

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
EXECUTIVE SUMMARY

Applicant:	University of Redlands 1200 E. Colton Avenue Redlands, California San Bernardino County	Amount Requested:	\$34,300,000
		Loan Term:	30 Years
		Date Requested:	February 27, 2003
		Resolution Number:	208
Facility Type:	Private University		
Project Location:	Redlands, CA		
Accreditations:	Western Association of Schools and Colleges		
Use of Bond Proceeds: Bond proceeds will be used to construct new student housing, a co-generation facility and a parking facility. Bond proceeds will also be used to advance refund 72% or \$14,680,000 of the Authority's 1995 bonds, but only if there is a net present value savings of at least 3%.			
Type of Issue:	Negotiated Public Offering		
Credit Enhancement:	None anticipated, however, will use if cost effective.		
Expected Rating:	A3 (Moody's)		
Underwriter:	E.J. De La Rosa & Co., Inc.		
Bond Counsel:	Arter & Hadden LLP		
Financial Status: The University's revenues have steadily increased over our review period; however, net income has declined as a result of investment losses. The University's balance sheet remains steady with good liquidity, significant financial resources and good debt service coverage.			
Sources of Revenue – FY 6/30/02:			
	<u>Amount</u>	<u>Percent</u>	
Tuition & Fees	\$44,446,541	62.29%	
Contributions	12,402,218	17.38%	
Auxiliary Services	11,318,850	15.86%	
Conference and other income	2,527,151	3.54%	
Government grants and contracts	2,515,040	3.52%	
Other	1,257,033	1.76%	
Investment return	<u>(3,108,125)</u>	<u>(4.35%)</u>	
Total Revenue	<u>\$71,358,708</u>	<u>100%</u>	
Sources of funds:			
Par amount of bonds	\$34,300,000	Uses of funds:	
		Refunding	\$16,500,000
		Construction/Renovation	16,485,000
		Land Purchase	115,000
		Financing Costs	<u>1,200,000</u>
Total Sources	<u>\$34,300,000</u>	Total Uses	<u>\$34,300,000</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 \$34,300,000 for the University of Redlands, subject to a rating of at least "A3" by a nationally recognized rating agency, the security and reporting requirements of the Authority's issuance guidelines for "A" or higher rated bond issues.			

STAFF SUMMARY AND RECOMMENDATION

University of Redlands (the “University”)

February 27, 2003
Resolution Number: 208

I. PURPOSE OF FINANCING:

The University intends to complete various construction projects per its strategic plan. The first is to construct a 200 bed apartment-style student housing community. This will eliminate the need for outside leases and all students will be housed on campus. The University is also proposing to construct a co-generation facility that would eliminate the dependence on outside power sources and stabilizing energy expenses. The third project is to construct a parking facility adjacent to the new student housing that will be available for students, faculty and visitors at no charge.

Finally, the University is proposing to refund 72% or \$14,680,000 of it’s outstanding 1995 bonds issued by the Authority. This refunding will only be done if there is a minimum net present value savings of 3%. If the minimum savings is achieved it will produce a \$455,000 savings over the life of the bonds.

Construction\$16,600,000
Student Housing \$12,000,000

Bond proceeds will be used to construct a 200 bed apartment-style student housing community. The existing Village student housing will be demolished resulting in a net increase of 101 new beds to accommodate enrollment growth.

Co-generation Facility 3,300,000

Bond proceeds will also provide funds for the construction of a co-generation facility. The co-generation facility will meet growing need for energy on campus, stabilize energy expenses and eliminate the need from outside power sources.

Infrastructure Improvements/Parking Facility 1,300,000

Infrastructure improvements in the amount of \$960,000, to connect Hunsaker University Center (student center) and California/Founders Hall (student residence halls) to the University’s Mechanical Center to provide central heating and cooling.

Following the demolition of the Village student housing, bond proceeds will be used to construct a parking facility in the amount of \$340,000. The parking facility will offer additional parking adjacent to the new student housing for students, faculty and visitors. There will be no charge to patrons using the parking facility.

Refunding.....16,500,000

The University is also proposing to advance refund 72% or \$14,680,000 of its outstanding 1995 bonds issued by the Authority. Due to Federal Tax laws, bonds can only be advance refunded once during their lifetime. The 1995 bonds were originally issued to finance the construction and acquisition of educational facilities and equipment and to advance refund its 1987 bonds. The University has indicated the refunding will not be done unless there is at least a 3% savings.

Refunding Par 14,680,000
Escrow Cost 1,820,000

Financing Costs1,200,000

Cost of Issuance 150,000
Bond Insurance 700,000
Underwriter's Discount..... 350,000

***TOTAL USES OF FUNDS* \$34,300,000**

Financing Structure:

- General Obligation Pledge
- Negotiated Public Offering
- Fixed Interest Rate
- 30 year term
- A3 Moody's rating
- Financial covenants acceptable to the Authority which may include liquidity, debt service coverage and enrollment.
- May use bond insurance if cost effective.

II. FINANCIAL ANALYSIS:

University of Redlands Statement of Activities

	Fiscal Year Ended June 30,		
	2002	2001	2000
REVENUES			
Tuition & Fees	\$ 62,337,681	\$ 55,158,040	\$ 51,823,074
Less Student Aid	(17,891,140)	(15,721,441)	(14,886,928)
Net Tuition & Fees	<u>44,446,541</u>	<u>39,436,599</u>	<u>36,936,146</u>
Room, board and other auxiliary enterprises	11,318,850	9,947,019	9,410,233
Sales and services of educational departments	592,455	514,514	607,437
Conference and other income	2,527,151	2,882,364	2,679,116
Contributions	12,402,218	9,535,894	8,525,488
Government grants and contracts	2,515,040	6,224,941	1,074,779
Investment return	(3,108,125)	914,703	9,318,772
Interest on notes receivable	19,338	41,242	62,223
Actuarial change in trust and annuities	645,240	86,565	(814,595)
Total revenues, gains, and other support	<u>71,358,708</u>	<u>69,583,841</u>	<u>67,799,599</u>
EXPENDITURES			
Instruction and research	27,584,956	26,207,757	21,805,722
Public support	1,292,613	1,382,151	1,339,946
Academic support	6,783,986	6,040,397	5,265,751
Student services	11,075,148	10,146,531	9,118,319
Institutional support	14,417,914	12,296,201	12,348,212
Auxiliary Services	10,590,920	10,317,549	8,441,255
Total Expenditures	<u>71,745,537</u>	<u>66,390,586</u>	<u>58,319,205</u>
Increase in Total Net Assets	(386,829)	3,193,255	9,480,394
Total net assets, beginning of year	<u>130,866,266</u>	<u>127,673,011</u>	<u>118,192,617</u>
Total net assets, end of year	<u>\$130,479,437</u>	<u>\$130,866,266</u>	<u>\$127,673,011</u>

University of Redlands
Statement of Financial Position

	As of June 30,		
	2002	2001	2000
Assets			
Cash and cash equivalents	\$ 646,328	\$ 1,531,650	\$ 508,373
Temporary investments	6,229,170	12,403,442	20,667,952
Student accounts receivable	3,073,545	3,932,074	4,128,587
Other receivable	1,218,386	1,494,330	2,047,226
Inventories	100,975	110,439	130,698
Prepaid expenses and other assets	551,456	396,668	499,895
Contributions receivable, net	7,296,334	1,588,491	2,454,063
Student loan receivables	6,468,607	6,247,538	6,142,612
Investments	75,273,303	80,265,280	83,618,032
Trusts receivable	1,099,620	1,060,534	1,005,319
Property, plant and equipment, net	86,065,929	80,515,170	67,058,821
Other assets	354,876	368,923	363,402
Total Assets	\$ 188,378,529	\$ 189,914,539	\$ 188,624,980
 Liabilities			
Accounts Payable and accrued expenses	\$8,068,597	\$ 9,051,106	\$ 9,507,430
Deferred revenue	802,230	102,209	519,092
Bonds & notes payable	32,044,237	31,491,161	31,877,211
Liability for trusts, pooled income and annuities payable	12,885,830	14,610,802	15,507,488
Refundable government student loans	4,098,198	3,792,995	3,540,748
Total Liabilities	57,899,092	59,048,273	60,951,969
 Net Assets			
Unrestricted	69,296,160	76,216,440	75,221,978
Temporarily Restricted	16,785,457	14,613,451	14,076,558
Permanently Restricted	44,397,820	40,036,375	38,374,475
Total Net Assets	130,479,437	130,866,266	127,673,011
TOTAL LIABILITIES AND NET ASSETS	\$ 188,378,529	\$ 189,914,539	\$ 188,624,980

Financial Ratios:	Proforma (a)			
	FYE June 30,			
	2002	2002	2001	2000
Debt service coverage (x)	1.7	2.24	3.68	5.99
Debt/Unrestricted net assets (x)	0.87	0.63	0.51	0.48
Margin (%)		-0.54	4.59	13.97
Current Ratio (x)		1.66	2.31	

(a) Recalculates 2002 audited results to include the payment of this proposed financing.

Financial Discussion:

The University's revenues have steadily increased over our review period, however, net income has declined as a result of investment losses.

The University has posted modest increases in total revenue over our review period. However, the University has absorbed significant losses in investment returns as have many institutions. Investment returns have decreased 133% over our review period. Fortunately, the University has been able to maintain a diversified mix of revenue sources that support its operations, which include tuition/fees, contributions and auxiliary services. Unfortunately, expenses also have been increasing at a faster rate than revenue.

The University intends to use a portion of the bond proceeds to construct much needed student housing resulting in a net increase of 101 beds and additional revenue of approximately \$600,000. With the new student housing, the University will be able to discontinue leasing two buildings that house students and demolish a building where additional parking will be made available to students, faculty and visitors adjacent to the new student housing.

The University also intends to construct and equip a co-generation facility. This will allow the University to stabilize the energy expense for the campus and to meet the growing campus loads for cooling, heating and electrical sources. This will show an approximate savings of \$170,000 in the first functioning year. In conjunction with this project the University will also make infrastructure improvements to connect some of the campus's buildings to the new facility to provide central heating and cooling.

Instruction and Research expenditure have increased 27% over our review period. The majority of the increase was from 2000 to 2001 due to the addition of the two new professional schools.

Institutional support has increased 17% from 2000 to 2002. This includes legal services, the administration of the President's office, the administration of the Controller's office and fundraising. Management anticipates these expenses to level off over the next few years.

The University's balance sheet remains steady with good liquidity, significant financial resources and good debt service coverage.

It maintains significant financial resources, with over \$69 million in unrestricted net assets. The University is moderately leveraged with \$32 million in long-term debt compared to \$69 million in unrestricted net assets. The proforma debt service coverage is adequate at 1.70x, which indicates that the University should comfortably manage the proposed debt repayments.

III. STUDENT, COLLEGE COSTS, AND FACULTY STATISTICS:

Application Pool

The following tables indicate total applications, admissions, and enrollment for new freshmen, transfer and graduate students.

College of Arts & Science - Freshmen and Transfer

Fall Semester	Applications	Admissions	Selectivity Ratio	Enrollments
1998	2,112	1,733	82%	533
1999	2,273	1,833	81%	585
2000	2,426	1,827	75%	584
2001	2,755	2,052	74%	694
2002	2,785	2,082	75%	707

College of Arts & Science - Graduate

Fall Semester	Applications	Admissions	Selectivity Ratio	Enrollments
1998	112	42	38%	29
1999	96	42	44%	33
2000	62	49	79%	30
2001	68	43	63%	29
2002	90	71	79%	37

The following table provides a summary of the Schools of Business and Education undergraduate and graduate new student enrollment.

Schools of Business and Education – Undergraduate and Graduate

Fall Semester	Undergraduate	Graduate	Total Enrollments
1998*	717	718	1,435
1999	557	621	1,178
2000	656	886	1,542
2001**	479	821	1,300
2002	492	736	1,228

*In academic year 1998-99, the University concluded the Pacific Bell sponsored corporate undergraduate degree program, Connections. The University anticipated enrollment declines due to the planned completion of this major corporate contract.

** During academic year 2001-02, the University began the structural transition from the Alfred North Whitehead College of Lifelong Learning to two new professional schools; School of Business and School of Education. During this transition, the University anticipates some confusion and disruption in the new student market resulting in a two to three year reduction in new enrollments.

Enrollments and Degrees

The following tables provide student enrollment and the number of degrees awarded at the University.

College of Arts and Sciences

Enrollments		Degrees Awarded		
Academic Year	FTE Student Enrollment	Bachelor	Graduate	Total
1998-99	1,567	260	31	291
1999-00	1,710	302	25	327
2000-01	1,841	334	27	361
2001-02	2,138	355	28	383
2002-03	2,313	N/A	N/A	N/A

Schools of Business and Education

Enrollments		Degrees Awarded		
Academic Year	FTE Student Enrollment	Bachelor	Graduate	Total
1998-99	2,109	577	254	831
1999-00	2,240	536	353	889
2000-01	2,273	623	357	980
2001-02	2,046	551	385	936
2002-03	1,942	N/A	N/A	N/A

UNDERGRADUATE TUITION, FEES, ROOM AND BOARD

The following table provides student tuition, fees and room and board charges.

College of Arts and Sciences

Academic Year	Undergraduate Tuition and Fees	Graduate Tuition and Fees	Room and Board
1998-99	\$18,940	\$7,272	\$7,224
1999-00	19,490	7,488	7,368
2000-01	20,260	7,920	7,590
2001-02	21,180	8,280	7,840
2002-03	22,450	8,784	8,114

Schools of Business and Education

Academic Year	Undergraduate Tuition and Fees	Graduate Tuition and Fees
1998-99	\$9,120	\$8,000
1999-00	9,360	8,200
2000-01	9,720	8,500
2001-02	10,128	8,860
2002-03	10,584	9,260

FACULTY SUMMARY (Full-time Equivalent)

The following tables sets forth the number of full-time instructional faculty and the percentage of tenured faculty members (as of the Fall 2002 Semester).

College of Arts & Sciences

	2002	2001	2000	1999	1998
Professors	48	48	44	43	47
Associate Professors	35	32	32	35	29
Assistant Professors	<u>38</u>	<u>32</u>	<u>33</u>	<u>35</u>	<u>21</u>
Total	121	112	109	113	97
Percent Tenured	63%	62%	66%	66%	76%

Schools of Business and Education

	2002	2001	2000	1999	1998
Professors	3	2	2	4	4
Associate Professors	13	14	10	9	7
Assistant Professors	<u>8</u>	<u>5</u>	<u>10</u>	<u>15</u>	<u>11</u>
Total	24	21	22	28	22
Percent Tenured	33%	38%	32%	36%	41%
Adjunct faculty (combined)	115	124	124	141	153

IV. BACKGROUND:

General:

The University is a California non-profit, public benefit corporation founded in 1907 and governed by a self-perpetuating Board of Trustees. The University is a private educational institution providing instruction both for students of traditional college age through its on-campus residential program, the College of Arts & Sciences, and for adult learners through its School of Business and School of Education. The University was founded by American Baptists and since its founding has maintained a historic relationship with that denomination, affirming their importance in the establishment of the University. The University's relationship with the American Baptists does not impose any limits or restrictions on the student body, faculty, administration or Board of Trustees of the University.

Administration:

The Board of Trustees consists of up to thirty-nine members, thirteen of whom generally are elected annually for three-year terms. There are currently thirty-six members and three vacancies on the Board. Members of the Board of Trustees represent a diverse spectrum of the community and include business, financial, legal, cultural and educational interests. Trustees can serve a maximum of three consecutive terms; thereafter, at least one year must lapse before re-election.

Accreditation:

The University is accredited by the Accrediting Commission for Senior Colleges and Universities of the Western Association of Schools and Colleges (WASC), as well as programmatic accreditation by the National Association of Schools of Music, the American Speech-Language-Hearing Association, and the American Chemical Society. The University is approved by the Commission for Teacher Preparation and Licensing for the State of California.

Academic Programs:

The University offers degrees through the College of Arts & Sciences and the Schools of Business and Education. All academic programs provide a liberal arts education with attention to critical skills and values to complement intensive work in a discipline or professional field. In the College of Arts & Sciences, students must select courses from all the categories of the Liberal Arts Foundation (the general education curriculum). Programs in the Schools of Business and Education are developed for adult learners pursuing on-going careers and include course work in the liberal arts that emphasizes critical thinking and writing. Undergraduate and graduate students in the Schools of Business and Education must complete course work in each of three areas: arts and humanities, natural science and mathematics, and social sciences.

Competition:

The College of Arts and Sciences of the University of Redlands recruits nationally for students. Listed below are some of the primary institutions competing with the College of Arts and Science.

Chapman University	Orange, CA
Lewis & Clark College	Portland, OR
Loyola Marymount University	Los Angeles, CA
Occidental College	Los Angeles, CA
Pepperdine University	Malibu, CA
Pitzer College	Claremont, CA
Santa Clara University	Santa Clara, CA
Scripps College	Claremont, CA
University of California	Various Campuses in California
University of San Diego	San Diego, CA
University of Southern California	Los Angeles, CA
University of the Pacific	Stockton, CA

The professional Schools of Business and Education of the University of Redlands recruits adult learners in the Southern California region only. Listed below are the primary institutions competing with the two professional schools.

School of Education

Azusa Pacific University	Azusa, CA
California Baptist University	Riverside, CA
California Lutheran University	Thousand Oaks, CA
Chapman University	Orange, CA
Claremont Graduate University	Claremont, CA

School of Business

Azusa Pacific University	Azusa, CA
California Baptist University	Riverside, CA
California Lutheran University	Thousand Oaks, CA
California Polytechnic University	Pomona, CA
Chapman University	Orange, CA

Religious Certification:

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

V. OUTSTANDING DEBT:

<u>Issue Name:</u>	<u>Original Amount</u>	<u>Amount Outstanding As of 6/30/02</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
Existing			
CEFA Revenue Bonds, Series 1995	\$22,890,000	\$20,220,000	\$5,540,000
CEFA Revenue Bonds Pooled, Series 2000	10,390,000	10,390,000	10,390,000
Note Payable, Trust	360,000	360,000	360,000
Bank Note Payable	▪ 1,350,000	1,350,000	1,350,000
	▪		
Proposed			
University of Redlands, Series 2003			34,300,000
Totals		<u>\$32,320,000</u>	<u>\$51,940,000</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 resolution in an amount not to exceed \$34,300,000 for the University of Redlands, subject to a rating of at least "A3" by a nationally recognized rating agency, the security and reporting requirements of the Authority's issuance guidelines for "A" or higher rated bond issues.