

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

<b>Applicant:</b>	Chapman University (“Chapman”) Orange, California Orange County	<b>Amount Requested:</b>	\$90,000,000
		<b>Date Requested:</b>	June 30, 2005
<b>Facility Type:</b>	Private College	<b>Requested Loan Term:</b>	30 years
<b>Accreditations:</b>	Western Association of Schools and Colleges. (See Page 10 for other accreditations).		
<b>Use of Bond Proceeds:</b> Bond proceeds will be used to advance refund a portion of CEFA Series 1996 bonds and to construct and renovate various campus facilities. The overall present value savings is approximately \$2.3 million over the life of the bonds.			
	<b>Type of Issue:</b> Negotiated public offering, auction rate		
	<b>Credit Enhancement:</b> MBIA bond insurance		
	<b>Expected Credit Ratings:</b> AAA (S&P), Aaa (Moody’s) based on bond insurance, with an expected underlying “A2” rating (Moody’s)		
	<b>Underwriters:</b> Banc of America Securities, LLC		
	<b>Bond Counsel:</b> Orrick, Herrington & Sutcliffe		
<b>Financial Overview:</b> Chapman University has been consistently profitable while managing expansion. The University demonstrates a modest amount of leverage and an adequate ability to pay debt service.			
<b>Sources of Revenues - FYE 5-31-04 (\$000’s):</b>		<b>Amount</b>	<b>Percent</b>
Net tuition and fees		\$118,780	80%
Auxiliary enterprises		12,235	8%
Private gifts, grants and bequests		5,581	4%
Endowment returns		3,668	2%
Net assets released from restrictions		1,678	1%
Other		<u>6,982</u>	<u>5%</u>
Total operating revenues, gains and other support		<u>\$148,924</u>	<u>100%</u>
<b>Estimated Sources of Funds:</b>		<b>Estimated Uses of Funds:</b>	
Bond Proceeds, par amount	\$90,000,000	Advance refund CEFA, 1996A	\$22,501,000
		Construction/Renovation	64,587,000
		Reimbursement	573,000
		Bond insurance premium	1,155,000
		Capitalized interest	229,000
		Other Financing Costs	<u>955,000</u>
Total Sources	<u>\$90,000,000</u>	Total Uses	<u>\$90,000,000</u>
<b>Legal Review:</b> No information was disclosed to question the financial viability or legal integrity of the Applicant.			
<b>Staff Recommendation:</b> Staff recommends the Authority approve a resolution in an amount not to exceed \$90,000,000 to issue tax exempt revenue bonds for Chapman University, subject to a bond rating of at least an “A” category by a nationally recognized rating agency and the standard bond issuance guidelines.			

**STAFF SUMMARY AND RECOMMENDATION  
BOND FINANCING PROGRAM**

June 30, 2005

**Chapman University ( "Chapman" )**

Resolution Number: 230

- I. PURPOSE AND STRUCTURE OF FINANCING:** Loan proceeds will be used to refinance a portion of the Authority's Series 1996 bonds and to construct and renovate various campus facilities to meet the needs of an increasing student population. The refunding will generate an overall present value savings of approximately \$2,300,000 over the life of the bonds.

The following information provides details pertaining to the projects and the financing:

**Advance Refund CEFA bonds, Series 1996..... \$22,501,000**

The CEFA Series 1996 bonds financed several acquisition, construction, renovation, and equipment projects of various facilities throughout the campus. The fixed interest rate on the bonds ranged from 3.60% to 5.45%. Replacing these bonds with the proposed new bond issue will result in a present value savings of approximately \$2,300,000 over the life of the bonds.

**Construction and renovation of campus facilities..... 64,587,000**

Parking structure (\$27,000,000) – On the site of the existing athletic field, a two level, 900 stall underground parking structure will be constructed, with a synthetic athletic field placed on top. These parking spaces are needed to accommodate Chapman's growth and to replace parking lots displaced by other construction projects.

Residence Hall (\$22,587,000) – Chapman will construct a 325 bed residence hall, with 180 spaces of underground parking on the site of an existing residence hall and parking lot, with a net gain of 185 beds and 80 parking spaces.

Dining Commons (\$15,000,000) – A new dining facility is needed to replace existing dining space which is being converted into an expanded student activity space.

**Reimbursement ..... 573,000**

Purchase telephone equipment for replacement of campus telephone system.

**Capitalized interest ..... 229,000**

<b>Financing costs .....</b>		<b><u>2,110,000</u></b>
Bond Insurance Premium.....	1,155,000	
Costs of Issuance.....	437,000	
Underwriters Discount .....	480,000	
Contingency .....	<u>38,000</u>	
<b>Total Uses of Funds.....</b>		<b><u>\$90,000,000</u></b>

**Financing Structure:**

- Negotiated public offering
- 30 year Auction Rate Securities
- Expected credit ratings: AAA (S&P), Aaa (Moody's) based on bond insurance

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## II. FINANCIAL STATEMENTS AND ANALYSIS:

### CHAPMAN UNIVERSITY

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

	<u>Fiscal Year Ended May 31,</u>		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Revenues:</b>			
Net tuition and fees	\$ 118,780	\$ 110,449	\$ 98,885
Endowment returns designated for operations	3,668	3,061	3,295
Other investment revenue	190	1,079	960
Private gifts, grants, and bequests	5,581	3,863	3,454
Auxiliary enterprises	12,235	13,053	12,483
Other sources	6,792	4,108	4,798
Net assets released from restrictions and transfers	<u>1,678</u>	<u>3,605</u>	<u>1,940</u>
Total revenues, gains, and other support	<u>148,924</u>	<u>139,218</u>	<u>125,815</u>
<b>Expenses:</b>			
Instruction	67,015	62,650	56,594
Academic support	17,534	17,189	15,642
Student services	16,429	15,434	13,140
General institutional support	27,091	24,905	24,462
Auxiliary enterprises	<u>7,131</u>	<u>7,219</u>	<u>9,773</u>
Total expenses	<u>135,200</u>	<u>127,397</u>	<u>119,611</u>
Increase from operating activities	13,724	11,821	6,204
<b>Non-operating activities:</b>			
Endowment returns net of designation for operations	6,056	(4,994)	(1,699)
Building gifts released from restriction	1,567	(320)	358
Other increase/(decrease)	<u>(315)</u>	<u>(285)</u>	<u>1,623</u>
Change in unrestricted net assets	21,032	6,222	6,486
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>113,565</u>	<u>107,343</u>	<u>100,857</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 134,597</u>	<u>\$ 113,565</u>	<u>\$ 107,343</u>

**CHAPMAN UNIVERSITY**  
**Statement of Financial Position (000's)**

	As of May 31,		
	2004	2003	2002
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 602	\$ 12,448	\$ 11,947
Investments	25,329	15,445	14,265
Accounts receivable, net	7,777	5,388	6,500
Current portion of contributions receivable, net	8,057	5,045	3,075
Other current assets	3,477	1,937	2,330
Total current assets	45,242	40,263	38,117
Notes receivable, less current portion, net	5,218	5,022	4,588
Contributions receivable, less current portion	46,293	33,136	35,298
Other real property	14,470	15,002	19,241
Long-term investments	107,937	105,338	100,150
Plant assets	169,196	132,420	115,428
Other long-term assets	1,778	1,626	1,942
Total other assets	344,892	292,544	276,647
<b>TOTAL ASSETS</b>	<b>\$ 390,134</b>	<b>\$ 332,807</b>	<b>\$ 314,764</b>
<b>LIABILITIES AND NET ASSETS:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 22,042	\$ 18,197	\$ 14,996
Deferred revenues and student deposits	13,930	11,711	9,700
Current portion of bonds and notes payable	2,301	5,145	2,171
Other current liabilities	1,401	975	858
Total current liabilities	39,674	36,028	27,725
Annuitiies payable, less current portion	4,024	4,061	4,049
Refundable loan programs	2,001	1,947	2,003
Bonds and notes payable, less current portion	59,879	59,423	63,904
Other long-term liabilities	3,932	4,826	4,568
Total long-term liabilities	69,836	70,257	74,524
<b>TOTAL LIABILITIES</b>	109,510	106,285	102,249
<b>Net assets:</b>			
Unrestricted	134,597	113,565	107,343
Temporarily Restricted	73,996	47,154	54,118
Permanently Restricted	72,031	65,803	51,054
<b>TOTAL NET ASSETS</b>	280,624	226,522	212,515
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 390,134</b>	<b>\$ 332,807</b>	<b>\$ 314,764</b>

**Financial Ratios:**

	<b>Proforma<sup>(a)</sup></b>			
	<b>FYE May 31, 2004</b>	2004	2003	2002
Debt service coverage (x)	3.04	4.02	3.16	2.65
Debt to expendable net assets (x)	0.60	0.30	0.40	0.41
Expendable net assets to operations (x)		1.54	1.21	1.33
Margin (%)		13.4%	4.5%	5.1%

<sup>(a)</sup> Recalculates 2004 results to include the impact of this proposed financing.

## **Financial Discussion:**

### **Chapman University has been consistently profitable while managing expansion.**

Chapman University has been consistently profitable while managing expansion, in part by its demonstrated ability to secure gifts and grants to support its programs (including substantial temporarily and permanently restricted gifts) and large investment earnings. The University also receives substantial support from its college extension programs located throughout the Western United States which adds operational stability.

In our review period, operating revenues rose by 18%, while expenses were kept in check, increasing by 13%. In addition, 2004 was particularly profitable due to impressive investment returns. The University maintains a successful general fundraising program as evidenced by a 62% increase in annual gifts, grants, and bequests and a 41% increase in permanently restricted net assets. In addition, temporarily restricted net assets increased by \$27 million in 2004, largely due to a capital campaign for a studio complex for its school of film and television. Management expects that 2004-05 operating results for the University to be better than prior-year results.

In the last five years, overall enrollment has increased by 19%, led by a 27% increase in undergraduate enrollment at the Orange campus. In addition, law school enrollment more than doubled with the receipt of permanent accreditation.

### **The University demonstrates a modest amount of leverage and an adequate ability to pay debt service.**

Chapman's proforma debt service coverage ratio of 3.04x demonstrates their ability to repay this debt. Leverage will increase to a modest level, with a debt to expendable net asset ratio of 0.60x.

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

#### Students

The following tables indicate total applications, admissions, and enrollment for new freshmen, transfer and graduate students for the past five academic years.

#### Freshman and Transfers-Orange Campus

Fall Semester	Number of Applications	Offered Admission	Selectivity Ratio	New Enrollments	Matriculation Ratio
2000-01	3,078	1,973	64%	879	49%
2001-02	3,205	2,240	70%	971	47%
2002-03	3,572	2,183	61%	1,014	46%
2003-04	3,831	2,409	63%	1,124	47%
2004-05	4,463	2,638	59%	1,191	45%

#### Graduate Programs-Orange Campus

Fall Semester	Number of Applications	Offered Admission	Selectivity Ratio	New Enrollments	Matriculation Ratio
2000-01	878	685	78%	388	57%
2001-02	873	628	72%	373	59%
2002-03	829	585	71%	308	53%
2003-04	1,124	681	61%	378	56%
2004-05	1,014	649	64%	396	61%

#### Law School

Fall Semester	Number of Applications	Offered Admission	Selectivity Ratio	New Enrollments	Matriculation Ratio
2000-01	820	389	47%	114	29%
2001-02	788	347	44%	93	27%
2002-03	1,152	417	36%	148	35%
2003-04	1,689	454	27%	167	37%
2004-05	2,333	595	26%	181	30%

## Enrollments and Degrees

The following tables provide student enrollment and the number of degrees awarded at the University for each of the five most recent academic years.

### FTE Enrollment

Academic Year	ORANGE CAMPUS				UNIVERSITY COLLEGE			Entire University
	Undergrad	Graduate	Law	Total	Undergrad	Graduate	Total	
2000-01	2,850	824	201	3,876	1,608	2,692	4,300	8,176
2001-02	3,022	803	272	4,098	1,725	2,775	4,500	8,598
2002-03	3,144	901	328	4,373	1,868	3,155	5,023	9,396
2003-04	3,344	958	434	4,736	1,905	2,853	4,758	9,494
2004-05	3,626	992	527	5,145	1,901	2,669	4,570	9,715

### Degrees Conferred

Academic Year	ORANGE CAMPUS		UNIVERSITY COLLEGE		LAW SCHOOL	Total
	Undergrad	Graduate	Undergrad	Graduate		
2000-01	521	286	603	748	26	2,184
2001-02	549	299	704	836	54	2,442
2002-03	649	285	830	912	91	2,767
2003-04	665	301	789	784	98	2,637
2004-05*	NA	NA	NA	NA	NA	

\* Degree information for 2005 is not yet available.

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## Tuition, Fees and Room and Board

A five-year summary of tuition, fees and room and board charges is provided below:

### Comprehensive Fees

Academic Year	UNDERGRADUATE		GRADUATE		<sup>(4)</sup> LAW SCHOOL		CLL <sup>(5)</sup>
	Tuition and Fees	Room & Board <sup>(1)</sup>	<sup>(2)</sup> Physical Therapy	<sup>(3)</sup> All Other Programs	3-Year Program	4-Year Programs	Tuition
2000-01	21,314	7,760	28,050	8,807	22,400	16,100	6,222
2001-02	22,262	8,162	21,459	9,166	23,200	16,675	6,415
2002-03	23,366	8,566	22,083	9,360	24,250	17,480	6,288
2003-04	24,690	9,038	22,710	9,821	25,350	18,216	7,393
2004-05	26,318	9,521	23,390	10,125	27,886	20,010	7,350

<sup>(1)</sup> Based on double-occupancy. No housing is available for off campus or lifelong learning programs.

<sup>(2)</sup> Physical Therapy MPT (2-yr program) ended after 2000/01. DPT program started in 2001/02 (3-yr program).

<sup>(3)</sup> All other graduate programs based upon average of credit hour rates \*18, excluding Executive MBA program and Directed Teaching.

<sup>(4)</sup> Tuition, fees and room and board charges for the 3 year program are based on an average of 30 units per year, and for the 4 year program, are based on an average of 23 units per year.

<sup>(5)</sup> Calculated using an average of 30 units for undergraduate tuition and an average of 22.5 units for graduate tuition.

## Faculty and Staff

The University's total full-time faculty presently numbers 243. Approximately 89% of faculty have obtained doctorates or the terminal degree in their field, and about 35% are tenured. In addition, Chapman has approximately 253 part-time faculty and employs roughly 522 staff and administrative members on the Orange Campus. The current student/faculty ratio is approximately 14 to 1.

The following table compares full-time instructional faculty by rank and tenure for the current and each of the last four academic years.

### Full-Time Instructional Faculty (FTE) Orange Campus, Law School, & University College

Fall Term	Full Prof	Assoc. Prof.	Asst. Prof.	Inst.	Sr. Lect.	Lect.	Visiting	Total	% Tenured
2000-01	56	53	117	2	16	14	0	258	34%
2001-02	59	70	100	0	10	16	0	255	39%
2002-03	56	81	107	0	8	13	2	267	36%
2003-04	59	85	113	23	0	0	0	280	35%
2004-05	63	91	120	15	0	0	0	289	35%

## **IV. BACKGROUND:**

### **General:**

Chapman University is a non-profit, coeducational university originally founded as Hesperian College in 1861. The college merged with the California Christian College in 1934 and was renamed in recognition of C.C. Chapman, a pioneering Orange County church leader, real estate investor, and rancher. In 1958, Chapman began extending programs through the development of off-campus learning Academic Centers. In 1991, the college officially changed its name to Chapman University to recognize its breadth of programs and variety of degrees.

In 1995, Chapman established its law school. Following the 1996 bond financing, Chapman's main campus nearly doubled its academic area with the additions of the Beckman Business and Technology Hall, the School of Law Building, and the student administrative services building (Argyros Forum). Other facilities on campus include Hashinger Hall (which houses undergraduate laboratories, classrooms, the computer center and numerous science labs), the Moulton Art and Drama Center (which includes a stage and theater facility, art studios, and art galleries), a recital hall, a 3,400 seat gymnasium, an advanced film and television recording studio and editing complex, a new 100,000 square-foot library with more than 300,000 volumes, and a new 24,000 square-foot music facility with 14 teaching studios/practice rooms, lecture hall, therapy lab, and an orchestra hall.

The University's 40-acre main campus is located in Orange, California, approximately 35 miles southeast of Los Angeles. Chapman also has 27 other off-campus University College Academic Centers for adult students throughout California and Washington.

### **Administration:**

Chapman University is governed by a Board of Trustees, (the "Board"), composed of 42 elected members (one third of whom are elected annually for three-year terms), and 16 ex-officio members. The ex-officio members are the President of the University, the Life Trustees, the present and immediate past president of the Alumni Board, the presidents of Town and Gown, the chairman of the Board of Governors, the Senior Minister of the Orange First Christian Church, and the Regional Ministers of each of three western Regions of the Christian Church (Disciples of Christ). The Board normally meets five times each year.

The Board of Trustees annually elects a chairman, an executive vice chairman, and two vice chairmen for terms of one year. In addition to an Executive Committee which acts for the board between meetings, the Board has thirteen standing committees, including the Finance, Budget and Audit Committee.

### **Accreditation and Affiliations:**

The University is accredited by and is a member of the Western Association of Schools and Colleges, the primary accrediting body for institutions of higher education in the Western United States. Its School of Law is approved by the American Bar Association. Its teacher training and

credential programs are approved by the California State Department of Education. The University's physical therapy department is professionally accredited by the American Physical Therapy Association. The School of Music is accredited by the National Association of Schools of Music and the Food Services Department is accredited by the Institute for Food Technology. The School of Business and Economics is accredited by the American Assembly of Collegiate Schools of Business International. The University is also a member of the Independent Colleges of Southern California, the College Entrance Examination Board, the Western College Association, the Association of Independent California Colleges and Universities, the American Council on Education, the American Association of Colleges for Teacher Education, the Centre International de Liaison des Ecoles de Cinema et de Television, and the Division of Higher Education of the Christian Church (Disciples of Christ).

**Competition:**

The University reports that students applying to Chapman also apply to nearby comparable institutions including Loyola Marymount, the University of Southern California, the University of San Diego and the University of California, Irvine. The University offers a variety of undergraduate and graduate programs at its main campus and at numerous locations throughout the Western United States. U.S. News & World Report has ranked Chapman in the top tier of 128 western comprehensive colleges and universities for the last eight years.

**V. OUTSTANDING DEBT:**

<u>Issue:</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding As of 5/31/04</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
<b>Existing:</b>			
CEFA Bonds, 1996	\$40,000,000	\$31,036,000 (a)	\$8,535,000
CEFA Bonds, 2000	18,000,000	16,999,000 (a)	16,999,000
CEFA Equipment Notes, 1999	8,233,000	5,033,000	5,033,000
Other bonds and notes		9,112,000	9,112,000
<b>Proposed:</b>			
<b>CEFA, Series 2005</b>		N/A	90,000,000
Total		<u>\$62,180,000</u>	<u>\$129,679,000</u>

(a) Includes unamortized bond discount being amortized over the bond term.

**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 the Applicant.

**VII. STAFF RECOMMENDATION:**

Staff recommends the Authority approve a resolution in an amount not to exceed \$90,000,000 to issue tax exempt revenue bonds for Chapman University, subject to a bond rating of at least an "A" category by a nationally recognized rating agency and the standard bond issuance guidelines.