

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY  
TAX-EXEMPT SIMPLIFIED EQUIPMENT FINANCING PROGRAM**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	University of the Pacific (UOP) 3601 Pacific Avenue Stockton, CA 95211 San Joaquin County	<b>Amount Requested:</b>	\$1,200,000
		<b>Requested Loan Term:</b>	5 years
		<b>Date Requested:</b>	July 31, 2003
		<b>Resolution Number:</b>	E-4
<b>Facility Type:</b>	Private University		
<b>Project Locations:</b>	Stockton, Sacramento, San Francisco, CA		
<b>Accreditation:</b>	Western Association of Schools and Colleges		
<b>Use of Loan Proceeds:</b> Proceeds will be used to acquire, upgrade and install a variety of technologies and equipment to remain competitive and to improve operational efficiencies.			
<b>Type of Issue:</b>	Private Placement		
<b>Security:</b>	First lien on equipment		
<b>Expected Rating:</b>	Unrated		
<b>Placement Agent:</b>	Municipal Finance Corporation		
<b>Special Tax Counsel:</b>	Dorsey & Whitney LLP		
<b>Financial Overview:</b> UOP has shown healthy operating margins over our review period, due to its growing and varied revenue base of tuition, gifts, and investments. UOP continues to have a strong balance sheet with good liquidity.			
<b>Sources of Revenue (000):</b>		<b><u>Amount</u></b>	<b><u>Percent</u></b>
<i>(FYE 06-30-02)</i>	Tuition & Fees	\$ 106,166	59.96%
	Sales and services auxiliary activities	19,000	10.73%
	Government grants & contracts	17,494	9.88%
	Investment return	8,689	4.91%
	Other	8,052	4.55%
	Dental clinic fees	7,792	4.40%
	Private grants, gifts, and bequests	7,720	4.36%
	Net assets released from restrictions	<u>2,156</u>	<u>1.22%</u>
	<b>Total Revenue</b>	<b><u>\$177,069</u></b>	<b><u>100.00%</u></b>
<b><u>Estimated Sources of funds:</u></b>		<b><u>Estimated Uses of funds:</u></b>	
Note Proceeds	\$1,200,000	Equipment Purchase	\$1,186,600
Borrower Funds	<u>0</u>	Costs of Issuance	<u>13,400</u>
<b>Total Sources</b>	<b><u>\$1,200,000</u></b>	<b>Total Uses</b>	<b><u>\$1,200,000</u></b>
<b>Legal Review:</b> No information was disclosed to question the financial viability or legal integrity of the Applicant.			
<b>Staff Recommendation:</b> Staff recommends the Authority approve an equipment financing resolution for the University of the Pacific in an amount not to exceed \$1,200,000 with a term of 5 years.			

**STAFF SUMMARY AND RECOMMENDATION  
TAX-EXEMPT SIMPLIFIED EQUIPMENT FINANCING PROGRAM  
University of the Pacific (UOP)**

July 31, 2003  
Resolution Number: E-4

**I. PURPOSE OF FINANCING:** UOP intends to acquire, upgrade and install a variety of information technology equipment to remain competitive and improve operational efficiencies at three of its locations (Stockton, Sacramento and San Francisco).

<b>Equipment</b> .....	<b><i>\$1,186,600</i></b>
<i>Stockton</i> .....	<i>\$675,000</i>
1. VPN (Virtual Private Network): Equipment will provide secure and reliable access to the University's services and network from remote, off-campus locations.	
2. Connectivity to Campus Facilities: Extend network to unserved areas of the Stockton campus.	
3. Network Pathway: Provide conduit construction to provide improved direct access for more advanced services in expanded library.	
4. Voice Mail System: Provide uniform voice mail system with the capacity for upgrade and expansion.	
5. One-Card System: Hardware and software for Pacific One-Card system for identification, point-of-sale purchase, and facility access through one card.	
6. Technical equipment and office landscape for Office of Information & Resources (OISR) and Human Resources (HR) in the expanded OISR/HR building.	
 <i>Sacramento</i> .....	 <i>\$500,000</i>
1. Unified Network Project: Will upgrade the existing computer and network system to connect with other campuses.	
2. Wide Area Network: Upgrade current T1 line connection with other campuses.	
 <i>San Francisco</i> .....	 <i>\$11,600</i>
1. Wide Area Network: Upgrade current T1 line connection with other campuses.	
 <b>Costs of Issuance</b> .....	 <b><u><i>\$13,400</i></u></b>
 <i>Program Fees</i> .....	 <i>\$12,500</i>
<i>CEFA Fee</i> .....	<i>900</i>
 <i>Total Uses of Funds</i> .....	 <b><u><i>\$1,200,000</i></u></b>

### **Structure of Financing:**

- Tax-exempt revenue note.
- Privately placed with Municipal Finance Corporation (MFC).
- Five-year loan fully amortized.
- Fixed interest rate estimated to be 4%.
- Estimated monthly payment is \$22,099.
- MFC will be granted a first priority security interest in the equipment.

Note: This is the first application for the Simplified Equipment Financing Program (SEFP) that was approved by the Board on April 25, 2002. The program was developed to provide colleges and universities of all sizes an efficient, cost-effective mechanism to finance various types of equipment.

*[Financial statements and analysis on following pages]*

## II. FINANCIAL STATEMENTS AND ANALYSIS:

UNIVERSITY OF THE PACIFIC  
**Statement of Activities (Unrestricted)**  
(in thousands)

	Year Ended June 30,		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
<b>Operating</b>			
Revenues, gains, and other support			
Net tuition and fees	\$ 106,166	\$ 98,859	\$ 93,330
Sales and services of auxiliary enterprises	19,000	17,284	19,539
Government grants and contracts	17,494	14,682	13,269
Private grants, gifts, and bequests	7,720	16,453	5,765
Investment return	8,689	7,285	5,869
Dental clinic fees	7,792	7,097	7,017
Other	8,052	6,814	6,322
Net assets released from restrictions	2,156	597	154
Total revenues, gains and other support	<u>\$ 177,069</u>	<u>\$ 169,071</u>	<u>151,265</u>
 Expenses:			
Instructional and department research	83,770	78,722	72,460
Auxiliary enterprises	20,183	18,121	20,776
Sponsored programs	10,283	8,444	7,859
Academic support	7,024	7,075	6,320
Student services	10,363	9,416	8,771
Student aid	2,361	1,852	2,748
General Administration	5,179	4,749	4,475
Fund raising activities	5,661	4,947	4,072
Operations and maintenance at plant	12,313	9,483	8,329
Depreciation	9,720	8,768	9,825
Interest	3,758	3,519	2,138
Total expenses	<u>170,615</u>	<u>155,096</u>	<u>147,773</u>
 <b>Increase in unrestricted net assets from operations</b>	<b>6,454</b>	<b>13,975</b>	<b>3,492</b>
 Other changes:			
Increase (decrease) in unrealized investments	(10,430)	183	3,047
 <b>Increase (decrease) in unrestricted net assets</b>	<b>(3,976)</b>	<b>14,158</b>	<b>6,539</b>
 Unrestricted net assets at beginning of year	167,324	153,166	146,627
Unrestricted net assets at end of year	<u>\$ 163,348</u>	<u>\$ 167,324</u>	<u>\$ 153,166</u>

UNIVERSITY OF THE PACIFIC

**Statements of Financial Position**

(in thousands)

	As of June 30,		
	2002	2001	2000
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 21,470	\$ 22,531	\$ 17,519
Accounts receivable	12,886	12,497	13,117
Pledges receivable	17,023	18,253	6,246
Inventories, prepaid expenses and other assets	5,614	5,902	5,488
Loans receivable	26,083	24,409	24,557
Investments	202,553	192,281	187,685
Fixed assets, net	146,731	129,084	111,891
<b>TOTAL ASSETS</b>	<b>\$ 432,360</b>	<b>\$ 404,957</b>	<b>\$ 366,503</b>
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	\$ 15,497	\$ 16,388	\$ 14,629
Advance deposits and deferred revenue	5,225	4,752	5,977
Self-insurance reserves	2,673	2,568	2,747
Early retirement reserves	2,381	2,391	2,401
Capital lease obligations	1,463	1,518	1,217
Notes and bonds payable	85,568	60,898	61,608
Annuity reserves	10,815	10,217	9,464
Federal student loan funds	23,819	22,891	22,180
<b>Total Liabilities</b>	<b>147,441</b>	<b>121,623</b>	<b>120,223</b>
<b>NET ASSETS:</b>			
Unrestricted	163,348	167,324	153,166
Temporarily restricted	30,138	29,783	14,066
Permanently restricted	91,433	86,227	79,048
<b>Total Net Assets</b>	<b>284,919</b>	<b>283,334</b>	<b>246,280</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 432,360</b>	<b>\$ 404,957</b>	<b>\$ 366,503</b>

Financial Ratios:

	Proforma (a)			
	FYE June 30, 2002	2002	2001	2000
Debt service coverage (x)	1.67	1.73	5.52	3.27
Debt/Unrestricted net assets (x)	0.55	0.54	0.38	0.42
Margin (%)		3.64	8.36	4.22
Current Ratio (x)		2.93	3.31	3.05

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

## **Financial Discussion:**

**UOP has shown healthy operating margins over our review period, due to its growing and varied revenue base of tuition, gifts, and investments.**

UOP has exhibited solid revenue growth over the last three years. Revenues consist of a variety of sources that include tuition, gifts and investments that provides UOP with substantial liquidity and flexibility. Tuition has increased an average of 5% each year providing stable growth. Unfortunately, private grants, gifts and bequests have declined from \$16,453,000 in 2001 to \$7,720,000 in 2002. Also, as seen with other institutions, there has been a substantial loss in the unrealized investments. UOP will be adopting a policy to reduce expenditures to help offset the unrealized investment losses. UOP should continue to generate positive financial results with its continued demand for services and its diversified revenue base.

**UOP continues to have a strong balance sheet with good liquidity.**

UOP's balance sheet continues to grow with positive operating results and earnings from its investment portfolio. Liquidity remains good with approximately \$37 million in cash and short-term investments.

Debt service coverage is adequate at 1.73x, and with the proposed debt the proforma is 1.65x. UOP has a debt to unrestricted net assets ratio of .54x and is projected to change only slightly to .55x following this proposed financing.

In 2001, UOP embarked on a capital campaign that set a goal of \$200 million. Approximately \$90 million will be used to fund endowments with the remaining \$110 million for ongoing and future capital projects and annual fund support. To date, UOP has received approximately \$103 million in gifts and pledges and expects to raise the remaining \$97 million by FY 2007.

### III. STUDENTS, COLLEGE COSTS AND FACULTY STATISTICS:

The following tables set forth applications, offers for admissions and new enrollment for the Stockton campus' undergraduate and graduate programs for the last four academic years and the current year.

#### APPLICATION POOL –FRESHMAN/TRANSFERS

Freshman				Transfers*		
Academic Year	Applications	Offered Admissions	New Enrollments	Applications	Offered Admissions	New Enrollments
1998-99	2,767	2,288	647	1,681	770	484
1999-00	2,831	2,312	745	1,571	764	450
2000-01	3,184	2,438	729	1,415	663	434
2001-02	3,162	2,475	732	1,409	635	385
2002-03	3,736	2,642	700	1,677	686	406

#### Freshman and Transfers\* (Combined)

Academic Year	Number of Applications	Offered Admission	Selectivity Ratio	New Enrollments	Matriculation Ratio
1998-99	4,448	3,058	68.8%	1,131	37.0%
1999-00	4,402	3,076	69.8%	1,195	38.8%
2000-01	4,599	3,101	67.4%	1,163	37.5%
2001-02	4,571	3,110	68.0%	1,117	35.9%
2002-03	5,413	3,328	61.5%	1,106	33.2%

\*Transfers includes both undergraduate and professional.

#### Graduate and Professional Programs

##### McGeorge School of Law

Academic Year	Applications	Offered Admissions	New Enrollments
1998-99	1,756	1,204	370
1999-00	1,680	1,174	372
2000-01	1,447	970	331
2001-02	1,892	1,196	377
2002-03	2,144	1,058	417

School of Dentistry

Academic Year	Applications	Offered Admissions	New Enrollments
1998-99	2,461	204	132
1999-00	2,315	223	141
2000-01	2,023	247	139
2001-02	1,846	261	138
2002-03	1,764	254	135

School of Pharmacy and Health Sciences

Academic Year	Applications	Offered Admissions	New Enrollments
1998-99	997	316	178
1999-00	900	291	157
2000-01	871	289	165
2001-02	853	263	155
2002-03	1,034	260	149

Graduate Programs

Academic Year	Applications	Offered Admissions	New Enrollments
1998-99	840	271	167
1999-00	667	310	171
2000-01	526	275	159
2001-02	398	239	141
2002-03	504	363	164



## Enrollments and Degrees:

The following tables set forth UOP's total enrollments on the basis of total full-time equivalent (FTE) enrollment and headcount for the fall term and degrees awarded for all programs, for the current (enrollment only) and four most recent academic years.

### ENROLLMENTS

Fall Term	FTE Under-Graduate	FTE Law	FTE Dentistry	FTE Pharmacy	FTE Graduate Programs	FTE Total	Total Headcount
1997-98	2,710	1,108	443	603	448	5,312	5,585
1998-99	2,676	1,041	446	626	511	5,300	5,554
1999-00	2,905	978	441	617	449	5,390	5,640
2000-01	3,140	938	444	634	310	5,466	5,609
2001-02	3,096	947	454	772	280	5,549	5,689

### DEGREES AWARDED

Academic Year	Under-Graduate	Graduate*	Total
1996-97	691	966	1,597
1997-98	616	901	1,517
1998-99	606	841	1,447
1999-00	557	860	1,417
2000-01	581	829	1,410
2001-02	631	770	1,401

\* *Includes 1<sup>st</sup> professional degree: dental, law and pharmacy.*

**V. OUTSTANDING DEBT:**

<b>Issue Name</b>	<b>Original Amount</b>	<b>Amount Outstanding As of 6/30/02</b>	<b>Estimated Amount Outstanding after Proposed Financing</b>
<b>Existing:</b>			
<i>CEFA Revenue, 1997A</i>	\$9,570,000	\$7,140,000	\$7,140,000
<i>CEFA Revenue, 1998</i>	12,500,000	11,910,000	11,910,000
<i>CEFA Revenue, 2000</i>	41,000,000	41,000,000	41,000,000
<i>CEFA Revenue, 2002</i>	24,500,000	24,500,000	24,500,000
<i>Notes Payable</i>		1,048,000	1,048,000
<b>Proposed:</b>			
<i>CEFA Equipment Financing</i>	1,200,000		<u>1,200,000</u>
Total Debt Outstanding		<u>\$85,598,000</u>	<u>\$86,798,000</u>

**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 an equipment financing resolution for the University of the Pacific in an amount not to exceed \$1,200,000 with a term of 5 years.