

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

<b>Applicant:</b>	Pepperdine University (“University”) Malibu, California Los Angeles County	<b>Amount Requested:</b>	\$120,000,000
<b>Facility Type:</b>	Private University	<b>Loan Term:</b>	30 Years
<b>Accreditations:</b>	Western Association of Schools and Colleges and American Bar Association	<b>Date Requested:</b>	June 30, 2005
		<b>Final Resolution Number:</b>	231

**Use of Bond Proceeds:** Bond proceeds will be used to current refund the outstanding CEFA Revenue Bonds for Series 1995A and Series 1999B, advance refund a portion of Series 1999A and advance refund Series 2000 and Series 2002A. In addition, the University plans to renovate the Thornton Administrative Center as well as improve various campus facilities.

<b>Type of Issue:</b>	Public offering, fixed rate
<b>Credit Enhancement:</b>	Dependent on market conditions, may use insurance
<b>Expected Rating:</b>	With insurance: Aaa , Without insurance: A1 (Moody’s)
<b>Senior Underwriter:</b>	Prager, Sealy & Company LLC
<b>Bond Counsel:</b>	Orrick Herrington & Sutcliffe LLP

**Financial Overview:** The University has exhibited improving results supported by a growing revenue base from net tuition and fees, student room and board, donations/gifts and investments. The University has an extremely strong balance sheet with relatively moderate debt levels and significant financial resources.

<u>Sources of Revenue (000s) (FYE 7/31/04)</u>	<u>Amount</u>	<u>Percent of Total</u>
Net tuition and fees	\$146,724	67.8%
Room and board	22,135	10.2%
Endowment support	21,006	9.7%
Private gifts and grants	7,949	3.7%
Sales and services	7,521	3.5%
Other revenue	5,011	2.3%
Net assets released from restriction	3,220	1.5%
U.S. Government Grants	2,940	1.3%
<b>Total</b>	<b><u>\$216,506</u></b>	<b><u>100%</u></b>

<u>Sources of Funds:</u>		<u>Uses of Funds:</u>	
Bond Proceeds	\$120,000,000	Current refund CEFA Series 1995A	\$16,455,463
Original Issue Premium	5,299,444	Advance refund CEFA Series 1999A	21,795,315
		Current refund CEFA Series 1999B	7,255,000
		Advance refund CEFA Series 2000	44,052,484
		Advance refund CEFA Series 2002A	34,504,060
		Miscellaneous projects	250,000
		Financing costs	987,122
<b>Total Sources</b>	<b><u>\$125,299,444</u></b>	<b>Total Uses</b>	<b><u>\$125,299,444</u></b>

**Legal Review:** No information was disclosed to question the financial viability or legal integrity of the Applicant.

**Recommendation:** Staff recommends the Authority approve a resolution in an amount not to exceed \$120,000,000 for Pepperdine 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**

**Pepperdine University (the “University”)**

June 30, 2005

Final Resolution Number: 231

**I. PURPOSE OF FINANCING:** Pepperdine University is embarking on a plan to restructure its debt and take advantage of the current low rates in the bond market. Loan proceeds will be used to refinance the Authority’s Series 1995A, Series 1999A, Series 1999B, Series 2000 and Series 2002A bonds. The refunding will generate an overall present value savings of approximately \$5.4 million over the life of the bonds. Currently, the CEFA Series 1999A bonds are credit enhanced.

**Current refund Series 1995A CEFA bonds.....\$16,455,463**

The Authority’s outstanding Revenue Bonds Series 1995A were originally issued in the amount of \$20,940,000. The bond proceeds financed several construction and renovation projects at various facilities throughout the campus. The fixed interest rates on the bonds range from 5.25% to 5.60% (term bonds in 2007, 2014 and 2020) and the bonds are currently callable at 102% of par amount. Replacing these bonds with the proposed new bond issue will result in a present value savings of approximately \$1.27 million and extend the life of the bonds for an additional 15 years.

**Advance refund a portion of Series 1999A Bonds ..... 21,795,315**

The CEFA Series 1999A Bonds were originally issued in the amount of \$30 million. The bond proceeds financed the development of over 50 acres on the University’s 836-acre campus in Malibu, California with fixed interest rates ranging from 4.15% to 5.00% (serials through 2010 and term 2018). This financing will extend the life of the bonds for an additional 17 years.

**Current refund Series 1999B Bonds ..... 7,255,000**

The CEFA Series 1999B Bonds were originally issued in the amount of \$20 million. The bond proceeds financed the development of over 50 acres of the University’s 836-acre campus in Malibu, California. The interest rate on the current bonds is a variable weekly rate and this financing will replace the bonds with a fixed rate and extend the life of the bonds for an additional 6 years.

**Advance refund Series 2000 Bonds ..... 44,052,484**

The CEFA Series 2000 were originally issued in the amount of \$40 million. The bond proceeds financed the completion of the University’s Drescher Graduate Campus. The fixed interest rate on the bonds is 5.75% (balloon payment maturity due 2030). Replacing these bonds with the proposed new bonds will result in a present value savings of approximately \$2.9 million and extend the life of bonds for an additional 5 years.

**Advance refund CFFA Series 2002A Bonds ..... 34,504,060**

The CEFA Series 2002A were originally issued in the amount of \$35,000,000. The bond proceeds financed the construction of student dorms and a parking structure for the Drescher Graduate Campus located adjacent to the Malibu campus. The bonds have a fixed interest rate of 5.00% (balloon payment maturity in 2032). Replacing these bonds with the proposed new bond issue will result in a present value savings of approximately \$1.27 million and extend the life of the bonds for an additional 3 years.

**Miscellaneous projects..... 250,000**

Any remaining bond funds, which may arise, as a new money component may be applied towards the renovation and improvement of the Thornton Administrative Center, the replacement of high voltage electrical lines to the University, upgrade student housing fire alarm systems, replace student housing hot water systems and renovate student housing bathrooms.

**Financing Costs ..... 987,122**

Underwriters Discount .....\$600,000

Cost of Issuance ..... 387,122

**Total ..... \$125,299,444**

**Financing Structure:**

- \$120,000,000 total par value
- General obligation pledge
- Expected Rating: With insurance: Aaa, Without insurance: A1 (Moody's)
- Credit Enhancement: The University is in the process of soliciting bids from major insurance companies. The decision to use bond insurance will be based on the economic benefit.
- Fixed interest rate
- Negotiated public offering
- Series 2005A is expected to close in August of 2005 and will refund all or a portion of the currently outstanding Series 1999A, 1999B, 2000, and 2002A bonds.
- Series 2005B is expected to close in October 2005 and will refund the currently outstanding Series 1995A bonds.

## II. FINANCIAL STATEMENTS AND ANALYSIS:

**Pepperdine University**  
**Consolidated Statement of Activities**  
(In 000's)  
(Unrestricted)

	<b>For the Year Ended July 31,</b>		
	2004	2003	2002
<b>REVENUES</b>			
Net tuition and fees	\$ 146,724	\$ 136,772	\$ 124,187
Room and board	22,135	18,548	16,990
Private gifts and grants	7,949	7,677	12,267
Endowment support	21,006	19,877	17,961
Government grants	2,940	3,104	2,876
Sales and services	7,521	7,773	7,943
Other revenue	5,011	4,782	5,884
Net assets released from restrictions	3,220	13,267	6,222
<b>Total revenues, gains, and other support</b>	<b>216,506</b>	<b>211,800</b>	<b>194,330</b>
<b>EXPENSES</b>			
Instruction and research	78,223	73,205	69,791
Academic support	29,725	28,022	24,598
Student services	31,282	29,564	29,054
Public service	9,332	8,422	7,558
Auxiliary enterprises	16,956	14,078	12,496
Management and general	40,572	37,401	39,407
Membership development	1,400	1,399	1,087
Fundraising	8,954	8,077	7,903
<b>Total expenses</b>	<b>216,444</b>	<b>200,168</b>	<b>191,894</b>
<b>Change in unrestricted net assets before non-operating items</b>	<b>62</b>	<b>11,632</b>	<b>2,436</b>
<b>NON-OPERATING REVENUES AND EXPENSES</b>			
Appropriations from endowment	(14,217)	(14,029)	(11,589)
Dividends	2,316	2,165	2,242
Interest	3,538	3,756	4,100
Gains/(losses) on investments	39,037	24,815	(41,320)
Other	2,607	(7,035)	103
<b>Total non operating revenues and expenses</b>	<b>33,281</b>	<b>9,672</b>	<b>(46,464)</b>
<b>Change in net assets</b>	<b>33,343</b>	<b>21,304</b>	<b>(44,028)</b>
Net assets, beginning of year	508,883	487,579	531,607
<b>Net assets, end of year</b>	<b>\$ 542,226</b>	<b>\$ 508,883</b>	<b>\$ 487,579</b>

**Pepperdine University**  
**Consolidated Statement of Financial Position**  
(In 000's)

	<b>As of July 31,</b>		
	2004	2003	2002
<b>Assets</b>			
Cash/cash equivalents	\$ 8,193	\$ 11,378	\$ 13,797
Student receivables	4,350	4,070	5,870
Other account receivable	2,940	2,558	3,078
Student loans receivable	29,549	25,182	24,697
Contributions receivable	18,243	18,324	22,360
Prepaid expenses and other assets	6,834	6,487	6,025
Investments	577,412	572,135	571,434
Assets held as trustee or agent	87,113	81,260	76,287
Property, facilities and equipment, net	314,565	293,078	253,557
<b>Total Assets</b>	<b>\$ 1,049,199</b>	<b>\$ 1,014,472</b>	<b>\$ 977,105</b>
<b>Liabilities</b>			
Accounts payable/accrued expenses	\$ 26,502	\$ 32,332	\$ 17,968
Accrued salaries and wages	3,680	4,604	2,671
Student deposits and deferred revenue	6,563	6,850	6,162
U.S. gov. funded student loans	14,600	14,273	13,740
Trust and agency obligations	61,682	57,173	53,359
Long term obligations	205,788	208,715	209,585
<b>Total Liabilities</b>	<b>318,815</b>	<b>323,947</b>	<b>303,485</b>
<b>Net Assets</b>			
Unrestricted	542,226	508,883	487,579
Temporarily Restricted	60,597	58,039	62,278
Permanently Restricted	127,561	123,603	123,763
<b>Total Net Assets</b>	<b>730,384</b>	<b>690,525</b>	<b>673,620</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,049,199</b>	<b>\$ 1,014,472</b>	<b>\$ 977,105</b>

Financial Ratios:

	Proforma (a)			
	FYE July 31, 2004			
Debt service coverage (x)	4.25	4.24	3.13	(1.97)
Debt/Unrestricted net assets (x)	0.38	0.38	0.42	0.44
Margin (%)		0.03	5.49	1.25
Current Ratio (x)		0.62	0.59	0.81

(a) Recalculates 2004 audited results to include the payment of this proposed financing.

## **Financial Discussion:**

**The University has exhibited improving results supported by a growing revenue base from net tuition and fees, student room and board, donations/gifts and investments.**

The University has exhibited solid growth in revenues lead by net tuition and fee growth over the review period. The University's solid reputation and rankings have resulted in strong numbers of applications, heightened selectivity and increased enrollment. Revenues mainly consist of net tuition and fees, room and board, donation/gifts and investment returns/income, providing the University a solid well diversified revenue base. University academic operations remained solid during the course of the last three fiscal years. Net tuition and fee revenues for fiscal 2004 totaled approximately \$146 million and have increased 17.7% from fiscal year 2002, which totaled \$124 million. Total undergraduate tuition and fees increased an average of just under 5% a year over our review period from \$26,280 in academic year 2002-03 to \$28,630 in academic year 2004-05. Demand for almost all of the University's degree programs continues to increase, particularly at Seaver College and the Graduate School of Education and Psychology. Net student tuition and fees were the University's primary revenue source, accounting for 63.9%, 64.5%, and 67.8% of total revenues for the fiscal years 2002, 2003, and 2004, respectively.

For fiscal 2003 and 2004, the University's investments returned approximately 2.8% or \$16 million and 6.1% or \$35 million, respectively. The endowment's relatively favorable investment performance and a conservative payout policy (5% of a 5-year moving average of fair market value) contributed to a 6% increase in payout for fiscal year 2004. The payout totaled \$21 million in fiscal year 2004 compared to \$20 million for fiscal year 2003.

Expenses increased in each of the three fiscal years from \$192 million in fiscal 2002 to \$216 million in fiscal year 2004, an increase of 13.0%. The increase in total expenses is commensurate with increases in net student tuition and fees, private gifts and grants, and endowment support. Expense increases are largely centered in instruction, research, academic support and student services.

Over the next three years, University management expects to see continued strength in tuition, endowment support, and investment and gift revenues, countered by continued growth in strategic expenditures. During the next three to five years, additional borrowings may be needed to complete construction on additional student housing units and other academic and athletic facilities on the University's Malibu campus. A new capital campaign is in the planning stages and a targeted effort is underway to raise gifts for the Drescher Graduate Campus as well as any new facilities that may be built in the next three to ten years. New revenues generated from these facilities as well as increased tuition rates should be used primarily to service increased debt obligations related to new construction.

**The University has an extremely strong balance sheet with moderate relative debt and significant financial resources.**

During our review period, the net assets of the University increased from \$674 million in fiscal year 2002 to \$730 million at fiscal year 2004, an increase of 8.4%. This growth rate was achieved despite the unique challenges presented to the University by difficult external economic conditions and volatile financial markets. The growth is a result of investment portfolio growth and solid returns from academic operations. Total assets have increased substantially during the last three fiscal years, from \$977 million in fiscal year 2002 to \$1.05 billion in fiscal year 2004. Asset growth during this period was largely from investments and property, facilities and equipment that were funded through an increase in net assets and the issuance of long-term obligations. Construction of the Drescher Graduate Campus accounted for most of the growth.

Although the University's investments have enjoyed moderate growth over the past three years, the University's investment portfolio declined sharply during fiscal year 2002, due to particularly difficult equity markets. Despite the investment challenges encountered during fiscal 2002, the University's investment portfolio has rebounded strongly and totaled \$577 million at fiscal year-end 2004.

From fiscal year 2002 to fiscal year 2004, property, facilities and equipment increased from \$254 million to \$315 million while long-term obligations decreased from \$210 million to \$206 million. Bonds issued over the same period financed the development and construction of the 50.4 acre Drescher Graduate Campus, the Center for Communications and Business, and the Keck Science Center. Construction of the Drescher Graduate Campus was completed in the fall of 2003. The Drescher Graduate Campus houses academic facilities, an executive conference center, a student residence hall, parking structure and faculty/staff housing units.

The University's current financial strength is sound. It maintains over \$730 million in total net assets, with the majority of these assets (\$542 million) being unrestricted. In fiscal year 2004, its debt service coverage ratio was 4.24x. With this proposed financing, its proforma debt service coverage ratio will be approximately 4.25x.



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

The Seaver College Fall Term 2004-05 entering freshman class of 727 was selected from a pool of 6,447 applicants. The average GPA for the entering class was 3.6 with an average SAT composite score of 1203 and an ACT composite score of 26. For the freshman class entering in Fall 2004, 42% were in the top 10% of their graduating high school class, 76% were in the top 25% of their high school graduating class, and 93% were in the top 50% of their high school graduating class

The University's overall enrollment has ranged between 7,637 and 8,324 headcount students (6,726 and 7,509 full-time equivalents (FTEs)) over the past five academic years. Seaver College currently enrolls students from 47 of the 50 states, as well as undergraduate students from 60 countries. Fifty percent of the undergraduate student body is from outside California. During the past five years, the number of applicants has substantially exceeded available positions.

#### *Applications and Admissions*

The following table sets forth applications, offers of admission and acceptances for the University's undergraduate and graduate programs for the academic years shown.

APPLICATIONS, ADMISSIONS AND ACCEPTANCES						
Academic Year	Undergraduate Freshmen (Fall Term) <sup>(1)</sup>			Undergraduate Transfers <sup>(2)</sup>		
	Applications	Admissions	Acceptances	Applications	Admissions	Acceptances
2004-05	6,447	1,756	727	N/A	N/A	N/A
2003-04	6,219	1,555	653	798	338	238
2002-03	5,503	2,037	805	896	400	268
2001-02	6,147	1,691	636	752	356	234
2000-01	5,393	1,952	681	750	391	257

  

Graduate Students <sup>(3)</sup>			
Academic Year	Applications	Admissions	Acceptances
2003-04	7,623	3,890	2,012
2002-03	7,291	3,979	2,206
2001-02	6,603	3,710	2,076
2000-01	6,017	3,610	1,845
1999-00	5,932	3,544	1,949

<sup>(1)</sup> Applications, admissions and acceptances data exclude Seaver College transfer students.

<sup>(2)</sup> In addition to the Seaver College transfer students, these totals include all undergraduates in the George L. Graziadio School of Business and Management ("GSBM") program. See "Academic Programs" herein. Undergraduate GSBM statistics are based on a full year's experience.

<sup>(3)</sup> Graduate enrollment statistics for GSBM and the Graduate School of Education and Psychology are based on a full year's experience. Enrollment statistics for the School of Law and the School of Public Policy are based on fall term data.

As of June 1, 2005, Seaver College has received a total of 7,312 applications for Undergraduate Freshman enrollment for the fall term of academic year 2005-2006, as compared to 6,447 applications for academic year 2004-2005. Of these, 2,079

Undergraduate Freshman have received an offer of admission, from which 795 had accepted as of June 1, 2005, compared to 1,756 admissions and 728 acceptances at the same time last year.

### ***Enrollments and Degrees***

The following table sets forth the University's total enrollments in terms of headcount and total FTE enrollments for the fall term and degrees awarded for all programs for the academic years shown. At present, approximately 78% of the undergraduate students that are enrolled as freshman graduate from the University within five years. The University expects to maintain stable enrollment in its undergraduate programs, and gradually increase the enrollment in its graduate programs in connection with the University's Drescher Graduate Campus development, for a total maximum enrollment (on and off campus) of approximately 8,500 headcount graduate and undergraduate students.

Academic Year	ENROLLMENTS AND DEGREES				Degrees Awarded <sup>(3)</sup>		
	Enrollment (Fall Term)			Full-Time Equivalent <sup>(2)</sup>	Undergraduate	Graduate	Total
	Undergraduate <sup>(1)</sup>	Graduate	Total				
2004-05	3,427	4,799	8,266	7,453	N/A	N/A	N/A
2003-04	3,322	5,002	8,324	7,509	800	1,855	2,655
2002-03	3,375	4,699	8,074	7,236	857	1,752	2,609
2001-02	3,126	4,511	7,637	6,823	859	1,720	2,579
2000-01	3,240	4,468	7,708	6,726	896	1,811	2,707

<sup>(1)</sup> Includes Seaver College and the undergraduate students (BSM Program) at the George L. Graziadio School of Business and Management. For the academic year 2004-2005, the undergraduate enrollment is made up of 2,989 Seaver College students and 438 GSBM/BSM undergraduate students.

<sup>(2)</sup> FTEs are computed by dividing the total number of registered units in each program or school by the number of units considered to be a full-time load. In undergraduate programs, sixteen units are considered a full-time load. In graduate programs of Seaver College and the George L. Graziadio School of Business and Management (other than the residential MBA program), eight units are considered a full-time load. Fifteen units are considered a full-time load for the residential MBA program. In the Graduate School of Education and Psychology, ten units is considered a full-time load for the master's degree in the Education Division, while nine units is considered a full-time load for the master's degree in the Psychology program. The full-time load for the doctoral programs in Education and Psychology are six and seven units, respectively. In the School of Law, minimum requirements must be met in each year of the program, so full-time equivalent enrollment is nearly identical in all cases to headcount enrollment.

<sup>(3)</sup> The numbers shown for "Degrees Awarded" are based on full-year data.

### ***Tuition and Fees***

A summary of University tuition and room and board charges for the five academic years shown are set forth in the table below. Undergraduate, graduate and law students attend classes on a semester system basis, and the tuition amount assumes attendance during two semesters on a full-time basis.

Academic Year	ANNUAL TUITION AND ROOM AND BOARD					
	Seaver College/ School of Public Policy <sup>(1)</sup>	Graziadio SBM <sup>(2)</sup>	Education Psychology Masters <sup>(3)</sup>	Full-Time Doctoral <sup>(3)</sup>	Law <sup>(4)</sup>	Room and Board <sup>(5)</sup>
2005-06	\$30,770	\$15,280	\$9,120	\$11,460	\$31,860	\$9,100
2004-05	28,630	14,240	8,460	10,680	29,640	8,640
2003-04	27,430	13,680	8,100	10,260	28,400	8,270
2002-03	26,280	13,120	7,800	9,780	27,210	7,930
2001-02	25,180	12,560	7,440	9,420	26,070	7,580

<sup>(1)</sup> In addition to the annual undergraduate flat-rate tuition dollar amounts shown above, all full-time undergraduate students are required to pay a mandatory Student Government Fee. For academic years 2001-02 through 2005-06, the Student Government Fee was \$90.

<sup>(2)</sup> The George L. Graziadio School of Business and Management tuition rate is based on a two-term part-time course load totaling sixteen hours (eight hours per term). Residential MBA and Master of International Business students pay the same base rate tuition as Seaver College students.

<sup>(3)</sup> Program tuition rates for both the master's and doctoral program are based on a two-term part-time course load totaling twelve hours (six hours per term).

<sup>(4)</sup> The program tuition rate for the School of Law is based on a two-term full-time course load.

<sup>(5)</sup> Average room and board charges for students generally enrolled at the Malibu campus.

### ***Faculty***

The following table reflects the number of full-time and other faculty for the five academic years indicated as of the fall term for each such year, as well as the number of full-time instructional faculty with tenure.

Academic Year	UNIVERSITY FACULTY				
	Instructional Full-Time <sup>(1)</sup>	Other Full- Time <sup>(2)</sup>	Adjunct Faculty <sup>(3)</sup>	Total Faculty <sup>(4)</sup>	Full-Time Tenured Faculty
2004-05	285	105	353	743	176
2003-04	285	93	352	730	186
2002-03	274	92	332	698	177
2001-02	276	86	318	680	186
2000-01	274	80	320	674	186

<sup>(1)</sup> Includes tenured and tenure-track instructional faculty only, and excludes deans, associate deans, coaches, administrators, and librarians who may hold faculty rank but whose primary responsibility is not instruction.

<sup>(2)</sup> Includes visiting and distinguished faculty with short-term contracts, as well as faculty with regular faculty rank who have split appointments.

<sup>(3)</sup> Includes those faculty who have adjunct contracts (part-time faculty).

<sup>(4)</sup> The totals exclude Deans and Associate Deans. For 2004-2005, there were 11 individuals with both faculty rank and Dean/Associate Dean responsibilities.

Of the 285 regular full-time instructional faculty for 2004-05, 147 were professors, 72 were Associate Professors, 61 were Assistant Professors and 5 were Instructors. At present, 98% (279/285) of the faculty have obtained a Ph.D. or other terminal degree and 62% (176/285)

are tenured. The current undergraduate ratio is 12 to 1, and the University does not utilize teaching assistants.

In addition, to its faculty the University employs approximately 993 full-time staff and 176 part-time staff. The University believes it currently enjoys satisfactory relations with its employees. The University contributes to pension plans and other welfare and benefit plans for its employees. There are no unfunded pension liabilities.

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

##### **General:**

Pepperdine University (the “University”) is an independent private co-educational university committed to the highest standards of academic excellence and Christian values, where students are strengthened for lives of purpose, service, and leadership. The University was originally established as Pepperdine College in 1937 by Mr. George Pepperdine, the founder of Western Auto Supply Company. The University achieved its university status in 1970 with the addition of its graduate and professional schools and became known as Pepperdine University. Through the generosity of Mrs. Frank Roger Seaver, the University opened its current Malibu campus in 1972.

The University enrolls approximately 8,200 students in its five colleges and schools. Seaver College, the University’s undergraduate liberal arts college, the School of Law and the School of Public Policy are headquartered on 830 acres in the Santa Monica Mountains overlooking the Pacific Ocean in Malibu, California. The Graduate School of Education and Psychology and the George L. Graziadio School of Business and Management are currently based at the University’s West Los Angeles, California campus. The University has recently completed the construction of its graduate complex on its Malibu campus, known as the Drescher Graduate Campus, which has provided permanent facilities for the Malibu-based programs of these schools, as well as the School of Public Policy. In addition to the graduate courses taught at the Malibu campus, graduate courses are currently taught at the Plaza Center and at five other educational centers in Southern California. The University also offers educational programs in facilities it owns in Heidelberg, Germany; London, England; Florence, Italy; and Buenos Aires, Argentina.

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

Pepperdine University is an independent University affiliated with the Churches of Christ. It has provided both a certification of compliance with the provisions of the Authority’s Act relating to religion, and a more comprehensive certification detailing compliance with the specific standards as required by the Authority.

##### **Administration:**

The University is governed by a self-perpetuating Board of Regents composed of 40 elected voting members. The Bylaws require that a majority of the actual number of Regents, a majority of the Executive Committee, the President and the Chairman of the Board of Regents shall be members of the Churches of Christ. All members of the Board are elected for three-year terms. Approximately one-third of the membership is elected annually.

The Board of Regents annually elects a Chairman, one or more Vice Chairmen, a Secretary, and an Assistant Secretary, each for terms of one year. In addition to an Executive Committee, which acts for the Board between meetings, there are seven standing committees, including a Committee on Finance and Investments. The full Board meets four times each year.

**Accreditations:**

The University is accredited by the Accrediting Commission for Senior Colleges and Universities of 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 2000 and resulted in a reaffirmation of the University’s accreditation. The University’s next complete WASC review is scheduled for Fall 2011.

Although the University’s WASC accreditation applies to programs at all of the University’s five schools, certain programs have received appropriate additional specialized accreditation.

The School of Law is accredited by the American Bar Association and holds membership in the Association of American Law Schools. The Graziadio School of Business and Management is accredited by the American Association of Collegiate Schools of Business. The Graduate School of Education and Psychology receives accreditation for both teacher credentialing and doctoral study in psychology. The American Psychological Association currently accredits the doctoral program in psychology and the California Commission on Teacher Credentialing accredits the University’s education programs.

**Academic Programs:**

*Seaver College* is Pepperdine University’s college of letters, arts and sciences offering an interdisciplinary curriculum that provides students with a broad and comprehensive education. With its academic program organized into eight major divisions, Seaver College offers the baccalaureate degree in over 38 fields of study, teaching credential programs in two fields of study, and the master’s degree in nine fields of study. Seaver College offers full-time, year-round international programs in University-owned facilities in Heidelberg, Germany; London, England; Florence, Italy; and Buenos Aires, Argentina. Year-round home-based international programs are offered in Lyon, France and Hong Kong. In addition, the University offers several summer special programs in Madrid, France, Japan, Edinburgh, Honduras, England, Italy, Israel and Russia. International exchange programs exist with institutions in Canberra, Australia; and Tokyo, Japan. Seaver College also has a program in Washington, D.C. that operates year-round. Over 60% of the 2004-2005 graduating seniors had one or more international program experiences during their undergraduate years as Seaver College students.

The *School of Law* offers a full range of courses dealing with federal, state, and international law, leading to the Juris Doctor or the L.L.M., Dispute Resolution degrees. Additionally, the School of Law offers the following joint degrees: Juris Doctor/Master of Business Administration (JD/MBA) degree with the George L. Graziadio School of Business and Management; Juris Doctor/Master of Dispute Resolution (JD/MDR) degree with the University’s Institute for Dispute Resolution; Juris Doctor/Master of Divinity (JD/MDiv) degree with Seaver College; and the Juris Doctor/Master of Public Policy (JD/MPP) degree with the School of Public Policy. The School of Law also offers certificates in dispute

resolution emphasizes with the George L. Graziadio School of Business and Management and Seaver College.

The *George L. Graziadio School of Business and Management* focuses on the development of managers for business, government, and education, and offers graduate and undergraduate degree programs for full-time students and working adults. The school offers several degrees to its students including the Master of Business Administration (MBA) for full-time students, working professionals, executives and presidential/key executives; the International Master of Business Administration (IMBA); the Master of Science in Organization Development (MSOD); and the undergraduate Bachelor of Science in Management (BSM). The BSM program is a non-traditional program for working adults that requires potential applicants to have an Associate of Arts degree (that is Junior-level standing to enroll). All students in the BSM program are treated as “transfer” students. See “Applications and Admissions” herein. Joint degree programs offered by the school include a Bachelors of Science in Management/Master of Business Administration (BSM/ MBA) degree with Seaver College, the Juris Doctor/Master of Business Administration (JD/MBA) degree with the School of Law, and the Master of Public Policy/Master of Business Administration (MPP/MBA) degree with the School of Public Policy. The school also offers non-degree executive education programs that can be customized to meet an organization’s specific learning needs.

The *Graduate School of Education and Psychology* offers masters and doctoral degrees in the education and psychology fields of study, with a total of ten available academic programs. The education programs prepare teachers and administrators, who are leaders in technological innovation and collaborative learning environments, who manage change in business, health, non-profits and other social service professions. The psychology programs prepare professionals in the current and emerging human service fields, including clinical psychology and marriage and family therapy.

The *School of Public Policy* offers a Master of Public Policy degree built on a distinctive philosophy of nurturing leaders to use the tools of analysis and policy design to effect successful implementation and real change. Its programs prepares graduates for careers as leaders and seeks also to strengthen the institutions which lie between the federal government and the individual, including the family, religious organizations, volunteer associations, local and regional government, and nonprofit organizations. Joint degree programs include the Master of Public Policy/Juris Doctor degree (MPP/JD) and the Master of Public Policy/Master of Dispute Resolution (MPP/MDR) degree in conjunction with the School of Law and the Master of Public Policy/Master of Business Administration (MPP/MBA) degree in conjunction with the George L. Graziadio School of Business and Management. The Davenport Institute, the research and special program division of the school, is dedicated to addressing current issues through major conferences, seminars, and published research.

**Competition:**

The following schools represent both “competitors” as well as peer (comparison) institutions. In the Southern California market, Pepperdine University competes with the University of Southern California, both the University of California, Los Angeles and Santa Barbara, as well as, Loyola Marymount University, and Occidental College. In addition to Loyola and Occidental, both Santa Clara University and the University of San Diego are peer

institutions. On a national basis, Pepperdine University looks to emulate universities like Southern Methodist, Vanderbilt, Notre Dame, Boston College, and Baylor.

1. University of Southern California
2. University of California, Los Angeles
3. University of California, Santa Barbara
4. University of San Diego
5. Loyola Marymount University
6. Occidental College
7. Santa Clara University
8. Vanderbilt University (Tennessee)
9. So. Methodist University (Texas)
10. Notre Dame University (Indiana)
11. Boston College (Massachusetts)
12. Baylor University (Texas)

The growing reputation of the University has translated into increased student demand at all of its schools. Consequently, the University is able to be much more selective in the students it chooses to enroll. The Malibu campus-based programs (undergraduate liberal arts, the law school; residential MBA, Education, and Psychology programs; along with the new School of Public Policy) have all contributed to the University's increasing demand.

The focus on student-centered learning and close faculty involvement; the strength of its international programs; international undergraduate student enrollment; the beauty and excellence of the Malibu campus and its facilities; the strategic location of its education centers; coupled with the new Drescher Graduate Campus expansion are all contributing factors to a University environment that reflects a vitality and enthusiasm among the faculty, staff, and students that is unprecedented in University's history.

The Seaver College's freshman applications remain strong. Since the fall 2002, undergraduate freshman applications have increased 17% from 5,503 to 6,447. The University's academic reputation has increased (in or near the "Top 50" ranking for the past three years by *U.S. News & World Report*), is better able to target its admission efforts. Out of the 249 major research and doctoral universities throughout the United States, which are included in *U.S. News'* "National Universities" category, this past year the University is tied in the rankings for 52<sup>nd</sup> with 66% of its undergraduate classes having fewer than 20 students. In addition, it ranked 60<sup>th</sup> in the "Selectivity" category and 27<sup>th</sup> in the "Faculty Resources" category.

In addition to the Malibu campus and its West Los Angeles Campus, Pepperdine maintains five fully staffed education centers located throughout Southern California, which support both the Graziadio School of Business and Management (GSBM) and the Graduate School of Education and Psychology (GSEP) graduate programs. Both schools are local, regional, and national market leaders. The GSBM was recently accredited by the prestigious AACSB—International: The Association to Advance Collegiate Schools of Business. Currently *Business Week* magazine ranks its Executive MBA #19 in the world. The GSEP has received national recognition for its technology innovation and collaborative learning environments.

In addition, the GSEP has ranked near the top in the percentage of ethnic minority students receiving masters and doctoral degrees from the school.

**V. OUTSTANDING DEBT (000s):**

<u>Issue Name:</u>	<u>Original Amount</u>	<u>Amount Outstanding As of 7/31/04</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
<b>Existing</b>			
CEFA Pool, Series 1995A	\$20,940	\$16,855	\$-0-
CEFA, Series 1997	16,000	3,855	3,855
CEFA, Series 1999A	30,000	27,445	6,980
CEFA, Series 1999B	20,000	7,255	-0-
CEFA, Series 2000	40,000	40,000	-0-
CEFA, Series 2002A	35,000	32,000	-0-
Pepperdine Taxable Bonds, Series 2002B	25,000	25,000	25,000
CEFA, Series 2003A	45,000	45,000	45,000
Notes payable to State Comp. Ins. Fund	7,000	7,000	7,000
Other Notes	varies	257	257
Premium on long term obligations		1,121	1,121
<b>Proposed</b>			
CEFA, Series 2005		N/A	120,000
Totals		<u>\$205,788</u>	<u>\$209,213</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 \$120,000,000 for Pepperdine 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.