

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY  
BOND FINANCING PROGRAM**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	Loyola Marymount University Los Angeles, California Los Angeles County	<b>Amount Requested:</b>	\$115,000,000
		<b>Date Requested:</b>	April 26, 2001
		<b>Requested Loan Term:</b>	39 years
<b>Facility Type:</b>	Private University	<b>Resolution Number:</b>	186
<b>Accreditations:</b>	Western Association of Schools and Colleges, American Bar Association		

**Use of Bond Proceeds:** Bond proceeds will be used to advance refund portions of the University's 1994, 1996 and 1999 CEFA bond issues resulting in an estimated net present value savings to the University of approximately \$5.8 million. Remaining bond proceeds will be used for construction, renovations, and the purchase of equipment.

<b>Type of Issue:</b>	Public offering, fixed and variable rates.
<b>Credit Enhancement:</b>	MBIA Insurance Corporation
<b>Expected Credit Rating:</b>	"Aaa/AAA" – (Moody's/Fitch) based on MBIA insurance with an expected underlying "A2" rating (Moody's). (Refer to Financing Structure on page 2 for additional information).
<b>Senior Underwriter:</b>	Banc of America Securities LLC
<b>Bond Counsel:</b>	Orrick, Herrington & Sutcliffe

**Financial Overview:** Loyola Marymount University's consistent operating results are derived from strong student demand. The University maintains a substantial resource base and is well positioned to manage the proposed new debt obligations.

<u>Sources of Revenues (\$000)- FYE 5-31-00:</u>	<u>Amount</u>	<u>Percent</u>
<b>(Unrestricted Funds)</b>		
Net Tuition and Fees	\$107,277	59%
Investment income	30,220	17%
Grants, contributions and pledges	22,148	12%
Auxiliary enterprise revenue	15,410	9%
Other revenue	2,292	1%
Net assets released from restrictions	3,888	2%
<b>Total revenue</b>	<b>\$181,235</b>	<b>100%</b>

<u>Estimated Sources of Funds (\$000):</u>		<u>Estimated Uses of Funds (\$000):</u>	
Bond Proceeds	\$115,000	Advance refundings	\$82,689
Original Issue Discount	(84)	Construction and renovation	26,085
Interest earnings*	1,320	Equipment purchase	2,000
		Financing Costs	5,462
<b>Total Sources</b>	<b>\$116,236</b>	<b>Total Uses</b>	<b>\$116,236</b>

**Staff Recommendation:** Staff recommends the Authority approve a resolution in an amount not to exceed \$115,000,000 for Loyola Marymount University, subject to the bonds having at least an "A" rating by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "A" rated debt.

**STAFF SUMMARY AND RECOMMENDATION  
BOND FINANCING PROGRAM**

April 26, 2001  
Resolution Number: 186

**LOYOLA MARYMOUNT UNIVERSITY (the "University")**

**I. PURPOSE OF FINANCING:** Loyola Marymount University plans to refund portions of existing CEFA bond issues for interest expense savings. The University also intends to finance various new construction and renovations to the Westchester Campus and the Law School Campus as well as purchase equipment. The following information provides specific project details.

**Uses of Funds:**

▪ **Advance Refunding.....** **\$82,689,000**

The University intends to advance refund portions of its 1994, 1996, and 1999 CEFA tax-exempt debt issues to reduce interest payments and achieve a net present value savings of approximately \$5.8 million.

▪ **New construction/renovation of existing facilities .....** **26,085,000**

Proceeds will be used to design and construct two on-campus student residence facilities to house approximately 360 students. The University currently houses 204 students at considerable expense in a nearby hotel and always has a sizable list of other students waiting for on-campus housing. In addition, the University intends to construct or renovate numerous University buildings located on the Westchester Campus including several classrooms and the Von der Ahe Library. The balance of this portion of the funds will be used to construct a gate and related landscaping at the Lincoln Boulevard entrance to the Westchester Campus.

\$23,085,000

Bond proceeds will also be used to construct an operations and maintenance facility at the Westchester Campus.

2,000,000

In addition, the University plans to renovate and remodel structures on the Law School Campus including various classrooms, the Rains Library, the parking structure and the Valencia Gate and related landscaping.

1,000,000

- **Equipment** ..... **2,000,000**

The University plans to acquire and install technology equipment and software in facilities located on both campuses.

- **Financing costs** ..... **5,462,000**

Costs of Issuance .....	\$2,348,000
Capitalized Interest .....	2,272,000
Underwriters Discount .....	842,000

**Total Uses of Funds** ..... **\$116,236,000**

**Financing Structure:**

- Negotiated public offering
- Fixed and variable interest rates.
- Expected final maturity on 10/01/2039.
- MBIA Insurance
- \$82.7 million Series 2001A Fixed Rate (refunding component)  
(expected "Aaa/AAA" – Moody's and Fitch ratings)
- \$32.3 million Series 2001B Variable Rate (new money component)  
(expected VMIG1/F-1 - Moody's/Fitch)

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## II. FINANCIAL STATEMENTS AND ANALYSIS:

### LOYOLA MARYMOUNT UNIVERSITY

#### Statement of Activities Unrestricted (000's)

	Fiscal Year Ended May 31,		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
<b>Revenues:</b>			
Net tuition and fees	\$ 107,277	\$ 98,597	\$ 87,215
Investment return designated for operations	11,322	10,170	8,773
Grants, contributions and pledges	22,148	10,718	10,657
Auxiliary enterprise revenue	15,410	14,057	14,959
Other revenue	2,292	2,165	1,727
Net assets released from restrictions	3,888	12,680	5,782
Total revenues	<u>162,337</u>	<u>148,387</u>	<u>129,113</u>
<b>Expenses:</b>			
Instruction and research	57,469	52,823	47,634
Academic support	5,408	5,263	4,770
Library	8,382	7,844	7,598
Student services	17,706	16,169	14,136
Institutional support	34,614	30,594	27,483
Auxiliary enterprises	15,374	13,839	14,283
Total expenses	<u>138,953</u>	<u>126,532</u>	<u>115,904</u>
Increase in operating net assets	23,384	21,855	13,209
<b>Non-operating revenues and expenses:</b>			
Investment return in excess of amounts designated for current operations	18,898	497	24,221
Reclassifications	804	(982)	(399)
Increase in unrestricted net assets	43,086	21,370	37,031
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>338,934</u>	<u>317,564</u>	<u>280,533</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 382,020</u>	<u>\$ 338,934</u>	<u>\$ 317,564</u>

**LOYOLA MARYMOUNT UNIVERSITY**  
**Statement of Financial Position (000's)**

	As of May 31		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 6,322	\$ 9,588	\$ 18,598
Tuition and fees	1,055	866	1,048
Pledges receivable	10,686	14,655	26,875
Notes receivable	27,664	26,861	26,159
Other receivable	4,173	4,040	2,856
Investments	263,764	258,029	239,397
Prepaid expenses, deferred charges and other assets	6,815	4,020	4,214
Plant properties, net of accumulated depreciation	319,227	205,058	193,178
<b>TOTAL ASSETS</b>	<b>\$ 639,706</b>	<b>\$ 523,117</b>	<b>\$ 512,325</b>
<b>LIABILITIES AND NET ASSETS:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$ 19,720	\$ 12,881	\$ 12,150
Deferred student revenue and deposits	5,897	4,585	4,817
CEFA loan and revenue bonds, net of unamortized discount	123,178	64,199	67,226
Loan funds returnable to donor	1,152	1,760	2,338
U.S. Government grants refundable	11,042	10,874	10,621
Annuity reserves and assets held for others	2,678	2,543	2,437
<b>TOTAL LIABILITIES</b>	<b>163,667</b>	<b>96,842</b>	<b>99,589</b>
<b>Net assets:</b>			
Unrestricted	382,020	338,934	317,564
Temporarily Restricted	15,698	17,549	33,832
Permanently Restricted	78,321	69,792	61,340
<b>TOTAL NET ASSETS</b>	<b>476,039</b>	<b>426,275</b>	<b>412,736</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 639,706</b>	<b>\$ 523,117</b>	<b>\$ 512,325</b>

**Financial Ratios:**

	Proforma (a)	<u>2000</u>	<u>1999</u>	<u>1998</u>
	<u>YE May 31, 2000</u>			
Debt service coverage (x)	4.49	5.02	3.29	4.57
Debt to expendable net assets (x)	0.43	0.31	0.18	0.19
Expendable net assets to operations (x)		2.86	2.82	3.03
Margin (%)		23.7%	14.4%	24.2%

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

### **Financial Discussion:**

**Loyola Marymount University's consistent operating results are derived from strong student demand.**

Tuition and fees are one of the main sources of revenue for the University representing 59% of total revenues in fiscal 2000. Though the University's operations are reliant on student revenues, it has a diverse revenue mix and continues to post strong earnings each year resulting in significant margins currently near the 24% level.

A growing student application and enrollment base, especially in the undergraduate programs, fuels positive operations. The University's undergraduate applicant pool continues to grow rapidly, having increased almost 27% over the past four years. This has allowed the University to secure the largest undergraduate entering class in its history while increasing its admissions and quality standards.

**The University maintains a substantial resource base and is well positioned to manage the proposed new debt obligations.**

The University's current financial strength is sound. It maintains over \$476 million of total net assets, with the majority of these assets (\$382 million) being unrestricted. It maintains a strong debt service coverage ratio with fiscal 2000 at over 5 times and this ratio will only slightly decrease with this proposed financing to 4.5 times.

Management projects that the proposed new student housing will generate significant additional auxiliary revenues. The University consistently maintains a sizable list of students waiting for on-campus housing and this financing will enable it to accommodate an additional 360 students. The University believes that its location in one of the largest population centers in the country, its ability to attract new students, and its mix of graduate and undergraduate programs will enable it to maintain stable enrollment for the foreseeable future.

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

#### ***Applicant Pool***

The following tables set forth applications, admissions and new enrollments for the undergraduate, law and other graduate programs for the last five academic years:

### Undergraduate\*

Fall Semester	Applications	Offered Admission	Selectivity Ratio	New Enrollments
1996	5,902	3,879	65.7%	1,175
1997	6,193	4,179	67.5%	1,279
1998	6,821	4,338	63.6%	1,301
1999	7,464	4,525	60.6%	1,340
2000	7,492	4,356	58.1%	1,393

\* Headcount, not full-time equivalent

### Law School\*

Fall Semester	Applications	Offered Admission	Selectivity Ratio	New Enrollments
1996	3,021	1,167	38.6%	421
1997	2,783	1,064	38.2%	428
1998	3,105	1,201	38.7%	453
1999	3,083	1,240	40.2%	444
2000	3,234	1,259	38.9%	442

\* Headcount, not full-time equivalent

### Other Graduate\*

Fall Semester	Applications	Offered Admission	Selectivity Ratio	New Enrollments
1996	939	599	63.8%	400
1997	1,026	655	63.8%	429
1998	1,271	724	57.0%	497
1999	1,139	680	59.7%	442
2000	1,025	760	74.1%	540

\* Headcount, not full-time equivalent

### *Enrollments and Degrees*

The University's enrollment has grown from 6,033 to 6,999 full time equivalent (FTE) students over the last four years. The following table sets forth the University's full time equivalent fall semester enrollment for the past four years and the current academic year together with the number of degrees conferred in each such year completed.

Academic Year	Enrollments				Degrees Awarded			Total FTE Enrollment
	Undergraduate FTE	Graduate FTE	Law FTE	Total FTE	Bachelor	Graduate	Law	
1996-97	3,823	966	1,244	6,033	984	318	400	1,702
1997-98	3,961	1,035	1,221	6,217	897	329	392	1,618
1998-99	4,196	1,066	1,229	6,491	888	395	387	1,670
1999-00	4,444	1,031	1,244	6,719	987	391	386	1,764
2000-01	4,617	1,076	1,306	6,999	n.a.	n.a.	n.a.	n.a.

***Undergraduate Tuition and Fees, Room and Board, and Law School Tuition***

Tuition fees and room/board costs for an undergraduate for the 2000-01 school year is \$26,708. Both law school tuition and fees and total undergraduate costs have increased an average of 5% over the last five years.

Academic Year	Undergraduate Tuition and Fees	Room and Board	Undergraduate Total	Law School Tuition
1996-97	\$15,446	\$6,492	\$21,938	\$19,406
1997-98	\$16,296	\$6,736	\$23,032	\$20,474
1998-99	\$17,102	\$7,004	\$24,106	\$21,488
1999-00	\$17,932	\$7,328	\$25,260	\$22,530
2000-01	\$19,100	\$7,608	\$26,708	\$23,624

***Faculty Summary***

The following table reflects the number of full time and part time faculty for the past five academic years together with the number of tenured full time faculty members. There are no unions representing members of the faculty.

Academic Year	Tenured Full Time	Other Full Time	Part Time FTE	Total FTE
1996-97	230	85	343	658
1997-98	234	104	343	681
1998-99	248	78	395	721
1999-00	249	85	408	742
2000-01	258	104	387	749



#### **IV. BACKGROUND:**

##### **General:**

Loyola Marymount University is a nonprofit, coeducational, privately endowed university emphasizing undergraduate liberal arts as well as professional and graduate education. It is affiliated with the Catholic Church. Because the University is affiliated with a religious denomination, it has provided a certification of compliance in accord with the CEFA Act. The University is the successor to St. Vincent's College, which was founded in 1865. In 1918, the institution was incorporated as Loyola College of Los Angeles by the members of the Society of Jesus and gained university status in 1930. The Marymount College for Women, founded in 1933, was consolidated with Loyola University in 1973 to become Loyola Marymount University.

The University has two major campuses: the 162-acre Westchester campus and the Loyola Law School campus. The Westchester campus is located near the western edge of Los Angeles on a mesa overlooking the Pacific Ocean and is approximately 1.5 miles north of the Los Angeles airport. This campus includes forty-five buildings comprising approximately 2,830,000 square feet. Fourteen of the buildings housed approximately 2,733 resident students in the fall of 2000. The remaining buildings are primarily devoted to the educational and related activities of the University.

The Law School is a four-acre campus located in downtown Los Angeles, approximately 18 miles northeast of the Westchester campus. The law school campus has received national architectural awards for its design and includes three major buildings and five other buildings totaling 181,000 square feet, all constructed or renovated since 1981. The Law School also operates an 800-car parking facility on its campus.

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

Loyola Marymount University is an independent University affiliated with the Catholic Church. 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 Loyola Marymount University responded satisfactorily to all questions.

### **Administration:**

A self-perpetuating Board of Trustees comprised of 37 members serving three-year terms governs the University. The terms of approximately one-third of the members expire each year, and all officers of the Board are elected annually.

### **Accreditation and Affiliations:**

The University is accredited by the Western Association of Schools and Colleges. It also has professional accreditation or approval from the following organizations: Accreditation Board for Engineering and Technology, Inc. (undergraduate); American Art Therapy Association; American Assembly of Collegiate Schools of Business; American Bar Association; American Chemical Society; Association of American Law Schools; California State Board of Education; the Committee of Bar Examiners of the State of California; International Association of Counseling Services; National Association of Schools of Art and Design Commission on Accreditation; National Association of Schools of Dance; National Association of Schools of Theatre; National Council for Accreditation of Teacher Education; and the State Commission on Teacher Credentialing.

### **Academic Programs:**

The University's educational program is organized into four undergraduate colleges, the Graduate Division and the Law School. The colleges of Liberal Arts, Communication and Fine Arts, Business Administration, and Science and Engineering provide undergraduate instruction. In addition, the University offers several study abroad programs. Graduate degrees are awarded in the Law School and in selected majors in each of the colleges and in the Department of Education. The University offers 72 bachelor and masters degree programs, in addition to primary and secondary education credential programs, and an aerospace studies program leading to a commission in the United States Air Force. The Law School grants the Juris Doctor degree. The University also offers continuing education and summer session courses.

### **Competition:**

Loyola finds that its competition for students comes primarily from the University of Southern California, University of California at Los Angeles, Pepperdine University, and the University of San Diego. Other universities in the University of California system attract prospective Loyola students as well.

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

<u>Issue:</u>	<u>Original Amount</u>	<u>Amount Outstanding As of 5/31/00</u>	<u>* Estimated Amount Outstanding after Proposed Financing</u>
<b>Existing:</b>			
CEFA Series 1992	\$ 20,485	\$ 12,410	\$ 12,410
CEFA Series 1992B	15,000	850	850
CEFA Series 1994	27,725	19,460	5,255
CEFA Series 1996	10,190	9,535	2,040
CEFA Series 1997	19,295	19,180	19,180
CEFA Series 1999 - Capital Appreciation Bonds	62,143	62,143	18,291
<b>Proposed:</b>			
CEFA Series 2001A and 2001B			<u>115,000</u>
Total	<u>\$154,838</u>	<u>\$123,578</u>	<u>\$173,026</u>

\* Does not reflect October 1, 2000 principal payments.

**VI. STAFF RECOMMENDATION:**

Staff recommends the Authority approve a resolution in an amount not to exceed \$115,000,000 for Loyola Marymount University, subject to the bonds having at least an "A" rating by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "A" rated debt.