

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
EXECUTIVE SUMMARY**

<p>Applicant: University of San Diego (“University”) San Diego, California San Diego County</p> <p>Facility Type: Private University</p> <p>Accreditations: Western Association of Schools and Colleges</p>	<p>Amount Requested: \$14,500,000</p> <p>Loan Term: 30 Years</p> <p>Date Requested: February 28, 2002</p> <p>Final Resolution Number: No. 195</p>																								
<p>Use of Bond Proceeds: Bond proceeds will be used to construct a parking structure and reimburse prior expenditures.</p>																									
<p>Type of Issue: Negotiated public offering, fixed rate.</p> <p>Credit Enhancement: Possibly, if cost effective</p> <p>Expected Rating: Moody’s A3 (Underlying rating for the University)</p>																									
<p>Senior Underwriter: Prager, McCarthy & Sealy</p> <p>Bond Counsel: Orrick, Herrington & Sutcliffe</p>																									
<p>Financial Overview: The University of San Diego has a demonstrated history of strong financial operations, driven by favorable enrollment trends and steady increases in tuition and room and board charges. The University’s debt levels are satisfactory, with debt to unrestricted net assets ratio of .52x for the most recent audit period. In addition, the University has significant financial resources, with net assets of over \$331 million.</p>																									
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Sources of Revenue: <i>(FYE 6-30-01)</i></th> <th style="text-align: right;"><u>Amount</u></th> <th style="text-align: right;"><u>Percent</u></th> </tr> </thead> <tbody> <tr> <td>Tuition & Fees</td> <td style="text-align: right;">\$110,330,561</td> <td style="text-align: right;">75.9%</td> </tr> <tr> <td>Sales and services of auxiliary enterprises</td> <td style="text-align: right;">26,355,202</td> <td style="text-align: right;">18.1%</td> </tr> <tr> <td>Contributions</td> <td style="text-align: right;">9,977,246</td> <td style="text-align: right;">6.9%</td> </tr> <tr> <td>Grants and contracts</td> <td style="text-align: right;">5,085,560</td> <td style="text-align: right;">3.5%</td> </tr> <tr> <td>Athletics, recreation and other revenue</td> <td style="text-align: right;">2,010,826</td> <td style="text-align: right;">1.4%</td> </tr> <tr> <td>Investment loss, net</td> <td style="text-align: right;"><u>(8,497,913)</u></td> <td style="text-align: right;"><u>-5.8%</u></td> </tr> <tr> <td>Total Revenue</td> <td style="text-align: right;"><u>\$145,261,482</u></td> <td style="text-align: right;"><u>100.0%</u></td> </tr> </tbody> </table>		Sources of Revenue: <i>(FYE 6-30-01)</i>	<u>Amount</u>	<u>Percent</u>	Tuition & Fees	\$110,330,561	75.9%	Sales and services of auxiliary enterprises	26,355,202	18.1%	Contributions	9,977,246	6.9%	Grants and contracts	5,085,560	3.5%	Athletics, recreation and other revenue	2,010,826	1.4%	Investment loss, net	<u>(8,497,913)</u>	<u>-5.8%</u>	Total Revenue	<u>\$145,261,482</u>	<u>100.0%</u>
Sources of Revenue: <i>(FYE 6-30-01)</i>	<u>Amount</u>	<u>Percent</u>																							
Tuition & Fees	\$110,330,561	75.9%																							
Sales and services of auxiliary enterprises	26,355,202	18.1%																							
Contributions	9,977,246	6.9%																							
Grants and contracts	5,085,560	3.5%																							
Athletics, recreation and other revenue	2,010,826	1.4%																							
Investment loss, net	<u>(8,497,913)</u>	<u>-5.8%</u>																							
Total Revenue	<u>\$145,261,482</u>	<u>100.0%</u>																							
<p>Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.</p>																									
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: left;"><u>Estimated Sources of Funds:</u></th> <th colspan="2" style="text-align: left;"><u>Estimated Uses of Funds:</u></th> </tr> </thead> <tbody> <tr> <td style="width: 30%;">Par Amount of Bonds</td> <td style="width: 20%; text-align: right;">\$14,500,000</td> <td style="width: 30%;">Construction/Renovation</td> <td style="width: 20%; text-align: right;">\$12,586,000</td> </tr> <tr> <td></td> <td></td> <td>Reimbursement</td> <td style="text-align: right;">174,000</td> </tr> <tr> <td></td> <td></td> <td>Capitalized Interest</td> <td style="text-align: right;">1,440,000</td> </tr> <tr> <td></td> <td></td> <td>Financing Costs</td> <td style="text-align: right;"><u>300,000</u></td> </tr> <tr> <td>Total Sources</td> <td style="text-align: right;"><u>\$14,500,000</u></td> <td>Total Uses</td> <td style="text-align: right;"><u>\$14,500,000</u></td> </tr> </tbody> </table>		<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>		Par Amount of Bonds	\$14,500,000	Construction/Renovation	\$12,586,000			Reimbursement	174,000			Capitalized Interest	1,440,000			Financing Costs	<u>300,000</u>	Total Sources	<u>\$14,500,000</u>	Total Uses	<u>\$14,500,000</u>
<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>																							
Par Amount of Bonds	\$14,500,000	Construction/Renovation	\$12,586,000																						
		Reimbursement	174,000																						
		Capitalized Interest	1,440,000																						
		Financing Costs	<u>300,000</u>																						
Total Sources	<u>\$14,500,000</u>	Total Uses	<u>\$14,500,000</u>																						
<p>Recommendation: Staff recommends the Authority approve a resolution in an amount not to exceed \$14,500,000 for the University of San Diego, subject to the bonds having at least an “A” 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 Diego

February 28, 2002

Final Resolution Number: 195

I. PURPOSE OF FINANCING:

As part of the University’s master plan, the addition of a parking structure is necessary due to the loss of surface parking spaces as a result of the construction of the Joan B. Kroc Institute for Peace and Justice and the Center for Science and Technology. In addition, the continued growth in student enrollment necessitates this project.

Uses of Funds:

1. Construction of parking structure	\$12,586,000
The University plans to construct a new parking structure on Marian Way at the west-end of the University’s campus. The project includes the design, engineering, landscaping and construction of a multi-level structure of approximately 230,000 square feet and includes a minimum of 705 parking stalls along with a storage room located within the structure. The storage room will house stand-by generators for the University campus. The site is approximately 3 acres in size and will include the realignment of service streets connecting the facility to Marian Way.	
2. Reimbursement of prior expenditures	174,000
The reimbursement costs for prior expenditures include the project design consultants, Latitude 33, Lamar Space, Kleinfelder, Carrier Johnson, and other miscellaneous costs related to the project.	
3. Capitalized Interest	1,440,000
4. Financing costs	<u>300,000</u>
Underwriters Discount	\$150,000
Cost of Issuance	150,000
Total Uses of Funds	<u>\$14,500,000</u>

Financing Structure:

- \$14,500,000 total par value.
- 30 year final maturity, fixed, with serial and/or term maturities.
- Negotiated public offering.
- Underlying rating of the University is expected to be A3 (Moody's).
- Bonds may be sold with insurance, if cost effective.
- Delivery of bonds anticipated in April 2002.

II. FINANCIAL STATEMENTS AND ANALYSIS:

UNIVERSITY OF SAN DIEGO

Income Statement

	Fiscal Year ending June 30		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
REVENUES, GAINS AND OTHER SUPPORT:			
Tuition and fees	\$ 110,330,561	\$ 99,784,735	\$ 83,960,405
Sales and services of auxiliary enterprises	26,355,202	24,263,380	20,343,346
Athletics, recreation and other revenue	2,010,826	1,442,942	1,420,192
Grants and Contracts	5,085,560	3,828,451	2,954,551
Contributions	9,977,246	9,581,000	9,573,125
Investment income, net	(8,497,913)	28,930,994	27,502,089
Total revenues, gains and other support	<u>145,261,482</u>	<u>167,831,502</u>	<u>145,753,708</u>
EXPENSES:			
Educational programs	74,694,833	69,097,900	53,672,549
Research	708,391	898,161	596,578
Scholarships	4,261,427	3,753,146	3,337,881
Athletics and recreation	5,606,980	5,323,024	3,893,158
Public service	1,442,126	1,149,043	926,950
Auxiliary enterprise expenditures	23,199,119	21,101,701	16,012,134
Management and general expenses	30,710,361	25,371,432	21,783,929
Total expenses	<u>140,623,237</u>	<u>126,694,407</u>	<u>100,223,179</u>
NET INCREASE IN NET ASSETS	4,638,245	41,137,095	45,530,529
NET ASSETS AT BEGINNING OF YEAR	<u>327,036,392</u>	<u>285,899,297</u>	<u>240,368,768</u>
NET ASSETS AT END OF YEAR	<u>\$ 331,674,637</u>	<u>\$ 327,036,392</u>	<u>\$ 285,899,297</u>

UNIVERSITY OF SAN DIEGO
Balance Sheet

	As of June 30		
	2001	2000	1999
ASSETS			
Cash and cash equivalents	\$ 3,867,766	\$ 55,205	\$ 956,361
Short-term investments	101,262,863	85,691,242	31,855,465
Receivables, net	27,585,761	24,417,136	23,502,200
Other assets	6,238,378	5,756,924	5,141,927
Contributions receivable	7,279,657	7,932,650	6,771,372
Property, plant and equipment, net	210,964,188	176,144,259	149,395,623
Long-term investments	140,570,898	154,779,439	183,491,323
Total assets	\$ 497,769,511	\$ 454,776,855	\$ 401,114,271
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accounts payable and accrued expenses	\$ 23,449,831	\$ 21,028,964	\$ 15,834,774
Deferred tuition revenue	14,266,730	11,759,561	9,299,587
Other liabilities	1,358,834	1,732,144	1,489,011
Note payable	5,100,000	6,000,000	-
Bonds payable	113,330,078	78,987,103	80,749,379
Refundable advances	8,589,401	8,232,691	7,842,223
Total liabilities	166,094,874	127,740,463	115,214,974
NET ASSETS:			
Unrestricted:			
Undesignated	212,138,440	179,684,348	145,878,469
Designated	16,220,996	15,700,491	13,635,799
Total unrestricted net assets	228,359,436	195,384,839	159,514,268
Temporary restricted	49,483,698	79,778,675	75,542,499
Permanently restricted	53,831,503	51,872,878	50,842,530
Total net assets	331,674,637	327,036,392	285,899,297
TOTAL LIABILITIES AND NET ASSETS	\$ 497,769,511	\$ 454,776,855	\$ 401,114,271

Financial Ratios:

	Proforma (1)			
	<u>FYE 2001</u>			
Debt Service Coverage (x)	1.86	2.16	9.26	17.54
Debt/Unrestricted Net Assets(x)	0.58	0.52	0.43	0.51
Margin (%)		3.19%	24.51%	31.24%
Current Ratio (x)		3.74	3.59	2.56

(1) Recalculates June 2001 audited results to include the impact of this financing.

Financial Discussion:

The University of San Diego has a demonstrated history of strong financial operations, driven by favorable enrollment trends and steady increases in tuition and room and board charges.

The University has posted positive net income over the review period. The most recent fiscal year income statement exhibits net income of \$4.6 million, a large decline from the previous years due to a significant decline in investment income as a result of poor equity market conditions. Student enrollment growth has been modest at approximately 2% per year over the review period. Tuition and auxiliary revenues, which together account for nearly 90% of operating revenue, have grown at an average rate of 10% the last three years and have led to strong operating margins in each of the years reviewed. The University's established market presence and competitive tuition levels have provided solid student demand and have contributed to the University's strong operating performance and strong debt service coverage over the years.

The University's debt levels are satisfactory, with debt to unrestricted net assets ratio of .52x for the most recent audit period. In addition, the University has significant financial resources with over \$331 million in net assets.

With the proposed financing, the University's debt level is projected to be \$132 million. Although long-term debt is significant, the University's debt ratio appears manageable, with its debt to unrestricted net assets ratio of .52x. In addition, due to the organization's long-term successful operations history, its unrestricted net assets exceed \$228 million, representing approximately 68% of total net assets. With this proposed financing, proforma debt service coverage is a 1.86x, indicating a positive ability to manage the increased loan obligation.

III. STUDENTS, COLLEGE COSTS AND FACULTY STATISTICS:

Applicant Pool

The University seeks to attract applicants for its student body across the country and around the world. Of the Fall 2001 entering class, 550 of the 1,004 entering freshmen, or approximately 54.8%, were from California, and 454, or approximately 45.2%, were from states other than California or from foreign countries. Of the 1,004 entering freshmen, 203, or approximately 20.2%, were from San Diego County.

The following tables show the University's application, admission, and new enrollment data for the Fall semester of the current academic year and each of the preceding four academic years for its undergraduate freshmen, undergraduate transfer students, combined graduate programs (except the Law School) and the Law School.

Freshman and Transfer* (Combined)

Fall Semester	Number of Apps.	Offered Admissions	Selectivity Ratio	New Enrollments
1997	5,595	3,913	70%	1,327
1998	6,108	3,853	63%	1,355
1999	7,242	3,922	54%	1,343
2000	7,758	3,997	51%	1,423
2001	7,553	3,917	52%	1,327

*Headcount, not full-time equivalent

Graduate Programs* (Except Law)

Fall Semester	Number of Apps.	Offered Admissions	Selectivity Ratio	New Enrollments
1997	1,508	867	57%	495
1998	1,483	922	62%	531
1999	1,185	695	59%	337
2000	1,252	730	58%	397
2001	1,167	692	59%	347

*Headcount, not full-time equivalent

Law School*

Fall Semester	Number of Apps.	Offered Admissions	Selectivity Ratio	New Enrollments
1997	2,786	1,281	46%	326
1998	2,742	1,296	47%	341
1999	2,935	1,257	43%	334
2000	3,082	1,258	41%	338
2001	3,408	1,344	39%	347

*Headcount, not full-time equivalent

Enrollments and Degrees

The total Fall semester 2001 FTE headcount enrollment of 7,062 students translates into FTE enrollment of 6,242 students of which 4,809 are undergraduate students and 2,253 are graduate or professional students. The University's Master Plan allows for total enrollment of 7,200 FTE. The following tables set forth the University's FTE enrollment and degrees awarded for the five academic years listed. Although new enrollments in Fall 2001 were down from recent levels, total enrollments have increased due to higher student retention rates at the University during the same period.

ENROLLMENTS AND DEGREES
(Full-Time Equivalent)

Enrollments					Degrees Awarded			
Academic Year	Undergrad FTE	Graduate FTE	Law FTE	Total FTE	Bachelor	Graduate	Law	Total
1997-98	4,044	736	989	5,769	929	375	369	1,694
1998-99	4,151	703	1,004	5,858	977	377	386	1,740
1999-00	4,347	672	971	5,990	911	362	381	1,654
2000-01	4,537	620	972	6,129	1,019	340	394	1,753
2001-02	4,580	654	1,008	6,242	1,056	308	366	1,730

*Fall Semester only

Tuition and Fees

For the 2001-02 academic year, the average full-time undergraduate student pays \$20,350 a year in tuition and fees. Graduate students (excluding law students) pay \$720 per academic credit at the master's degree level and \$735 per academic credit at the doctorate degree level. Full-time law students pay \$24,880 per year in tuition.

The following table sets forth the annual tuition and fees charged to each full-time undergraduate student, together with the average annual room and board charges paid by those students living in the University's housing, for the current and each of the past four academic years. Undergraduate tuition and fees for academic year 2002-03 have been set at \$21,880.

UNDERGRADUATE TUITION, FEES, ROOM AND BOARD

Academic Year	Undergraduate Tuition and Fees	Room and Board	Undergraduate Total
1997-98	\$15,680	\$6,850	\$22,530
1998-99	16,470	7,200	23,670
1999-00	17,780	7,560	25,340
2000-01	19,020	7,780	26,800
2001-02	20,350	8,234	28,584

* The amounts in the table represent the average room and board charges with respect to all types of accommodations offered by the University. The amounts do not necessarily reflect amounts paid by any individual student or the average amount paid by all students. Approximately 47% of all undergraduate students live in University housing.

Faculty

In the Fall 2001 semester, the University had full-time faculty of 315 and a part-time full-time equivalent ("FTE") of 117. Of the 315 full-time faculty, 146 were professors, 83 were associate professors, 76 were assistant professor and 10 were instructors. Approximately 98% of the full-time faculty have obtained a Ph.D. or other terminal degree, and approximately 67% of the full-time faculty are tenured. The student-to-faculty ratio (excluding law students) is 15 to 1. In addition to its faculty, the University currently employs a workforce of approximately 1,189 full-time and part-time non-student employees.

FACULTY SUMMARY
(Full-Time Equivalent)

Academic Year	Tenured Full-Time	Other Full-Time	Part-Time FTE	Total FTE
1997-98	194	89	102	385
1998-99	196	92	104	392
1999-00	206	88	115	403
2000-01	217	83	119	419
2001-02	210	105	117	432

*Fall Semester only

IV. BACKGROUND:

General

The San Diego College for Women, the first component of the University, began classes in February 1952. The University's second component, the College for Men, opened in 1954. The two colleges merged in July 1972 forming a single independent Catholic university.

The University of San Diego is now organized into five academic divisions: the College of Arts and Sciences, the School of Business Administration, the School of Education, the Philip Y. Hahn School of Nursing, and the School of Law. The School of Graduate and Continuing Education coordinates the graduate programs of all but the last of these divisions.

The University campus occupies approximately 180 acres of tableland overlooking Mission Bay and the downtown business area of the City of San Diego. Situated seven miles north of San Diego Civic Center, the University is near museums, cultural centers, and recreational facilities, and is served by a network of freeways providing easy access to most of San Diego County's cultural, business and residential locations. The University is 20 miles north of the Mexican border and 120 miles south of Los Angeles, presently has 14 major buildings utilized for academics and administration. In addition, the University operates several student residential facilities.

Administration:

The University is governed by a self-perpetuating Board of Trustees comprised of 41 members, consisting of three classes of voting members. The first class consists of 36 persons elected by the Board and one ex-officio member, the President of the University; the second class consists of two persons designated by the United States Provincial for the Society of the Sacred Heart of Jesus; and the third class consists of two persons designated by the incumbent Bishop of Administration of the Roman Catholic Diocese of San Diego. The regular term of the office of Trustee is three years and the members serve staggered terms.

Accreditations:

The University is accredited by the Western Association of Schools and Colleges. The School of Law is accredited by the American Bar Association and holds membership in the Association of American Law Schools. The Philip Y. Hahn School of Nursing's master's and baccalaureate programs are accredited by the National League for Nursing. The School of Business is accredited both at the baccalaureate and master's levels by the American Assembly of Collegiate Schools of Business.

The University is authorized by the Commission on Teacher Credentialing of the State of California to recommend candidates for Multiple and Single Subject Teaching Credentials, the Bilingual Specialist, the Specialist in Special Education Credentials, and the Administrative Services and Personnel Services credentials.

Academic Programs:

The University offers a broad spectrum of undergraduate, graduate, professional and continuing education programs. In the year ending June 30, 2001, the University awarded degrees to a total of 1,730 students, of whom 1,056 received undergraduate degrees, 308 received graduate degrees, and 366 received law degrees.

The University is organized into five academic divisions including the College of Arts and Sciences, School of Business Administration, School of Education, Philip Y. Hahn School of Nursing, and the School of Law. In addition, the University offers Summer Sessions, Continuing Education, and Special Programs and Services.

Religious Certification:

Because the University is affiliated with a religious denomination, it has provided a certification of compliance in accordance with the CEFA Act.

Competition

The major competitors of the University of San Diego are mostly public universities, and are primarily branches of the University of California. The University's top ten competitors for students (as measured by overlap of students reporting SAT scores to both the University and the competing university) are :

- | | |
|--------------------------------------|--------------------------------|
| 1. UC San Diego | 6. UC Irvine |
| 2. UC Santa Barbara | 7. UC Berkeley |
| 3. UC Los Angeles | 8. UC Davis |
| 4. San Diego State University | 9. Loyola Marymount University |
| 5. University of Southern California | 10. Santa Clara University |

Most of the top ten schools with which the University competes for students are at least as selective as the University in their admissions standards, and the three private schools on the list all charge a substantially higher rate of tuition than does the University. These facts should ensure that the University will continue to enjoy relative stability in its market share with respect to applications.

V. OUTSTANDING AUTHORITY DEBT:

As of June 30, 2001, the outstanding debt issued through this Authority for the University of San Diego totaled \$76,934,835. Following the proposed financing, the University’s total outstanding debt will be approximately \$132,930,078, with the Authority debt totaling \$91,434,825. The University’s total debt is comprised of the following:

Issue Name:	Original Amount	Amount Outstanding As of 6/30/01*	Estimated Amount Outstanding after Proposed Financing
Existing			
University of San Diego 1995A, CEFA	\$9,405,000	\$7,349,155	\$7,349,155
University of San Diego 1998, CEFA	41,490,000	38,010,671	38,010,671
University of San Diego 1999, CEFA	31,778,189	31,574,999	31,574,999
Term Note 2000	6,000,000	5,100,000	5,100,000
County of San Diego 2001	36,395,253	36,395,253	36,395,253
Proposed			
<i>University of San Diego 2002</i>			14,500,000
Totals		<u>\$118,430,078</u>	<u>\$132,930,078</u>

*includes current portion.

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 in an amount not to exceed \$14,500,000 for the University of San Diego, subject to the bonds having at least a “A” rating by a nationally recognized rating agency and meeting the standard bond issuance provisions for “A” rated debt.