

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

Applicant:	Dominican University of California (the "University") 50 Acacia Ave. San Rafael, California Marin County	Amount Requested:	\$12,500,000
Facility Type:	Private University	Date Requested:	January 25, 2007
Accreditation:	Western Association of Schools and Colleges	Requested Loan Term:	25 years
		Resolution Number:	241

Use of Bond Proceeds: Bond proceeds will be used for the current refunding of the CEFA Series 1997C bonds and the advance refunding of the CEFA Series 1999B and the 2001 bonds. The proposed refunding is expected to generate a net present value savings of approximately \$559,000 or 5.1% over the life of the bonds.

Type of Issue: Negotiated Public Offering, Fixed interest rate
Credit Enhancement: None
Expected Credit Rating: Baa3 (Moody's)
Underwriter: E.J. De La Rosa & Co., Inc.
Bond Counsel: Squire, Sanders, & Dempsey, LLP

Financial Overview: During FY 2005 and FY 2006 the University's management implemented clear budget and recruitment strategies that led to dramatic operating improvement. The FY 2006 balance sheet also reflects improvement as compared to the prior two fiscal years.

<u>Sources of Revenues - FYE 6/30/06 (unaudited):</u> (Unrestricted Funds)	<u>Amount</u>	<u>Percent</u>
Net tuition and fees	\$26,836,146	73%
Sales and services of auxiliary enterprises	5,466,798	15%
Net assets released from restrictions	1,563,665	4%
Net investment income	1,037,483	3%
Private gifts and grants	863,197	2%
Other revenue	565,640	2%
Government grants and programs	282,786	1%
Total revenues and gains	<u>\$36,615,714</u>	<u>100%</u>

Estimated Sources of Funds:

Bond Par	\$12,500,000
Net Original Issue Discount	(644,597)
Debt Service Reserve Fund	797,817
Equity Contribution	<u>11,937</u>
Total Sources	<u>\$12,665,157</u>

Estimated Uses of Funds:

Refunding	\$11,446,336
Debt Service Reserve Fund	954,225
Financing Costs	257,790
Contingency	<u>6,806</u>
Total Uses	<u>\$12,665,157</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 \$12,500,000 for Dominican University of California, subject to a bond rating of at least a "Baa3" 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**

January 25, 2007

Dominican University of California (the “University”)

Resolution Number: 241

- I. PURPOSE OF FINANCING:** Bond proceeds will be used for current refunding of the CEFA Series 1997C and the advance refunding of the CEFA Series 1999B and 2001 bonds. The proposed financing is expected to generate a net present value savings of approximately \$559,000 or 5.1% over the life of the bonds.

Uses of Funds:

Refunding CEFA Bonds..... 11,446,336

The University intends to refund its CEFA Series 1997C, 1999B and 2001 bonds.

Series 1997C Current Refunding – Bond proceeds were originally used to advance refund the Pooled Educational facilities Program, Series 1990. The 1990 bonds were used to finance of a variety of projects that included construction and renovation of educational facilities.

Series 1999B Advanced Refunding – Bond proceeds were originally used to finance certain capital improvements that included construction and renovation of educational facilities and upgrading information technology.

Series 2001 Advanced Refunding – Bond proceeds were originally used to construct and equip a student dormitory.

Debt Service Reserve Fund 954,225

Financing costs 264,596

Underwriter’s Expenses\$156,250

Cost of Issuance101,540

Other 6,806

Total Uses of Funds..... \$12,665,157

Financing Structure:

- Negotiated public offering.
- Fixed interest rate debt structure.
- General obligation and gross revenue pledge.
- 30-year term.
- Expected credit rating: Baa3 (Moody's).
- Debt service reserve fund.
- Lien secured by property located at 50 Acacia Ave., San Rafael, CA.
- Secured with real property with an appraised value equal to or greater than the par amount of the bonds.
- Series 2007 bonds issued on parity with all other CEFA bonds.
- Financial integrity covenants regarding maintenance of liquidity and debt service coverage.

II. FINANCIAL STATEMENTS AND ANALYSIS:

DOMINICAN UNIVERSITY OF CALIFORNIA

Statement of Activities

Unrestricted

	Fiscal Year Ended June 30,		
	<u>2006</u> (Unaudited)	<u>2005</u> (Audited)	<u>2004</u> (Audited)
Operating Revenue and Gains:			
Net tuition and fees	\$ 26,836,146	\$ 24,468,629	\$ 19,440,948
Private gifts and grants	863,197	869,529	662,806
Government grants and programs	282,786	753,793	583,174
Net investment income	1,037,482	407,836	180,341
Sales and services of auxiliary enterprises	5,466,798	5,364,691	4,808,677
Other revenue	565,640	732,291	935,558
Net assets released from restrictions	1,563,665	727,277	1,515,658
Total operating revenue and gains	<u>36,615,714</u>	<u>33,324,046</u>	<u>28,127,162</u>
Expenses:			
Program services:			
Instruction	11,906,447	12,017,574	11,421,750
Academic support	2,973,897	2,936,343	2,881,470
Student services	5,373,652	5,187,825	5,224,539
Auxiliary enterprises	1,824,541	1,934,923	1,650,920
Total program services	<u>22,078,537</u>	<u>22,076,665</u>	<u>21,178,679</u>
Support services:			
Institutional support	4,846,570	4,109,717	4,239,536
Advancement	1,794,755	1,582,786	1,777,139
Depreciation	2,078,415	2,100,651	1,546,537
Amortization of bond issuance cost	-	-	35,726
Interest on indebtedness	1,218,251	1,097,900	1,138,277
Investment management fees	-	-	62,259
Total support services	<u>9,937,991</u>	<u>8,891,054</u>	<u>8,799,474</u>
Total expenses	<u>32,016,528</u>	<u>30,967,719</u>	<u>29,978,153</u>
Net increase (decrease) from operations	4,599,186	2,356,327	(1,850,991)
Nonoperating Revenue and Gain:			
Government Contracts and Grants	1,649,681	-	-
Net investment income	-	33,780	89,459
Net assets released from restrictions	967,271	152,140	220,827
Total nonoperating revenue and gain	<u>2,616,952</u>	<u>185,920</u>	<u>310,286</u>
Increase (decrease) in unrestricted net assets	7,069,111	2,542,247	(1,540,705)
Prior year amounts restated	1,276,026		
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	20,484,001	17,941,754	19,482,459
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 28,829,138</u>	<u>\$ 20,484,001</u>	<u>\$ 17,941,754</u>

DOMINICAN UNIVERSITY OF CALIFORNIA
Statement of Financial Position

	As of June 30,		
	<u>2006</u> (Unaudited)	<u>2005</u> (Audited)	<u>2004</u> (Audited)
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 8,405,354	\$ 12,827,588	\$ 8,892,097
Investments, current portion	3,749,721	559,127	432,997
Accounts receivable, net	1,859,706	1,865,329	1,582,314
Prepaid expenses and other assets	279,409	534,638	489,158
Total current assets	<u>\$ 14,294,190</u>	<u>\$ 15,786,682</u>	<u>\$ 11,396,566</u>
Noncurrent Assets:			
Cash reserved for debt service	12,440,678	1,578,481	1,554,544
Cash held for long term purposes	14,033,861	-	-
Investments, net of current portion	11,032,288	10,328,276	10,055,851
Other assets	12,970	-	-
Notes receivable, net	1,020,474	1,114,236	1,100,571
Beneficial interest in trusts and other assets	187,012	4,281,823	4,105,646
Bond issuance costs	798,349	-	-
Property, plant and equipment, net	35,477,060	31,591,887	33,028,060
TOTAL ASSETS	<u>\$ 89,296,882</u>	<u>\$ 64,681,385</u>	<u>\$ 61,241,238</u>
LIABILITIES AND NET ASSETS:			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 3,322,337	\$ 2,395,820	\$ 2,588,581
Deferred revenues, current portion	473,224	619,837	748,884
Current portion of capital lease	19,828	57,533	52,863
Current portion of bonds payable	330,000	596,250	561,250
Total current liabilities	<u>4,145,389</u>	<u>3,669,440</u>	<u>3,951,578</u>
Long-Term Liabilities:			
Deferred revenues, net	129,790	137,079	144,557
Federal grants refundable	642,872	707,618	692,337
Capital lease, net	32,187	12,194	74,760
Asset retirement obligation	190,422	-	-
Bonds payable, net	30,533,750	18,083,750	18,680,000
TOTAL LIABILITIES	<u>35,674,410</u>	<u>22,610,081</u>	<u>23,543,232</u>
Net Assets:			
Unrestricted	28,829,138	20,484,001	17,941,754
Temporarily Restricted	10,837,796	14,076,886	12,291,083
Permanently Restricted	13,955,538	7,510,417	7,465,169
TOTAL NET ASSETS	<u>53,622,472</u>	<u>42,071,304</u>	<u>37,698,006</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 89,296,882</u>	<u>\$ 64,681,385</u>	<u>\$ 61,241,238</u>

Financial Ratios:

	Proforma (a)			
	FYE June 30, 2006	<u>2006</u>	<u>2005</u>	<u>2004</u>
Debt service coverage (x)	2.99	4.60	3.28	0.65
Debt to expendable net assets (x)	0.96	0.96	0.54	0.64
Expendable net assets to operations (x)		0.95	1.12	1.01
Margin (%)		7.1	7.1	6.6

(a) Recalculates 2006 unaudited results to include the impact of this proposed financing.

Financial Discussion:

During FY 2005 and FY 2006, the University's management implemented clear budget and recruitment strategies that has led to dramatic improvements.

The University has shown a much-improved increase in unrestricted net assets from a negative \$1.5 million in FY 2004 to nearly \$7.1 million in FY 2006. Total revenues have increased 30% over the review period due to the University's aggressive recruitment efforts. The efforts include targeting of geographical areas for marketing purposes, improved follow-up with applicants and expanding opportunities for potential students to visit the campus. The increase of tuition by 10% from FY 2004 to FY 2006 and the boost in auxiliary revenues of 12% from the prior year also contributed to the University's strengthened financial position.

The University has also been able to control its expenditures, which have increased only 7% over the last three years. The University attributes the slower growth in expenditures to tighter controls over accountability and budgets.

The University's balance sheet also reflects improvement as compared to the prior two fiscal years.

Cash and cash equivalents have remained consistent with \$8.8 million in FY 2004 and \$8.4 million in FY 2006. Stronger cash management techniques have been implemented such as increasing the cash projection period to capture yields over longer investment horizon.

With an unrestricted and temporarily restricted net asset balance exceeding \$38 million, the proforma debt to expendable net asset balance is an acceptable 0.96x. The proforma debt service coverage ratio of 3.47x indicates the University should be able to repay the proposed debt.

III. STUDENTS, COLLEGE COSTS, AND FACULTY STATISTICS:

Students

The fall 2005 freshman class had representatives from 11 states and 4 foreign countries: 10% of the class was from outside California. The average entering GPA for the freshman class was 3.20 with SAT composite scores of 1,024.

Student Applications and Matriculations

Academic Year	Applications	Acceptances	Matriculations
2002-03	1195	863	246
2003-04	1792	980	245
2004-05	2426	1236	276
2005-06	2646	1359	227
2006-07	2763	1427	264

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

Enrollment and Degrees

Academic Year	Undergraduate Headcount	FTE	Bachelor Degrees	Graduate Headcount	FTE	Masters Degrees
2001-02	949	827	238	493	502	110
2002-03	996	882	227	657	559	149
2003-04	1146	1005	201	620	656	119
2004-05	1340	1190	203	637	624	230
2005-06	1391	1245	193	546	556	180

Tuition and Fees

The following table provides undergraduate and graduate tuition and fees.

Academic Year	Undergraduate Tuition & Fees	Graduate Tuition & Fees	Pathways Tuition & Fees	Room and Board*
2002-03	\$20,720	\$11,420	\$10,600	\$9,400
2003-04	22,650	12,010	11,080	9,780
2004-05	24,254	12,150	11,160	10,270
2005-06	25,950	12,510	11,496	10,888
2006-07	28,070	13,160	12,150	11,300

*Based on double occupancy and a 19 meal plan.

Faculty

The following table reflects the number of full-time and part-time faculty appointments for the current and previous four academic years and the number of faculty with tenure.

Academic Year	Tenured Full Time	Other Full Time	Part Time FTE	Total FTE
2002-03	16	45	184	124
2003-04	18	48	162	122
2004-05	19	49	182	127
2005-06	26	45	198	143
2006-07	23	52	216	152

IV. BACKGROUND:

General:

Dominican University of California is a coeducational, independent Catholic, international, learning-centered university. With students and faculty from a wide range of cultural and religious backgrounds, Dominican embraces diversity and a global perspective. The University offers undergraduate education in the liberal arts and sciences as well as undergraduate and graduate professional programs. Chartered by the Dominican Sisters of San Rafael as a college for women in 1890, the University has been governed by a predominantly lay Board of Trustees since 1968. The University became coeducational in the undergraduate program in 1971, where the gender ratio is currently 76% women to 24% men.

Administration:

A Board of Trustees of up to 35 persons governs the University. One-seventh of the trustees with the power to vote are required to be members of the Sisters of St. Dominic's Congregation of the Most Holy Name. The President of the University, the President of the University Alumni Association, and the Prioress General of the Sisters of St. Dominic, Congregation of the Most Holy Name, are ex officio members of the Board; the latter two with full voting rights. Members of the Board (except ex officio members) are elected to one to three terms for up to three terms each.

Facilities:

Established in 1890, the University is located on approximately 80 acres in a residential neighborhood in San Rafael, Marin County, approximately 11 miles north of the Golden Gate Bridge and San Francisco. The University campus is divided into three areas: Forest Meadows, currently used for maintenance and storage facilities, an outdoor amphitheater, tennis courts, a multi-purpose field, the Sister Samuel Conlan Recreation Center, and the Grand Avenue Parking lot; the Academic Core features 11 buildings supporting classrooms, laboratories, administrative offices, the Library and two residence halls, which provides classrooms and offices in addition to housing; and the Residential Core contains two residence halls, a 6 building residential village, and a dining hall.

Academic Programs:

Day program. The University offers approximately 23 undergraduate majors. The most highly enrolled majors are Business Administration, English Literature/English with a Writing Emphasis, Humanities, International Management, Liberal Studies, Nursing, Psychology, and Occupational Therapy. The other majors offered are Art, Art History, Biology, Communications, Digital Art, E-Business, Environmental Science, History, individually designed interdisciplinary majors, International Studies, Music, Politics, Religion, and Strategic Management.

The general education program centers around nine thematic areas: Religious Heritage, Human Nature, a Cultural Heritage colloquium, Verbal Expression, the Natural World, Quantitative Reasoning, Cultural Perspectives, Human Relationships and Creativity in the Arts.

Pathways. The Pathways program was initiated in fall 1991 as an evening-weekend “menu” program for working adults and in fall 2004 numbered over 220 students. “Menu” program refers to the fact that students choose their courses from the lists of available courses, in contrast with the situation for cohort students described below. The following majors are available to Pathways “menu” students attending courses exclusively in the evenings or on weekends: English Literature, English Literature with a Writing Emphasis, Human Resources Management, Psychology and Humanities. Two degree completion majors are also offered: B.S. in Business Administration (offered only in the Cohort format described below) and the R.N. to B.S.N. (Bachelors of Science in Nursing). Pathways students may, for an extra fee, enroll in one of the Day Program majors but must complete their general education units in the Pathways scheduled courses.

The general education courses for the Pathways students are focused on the same set of goals as undergraduate general education courses for the Day Program, but are different courses designed to the specific requirements of a somewhat time-shortened program for highly motivated adult learners.

In addition to the menu program, Pathways has five cohort programs where groups of students move together through a pre-determined sequence of courses. The courses are taken one or two at a time, lasting either seven weeks or a regular semester. Four of the current cohorts are Dominican University

designed for students who have completed their lower division requirements and lead to a B.S. in Business Administration at the end of a two-year sequence of courses.

Graduate Program. At the graduate level, the University offers the multiple subjects and single subject teacher credential programs, and masters programs in Counseling Psychology, Education, Humanities, Nursing, MBA in Strategic Leadership, MBA in Global Strategic Management, and Occupational Therapy.

In cooperation with the California Management Institute, the University also offers a Masters in Public Administration, a Master of Arts in Management, and a Master of Arts in Medical Management.

Accreditation and Affiliations:

The University's accreditation by the Western Association of Schools and Colleges was last reaffirmed in January 2004.

The National League for Nursing accreditation of the University's Nursing program was last reaffirmed in the fall of 2004. The State of California Board of Registered Nursing last reviewed the Nursing program in the spring of 2004.

The Accreditation Council for Occupational Therapy Education accredited the Occupational Therapy program in the spring of 2005. The Education program was last reviewed by the California Commission on Teacher Credentialing Committee on Accreditation in the spring of 2002.

Competition:

Dominican University draws students primarily from the greater San Francisco Bay Area. Students who are accepted to Dominican University are considering Dominican in addition to the following schools: the University of California system, the California State University system, University of San Francisco and Saint Mary's University. Adult evening/weekend degree program candidates are also considering Golden Gate University, Saint Mary's University, the University of San Francisco, the University of Phoenix, and the New College.

V. OUTSTANDING DEBT:

Issue	Original Issue Amount	Amount Outstanding as of 6/30/05	Estimated Amount Outstanding after Proposed Financing
Existing:			
CEFA Pool 1997	\$1,545,000	\$1,000,000	\$
CEFA Pool 1999	3,500,000	2,863,750	-
CEFA 2001	7,805,000	7,205,000	-
CEFA 2006	19,795,000	19,795,000	19,795,000
Proposed:			
<i>CEFA College and University Financing Program, Series 2007</i>			<i>12,500,000</i>
TOTAL			\$ 32,295,000
		\$ 30,863,750	\$ 32,295,000

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. COMPLIANCE WITH ASSEMBLY BILL 1341:

Assembly Bill 1341 (Chapter 714, 2006) requires that prior to an action by the Authority Board, all applicants must provide the Authority with documentation certifying that a proposed project has complied with the California Environmental Quality Act (CEQA), or that the project is not subject to CEQA.

Assembly Bill 1341 does not require retroactive compliance with CEQA documentation in regards to refunding. Refunding bonds are not issued to finance projects but to refund existing bond debt.

VIII. 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 the Applicant.

IX. STAFF RECOMMENDATION:

Staff recommends the Authority approve a resolution in an amount not to exceed \$12,500,000 for Dominican University of California, subject to a bond rating of at least a “Baa3” by a nationally recognized rating agency, certain bond covenants as described in the “Financing Structure” section, and the standard bond issuance guidelines.