Admission	Selectivity Ratio	New Enrollments
2002	4506	3680	81.7%	1193
2001	4844	3811	78.7%	1199
2000	4601	3670	79.8%	1152
1999	4513	3603	79.8%	1105
1998	4023	3112	77.4%	986

Fall Semester	Graduate Programs*			
	Number of Apps.	Offered Admission	Selectivity Ratio	New Enrollments
2002	2147	1590	74.1%	1005
2001	2106	1609	76.4%	1044
2000	1921	1456	75.8%	895
1999	2062	1486	72.1%	921
1998	1935	1440	74.4%	902

Law Program*				
Fall Semester	Number of Apps.	Offered Admission	Selectivity Ratio	New Enrollments
2002	3122	1039	33.3%	276
2001	2059	971	47.2%	271
2000	1959	925	47.2%	251
1999	2435	1147	47.1%	239
1998	2234	979	43.8%	257

*Headcount, not full-time equivalent

Enrollment and Degrees

Academic Year	Enrollments			Degrees		
	Undergrad FTE	Graduate FTE	Total FTE	Bachelor	Graduate	Total
2002-03	4,585	3,216	7,801	N/A	N/A	N/A
2001-02	4,541	2,959	7,500	1,111	1,212	2,323
2000-01	4,512	2,867	7,379	1,069	1,053	2,122
1999-2000	4,430	2,848	7,278	1,203	1,010	2,213
1998-99	4,415	2,679	7,094	1,231	1,129	2,360

Tuition

Undergraduate Tuition, Fees, Room and Board

Academic Year	Undergraduate Tuition & Fees	Room and Board	Undergraduate Total
2002-03	21,660	9,080	30,740
2001-02	20,190	8,710	28,900
2000-01	18,860	8,242	27,102
1999-2000	17,710	7,838	25,548
1998-99	16,630	7,610	24,240

Faculty

Faculty Summary
(Headcount)

Academic Year	Professors	Associate Professors	Assistant Professors	Instructors	Total	Percent Tenured
2002-03	118	92	98	14	322	62%
2001-02	110	86	102	12	310	61%
2000-01	110	91	98	13	312	61%
1999-2000	114	93	63	17	287	61%
1998-99	107	107	64	15	293	58%

IV. BACKGROUND:

University of San Francisco:

USF, a California corporation, is a private non-profit educational institution founded in 1855 and is located on a 55-acre hilltop near Golden Gate Park in San Francisco, California. The University enrolls approximately 8,200 undergraduate and graduate students in its six colleges and professional schools. Seventy-eight percent of the University's students are from California, twelve percent are from other states and ten percent are from outside the United States. Fifty-two percent of the students are under age 25, while 46% are age 25 to 54 and 2% are age 55 and over. The University's faculty includes approximately 700 full and part-time members. The Alumni Association includes 75,000 graduates throughout the world.

Administration:

USF is governed by a self-perpetuating Board of Trustees, which is presently composed of 39 members. Members of the sponsoring religious body, the Society of Jesus, constitute approximately one-third of the membership while the remaining Trustees represent diverse backgrounds: religious, financial, legal, cultural, educational, and mercantile. USF welcomes persons of all religious persuasions as members of its student body, faculty and administration.

Accreditations and Affiliations:

The Western Association of Schools and Colleges (WASC) originally accredited USF in 1949. The last WASC site visit was in 1998, which resulted in a reaffirmation of USF's accreditation.

The USF School of Law is accredited by the Committee of Bar Examiners of the State Bar (State Bar Examiners). The original accreditation was in 1937, with the most recent in 1995. The USF School of Law was also accredited by the American Bar Association in 1932, by the American Association of Law Schools in 1937, and by the State Bar of California in 1937. All of these accreditations continue to remain in effect.

The National League first accredited the USF School of Nursing for Nursing in 1958. Its most recent accreditation was in 1997 and is scheduled for reaccreditation in 2004. The School of Nursing's most recent accreditation by the California Board of Registered Nurses was in 2000, and is scheduled for renewal in 2005.

The American Assembly of Collegiate Schools of Business initially accredited the McLaren College of Business in 1953. Its most recent accreditation was in fall 1989, and is scheduled for reaccreditation in 2004.

USF's programs and disciplines maintain five additional accreditations and 22 affiliations from various educational review organizations.

Religious Certification:

Since USF is affiliated with a religious denomination, it was required to provide both a certification of compliance with the provisions of the CEFA Act relating to religion, and a more comprehensive certification detailing compliance with the specific standards as required by the Authority.

Staff Counsel and Bond Counsel have reviewed the certifications and have determined that USF responded satisfactorily to all questions.

Competition:

USF's principal competitors are:

<i>Institution Name</i>	<i>Location</i>
UC Berkeley	Berkeley, California
UCLA	Los Angeles, California
Santa Clara University	Santa Clara, California
Loyola Marymount University	Los Angeles, California
University of San Diego	San Diego, California

USF has several distinguishing characteristics that enable it to compete with these institutions, which are its Jesuit Catholic Mission, a wide range of academic majors and special programs, a culturally diverse student body and the San Francisco location.

Specific programs offered by USF that are unique include: the dual degree program in Teacher Education, Advance Degree/Bachelor of Science program in the school of Nursing, and the Hospitality Management program in the McLaren School of Business.

V. OUTSTANDING DEBT:

Issue Name:	Original Amount	Amount Outstanding As of 5/31/02	Estimated Amount Outstanding after Proposed Financing
Existing			
CEFA Revenue Bonds, Series 1996	\$ 75,000,000	\$ 72,070,000	\$ 70,725,000
CEFA Revenue Bonds, Series 2000	27,000,000	27,000,000	27,000,000
California Statewide Community Development Authority-Equipment note	2,040,000	1,825,000	1,825,000
Allied Irish Bank	10,000,000	5,500,000 *	-
Proposed			
CEFA Revenue Bonds, Series 2003			40,000,000
Totals		<u>\$ 106,395,000</u>	<u>\$ 139,550,000</u>

*An additional \$4 million was drawn against the line of credit from June through December 2002 to complete the student housing project. The current balance is \$9.5 million

VI. LEGAL REVIEW:

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed to question the financial viability or legal integrity of this applicant.

VII. STAFF RECOMMENDATION:

Staff recommends the Authority approve a resolution for an amount not to exceed \$40,000,000 for the University of San Francisco, subject to the bonds being rated at least "A" by a nationally recognized rating agency.