

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY  
BOND FINANCING PROGRAM  
EXECUTIVE SUMMARY**

<b>Applicant:</b>	Woodbury University (the "University") 7500 Glenoaks Blvd Burbank, CA 91510-7846 Los Angeles County	<b>Amount Requested:</b> \$21,000,000 <b>Requested Loan Term:</b> 30 years <b>Date Requested:</b> December 1, 2005 <b>Resolution Number:</b> F-232
<b>Facility Type:</b>	Private University	
<b>Accreditation:</b>	Western Association of Schools and Colleges National Architectural Accrediting Board Association of Collegiate Business Schools and Programs Foundation for Interior Design Education Research	

**Uses of Bond Proceeds:** Bond proceeds will be used to fund various capital projects and to current refund a 1995 CEFA bond issue.

**Type of Issue:** Negotiated Public Offering with Fixed Rates  
**Credit Enhancement:** None anticipated, however, will use if cost effective  
**Underlying Credit Rating:** Expected at Baa3 (Moody's), BBB (Standard & Poor's)  
**Credit Rating with Insurance:** Minimum Aa3 (Moody's)  
**Senior Underwriter:** E.J. De La Rosa & Co., Inc.  
**Bond Counsel:** Squire, Sanders, & Dempsey LLP

**Financial Overview:** The University's revenues have been in a positive trend each year of our review period while expenses have remained stable. This positive trend is a result of an increase in student enrollment and tuition fees as well as a large amount of net assets being released from restrictions. Total net assets have grown as a result of a capital campaign, improved financial performance and a positive growth in investments. The balance sheet exhibits good liquidity with over \$1.8 million in cash and cash equivalents and increased pledges and other receivables.

<u>Sources of Revenues (\$000) - FYE 06/30/05</u>	<u>Amount</u>	<u>Percent</u>
Tuition and fees, net	\$16,653	68%
Private gifts & grants	230	1%
Auxiliary enterprises	1,649	7%
Realized and unrealized gain (loss) on investments	500	2%
Interest & dividends	218	1%
Other	440	2%
Net assets released from restrictions	<u>4,658</u>	<u>19%</u>
Total Revenue	<u>\$24,348</u>	<u>100%</u>

<u>Estimated Sources of Funds (\$000)</u>		<u>Estimated Uses of Funds (\$000)</u>	
Par Amount of Bonds	\$21,000	Capital Projects	\$18,312
Fundraising	3,500	Current Refund 1995 CEFA Bonds	4,400
		Debt Service Reserve Fund	1,300
		Financing Costs	488
Total Sources	<u>\$24,500</u>	Total Uses	<u>\$24,500</u>

**Legal Review:** No information was disclosed to question the financial viability or legal integrity of the Applicant.

**Staff Recommendation:** Staff recommends the Authority approve a Resolution in an amount not to exceed \$21,000,000 for Woodbury University subject to a bond rating of at least "Baa3 or BBB-" by a nationally recognized rating agency, certain bond covenants as described in the "Financing Structure" section and the standard bond issuance guidelines.

**STAFF SUMMARY AND RECOMMENDATION  
BOND FINANCING PROGRAM**

December 1, 2005

WOODBURY UNIVERSITY (the “University”)

Resolution Number: F-232

**I. PURPOSE OF FINANCING:**

The University has experienced continued growth in enrollment, which directly impacts classroom and studio space as well as parking availability. The bond proceeds will be used to fund new construction projects including a new Business/Multi-Purpose Building, a Residence Hall, a Studio Building and a Parking lot and a Residence Hall. In addition, the University plans to current refund a 1995 CEFA bond issue.

The following information provides details pertaining to the projects and the financing:

***Capital Projects* ..... \$18,312,000**

School of Business Building (\$8,312,000) – The approximately 22,000 square foot building will house the University’s undergraduate and graduate business programs. Potential uses range from small seminar rooms to classrooms seating 50 or more as well as large, open instructional spaces. The new building will also provide space for a large multi-purpose auditorium that will seat 225.

Residence Hall (\$4,000,000) – The University will construct a new 60 bed residence hall that will contain “apartment-style” suites of double and single rooms in a three story structure.

Studio Building (\$3,500,000) – The new building will be provided for the students and faculty of the architecture, graphic design and fashion design programs. The approximately 12,000 square foot, flat floor, multi-use space will be adaptable for design reviews, exhibits, university meetings, receptions and other functions.

Site/Landscaping/Utility/Building Modifications (\$1,600,000) – The proposed building projects will require the need for significant additional site work, electrical and other utility improvements. Building modifications will include converting Wilshire Hall to faculty offices if sufficient funds are available.

Parking Lot (\$900,000) – A new parking lot will be built to accommodate 250 to 300 cars for faculty and students.

***Current Refund 1995 CEFA Bonds* ..... 4,400,000**

The University intends to refinance its portion of the 1995 CEFA bond issue to achieve a net present value savings of approximately \$248,280 or 6%. The bonds were originally used to refinance Certificates of Participation issued in 1988.

***Debt Service Reserve Fund* ..... 1,300,000**

***Financing Costs* ..... 488,250**

Cost of Issuance ..... \$218,250  
Underwriters Fee and Expenses ..... 270,000

***Total Uses of Funds* ..... \$24,500,250**

**Financing Structure**

- Negotiated public offering
- 30-year term, final maturity January 2036
- Fixed interest rate
- Serial and term maturities
- Debt Service Reserve Fund
- General obligation and revenue pledge
- Secured with real property with an appraised value equal to or greater than the par amount of the bonds.
- May use bond insurance if cost effective
- Without insurance, expected underlying rating Baa3 (Moody's)
- If insured, rating minimum Aa3 (Moody's)
- Financial integrity covenants regarding maintenance of liquidity and debt service coverage

**II. FINANCIAL STATEMENTS AND ANALYSIS:**

**WOODBURY UNIVERSITY**  
**Statement of Activities**  
**Unrestricted**

	As of June 30,		
	2005	2004	2003
<b>Revenues and Gains:</b>			
Net tuition and fees	\$ 16,653,401	\$ 15,063,091	\$ 14,505,033
Private gifts and grants	229,761	143,988	215,116
Auxiliary enterprises	1,648,562	1,657,962	1,552,773
Realized and unrealized gain (loss) on investments	499,686	827,279	(102,547)
Interest and dividends	218,208	157,995	160,205
Other	439,619	314,097	395,154
Net assets released from restrictions	4,658,583	4,674,839	4,721,123
Total revenues, gains, and other support	24,347,820	22,839,251	21,446,857
<b>Operating Expenses:</b>			
Instruction	7,858,061	7,616,507	7,603,046
Academic support	828,867	548,507	481,429
Library	785,282	670,181	771,830
Registrar	375,245	362,324	382,608
Student services	1,442,482	1,392,515	1,385,665
Institutional support	3,393,157	3,142,682	2,914,992
Campus operations and maintenance	1,765,049	1,741,242	1,681,471
Admissions	727,890	464,419	372,212
University marketing	1,552,650	1,492,595	1,472,103
Data Processing	565,440	500,183	396,827
Auxiliary enterprises	1,089,415	1,026,543	927,845
Depreciation and amortization	1,261,967	1,257,084	1,301,573
Other	1,295,312	1,403,188	939,565
Total expenses	22,940,817	21,617,970	20,631,166
Change in net assets before change in additional minimum pension liability	1,407,003	1,221,281	815,691
Change in additional minimum pension liability	(1,087,513)	865,723	(1,650,618)
Change in net assets after change in additional minimum pension liability	319,490	2,087,004	(834,927)
<b>UNRESTRICTED NET ASSETS, BEGINNING OF YEAR</b>	22,321,630	20,234,626	21,069,553
<b>UNRESTRICTED NET ASSETS, END OF YEAR</b>	\$ 22,641,120	\$ 22,321,630	\$ 20,234,626

**WOODBURY UNIVERSITY**  
**Statement of Financial Position**

	As of June 30,		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 1,884,622	\$ 843,022	\$ 909,348
Investments	10,017,812	8,857,873	7,201,950
Tuition receivable	916,247	974,525	600,520
Student notes receivable, net	0	0	19,056
Student loans	1,520,290	1,575,156	1,553,820
Grant receivable - Title V	634,494	1,108,137	4,513,765
Pledges and other receivables	1,212,536	413,737	734,889
Prepays, deposits and other assets	1,651,917	1,604,932	1,410,862
Deferred expenditures	0	0	126,397
Property, plant, and equipment, net	20,639,631	21,020,903	21,861,434
<b>TOTAL ASSETS</b>	<b>\$ 38,477,549</b>	<b>\$ 36,398,285</b>	<b>\$ 38,932,041</b>
<b>LIABILITIES AND NET ASSETS:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 255,219	\$ 230,063	\$ 355,913
Accrued expenses and other liabilities	3,968,644	2,643,278	3,371,066
Tuition advances	861,912	914,611	822,703
Unearned grant - Title V	0	0	4,356,833
Student funds payable and student deposits	361,896	633,322	510,150
Short term loans payable		400,000	
Bonds payable	4,310,000	5,010,000	5,665,000
<b>TOTAL LIABILITIES</b>	<b>9,757,671</b>	<b>9,831,274</b>	<b>15,081,665</b>
<b>Net assets:</b>			
Unrestricted	22,641,120	22,321,630	20,234,626
Temporarily Restricted	3,354,480	1,637,212	1,330,399
Permanently Restricted	2,724,278	2,608,169	2,285,351
<b>TOTAL NET ASSETS</b>	<b>28,719,878</b>	<b>26,567,011</b>	<b>23,850,376</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 38,477,549</b>	<b>\$ 36,398,285</b>	<b>\$ 38,932,041</b>

**Financial Ratios:**

	<b>Proforma (a)</b>			
	<b><u>June 30, 2005</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Debt service coverage (x)	1.41	1.84	3.56	0.86
Debt to expendable net assets (x)	0.81	0.17	0.21	0.26
Expendable net assets to operations (x)		1.13	1.11	0.97
Margin (including change in minimum pension liability)		1%	9%	(4%)

(a) Recalculates 2005 audited results to include the impact of this proposed financing.

## **Financial Discussion**

**The University's revenues have been in a positive trend each year of our review period while expenses have remained stable. This positive trend is a result of an increase in student enrollment and tuition fees as well as a large amount of net assets being released from restrictions.**

The University has exhibited solid growth in revenues lead by a 15% increase in student enrollment over the review period. The major portion of revenues consists of tuition, room and board, auxiliary enterprises, investments and net assets released from restrictions, providing the University with a solid well diversified revenue base. Net tuition and fee revenues for fiscal 2005 totaled approximately \$16.7 million and have increased nearly 15% from fiscal year 2003. The net assets released from restrictions is a result of grants received from the federal government for purposes of expanding the educational opportunities of minorities and low-income students. The University records the funds received from the U.S. Department of Education as temporarily restricted since they are received with spending stipulations that limit its use purpose restrictions. When the purpose is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The University's management expects continued strength in tuition, investments and community support as it embarks on various projects to attract new students.

**Total net assets have grown as a result of a capital campaign, improved financial performance, and a positive growth in investments. The balance sheet exhibits good liquidity with over \$1.8 million in cash and cash equivalents and increased pledges and other receivables.**

The University's total net assets have grown approximately 20% over the review period, from \$23.8 million in fiscal year 2003 to \$28.7 million in fiscal year 2005. Cash and cash equivalents have increased from \$843,022 in fiscal year 2004 to \$1,884,622 in fiscal year 2005, largely as a result of funds provided by operating activities. Investments have increased from \$7,201,950 in fiscal year 2003 to \$10,017,812 in fiscal year 2005. This 39% increase is primarily due to improvements in the financial markets and annual investments from operations.

Grants receivable – Title V on the statement of financial position was recorded at net value. Net value equals the Title V receivable less the Unearned grant – Title V liability. Since the audited financial statements are reported as a comparative financial statement, the statement for the year ended June 30, 2004 was restated to reflect this change.

The University's current financial strength is solid. It maintains nearly \$29 million in total net assets, with the majority of these assets (\$22.6 million) being unrestricted. In fiscal year 2005, its debt service coverage ratio was 1.84x. With this proposed financing, its proforma debt service coverage ratio will be approximately 1.41x, indicating the University's ability to manage additional debt.

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

#### Students

The following table provides information regarding the freshman applicant pool over the past five years.

#### *Freshman Applicant Pool*

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Academic <u>Year</u>	<u>Applications</u>	<u>Acceptances</u>	<u>Matriculations*</u>
2001-02	353	267	123
2002-03	370	275	122
2003-04	362	264	128
2004-05	340	251	126
2005-06	356	270	136

\* Students entering in the fall semester of academic year

The following table provides student enrollments and the number of degrees conferred at the University for each of the five most recent academic years.

#### *Enrollments and Degrees*

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Academic <u>Year</u>	Fall Full-Time Equivalent <u>Student Enrollments*</u>	Degrees <u>Awarded</u>
2000-01	1128	261
2001-02	1151	298
2002-03	1127	310
2003-04	1158	313
2004-05	1295	331
2005-06	1319	TBD

\* Based on the University's full-time equivalent enrollment for accounting and other purposes in accordance with generally accepted practices for colleges and universities.

A five-year summary of tuition, fees, room and board is provided below.

#### *Tuition and Fees*

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Academic <u>Year</u>	Tuition and <u>Fees</u>	Room and <u>Board *</u>	<u>Total</u>
2001-02	\$18,344	\$6,454	\$24,798
2002-03	19,254	6,874	26,128
2003-04	20,310	7,378	27,688
2004-05	21,314	7,702	29,016
2005-06	22,368	8,060	30,428

\*Based on double-occupancy, a 12-meal plan with \$200 flex dollars.

The following table reflects the number of full-time and part-time faculty appointments for the five most recent academic years. The data is for instructional faculty only, and excludes deans, associate deans, coaches, administrators, and librarians who may hold faculty rank.

*Faculty*

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Academic Year	<u>Full Time</u>	<u>Part Time</u>	<u>FTE Total</u>
2000-01	37	192	101
2001-02	35	151	85
2002-03	40	158	93
2003-04	39	171	96
2004-05	45	166	100

**IV. BACKGROUND:**

**General:**

Founded in 1884, Woodbury University is one of the oldest institutions of higher education in Southern California. An accredited, nonprofit university, the University is located in Burbank, California, adjacent to the city of Los Angeles. The University offers bachelor’s degrees from the School of Architecture and Design, Business and Management, and Arts and Sciences. In addition, the University also offers a Master of Business Administration as well as weekend and evening study for working adults.

**Administration**

The President of the University is appointed by the Board of Trustees and, as Chief Executive Officer, is charged with the principal responsibility for administration of the University. The President appoints all other Executive Officers of the University. Corporate Officers of the University are appointed by the Board of Trustees.

A Board of Trustees, providing policy leadership and oversight, governs the University. Trustees govern the University with a dedication to its mission to prepare graduates who are articulate, ethical and innovative life-long learners. The Board consists of individuals who have diverse experience in architecture, banking and finance, education, insurance, law, management, marketing, philanthropy, medicine, real estate development, investment, public accounting and public service. Trustees are appointed to serve five-year terms that are renewable. Currently the Board has 25 members, including Chairman of the Board Robert W. Kummer Jr.

**Academic Programs**

The University’s academic programs are organized into three schools, the School of Architecture and Design, the School of Arts and Sciences, and the School of Business and Management. The University also offers a Weekend College Program and an Intensive Degree Program, which offers classes during weekend or evening hours.



The University offers undergraduate curricula leading to the degrees of Bachelor of Fine Arts, Bachelor of Science, Bachelor of Arts and Bachelor of Architecture.

The degree programs offered in the Weekend College are Bachelor of Science, Bachelor of Arts and a Master of Business Administration. The program is designed to meet the needs of students who are employed full-time. On eight weekends per semester, students take from one to four courses (from 3 to 12 units). Course content and student performance expectations are similar or identical to those in the day and evening sessions of the University. Teaching methodologies, student assignments and testing schedules are adjusted to accommodate the calendar arrangements. The Weekend College meets the needs of transfer students with 60 semester units or an Associate in Arts degree, but is open to freshman and sophomores.

Woodbury University's Intensive Degree Program offers a Bachelor of Science degree in Business & Management through an innovative program designed specifically for working adults. Classes meet 6 p.m. to 10 p.m. one evening a week for 5 weeks (or 9 weeks, depending on subject content). Students applying to this program are required to have at least 24 units of transferable college credit and a minimum of three years full-time work experience since graduating from high school. Classes are adult-oriented and not the usual lecture/test format. A module (expanded syllabus) accompanies the textbook(s) for each course. The module identifies the material to be covered, the assignments/activities to be completed, and the outcomes expected for each class meeting. Class size is limited to 15-20 students.

The University offers graduate curricula leading to the degrees of Master of Architecture in Real Estate Development, Master of Business Administration and Master of Organizational Leadership.

### **Accreditation and Affiliations**

Woodbury University is fully accredited by the Senior Accrediting Commission of the Western Association of Schools and Colleges (WASC). In 2001, WASC reaffirmed accreditation of the University following a comprehensive review.

### **Competition**

Woodbury University emphasizes professional education, access to classes, timely degree completion, and excellent service in order to position itself against less expensive state universities and more comprehensive liberal arts institutions. Woodbury focuses on narrow market niches rather than presence in a broad range of academic fields.

Programs in architecture, interior architecture, fashion design and animation hold market position in fields where there are fewer competitors. More conventional programs such as business, accounting and marketing endeavor to create market position by emphasizing smaller classes, excellent service, and access to practicing professionals in the classroom.

**V. OUTSTANDING DEBT (\$000):**

<u>Issue Name</u>	<u>Original Amount</u>	<u>Amount Outstanding as of 06/30/05*</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
<b>Existing Debt:</b>			
CEFA, 1995	\$9,685	\$4,310	\$0
<b>Proposed Debt:</b>			
CEFA, 2006		N/A	21,000
<b>TOTAL DEBT</b>		<u>\$4,310</u>	<u>\$21,000</u>

*N/A – Not Applicable*

\* Includes current portion of long-term debt.

**VI. RELIGIOUS AFFILIATION DUE DILIGENCE:**

Staff has reviewed the Applicant’s responses to the questions contained in the Religious Affiliation portion of the application. No information was disclosed in the questionnaire or discovered by staff to question the Applicant’s compliance with the provisions of the Authority’s Act relating to religious affiliation.

**VII. 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.

**VIII. STAFF RECOMMENDATION:**

Staff recommends the Authority approve a Resolution in an amount not to exceed \$21,000,000 for Woodbury University subject to a bond rating of at least “Baa3 or BBB-” by a nationally recognized rating agency, certain bond covenants as described in the “Financing Structure” section and the standard bond issuance guidelines.