

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

Applicant: University of the Pacific (“UOP”) Stockton, California San Joaquin County Facility Type: Private University Accreditations: Western Association of Schools and Colleges (“WASC”)	Amount Requested: \$24,500,000 Loan Term: 30 years Date Requested: April 25, 2002 Resolution Number: 201
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Purpose of Financing: To renovate and expand various campus buildings and facilities.

Type of Issue: Public offering, fixed interest rate
Credit Enhancement: None
Underlying Credit Rating: A3 (Moody’s)
Senior Underwriter: Prager, McCarthy & Sealy LLP
Bond Counsel: Orrick, Herrington, & Sutcliffe LLP

Financial Overview: UOP has shown healthy operating margins in each of the last three years due to its growing and varied revenue base of tuition, gifts, investments and controlled expenditures. UOP continues to have an extremely strong balance sheet with good liquidity.

<u>Sources of Revenue (\$000) – FY 6/30/01</u>	<u>Amount</u>	<u>Percent</u>
Tuition & Fees	\$ 98,859	58.5%
Sales and services auxiliary activities	17,284	10.2%
Private grants, gifts, and bequests	16,453	9.7%
Government grants & contracts	14,682	8.7%
Investment return	7,285	4.3%
Dental clinic fees	7,097	4.2%
Other	6,814	4.0%
Net assets released from restrictions	<u>597</u>	<u>0.4%</u>
Total Revenue	<u>\$169,071</u>	<u>100%</u>

Sources of Funds:		Uses of Funds:	
Bond Proceeds	\$24,500,000	Construction and Renovation	\$40,750,000
Donations	15,000,000	Financing Costs	500,000
2000 Bond Proceeds	<u>1,750,000</u>		
Total Sources	<u>\$41,250,000</u>	Total Uses	<u>\$41,250,000</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 \$24,500,000 for University of the Pacific, subject to a minimum “A” 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")**

April 25, 2002

Resolution Number: 201

I. PURPOSE OF FINANCING:

UOP intends to complete various construction and renovation projects to provide for increased enrollment per its strategic plan.

Campus Improvements \$40,750,000

Stockton Campus Facility Improvements \$38,750,000

1. Student Residential Facilities.....\$12,500,000
Proceeds would construct new residential apartments for approximately 200 additional students. This improvement is intended to meet the increased demand for on-campus residents. In addition, UOP plans to renovate the Southwest Hall and other residence halls. Southwest Hall will be the primary facility that will be renovated with upgraded restrooms and converting dormitory rooms into apartment type housing.
2. Weber Hall Expansion\$8,000,000
Proceeds would be used to add an additional 20,000 square feet for expanded offices and classrooms for the Eberhart School of Business.
3. Pacific Humanities Center\$6,750,000
Proceeds would help construct the Pacific Humanities Center, which would be in conjunction with the Italian Cultural Center. This would consolidate UOP's humanities departments and would provide new space for approximately 35-40 offices, several small seminar rooms and a presentation space.
4. Holt Library Expansion/Renovation\$ 5,500,000
Proceeds would be used to expand and renovate the current library. This expansion and renovation would provide additional storage space to consolidate the library's collection in one building, renovate the existing library to improve study areas and information common areas and upgrade technology.

5. Multi-Purpose Center\$4,500,000

Proceeds would be used to construct a facility that would provide approximately 35,000 square feet of indoor space for recreation activities, space for sports sciences activity classes and practice space for athletic teams. In addition, it would provide approximately 5,000 square feet of storage and locker space.

6. Office of Information Services & Resources\$1,500,000

Proceeds would be used to expand the Office of Information Services & Resources (“OISR”) by 6,500 square feet and renovate the current building.

McGeorge School of Law Renovations **2,000,000**

Proceeds will be used to renovate the law school located in Sacramento. Renovations would include the law library, lecture halls and the “Courtroom of the Future” all built in the early 1970’s.

Financing Costs	<u>500,000</u>
Underwriter’s Discount	\$300,000
Other Costs of Issuance	200,000
TOTAL USES OF FUNDS	<u>\$41,250,000</u>

Financing Structure:

- General obligation pledge
- \$24,500,000 total par value
- 30 year maturity
- Fixed rate, public offering
- Term maturities

II. FINANCIAL STATEMENTS AND ANALYSIS:

UNIVERSITY OF THE PACIFIC Statement of Activities (Unrestricted)

(in thousands)

	Year Ended June 30,		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
Revenues, gains, and other support			
Net tuition and fees	\$ 98,859	\$ 93,330	\$ 89,678
Sales and services of auxiliary enterprises	17,284	19,539	18,271
Government grants and contracts	14,682	13,269	8,967
Private grants, gifts, and bequests	16,453	5,765	6,047
Investment return	7,285	5,869	7,201
Dental clinic fees	7,097	7,017	7,111
Other	6,814	6,322	5,903
Net assets released from restrictions	597	154	5,334
Total revenues, gains and other support	<u>169,071</u>	<u>151,265</u>	<u>148,512</u>
Expenses:			
Instructional and department research	78,722	72,460	78,922
Auxiliary enterprises	18,121	20,776	20,149
Sponsored programs	8,444	7,859	9,617
Academic support	7,075	6,320	7,365
Student services	9,416	8,771	9,675
Student aid	1,852	2,748	2,553
General Administration	4,749	4,475	4,589
Fund raising activities	4,947	4,072	4,216
Operations and maintenance at plant	9,483	8,329	-
Depreciation	8,768	9,825	-
Interest	3,519	2,138	-
Total expenses	<u>155,096</u>	<u>147,773</u>	<u>137,086</u>
Increase in unrestricted net assets from operations	<u>13,975</u>	<u>3,492</u>	<u>11,426</u>
Other changes:			
Investments income designated as quasi-endowment	183	3,565	1,730
Extraordinary item-loss on early extinguishment of revenue bonds	0	(518)	0
Increase in net assets from other than operations	<u>183</u>	<u>3,047</u>	<u>1,730</u>
Increase in unrestricted net assets	<u>14,158</u>	<u>6,539</u>	<u>13,156</u>
Unrestricted net assets at beginning of year	153,166	146,627	133,471
Unrestricted net assets at end of year	<u>\$ 167,324</u>	<u>\$ 153,166</u>	<u>\$ 146,627</u>

UNIVERSITY OF THE PACIFIC
Statements of Financial Position
(in thousands)

	As of June 30,		
	2001	2000	1999
ASSETS:			
Cash and cash equivalents	\$ 22,531	\$ 17,519	\$ 20,326
Accounts receivable	12,497	13,117	9,822
Pledges receivable	15,845	6,246	5,729
Inventories, prepaid expenses and other assets	5,619	5,488	4,822
Loans receivable	24,409	24,557	25,077
Investments	192,281	187,685	154,202
Fixed assets, net	129,084	111,891	106,801
TOTAL ASSETS	\$ 402,266	\$ 366,503	\$ 326,779
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 16,388	\$ 14,629	\$ 14,436
Advance deposits and deferred revenue	4,752	5,977	5,921
Self-insurance reserves	2,568	2,747	2,956
Early retirement reserves	2,391	2,401	2,410
Capital lease obligations	1,518	1,217	-
Notes and bonds payable	60,898	61,608	38,401
Annuity reserves	10,217	9,464	6,372
Federal student loan funds	22,891	22,180	21,639
Total Liabilities	121,623	120,223	92,135
NET ASSETS:			
Unrestricted	167,324	153,166	146,627
Temporarily restricted	29,151	14,066	12,946
Permanently restricted	84,168	79,048	75,071
Total Net Assets	280,643	246,280	234,644
TOTAL LIABILITIES AND NET ASSETS	\$ 402,266	\$ 366,503	\$ 326,779

Financial Ratios:

	Proforma (a)			
	FYE June 30, 2001			
Debt service coverage (x)	4.07	5.52	3.27	4.97
Debt/Unrestricted net assets (x)	0.53	0.38	0.42	0.28
Margin (%)		8.36	4.22	8.76
Current Ratio (x)		3.31	3.05	3.55

(a) Recalculates 2001 audited results to include the payment of this proposed financing.

Financial Discussion:

UOP has shown healthy operating margins in each of the last three years due to its growing and varied revenue base of tuition, gifts, investments and controlled expenditures.

UOP has exhibited solid revenue growth over the last three years. Revenues consist of a variety of sources that include tuition, gifts and investments that provides UOP with substantial liquidity and flexibility. Tuition has increased an average of 5% each year providing stable growth. In addition, investments have remained steady and gifts have nearly tripled over the last three years, increasing from \$6 million in 1999 to over \$16 million in 2001. UOP has been able to control expenditures while still increasing faculty pay and improving technology throughout the campus. UOP should continue to generate positive financial results with its continued demand for services and its diversified revenue base.

UOP continues to have an extremely 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 \$50 million in cash and short-term investments. UOP has also embarked on a capital campaign that began in 2001 and has a working goal of \$200 million, with approximately \$90 million for endowment and the balance for capital projects and annual fund support. UOP currently has raised nearly \$68 million with approximately \$7 million designated for current capital projects. Debt service coverage is a strong 5.52x and with the proposed debt the proforma is 4.07x. UOP has minimal debt with debt to unrestricted net assets ratio of .38x and is projected to be .53x following this proposed financing.

III. STUDENTS, COLLEGE COSTS AND FACULTY STATISTICS:

Freshmen and Transfers:

The following tables set forth applications, offers for admissions and new enrollment for the Stockton campus' undergraduate and graduate programs for the last four academic years and the current year.

APPLICATION POOL –FRESHMAN/TRANSFERS

Freshman				Transfers*		
Academic Year	Applications	Offered Admissions	New Enrollments	Applications	Offered Admissions	New Enrollments
1997-98	2,389	2,009	630	1,788	814	458
1998-99	2,767 (a)	2,288	647	1,681	770	484
1999-00	2,831	2,312	745	1,571	764	450
2000-01	3,184	2,438	729	1,415	663	434
2001-02	3,162	2,475	732	1,409	635	385

Freshman and Transfers* (Combined)

Academic Year	Number of Applications	Offered Admission	Selectivity Ratio	New Enrollments	Matriculation Ratio
1997-98	4,177	2,823	67.6%	1,088	38.5%
1998-99	4,448 (a)	3,058	68.8%	1,131	37.0%
1999-00	4,402	3,076	69.8%	1,195	38.8%
2000-01	4,599	3,101	67.4%	1,163	37.5%
2001-02	4,571	3,110	68.0%	1,117	35.9%

(a) Increase relates to several new initiatives in financial aid and admissions strategy that were implemented by UOP in 1998-99.

*Transfers includes both undergraduate and professional.

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, for the current (enrollment only) and four most recent academic years.

ENROLLMENTS

Fall Term	FTE Under-Graduate	FTE Law	FTE Dentistry	FTE Pharmacy	FTE Graduate Programs	FTE Total	Total Headcount
1997-98	2,710	1,108	443	603	448	5,312	5,585
1998-99	2,676	1,041	446	626	511	5,300	5,554
1999-00	2,905	978	441	617	449	5,390	5,640
2000-01	3,140	938	444	634	310	5,466	5,609
2001-02	3,096	947	454	772	280	5,549	5,689

DEGREES AWARDED

Academic Year	Under-Graduate	Graduate*	Total
1996-97	691	966	1,597
1997-98	616	901	1,517
1998-99	606	841	1,447
1999-00	557	860	1,417
2000-01	581	829	1,410
2001-02**	608	813	1,421

* Includes 1st professional degree: dental, law and pharmacy.

** Estimated.

Tuition and Fees:

A summary of UOP's tuition and room and board charges for the four most recent academic years, the current academic year and the next succeeding academic year are set fourth in the table below.

UNDERGRADUATE TUITION, FEES, ROOM AND BOARD

Academic Year	Undergraduate Tuition and Fees	Room & Board	Undergraduate Total	Dental*	Law
1997-98	\$18,500	\$5,636	\$24,136	\$40,602	\$18,340
1998-99	\$19,000	\$5,778	\$24,778	\$42,300	\$20,724
1999-00	\$19,570	\$6,192	\$25,762	\$44,125	\$21,656
2000-01	\$20,350	\$6,378	\$26,728	\$46,700	\$22,956
2001-02	\$21,150	\$6,700	\$27,850	\$49,300	\$24,104

* The annual tuition and room and board for a three year 12-month program.

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 exclude 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
1997-98	376	60	436	210
1998-99	366	78	444	242
1999-00	370	62	432	227
2000-01	365	85	450	220
2001-02	363	85	449	205

Of the 363 full-time faculty in 2001-02, 131 are professors, 113 are associate professors, 106 are assistant professors, 9 are instructors, and 4 are lecturers. Approximately 90% of the faculty have obtained a Ph.D. or other terminal degree and approximately 57% of the full-time faculty are tenured. The current undergraduate student/faculty ratio is 12 to 1, and UOP does not utilize teaching assistants.

IV. BACKGROUND:

General:

The University of the Pacific (“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. From Stockton, UOP offers programs in the arts and sciences in addition to several professional programs, including pharmacy, business, engineering and education. This variety of programs in Stockton provides more than 4,200 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 1,000 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. The School of Dentistry enrolls approximately 450 students annually.

Administration:

UOP is governed by a Board of Regents which consists of a minimum of 21 and a maximum of 33 members. Current membership of the Board is 28. The Board is responsible for the University’s endowment and all the operations and properties of the University, including the adoption of the University budget, establishment of schools and departments, investment and accounting policies, debt policy, land use and development, faculty and staff appointments and benefits and gift development. The Board conducts its business through a number of committees.

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: National Association of Schools of Art and Design; National Association of Schools of Music; National Association of Music Therapy; American Council on Pharmaceutical Education; National Council for Accreditation of Teacher Education; California Commission for Credentialing; Committee for Bar Examiners of the State Bar of California, American Bar Association; American Association of Law Schools; Computer Science Accreditation Board; Accreditation Board for Engineering and Technology: Civil Engineering, Electrical Engineering, Computer Engineering, Mechanical Engineering and Engineering Physics; American Speech and Hearing Association; Commission on Accreditation of Dental Education

Programs, Council of Dental Education; American Assembly of Collegiate Schools of Business; American Chemical Society; and American Physical Therapy Association.

Academic Programs:

The Stockton campus includes nine schools consisting of 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, School of Pharmacy, Graduate School and University College. In addition to these schools and colleges in Stockton, UOP has a law school, the McGeorge School of Law, located in Sacramento, and a School of Dentistry in San Francisco.

UOP is unique among universities of its size for its range of liberal arts and professional programs: its 11 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 twelve 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
California State University, Sacramento	Sacramento, CA

V. OUTSTANDING DEBT:

UOP currently has three outstanding series of bonds issued through this Authority totaling \$60,730,000 as shown below. With this proposed financing, the new total outstanding balance will increase to \$85,230,000.

<u>Issue Name: Series</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding as of 3/31/02</u>	<u>Estimated Amount Outstanding After Proposed Financing</u>
Existing:			
CEFA Revenue, 1997A	\$ 9,570,000	\$ 7,820,000	\$ 7,820,000
CEFA Revenue, 1998	12,500,000	11,910,000	11,910,000
CEFA Revenue 2000	41,000,000	41,000,000	41,000,000
Notes Payable		291,000	291,000
Proposed:			
CEFA Revenue Bonds 2002	24,500,000		<u>24,500,000</u>
Total Debt Outstanding		<u>\$61,021,000</u>	<u>\$85,521,000</u>

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 final resolution in an amount not to exceed \$24,500,000 for University of the Pacific, subject to a minimum "A" rating by a nationally recognized rating agency and meeting the standard bond issuance provisions for "A" rated debt.