

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY  
BOND FINANCING PROGRAM**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	Dominican University of California San Rafael, California Marin County	<b>Amount Requested:</b>	\$7,835,000
		<b>Date Requested:</b>	December 7, 2000
<b>Facility Type:</b>	Private University	<b>Requested Loan Term:</b>	30 years
<b>Accreditations:</b>	Western Association of Schools and Colleges	<b>Resolution Number:</b>	183

**Use of Bond Proceeds:** Bond proceeds will be used to fund the construction of new student housing. This proposed financing is the fourth in a series of financings with the Authority beginning in 1995. The University has utilized prior proceeds to fund various capital construction and infrastructure improvements to support its enrollment growth, image, and programmatic goals. No new borrowing is planned for the immediate future.

<b>Type of Issue:</b>	Public offering, fixed rate.
<b>Credit Enhancement:</b>	None
<b>Credit Rating:</b>	Baa3 (Moody's) based on University credit.
<b>Senior Underwriter:</b>	Prager, McCarthy & Sealy, LLP
<b>Bond Counsel:</b>	Arter & Hadden, LLP

**Financial Overview:** Sound historical operations have generated consistent operating profits. Diverse revenue streams have assisted in overall profit margins averaging 5% per year. This proposed new debt will weaken the balance sheet in the short term, but the University will maintain adequate debt service coverage supported by good internal liquidity and projected profitability from the proposed new dorms and expanded graduate programs.

<u>Sources of Revenues (\$000)- FYE 6-30-00:</u>	<u>Amount</u>	<u>Percent</u>
<b>(Unrestricted Funds)</b>		
Tuition & fees	\$14,530	56%
Net assets released from restrictions	5,627	22%
Auxiliary enterprises	2,925	11%
Private gifts, grants, & bequests	1,025	4%
Investment income, net realized/unrealized gains	836	3%
Other sources	981	4%
<b>Total revenue</b>	<b>\$ 25,924</b>	<b>100%</b>

<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>	
Par Amount of Bonds	\$7,835,000	Construct student housing	\$7,000,000
		Debt Service Reserve	585,000
		Financing Costs	250,000
<b>Total Sources</b>	<b>\$7,835,000</b>	<b>Total Uses</b>	<b>\$7,835,000</b>

**Staff Recommendation:** Staff recommends the Authority approve a resolution in an amount not to exceed \$7,835,000 for Dominican University, subject to the bonds having at least a "Baa" rating by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "Baa" rated debt.

**STAFF SUMMARY AND RECOMMENDATION  
BOND FINANCING PROGRAM**

December 7, 2000

Resolution Number: 183

**DOMINICAN UNIVERSITY OF CALIFORNIA (the "University")**

**I. OBJECTIVE OF FINANCING:** The University is unable to adequately house current students, and is anticipating record freshman enrollment for the second year in a row. In addition, skyrocketing rent for the Marin County area has substantially increased the need for on-campus affordable student housing. To accommodate existing and expected student needs, the University plans to build new and improve existing dormitories among other campus improvements to manage this demand.

This proposed financing is the fourth in a series of financings with the Authority beginning in 1995. The University has utilized prior bond proceeds to fund various capital construction and infrastructure improvements to support its enrollment growth, image, and programmatic goals. Previous projects include: constructing the Sr. Samuel Conlan Recreation Center, phased upgrading of the campus wide area network bandwidth, major renovations and repairs to existing campus facilities, and the purchase of equipment.

The University intends to fund the new dorm construction with bond proceeds as described below. It anticipates completing existing dorm renovations and other campus enhancements with internal funds and through targeted fundraising. The University does not anticipate requesting additional financing from the Authority in the near future.

**Uses of Funds:**

▪ <b>Construct student housing .....</b>	<b>\$7,000,000</b>
<p>This project will increase necessary student housing by adding multiple units of suites of various sizes, adding up to 198 beds and 190 parking spaces. The proposed project is currently in the design phase. The City has approved the master plan and environmental impact reports for the project, which consists of 6 new buildings. The University anticipates final plan approval and groundbreaking by summer 2001, with a planned completion date of all units by Fall 2002.</p>	
▪ <b>Debt Service Reserve .....</b>	<b>585,000</b>
▪ <b>Financing costs .....</b>	<b>250,000</b>
Costs of Issuance .....	128,000
Underwriting Spread .....	117,000
Other .....	<u>5,000</u>
<b>Total Uses of Funds .....</b>	<b><u>\$7,835,000</u></b>

**Financing Structure:**

- General Obligation of the University, with Gross Revenue Pledge.
- Deed of Trust to secure property with an appraised value equal to, at minimum, 100% of the par bond amount.
- \$585,000 Debt Service Reserve Fund.
- Public offering
- Fixed interest rate.
- 30 year maturity with final maturity in 2030.
- Baa3 rating (Moody's).

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I. FINANCIAL STATEMENTS AND ANALYSIS:

Dominican University of California

Income Statement  
Unrestricted (000's)

	Fiscal Year Ended June 30,		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
<b>Operating Revenue and gains:</b>			
Net tuition and fees	\$ 14,530	\$ 14,301	\$ 13,851
Private gifts and grants	1,012	774	673
Investment income and net realized gain	635	618	783
Sales and services of auxiliary enterprises	2,925	2,597	2,626
Other revenue	981	852	809
Net assets released from restrictions	1,183	1,276	1,105
Total operating revenue and gains	<u>21,266</u>	<u>20,418</u>	<u>19,847</u>
<b>Expenses:</b>			
<b>Program services:</b>			
Instruction	8,702	8,777	8,321
Student services	2,658	2,652	2,605
Auxiliary enterprises	1,607	1,572	1,591
Total program services	<u>12,967</u>	<u>13,001</u>	<u>12,517</u>
<b>Support services:</b>			
Academic support	1,503	1,251	1,113
Institutional support	3,184	3,323	3,111
Development	1,506	1,489	1,450
Interest on indebtedness and other	882	721	716
Total support services	<u>7,075</u>	<u>6,784</u>	<u>6,390</u>
Total expenses	<u>20,042</u>	<u>19,785</u>	<u>18,907</u>
Net increase from operations	<u>1,224</u>	<u>633</u>	<u>940</u>
<b>Nonoperating Revenue and Gains:</b>			
Private gifts and grants	13	43	77
Investment income and net realized gain	201	256	294
Net assets released from restrictions (a)	4,444	154	108
Total nonoperating revenue and gains	<u>4,658</u>	<u>453</u>	<u>479</u>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<b>5,882</b>	<b>1,086</b>	<b>1,419</b>
<b>UNRESTRICTED NET ASSETS, BEGINNING OF YEAR</b>	<u>15,079</u>	<u>13,993</u>	<u>12,573</u>
<b>UNRESTRICTED NET ASSETS, END OF YEAR</b>	<u>\$ 20,961</u>	<u>\$ 15,079</u>	<u>\$ 13,992</u>

(a) Unusual one-time revenue received for plant and equipment purposes.

**Dominican University of California**  
**Statement of Financial Position (000's)**

	As of June 30		
	2000	1999	1998
<b>ASSETS:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 6,609	\$ 7,823	\$ 8,875
Investments, current portion	4,272	5,021	5,458
Accounts receivable	1,503	1,503	1,238
Inventories	34	28	30
Prepaid expenses	151	171	112
Notes receivable, current portion	90	60	59
<b>Total current assets</b>	<b>12,659</b>	<b>14,606</b>	<b>15,772</b>
<b>Noncurrent Assets:</b>			
Cash reserved for debt service	1,031	1,043	740
Investments, net of current portion	12,003	10,671	8,960
Other assets	522	547	423
Notes receivable	1,085	1,132	1,084
Property, plant and equipment	25,354	19,634	14,732
<b>TOTAL ASSETS</b>	<b>\$ 52,654</b>	<b>\$47,633</b>	<b>\$41,711</b>
<b>LIABILITIES AND NET ASSETS:</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	\$ 1,826	\$ 2,025	\$ 2,537
Deferred revenues, current portion	618	401	353
Current portion of bonds payable	356	341	250
<b>Total current liabilities</b>	<b>2,800</b>	<b>2,767</b>	<b>3,140</b>
<b>Long-Term Liabilities</b>			
Deferred revenues, net of current portion	218	228	-
Federal grants refundable	684	653	623
Bonds payable, net of current portion	12,969	13,325	10,180
<b>Total long-term liabilities</b>	<b>13,871</b>	<b>14,206</b>	<b>10,803</b>
<b>TOTAL LIABILITIES</b>	<b>16,671</b>	<b>16,973</b>	<b>13,943</b>
<b>Net assets:</b>			
Unrestricted	20,961	15,079	13,992
Temporarily restricted	9,484	10,296	9,458
Permanently Restricted	5,538	5,285	4,318
<b>TOTAL NET ASSETS</b>	<b>35,983</b>	<b>30,660</b>	<b>27,768</b>
<b>Total liabilities and net assets</b>	<b>\$ 52,654</b>	<b>\$47,633</b>	<b>\$41,711</b>

**Financial Ratios:**

	Proforma (a)			
	YE June 30, 2000	2000	1999	1998
Debt service coverage	1.99	2.92 (b)	3.07	3.33
Debt to expendable net assets	0.70	0.44	0.54	0.44
Expendable net assets to operations		1.24	1.28	1.52
Margin		6.7% (b)	5.2%	7.0%

(a) Recalculates 2000 audited results to include the payment of this proposed financing.

(b) Does not include \$4.4 million of unusual one-time revenue received for plant and equipment purposes.

**Financial Discussion:**

**Sound historical operations have generated consistent operating profits. Diverse revenue streams have assisted in overall profit margins averaging 5% per year.**

Dominican University continues to post solid operating results supported by stable enrollment, growing tuition fees, and effective management of expenses. Overall profit margins also remain consistently strong averaging 6% the past three fiscal years, driven by a fairly diverse revenue base, which includes tuition, gifts, grants, investment income, and auxiliary enterprises. Of note, the University posted an unusually high \$5.9 million increase in unrestricted net assets for fiscal 2000, which includes \$4.4 million released from restriction for property, plant, and equipment previously pledged under prior bonds.

**This proposed new debt will weaken the balance sheet in the short term, but the University will maintain adequate debt service coverage supported by good internal liquidity and projected profitability from the proposed new dorms and expanded graduate programs.**

The University has taken on significant debt over the last five years toward its strategic goal of improving campus facilities to manage targeted student growth. Since 1995, the University has borrowed approximately \$14 million through the issuance of three bonds. Accordingly, debt service coverage has declined during our review period to its current 2.92. With this new financing, debt service coverage will further decline to a pro forma 2 times.

Balance sheet leverage will also increase as measured by the University's debt to expendable net assets ratio weakening from .44 to .70. Nonetheless, debt payments should remain manageable given good internal liquidity featuring about \$4.4 million of total cash and investments available for operations, and projected improved operating results. Specifically, the proposed dormitory should aid operations given historical profitability of over \$1 million per year for the University's combined auxiliary operations.

Further aiding the bottom line, enrollment growth is targeted toward the profitable Pathways program for adult continuing education. The Pathways program is estimated to grow an additional 600 FTE students by academic year 2003-04. The benefits that these programs provide are twofold. First, higher reimbursements are received than with the University's core traditional undergraduate programs. Secondly, the University is able to make more efficient use of campus facilities because these programs are generally offered during weekends and the summer months or are offered at leased satellites, which minimize overhead.

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

### *Applicant Pool*

The fall 2000 freshmen class had representatives from 7 states and 4 foreign countries: 13% of the class was from outside California. The average entering GPA for the freshman class was 3.22 with SAT composite scores of 1,022.

Academic Year	Applications	Acceptances	Matriculations*	Selectivity Ratio
1996-97	229	183	67	79.9%
1997-98	265	232	77	87.5%
1998-99	244	200	74	81.9%
1999-00	290	252	114	86.9%
2000-01	338	305	124	90.2%

\* Students entering in fall semester of academic year.

### *Enrollments and Degrees*

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

Academic Year	Undergraduate FTE-Enrollment	Bachelors Degrees	Graduate FTE Enrollment	Masters Degrees	Total FTE Enrollment
1996-97	864	187	305	61	1,169
1997-98	839	251	341	82	1,180
1998-99	796	216	359	106	1,155
1999-00	818	199	335	111	1,153
2000-01	875	N/A	348	N/A	1,223

### *Tuition and Fees*

The following table provides undergraduate and graduate tuition and fees.

Academic Year	Undergraduate Tuition and Fees	Graduate Tuition and Fee	Pathways Tuition & Fees	Room and Board
1996-97	14,670	11,920	8,950	6,700
1997-98	15,424	12,544	9,396	6,968
1998-99	16,160	13,136	9,296	7,264
1999-00	16,844	13,676	9,692	8,036
2000-01	17,606	14,390	9,830	8,440

### ***Faculty and Staff***

The following table reflects the number of full-time and part-time faculty appointments for the current and past five academic years, as well as the number of full-time faculty with tenure. The data is for instructional faculty only, and excludes deans, associate deans, coaches, administrators and librarians who may hold faculty rank. Shared faculty appointments in joint programs are not included.

<u>Academic Year</u>	<u>Full Time</u>	<u>Part Time</u>	<u>FTE Total</u>	<u>Tenured*</u>
1996-97	45	137	96	7
1997-98	47	138	98	6
1998-99	52	144	104	8
1999-00	48	157	101	9
2000-01	43	153	95	9

\* The University reintroduced a tenure program in 1996 after going without one since 1976.

#### **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 78% women to 22% men.

##### **Religious Certification:**

Dominican University of California is an independent Catholic University. It has provided 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.

Staff Counsel and Bond Counsel have reviewed the certifications and have determined that Dominican University responded satisfactorily to all questions.



### **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.

### **Accreditation and Affiliations:**

The University's accreditation by the Western Association of Schools and Colleges was last reaffirmed in July 1999 and the next review is scheduled for spring 2004. The University also maintains certifications for its nursing, occupational therapy, and education programs. These programs' certifications are scheduled for periodic reviews in the years 2002 through 2005.

### **Academic Programs:**

*Day program.* The University offers approximately 23 undergraduate majors of which the most highly enrolled 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 As 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 2000 numbered 267 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 GE 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, some lasting seven weeks some lasting a regular semester. Four of the current cohorts, are 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. The University has offered one 4-year cohort program for employees of Pacific Bell on site in San Ramon. The students in this program worked through a sequence of general education courses, as well as the courses required for a major in Accounting and Finance.

*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, and Pacific Basin Studies. The latter offers both an M.A. in International Economic and Political Assessment in the Pacific Basin and an M.B.A. in International Business, Pacific Basin. An MBA program in Strategic Leadership began in the fall of 1996 and is currently offered in cohort structure beginning each fall and spring semester. This six semester, two year program is taught on alternate Saturdays.

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. In addition, the University is also planning to offer a Master of Science in Education, and a Master of Science in Real Estate to professionals from Taiwan who come for intensive periods of study in San Rafael.

**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 St. Mary's College. Adult evening/weekend degree program candidates are also considering Golden Gate University, St. Mary's College, the University of San Francisco, the University of Phoenix, and the New College.

**V. OUTSTANDING DEBT:**

As of September 30, 2000, Dominican University debt totaled \$13.3 million, of which all was comprised of debt issued through this Authority. Following this proposed financing, Dominican University's total debt will equal approximately \$21.2 million.

<u>Issue:</u>	<u>Original Amount</u>	<u>Amount Outstanding As of 09/30/00</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
<b>Existing:</b>			
CEFA Pool 1995	\$9,300,000	\$8,520,000	\$8,520,000
CEFA Pool 1997	1,545,000	1,400,000	1,400,000
CEFA Pool 1999	3,425,000	3,425,000	3,425,000
<b>Proposed:</b>			
CEFA 2000			7,835,000
Total		<u>\$13,345,000</u>	<u>\$21,180,000</u>

**VI. STAFF RECOMMENDATION:**

Staff recommends the Authority approve a resolution in an amount not to exceed \$7,835,000 for Dominican University, subject to the bonds having at least a "Baa" rating by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "Baa" rated debt.