

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

<p>Applicant: University of the Pacific (“UOP”) Stockton, California San Joaquin County</p> <p>Project Sites: Stockton (San Joaquin County), Sacramento (Sacramento County), San Francisco (San Francisco County), Union City (Alameda County)</p> <p>Facility Type: Private University</p> <p>Accreditations: Western Association of Schools and Colleges (“WASC”)</p>	<p>Amount Requested: \$80,710,000</p> <p>Loan Term: 31 years</p> <p>Date Requested: March 29, 2006</p> <p>Resolution Number: F-236</p>
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Purpose of Financing: Proceeds will be used construct, renovate and equip various projects at several campus locations. Projects include the University Center, a Biology building and the expansion and renovation of the law library. Proceeds will also be used to refund a portion of the Series 2000 and all of the Series 2002 bonds with an overall net present value savings of 10%.

<p>Type of Issue: Public offering, fixed interest rates</p> <p>Credit Enhancement: None</p> <p>Expected Credit Rating: A2 (Moody’s)</p> <p>Senior Underwriter: Prager, Sealy & Co., LLC</p> <p>Bond Counsel: Orrick, Herrington & Sutcliffe LLP</p>	
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Financial Overview: UOP continues to show healthy margins over the last three years due to a growing and varied revenue base. UOP continues to have a strong balance sheet with good liquidity.

<u>Sources of Revenue (\$000) – FY 6/30/05</u>	<u>Amount</u>	<u>Percent</u>
Tuition & Fees	\$ 138,808	61%
Government grants & contracts	31,234	14%
Sales and services of auxiliary enterprises	24,999	11%
Dental clinic fees	10,294	4%
Investment return	8,654	4%
Other	7,388	3%
Private grants, gifts and bequests	5,072	2%
Net assets released from restrictions	<u>2,453</u>	<u>1%</u>
Total Revenue	<u>\$228,902</u>	<u>100%</u>

Sources of Funds:		Uses of Funds:	
Bond proceeds	<u>\$80,710,000</u>	Construction and Renovation	\$24,000,000
		Refunding	55,643,200
		Financing Costs	<u>1,066,800</u>
Total Sources	<u>\$80,710,000</u>	Total Uses	<u>\$80,710,000</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 \$80,710,000 for University of the Pacific, subject to a minimum “A” category rating by a nationally recognized rating agency and meeting the standard bond issuance provisions for “A” rated debt.

STAFF SUMMARY AND RECOMMENDATION

**University of the Pacific
("UOP")**

March 29, 2006

Resolution Number: F-236

I. PURPOSE OF FINANCING:

UOP intends to use bond proceeds to construct, renovate and equip various projects at several campus locations. Projects include the construction of the University Center building, the Biology Building and the expansion and renovation of the law library. These projects are part of UOP’s overall strategic plan for improving and expanding the UOP campus. Proceeds will also be used to refund part of Series 2000 and all of Series 2002 bonds. The present net value savings for the Series 2000 will be nearly 7% and the Series 2002 will be over 3%.

Construction/Renovation \$24,000,000

The University Center \$13,000,000

Proceeds will be used to construct the University Center, a 60,000 square foot facility at the center of the Stockton campus. The University Center will include a central dining hall, bookstore, and a major conference center.

Biology Building..... \$7,000,000

Proceeds will be used to construct a 52,000 square foot biology building on the Stockton campus that will include classrooms, labs, and faculty space.

Law Library Expansion/Renovation\$2,500,000

Proceeds will be used to expand and renovate the Law Library at the McGeorge School of Law in Sacramento in order to meet the growing needs of the law students and legal researchers.

Reimbursement\$1,500,000

Proceeds would be used to reimburse UOP for work that has begun and any work that will be done prior to the date of the bond issue. Proceeds would also be used to reimburse UOP for any design fees and permit fees required for the construction/renovations projects.

Refunding..... \$55,643,200

Partial Refunding of CEFA Series 2000\$30,278,200

Proceeds will be used to partially refund the CEFA Series 2000 bonds. There is approximately \$41 million outstanding at an average interest rate of 5.8%. The net present value savings will be nearly 7%. The 2000 bond proceeds were originally used to construct, acquire and equip certain facilities and to refinance a portion of the 1993 Series B bonds.

Refunding of CEFA Series 2002\$25,365,000

Proceeds will be used to refund all of the CEFA Series 2002 bonds. There is approximately \$24 million still outstanding at an interest rate of 5.5%. The net present value savings is over 3%. The 2002 bonds were originally used for the completion of various construction and renovation projects at the Stockton and Sacramento campus locations.

Financing Costs	<u>1,066,800</u>
Underwriter's Discount	\$766,800
Other Costs of Issuance	300,000
TOTAL USES OF FUNDS	<u>\$80,710,000</u>

Financing Structure:

- General obligation pledge
- \$80,710,000 total par value
- 31-year maturity, final maturity 2036
- Fixed rate, negotiated public offering
- Expected Credit Rating of A2 (Moody's)

II. FINANCIAL STATEMENTS AND ANALYSIS:

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

	Year Ended June 30,		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operating			
Revenues, gains, and other support			
Net tuition and fees	\$ 138,808	\$ 127,013	\$ 114,118
Sales and services of auxiliary enterprises	24,999	22,994	21,412
Government grants and contracts	31,234	18,128	18,709
Private grants, gifts, and bequests	5,072	10,384	11,785
Investment return	8,654	6,731	8,434
Dental clinic fees	10,294	9,886	9,136
Other	7,388	8,047	8,095
Net assets released from restrictions	2,453	11,092	1,596
Total revenues, gains and other support	<u>228,902</u>	<u>214,275</u>	<u>193,285</u>
Expenses:			
Instructional and department research	93,485	98,899	94,068
Auxiliary enterprises	24,415	23,470	23,869
Sponsored programs	26,710	9,994	10,043
Academic support	15,124	7,865	7,231
Student services	13,325	12,423	10,962
Student aid	2,183	2,398	2,768
General Administration	8,563	6,426	6,296
Fund raising activities	7,957	7,180	5,963
Operations and maintenance at plant	16,699	15,644	12,524
Depreciation and amortization	10,595	12,140	12,443
Interest	5,153	4,260	3,997
Total expenses	<u>224,209</u>	<u>200,699</u>	<u>190,164</u>
Increase in unrestricted net assets from operations	4,693	13,576	3,121
Other changes:			
Investment gain, net of distributions	6,060	18,221	(1,038)
Other	779	-	-
Increase (decrease) in unrestricted net assets	11,532	31,797	2,083
Unrestricted net assets at beginning of year	197,228	165,431	163,348
Unrestricted net assets at end of year	<u>\$ 208,760</u>	<u>\$ 197,228</u>	<u>\$ 165,431</u>

UNIVERSITY OF THE PACIFIC
Statements of Financial Position

(in thousands)

	As of June 30,		
	2005	2004	2003
ASSETS:			
Cash and cash equivalents	\$ 20,647	\$ 26,465	\$ 21,281
Accounts receivable, net	24,101	13,120	13,193
Pledges receivable	19,203	17,779	16,409
Inventories, prepaid expenses and other assets	7,450	6,808	6,495
Loans receivable	27,070	25,957	26,590
Investments	248,274	220,380	196,045
Fixed assets, net	173,666	173,593	167,539
TOTAL ASSETS	<u>\$ 520,411</u>	<u>\$ 484,102</u>	<u>\$ 447,552</u>
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 15,484	\$ 15,696	\$ 16,921
Advance deposits and deferred revenue	9,021	8,728	7,467
Self-insurance reserves	4,393	3,511	3,940
Early retirement reserves	2,191	1,961	1,971
Capital lease obligations	309	786	1,225
Notes and bonds payable	93,522	84,279	84,556
Trust & annuity obligations	8,589	10,307	10,037
Federal student loan funds	26,230	25,366	24,067
Total Liabilities	<u>159,739</u>	<u>150,634</u>	<u>150,184</u>
NET ASSETS:			
Unrestricted	208,760	197,228	165,431
Temporarily restricted	33,084	26,752	31,213
Permanently restricted	118,828	109,488	100,724
Total Net Assets	<u>360,672</u>	<u>333,468</u>	<u>297,368</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 520,411</u></u>	<u><u>\$ 484,102</u></u>	<u><u>\$ 447,552</u></u>

Financial Ratios:

	Proforma (a)			
	FYE June 30, 2005	2005	2004	2003
Debt service coverage (x)	3.06	3.70	7.55	3.04
Debt/Expendable net assets (x)	0.49	0.39	0.39	0.45
Expendable net assets to operations (x)		1.08	1.12	1.03
Margin (%)		2.0	6.0	2.0

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

Financial Discussion:

UOP continues to show healthy margins over the last three years due to a growing and varied revenue base.

UOP continues to exhibit steady revenue growth over our review period. Revenues are varied and include tuition, gifts and investments that provide UOP with substantial liquidity and flexibility. Tuition revenue has increased 22% over the last three years providing stable growth. Government grants and contracts have increased 67% over our review period due to the law school receiving a contract from the State of California that is worth approximately \$10 million a year through 2007. Private grants, gifts and bequests have declined from over \$10 million in fiscal year 2004 to \$5 million in fiscal year 2005. This is as a result of on going campus construction and improvements.

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 is good with nearly \$62 million in cash and short-term investments. In June 2001, UOP embarked on a capital campaign with a goal of raising \$200 million by June 2007. Management states that to date UOP has received \$175 million in total gifts and pledges. Funds from the ongoing capital campaign have been and will be used in UOP's on-going strategic plan. UOP's debt to expendable net assets remained steady and with this proposed financing it will increase slightly but is still acceptable with a proforma of approximately .49x. Debt service coverage is a strong 3.7x and with the proposed debt the proforma debt service coverage remains strong at 3.06x. UOP should be able to handle the additional debt easily.

III. STUDENTS, COLLEGE COSTS AND FACULTY STATISTICS:

Freshmen and Transfers:

The following table sets forth applications, offers for admissions and new enrollment for the Stockton campus undergraduate.

Undergraduate Application, Admissions and Enrollment

Academic Year	Freshmen			Transfers			Total New Enrollments
	Applications	Offered Admissions	New Enrollments	Applications	Offered Admissions	New Enrollments	
2000-01	3,184	2,438	729	544	384	269	998
2001-02	3,162	2,475	732	556	372	230	962
2002-03	3,736	2,642	700	643	426	257	957
2003-04	4,501	3,173	818	706	405	245	1,063
2004-05	5,255	3,364	880	790	435	234	1,114
2005-06	5,869	3,304	800	774	410	229	1,029

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.

ENROLLMENTS

Fall Term	FTE Under-Graduate	FTE Law	FTE Dentistry	FTE Pharmacy	FTE Graduate Programs	FTE Total	Total Headcount
2000-01	3,140	954	443	634	295	5,466	5,609
2001-02	3,141	947	462	618	381	5,549	5,689
2002-03	3,180	1,045	471	628	409	5,733	5,886
2003-04	3,312	1,125	482	614	443	5,976	6,121
2004-05	3,427	1,141	497	626	414	6,105	6,268
2005-06	3,418	1,074	507	612	430	6,041	6,196

DEGREES AWARDED

Academic Year	Under-Graduate	Graduate	Total
2000-01	581	829	1,410
2001-02	631	770	1,401
2002-03	682	769	1,451
2003-04	649	799	1,448
2004-05	686	911	1,597

Tuition and Fees:

A summary of UOP's tuition and room and board charges are set fourth in the table below.

TUITION, FEES, ROOM AND BOARD

Academic Year	Undergraduate Tuition and Fees	Room & Board	Undergraduate Total	Dental Tuition	Law Tuition
2001-02	\$21,150	\$6,700	\$27,850	\$49,300	\$24,104
2002-03	\$22,180	\$7,168	\$29,348	\$52,520	\$26,032
2003-04	\$23,180	\$7,460	\$30,640	\$55,375	\$27,698
2004-05	\$24,320	\$7,830	\$32,150	\$57,645	\$29,222
2005-06	\$25,658	\$8,260	\$33,918	\$61,845	\$31,121

Faculty:

The following table reflects the number of faculty for the five academic years indicated, as well as the number of full-time faculty with tenure. The data are for instructional faculty only, and excludes deans, associate deans, coaches, administrators, and librarians who may hold faculty rank. The calculation of full time equivalents (“FTE”) for part-time faculty is based on their percentage of a full-time teaching load for the academic year.

FACULTY

Academic Year	Full-Time	FTE Part-time	Total FTE	Tenured Professional
2000-01	365	85	450	220
2001-02	363	85	449	205
2002-03	375	89	464	209
2003-04	389	79	468	214
2004-05	401	85	486	212

Of the 401 full-time faculty in 2004-05, 134 are professors, 119 are associate professors, 120 are assistant professors, 15 are instructors, 12 are lecturers and one is a scholar. Approximately 92% of the faculty have obtained a Ph.D. or other terminal degree and approximately 53% of the full-time faculty are tenured. The current undergraduate student/faculty ratio is 14 to 1, and UOP does not utilize teaching assistants.

IV. BACKGROUND:

General:

UOP founded in 1851, is the oldest chartered university in California. From its beginnings in Santa Clara, the institution has evolved into an institution with campuses in Stockton, Sacramento, and San Francisco. UOP’s main campus in Stockton combines many of the advantages of a larger university with those of a liberal arts college. The Stockton campus offers programs in the arts and sciences in addition to several professional programs, including pharmacy, business, dental hygiene program, engineering and education. This variety of programs provides more than 4,500 undergraduate and graduate students with a wide range of choices both in selecting their major field of study as well as opportunities to pursue other educational interests. UOP’s campus in Sacramento houses the McGeorge School of Law, one of the largest law schools in California, which offers legal training to approximately 1,100 students each year, along with a variety of legal and legal related programs to practitioners in the western United States. UOP’s School of Dentistry in San Francisco has a record of training practicing dentists, while providing clinical services to qualified clinics in the Bay Area as well as on the Stockton campus. The School of Dentistry enrolls approximately 500 students annually, including approximately 30 students in an undergraduate dental hygiene program offered at the University’s Stockton campus.

Administration:

UOP is governed by a Board of Regents (the “Board”) which provides general oversight and direction to the University. UOP’s by-laws state that the Board shall consist of not less than twenty-one and not more than thirty-three persons. The Board by-laws have established three-year Board terms and term limits. The Board has also adopted a process for member evaluation, including an annual assessment on Board member attendance and participation.

Accreditations:

UOP has been accredited since 1949 by the Western Association of Schools and Colleges (“WASC”), the primary accrediting body for institutions of higher education in the western United States. The last WASC accreditation was in March 2000, in which WASC reaffirmed UOP’s accreditation to 2010.

UOP also has professional accreditation and/or professional relationships with the following organizations (the date of the next scheduled review is in parentheses): National Association of Schools of Art and Design (2011); National Association of Schools of Music (Review in Progress); Accredited Council on Pharmacy Education (2010); National Council for Accreditation of Teacher Education (2009); California Commission on Teacher Credentialing (2009); Committee of Bar Examiners of the State Bar of California, American Bar Association (2005); Accreditation Board for Engineering and Technology (2011); American Speech-Language-Hearing Association (2011); Commission on Accreditation of Dental Education Programs; American Dental Association Commission on Dental Accreditation (2007); American Chemical Society (2007); Commission on Accreditation in Physical Therapy, Education of the American Physical Therapy Association (2011); The Association to Advance Collegiate Schools of Business (2009); Athletic Training Education Program, Commission on Accreditation of Allied Health Educational Programs (2008).

Academic Programs:

UOP comprises ten colleges and schools on three campuses in major cities of Northern California:

- In Stockton, College of the Pacific (Arts & Sciences), Conservatory of Music, Eberhardt School of Business, Gladys L. Benerd School of Education, School of Engineering, School of International Studies, Thomas J. Long School of Pharmacy and Health Sciences, and Graduate School offer a variety of undergraduate degrees, professional degrees and graduate degrees, including Bachelor of Science, Bachelor of Arts, Bachelor of Music, Bachelor of Fine Arts, Master of Science, Masters of Arts, Doctor of Philosophy, Masters of Business Administration, Master of Education, Education Specialist, Doctor of Education, Doctor of Pharmacy, Doctor of Physical Therapy, and various professional credentialing programs. In addition, the School of Dentistry and the College of the Pacific offers a Bachelor of Dental Hygiene on the Stockton campus.

- In Sacramento, the McGeorge School of Law offers the Juris Doctor degree with an array of specialist concentrations, as well as a Master of Laws in Transnational Business and in Government and Public Policy.
- In San Francisco, The School of Dentistry offers a Doctor of Dental Surgery, post-graduate studies for graduates of foreign dental programs, advanced general dentistry, and oral and maxillofacial surgery.

UOP is unique among universities of its size for its range of liberal arts and professional programs: as its ten colleges and schools offer 135 majors and programs of study, including 30 graduate degree programs. The scope of academic choices is coupled with an institutional vision that encourages interdisciplinary learning and involvement with the greater community.

Competition:

UOP is classified among national research and comprehensive universities according to Carnegie Institute's standards. Accordingly, it is ranked among the 249 national universities in the US NEWS annual ranking, being in the second quartile. The following are UOP's top eleven competitors as measured by the number of cross-admissions (i.e. student applicants admitted to both institutions).

University of California, Davis	Davis, CA
University of California, Santa Barbara	Santa Barbara, CA
University of California, Irvine	Irvine, CA
University of California, San Diego	San Diego, CA
University of Southern California	Los Angeles, CA
University of California, Riverside	Riverside, CA
University of California, Los Angeles	Los Angeles, CA
University of California, Berkeley	Berkeley, CA
University of California, Santa Cruz	Santa Cruz, CA
Santa Clara University	Santa Clara, CA
Cal Poly State University, San Luis Obispo	San Luis Obispo, CA

V. OUTSTANDING DEBT:

<u>Issue Name: Series</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding as of 6/30/05*</u>	<u>Estimated Amount Outstanding After Proposed Financing</u>
Existing:			
CEFA Revenue, 1997A	\$ 9,570,000	\$ 5,695,000	\$ 5,695,000
CEFA Revenue, 1998	12,500,000	11,475,000	11,475,000
CEFA Revenue 2000	41,000,000	41,000,000	10,721,000
CEFA Revenue 2002	24,500,000	24,160,000	0
CEFA Equipment 2003	1,200,000	1,087,547	1,087,547
CEFA Revenue 2004	11,500,000	11,040,000	11,040,000
Proposed:			
CEFA Revenue 2006	80,710,000		80,710,000
Total Debt Outstanding		<u>\$94,457,547</u>	<u>\$120,367,547</u>

*includes current portion

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 final resolution in an amount not to exceed \$80,710,000 for University of the Pacific, subject to a minimum “A” category rating by a nationally recognized rating agency and meeting the standard bond issuance provisions for “A” rated debt.