

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: \$65,000,000</p> <p>Loan Term: 30 Years</p> <p>Date Requested: May 26, 2005</p> <p>Resolution Number: 229</p>																												
<p>Use of Bond Proceeds: Bond proceeds will be used for various construction, renovation, campus technology upgrades and various other capital projects. In addition, bonds will be used to refinance a portion of the CEFA Series 1996 bonds and reimburse USF for prior capital expenditures.</p>																													
<p>Type of Issue: Auction Rate and/or Variable Rate</p> <p>Credit Enhancement: Insurance - Insurer TBD and/or Letter of credit from Bank of America</p> <p>Expected Rating: AAA/VMIG 1 (Moody's) based on insurance and/or Aa1/VMIG1 based on Letter of Credit with an underlying rating of A3.</p> <p>Underwriter: Banc of America Securities LLC</p> <p>Bond Counsel: Sidley Austin Brown & Wood LLP</p>																													
<p>Financial Status: USF has shown continued revenue growth over our review period. USF's balance sheet remains strong with good debt service coverage.</p>																													
<p>Sources of Revenue – FYE 5/31/04 (000's):</p> <table border="1"> <thead> <tr> <th></th> <th align="right"><u>Amount</u></th> <th align="right"><u>Percent</u></th> </tr> </thead> <tbody> <tr> <td>Tuition</td> <td align="right">\$159,993</td> <td align="right">69%</td> </tr> <tr> <td>Auxiliary revenue</td> <td align="right">22,320</td> <td align="right">10%</td> </tr> <tr> <td>Net investments, realized/unrealized</td> <td align="right">19,408</td> <td align="right">8%</td> </tr> <tr> <td>Contracts and grants</td> <td align="right">11,148</td> <td align="right">5%</td> </tr> <tr> <td>Other</td> <td align="right">11,947</td> <td align="right">5%</td> </tr> <tr> <td>Contributions</td> <td align="right"><u>6,558</u></td> <td align="right"><u>3%</u></td> </tr> <tr> <td>Total unrestricted revenue</td> <td align="right"><u>\$231,374</u></td> <td align="right"><u>100%</u></td> </tr> </tbody> </table>			<u>Amount</u>	<u>Percent</u>	Tuition	\$159,993	69%	Auxiliary revenue	22,320	10%	Net investments, realized/unrealized	19,408	8%	Contracts and grants	11,148	5%	Other	11,947	5%	Contributions	<u>6,558</u>	<u>3%</u>	Total unrestricted revenue	<u>\$231,374</u>	<u>100%</u>				
	<u>Amount</u>	<u>Percent</u>																											
Tuition	\$159,993	69%																											
Auxiliary revenue	22,320	10%																											
Net investments, realized/unrealized	19,408	8%																											
Contracts and grants	11,148	5%																											
Other	11,947	5%																											
Contributions	<u>6,558</u>	<u>3%</u>																											
Total unrestricted revenue	<u>\$231,374</u>	<u>100%</u>																											
<table border="1"> <thead> <tr> <th colspan="2"><u>Sources of funds:</u></th> <th colspan="2"><u>Uses of funds:</u></th> </tr> </thead> <tbody> <tr> <td>Par amount of bonds</td> <td align="right">\$65,000,000</td> <td>Construction/Renovations</td> <td align="right">\$21,655,668</td> </tr> <tr> <td></td> <td></td> <td>Refunding</td> <td align="right">36,809,531</td> </tr> <tr> <td></td> <td></td> <td>Debt Service Reserve Fund</td> <td align="right">1,938,813</td> </tr> <tr> <td></td> <td></td> <td>Reimbursement</td> <td align="right">3,000,000</td> </tr> <tr> <td></td> <td></td> <td>Financing Costs</td> <td align="right"><u>1,595,988</u></td> </tr> <tr> <td>Total Sources</td> <td align="right"><u>\$65,000,000</u></td> <td>Total Uses</td> <td align="right"><u>\$ 65,000,000</u></td> </tr> </tbody> </table>		<u>Sources of funds:</u>		<u>Uses of funds:</u>		Par amount of bonds	\$65,000,000	Construction/Renovations	\$21,655,668			Refunding	36,809,531			Debt Service Reserve Fund	1,938,813			Reimbursement	3,000,000			Financing Costs	<u>1,595,988</u>	Total Sources	<u>\$65,000,000</u>	Total Uses	<u>\$ 65,000,000</u>
<u>Sources of funds:</u>		<u>Uses of funds:</u>																											
Par amount of bonds	\$65,000,000	Construction/Renovations	\$21,655,668																										
		Refunding	36,809,531																										
		Debt Service Reserve Fund	1,938,813																										
		Reimbursement	3,000,000																										
		Financing Costs	<u>1,595,988</u>																										
Total Sources	<u>\$65,000,000</u>	Total Uses	<u>\$ 65,000,000</u>																										
<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 \$65,000,000 for the University of San Francisco, subject to the bonds being rated at least an "A" category or equivalent short-term rating by a nationally recognized rating agency and meeting the standard bond issuance provisions for A rated debt.</p>																													

STAFF SUMMARY AND RECOMMENDATION

University of San Francisco (“USF”)

May 26, 2005
Resolution Number: 229

I. PURPOSE OF FINANCING:

The proceeds of the Bonds will be used for the financing and/or refinancing of various capital improvements with respect to USF’s educational facilities, including the acquisition, construction, renovation, remodeling, expansion and rehabilitation of such facilities, equipment acquisition and related costs. USF continues to upgrade and expand its facilities to accommodate the increasing student population.

Construction/renovation \$21,655,668

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

Campion Hall – Campion Hall will be renovated to accommodate all the Humanities and Social Sciences. The space will include faculty offices, classrooms, and social science and language labs. Renovations are scheduled to begin winter 2006 and to be completed in fall 2007. This was listed as one of the possible projects to be done with the 2003 bond issue but was not chosen at that time. \$8,662,267

Lone Mountain North – Lone Mountain North will be renovated to add approximately 40,000 square feet. It will accommodate 78 new student beds and office space for the Information Technology and Business and Finance departments. \$6,299,830

Lone Mountain Central – Lone Mountain Central will be renovated to accommodate the Academic Services Center and other administrative functions. \$2,362,437

Lone Mountain Parking Facility – This parking facility will provide approximately 125 new parking spaces at the Lone Mountain Campus. This was listed as one of the possible projects to be done with the 2003 bond issue but was not chosen at that time. \$866,227

In addition, to the above construction and renovation projects, bond proceeds will be used to complete the second phase of the core facility infrastructure. This would include but not be limited to upgrades to the University’s cable plant and all telecommunications and data systems. \$3,464,907

Refunding \$36,809,531

USF intends to refund a portion of the CEFA Series 1996 outstanding bonds with the Series 2005 Bonds, which will provide USF with a net present value savings of approximately \$3 million or approximately 8.7% of the refunded bonds. USF is going from a fixed rate bond with an average coupon of 5.96% to a variable rate with an expected average coupon of 3.65%

Reimbursement 3,000,000

USF has paid \$3.0 million in up-front capital expenditures and is requesting reimbursement for these costs at closing. These expenditures relate to current projects including the Lone Mountain renovation and the phase two of the Core Infrastructure project.

Financing Costs 1,595,988

Underwriter discount	390,000	
Insurance premium	590,286	
Letter of Credit Fees	266,834	
Other	348,868	_____

TOTAL USES OF FUNDS \$65,000,000

Financing Structure:

- Variable rate set every 7 days.
- Maximum 30-year maturity.
- Public offering.
- Expected Aaa/VMIG1 (Moody's) based on anticipated bond insurance and/or Aa1/VMIG1 for letter of credit backed structure.
- General obligation pledge.

II. FINANCIAL ANALYSIS:

University of San Francisco
Statement of Activities
Unrestricted (000)

	Period Ending May 31,		
	2004	2003	2002
Revenues:			
Tuition and fees	\$ 159,993	\$ 145,579	\$ 132,256
Grant and contracts	11,148	10,816	11,097
Contributions	6,558	10,348	4,622
Investment income	2,544	2,467	10,917
Net realized/unrealized gains (losses) on investments	19,408	(1,876)	(9,480)
Auxiliary revenue	22,320	21,577	20,430
Other	1,600	2,882	1,978
Net assets released from restrictions	7,803	1,390	14,985
Total revenue and other support	231,374	193,183	186,805
Expenses:			
Program expenses:			
Instruction	88,059	80,168	75,570
Research	1,218	889	854
Public service	951	791	757
Academic support	19,042	17,987	16,460
Student services	16,375	15,321	14,550
Institutional support	25,183	22,167	20,697
Scholarships and fellowships	34,185	33,637	29,048
Auxiliary enterprises	23,726	23,077	20,612
Other	1,756	199	1,791
Total expenses	210,495	194,236	180,339
Change in donor stipulations	(1,225)	1,411	0
Increase (decrease) in net assets	19,654	358	6,466
Net Assets - Beginning of year	167,290	166,932	160,466
Net Assets - End of year	\$ 186,944	\$ 167,290	\$ 166,932

University of San Francisco
Statement of Financial Position (000)

	As of May 31,		
	2004	2003	2002
Assets:			
Cash and cash equivalents	\$ 17,088	\$ 12,804	\$ 14,157
Receivables	42,249	36,508	37,081
Investments	166,642	148,492	157,397
Restricted investments	17,457	26,592	29
Prepaid expenses and other assets	10,425	10,420	10,833
Property, plant and equipment, net	224,168	210,413	188,766
Total assets	478,029	445,229	408,263
Liabilities and Net Assets:			
Liabilities			
Accounts payable and accrued liabilities	21,524	16,653	18,995
Deferred revenue	9,963	9,131	7,916
Federal student loan funds	9,693	8,696	9,001
Line of credit	-	-	5,500
Bonds and notes payable	136,688	138,887	100,895
Total liabilities	177,868	173,367	142,307
Net Assets:			
Unrestricted	186,944	167,290	166,932
Temporarily restricted	25,952	22,892	22,953
Permanently restricted	87,265	81,680	76,071
Total net assets	300,161	271,862	265,956
Total Liabilities and Net Assets	\$ 478,029	\$ 445,229	\$ 408,263

Financial Ratios:

	Proforma (a)			
	FYE May 31, 2004	<u>2004</u>	<u>2003</u>	<u>2002</u>
Debt service coverage (x)	2.62	3.41	1.45	2.04
Debt to expendable net assets (x)	0.75	0.64	0.73	0.53
Expendable net assets to operations (x)		0.53	0.51	0.60
Margin (%)		9.0	(0.5)	3.5

(a) Recalculates 2004 audited results to include the impact of this proposed financing.

Financial Discussion:

USF has shown continued revenue growth over our review period.

Total Revenues have increased 24%, from \$187 million in fiscal year 2002 to \$231 in fiscal year 2004. USF has steadily increased student enrollment combined with higher student tuition and fees. Net tuition and fees have increased 21% over our review period. USF embarked on the private portion of the capital campaign in June of 2002 with a goal of \$175 million. At the time the campaign went public in January of 2005, USF already had received pledges equaling \$115 million. USF plans to end the campaign in May of 2007. USF has also seen significant improvements in net realized/unrealized gains (losses) on investments during fiscal year 2004, with a \$19.4 million gain compared to losses of \$9.4 million in fiscal year 2002 and \$1.8 million in 2003. The improvement in investment gains is reflective of general improvements observed in the financial markets.

Expenditures have grown approximately 17% over our review period due to consistent growth and expansion in enrollment, instruction, academic support and University funded financial aid expenses.

USF's balance sheet remains strong with good debt service coverage.

Unrestricted net assets have increased approximately 12% over our review period, from \$166 million in fiscal year 2002 to \$186 million in 2004. Cash and cash equivalents have increased from \$14.1 million in fiscal year 2002 to \$17 million in fiscal year 2004. Debt service is currently very good at 3.41x and with the proposed new debt of \$22 million, remains strong at 2.62x, indicating that USF should comfortably be able to meet the annual debt service payments on the proposed financing.

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
2000	3,557	2,848	760	1,044	822	392
2001	3,838	3,038	845	1,004	771	354
2002	3,590	2,960	844	916	720	349
2003	4,634	3,798	921	998	800	359
2004	5,338	3,961	933	1,167	821	383

Fall Semester	Freshman and Transfer (Combined)*			
	Number of Apps.	Offered Admission	Selectivity Ratio	New Enrollments
2000	4,601	3,670	79.8%	1152
2001	4,842	3,809	78.7%	1199
2002	4,506	3,680	81.7%	1193
2003	5,632	4,598	81.6%	1,280
2004	6,505	4,782	73.5%	1,316

Fall Semester	Graduate Programs*			
	Number of Apps.	Offered Admission	Selectivity Ratio	New Enrollments
2000	1,908	1,223	64.1%	548
2001	2,329	1,745	74.9%	936
2002	2,289	1,664	72.7%	965
2003	2,645	1,896	71.7%	970
2004	2,713	1,631	60.1%	862

Fall Semester	Law Program*			
	Number of Apps.	Offered Admission	Selectivity Ratio	New Enrollments
2004	4,581	1,122	24.5%	257
2000	1,901	894	47.0%	225
2001	2,002	928	46.4%	242
2002	3,107	1,011	32.5%	249
2003	3,726	978	26.2%	271

*Headcount, not full-time equivalent

Enrollment and Degrees

Academic Year	Enrollments			Degrees		
	Undergrad FTE	Graduate FTE	Total FTE	Bachelor	Graduate	Total
2000-01	4,544	2,835	7,379	1,069	1,053	2,122
2001-02	4,575	2,984	7,559	1,111	1,212	2,323
2002-03	4,590	3,207	7,797	1,189	1,100	2,289
2003-04	4,611	3,173	7,784	1,164	1,299	2,463
2004-05	4,861	3,027	7,888	N/A	N/A	N/A

Tuition

Undergraduate Tuition, Fees, Room and Board

Academic Year	Undergraduate Tuition & Fees	Room and Board	Undergraduate Total
2000-01	\$18,860	\$8,242	\$27,102
2001-02	\$20,190	\$8,710	\$28,900
2002-03	\$21,660	\$9,080	\$30,740
2003-04	\$23,220	\$9,350	\$32,570
2004-05	\$25,040	\$9,780	\$34,820

Faculty

Faculty Summary

(Headcount)

Academic Year	Professors	Associate Professors	Assistant Professors	Instructors	Total	Percent Tenured
2000-01	110	91	98	13	312	61%
2001-02	110	86	102	12	310	61%
2002-03	118	92	98	14	322	62%
2003-04	123	86	104	18	331	62%
2004-05	122	88	102	18	330	63%

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, fifteen percent are from other states and eight percent are from outside the United States. Fifty-nine percent of the students are under age 25, while 40% are age 25 to 54 and 1% are age 55 and over. The University's faculty includes approximately 820 full and part-time members. The Alumni Association includes 77,000 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 1951. The last WASC site visit was in 1998, with an interim review in 2003.

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 2001. 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 School of Nursing was reaccredited by the California Board of Registered Nurses in 2005, and is scheduled for renewal in 2007. The School of Nursing was also accredited by the Commission on Collegiate Nursing Education in 2003, with re-accreditation scheduled for 2008.

The Schools of Business and Management was initially accredited by the American Assembly of Collegiate Schools of Business in 1953. Its most recent reaccreditation was in 2001 by the Association to Advance Collegiate Schools of Business (AACSB) International, a reaffirmation good until 2011.

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.

Competition:

USF's principal competitors are:

<i><u>Institution Name</u></i>	<i><u>Location</u></i>
UC Berkeley	Berkeley, California
UC Davis	Davis, California
UCLA	Los Angeles, California
USC	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 5/31/04	Estimated Amount Outstanding after Proposed Financing
Existing			
CEFA Revenue Bonds, Series 1996	\$ 75,000,000	\$ 69,315,000	\$ 35,115,000
CEFA Revenue Bonds, Series 2000	27,000,000	27,000,000	27,000,000
CEFA Revenue Bonds, Series 2003	40,000,000	39,900,000	39,900,000
California Statewide Community Development Authority-Equipment note	2,040,000	473,000	473,000
Proposed			
CEFA Revenue Bonds, Series 2005			65,000,000
Totals		<u>\$ 136,688,000</u>	<u>\$ 167,488,000</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 a resolution for an amount not to exceed \$65,000,000 for the University of San Francisco, subject to the bonds being rated at least an "A" category or equivalent short-term rating by a nationally recognized rating agency and meeting the standard bond issuance provisions for A rated debt.