

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

Applicant:	Dominican University of California (the "University") 50 Acacia Ave. San Rafael, California Marin County	Amount Requested:	\$20,585,000
		Date Requested:	December 1, 2005
		Requested Loan Term:	30 years
		Resolution Number:	F-233
Facility Type:	Private University		
Accreditations:	Western Association of Schools and Colleges		

Use of Bond Proceeds: Bond proceeds will be used for the construction of a new science and technology center, renovation of existing facilities and refinancing of the 1995B CEFA bonds. The proposed refinancing is expected to generate a present value savings of approximately \$231,000 or 3.3% over the life of the bonds.

Type of Issue:	Negotiated public offering, fixed rate		
Credit Enhancement:	None		
Expected Credit Rating:	Baa3 (Moody's)		
Underwriter:	Prager, Sealy & Co., LLC		
Bond Counsel:	Squire, Sanders, & Dempsey LLP		

Financial Overview: To reverse the FYE 2003 and 2004 weak operating results, the University's management implemented clear budget and recruitment strategies that lead to a dramatic operating improvement reported in FYE 2005. The FYE 2005 balance sheet also reflects improvement as compared to the prior two fiscal years. Based on the recently implemented longer-term budgeting strategy, the University's management is confident it has reversed the negative operating trend seen in FYEs 2003 and 2004.

Sources of Revenues (\$000)- FYE 06-30-05:	<u>Amount</u>	<u>Percent</u>
(Unrestricted Funds)		
Net tuition and fees	\$24,468	69%
Sales and services of auxiliary enterprises	5,365	17%
Private gifts and grants	870	5%
Government grants and programs	753	3%
Other revenue	733	3%
Net assets released from restrictions	727	2%
Net investment income	408	1%
Total revenues and gains	<u>\$33,324</u>	<u>100%</u>

Estimated Sources of Funds (\$000):		Estimated Uses of Funds (\$000):	
Bond Par	\$20,585	Construction	\$10,500
Net Original Issue Discount	(431)	Current Refunding	7,179
1995B Debt Service Reserve	735	Debt Service Reserve Fund	1,819
Equity Contribution	15	Capitalized Interest	955
		Financing Costs	451
Total Sources	<u>\$20,904</u>	Total Uses	<u>\$20,904</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 \$20,585,000 to issue tax exempt revenue bonds for Dominican University of California, subject to a bond rating of at least a "Baa3" by a nationally recognized rating agency, certain bond covenants as described in the "Financing Structure" section, and the standard bond issuance guidelines.

**STAFF SUMMARY AND RECOMMENDATION
BOND FINANCING PROGRAM**

December 1, 2005

Dominican University of California (the “University”)

Resolution Number: F-233

I. PURPOSE AND STRUCTURE OF FINANCING: As a result of the continued growth in enrollment and expansion of certain programs, the University proposes to issue bond proceeds for the construction of a new science and technology center, renovation of existing facilities to accommodate the University’s expanding nursing program and refinancing of the 1995B CEFA bonds.

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

Uses of Funds:

Construction \$10,500,000

The majority of funds will be used to construct a new Science and Technology Center. The Center will consist of two separate buildings, placed to create an outdoor space on the north side, toward the campus core, for student and staff interaction and gathering. The center will house a multitude of functions in a total of 35,000 square feet, including all of the science functions. The smaller building will contain classrooms, computer labs, and faculty offices.

The project also includes renovation of an existing campus building to accommodate the University’s expanding Nursing program and address other University space needs.

Current Refunding 7,179,000

The University intends to refinance its 1995B CEFA Series bonds to achieve a present value savings of approximately \$231,000 or 3.3% over the life of the bonds. The bonds were originally issued to finance the expansion of the University’s main campus.

Debt Service Reserve Fund 1,819,000

Capitalized Interest Fund..... 955,000

Financing costs 451,000

Underwriter’s Expenses\$208,000
 Cost of Issuance.....238,000
 Other 4,000

Total Uses of Funds..... \$20,904,000

Financing Structure:

- New construction
- Refunding of Series 1995B
- Negotiated Public Offering
- Fixed rate debt
- General obligation and revenue pledge
- 30-year term
- Expected Credit Rating: Baa3 (Moody's)
- Debt Service Reserve Fund
- Capitalized Interest Fund
- Lien secured by 50 Acacia Ave., San Rafael, CA.
- Secured with real property with an appraised value equal to or greater than the par amount of the bonds
- Series 2006 bonds issued on parity with all other CEFA bonds
- Financial integrity covenants regarding maintenance of liquidity and debt service coverage

II. FINANCIAL STATEMENTS AND ANALYSIS:

Dominican University of California Statement of Activities Unrestricted

	Fiscal Year Ended June 30,		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operating Revenue and Gains:			
Net tuition and fees	\$ 24,468,629	\$ 19,440,948	\$ 18,128,128
Private gifts and grants	869,529	662,806	860,346
Government grants and programs	753,793	583,174	1,142,422
Net investment income	407,836	180,341	126,205
Sales and services of auxiliary enterprises	5,364,691	4,808,677	4,076,113
Other revenue	732,291	935,558	835,602
Net assets released from restrictions	727,277	1,515,658	1,653,927
Total operating revenue and gains	33,324,046	28,127,162	26,822,743
Expenses:			
Program services:			
Instruction	12,017,574	11,421,750	11,284,662
Academic support	2,936,343	2,881,470	2,785,417
Student services	5,187,825	5,224,539	5,650,855
Auxiliary enterprises	1,934,923	1,650,920	1,649,220
Total program services	22,076,665	21,178,679	21,370,154
Support services:			
Institutional support	4,109,717	4,239,536	3,059,761
Advancement	1,582,786	1,777,139	1,749,004
Depreciation	2,100,651	1,546,537	1,533,876
Amortization of bond issuance cost	-	35,726	35,726
Interest on indebtedness	1,097,900	1,138,277	1,079,105
Investment management fees	-	62,259	40,264
Total support services	8,891,054	8,799,474	7,497,736
Total expenses	30,967,719	29,978,153	28,867,890
Net increase (decrease) from operations	2,356,327	(1,850,991)	(2,045,147)
Nonoperating Revenue and (Loss) Gain:			
Net investment income (loss)	33,780	89,459	-
Net assets released from restrictions	152,140	220,827	859,463
Total nonoperating revenue and gain	185,920	310,286	859,463
Increase (decrease) in unrestricted net assets	2,542,247	(1,540,705)	(1,185,684)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	17,941,754	19,482,459	20,668,143
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 20,484,001	\$ 17,941,754	\$ 19,482,459

Dominican University of California
Statement of Financial Position

	As of June 30,		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 12,827,588	\$ 8,892,097	\$ 11,450,920
Investments, current portion	559,127	432,997	464,194
Accounts receivable, net	1,865,329	1,582,314	1,931,280
Prepaid expenses and other assets	534,638	489,158	250,831
Total current assets	15,786,682	11,396,566	14,097,225
Noncurrent Assets:			
Cash reserved for debt service	1,578,481	1,554,544	1,549,517
Investments, net of current portion	10,328,276	10,055,851	8,909,997
Notes receivable, net	1,114,236	1,100,571	1,007,314
Beneficial interest in trusts and other assets	4,281,823	4,105,646	3,043,515
Property, plant and equipment, net	31,591,887	33,028,060	33,009,912
TOTAL ASSETS	\$ 64,681,385	\$ 61,241,238	\$ 61,617,480
LIABILITIES AND NET ASSETS:			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 2,395,820	\$ 2,588,581	\$ 2,475,981
Deferred revenues, current portion	619,837	748,884	762,132
Current portion of capital lease	57,533	52,863	52,804
Current portion of bonds payable	596,250	561,250	536,250
Total current liabilities	3,669,440	3,951,578	3,827,167
Long-Term Liabilities:			
Deferred revenues, net	137,079	144,557	151,847
Federal grants refundable	707,618	692,337	696,977
Capital lease, net	12,194	74,760	132,229
Bonds payable, net	18,083,750	18,680,000	19,241,250
TOTAL LIABILITIES	22,610,081	23,543,232	24,049,470
Net Assets:			
Unrestricted	20,484,001	17,941,754	19,482,459
Temporarily Restricted	14,076,886	12,291,083	10,680,417
Permanently Restricted	7,510,417	7,465,169	7,405,134
TOTAL NET ASSETS	42,071,304	37,698,006	37,568,010
TOTAL LIABILITIES AND NET ASSETS	\$ 64,681,385	\$ 61,241,238	\$ 61,617,480

Financial Ratios:

	Proforma (a)			
	FYE June 30, 2005	<u>2005</u>	<u>2004</u>	<u>2003</u>
Debt service coverage (x)	1.47	3.03	0.66	0.87
Debt to expendable net assets (x)	0.93	0.54	0.64	0.66
Expendable net assets to operations (x)		1.12	1.01	1.04
Margin		7.6%	-5.4%	-4.3%

(a) Recalculates 2005 audited results to include the impact of this proposed financing.

Financial Discussion:

To reverse the FYE 2003 and 2004 weak operating results, the University's management implemented clear budget and recruitment strategies that lead to a dramatic operating improvement reported in FYE 2005.

The University's FYE operating results in 2003 and 2004 were losses of \$2 million and \$1.8 million, respectively. However, results in FYE 2005 markedly improved, as the net increase to unrestricted net assets from operations was over \$2.3 million. Since the majority of the University's revenues are derived from tuition, fees and auxiliary enterprises, the University's management attributes the operating improvements to an increase in revenue resulting from improved recruitment efforts. These efforts included improved targeting of geographical areas for marketing purposes, improved follow-up with potential students, and expanded opportunities for potential admits to visit the campus. From academic year 2004-05 to 2005-06, the student headcount increased 17% even as the selectivity ratio remained constant. During the same period, the University increased tuition by 7% and the increased student population resulted in a 12% boost to auxiliary revenues from the prior year.

The University has been able to control its expenditures as revenues have sharply increased. Over the past two fiscal years, total operating revenues increased by 18% but expenses increased by only 4%. The University attributes the slower growth in expenditures to tighter controls over accountability and budgets. For example, before any staff position is added or filled, the senior management must provide its approval. University management does not believe the tighter expense controls are weakening the educational services provided to the students

The FYE 2005 balance sheet also reflects improvement as compared to the prior two fiscal years.

From FYE 2003 to 2004, the cash balance decreased by 22%. However, the University implemented stronger cash management techniques such as increasing the cash projection period to allow for longer investment horizons to increase yield. The improved return on investments along with the increase in student revenue increased the cash balance by approximately \$4 million (a 44% increase) in FYE 2005.

With an unrestricted and temporarily restricted net asset balance exceeding \$38 million, the proforma debt to expendable net asset balance is an acceptable 0.93x. The proforma debt service coverage ratio of 1.47x indicates the University will be able to repay the proposed debt. The proposed bonds will be issued on parity with the other outstanding CEFA bonds.

Based on the recently implemented longer-term budgeting strategy, the University's management is confident it has reversed the negative operating trend seen in FYEs 2003 and 2004.

The University management recently implemented a three-year budgeting cycle that ensures its strategic planning meets the mission and goals of the University. The planning process enables management to determine critical current year expenses versus expenses that could be deferred. Within this process, the University considers factors such as baseline activities, enrollment

projections, tuition and fee pricing assumptions, market place adjustments to maintain competitive salaries and renewal and replacement of the University's infrastructure.

III. STUDENTS, COLLEGE COSTS, AND FACULTY STATISTICS:

Students

The fall 2005 freshman class had representatives from 11 states and 4 foreign countries: 10% of the class was from outside California. The average entering GPA for the freshman class was 3.20 with SAT composite scores of 1,024.

Student Applications and Matriculations

Academic Year	Applications	Acceptances	Matriculations
2000-01	338	305	124
2001-02	744	496	136
2003-03	1195	863	246
2003-04	1792	980	245
2004-05	2426	1236	276
2005-06	2646	1359	227

The following table provides student enrollments and the number of degrees conferred at the University for each of the six most recent academic years.

Enrollment and Degrees

Academic Year	Undergraduate Headcount	FTE	Bachelor Degrees	Graduate Headcount	FTE	Masters Degrees
1999-00	988	826	199	454	306	273
2000-01	1012	827	239	468	502	230
2001-02	989	812	242	512	542	238
2002-03	996	887	227	657	567	309
2003-04	1146	1005	202	620	645	237
2004-05	1340	1190	203	637	624	230

Tuition and Fees

The following table provides undergraduate and graduate tuition and fees.

Academic Year	Undergraduate Tuition & Fees	Graduate Tuition & Fees	Pathways Tuition & Fees	Room and Board*
2000-01	\$17,606	\$14,390	\$9,830	\$8,440
2001-02	18,998	11,420	10,310	8,950
2002-03	20,720	11,420	10,600	9,400
2003-04	22,650	12,010	11,080	9,780
2004-05	24,254	12,150	11,160	10,270
2005-06	25,950	12,510	11,496	10,888

*Based on double occupancy and a 19 meal plan.

Faculty

The following table reflects the number of full-time and part-time faculty appointments for the current and previous four academic years and the number of faculty with tenure.

Academic Year	Tenured Full Time	Other Full Time	Part Time	Total FTE
2000-01	17	26	157	99
2001-02	16	30	177	115
2002-03	16	45	184	124
2003-04	18	48	162	122
2004-05	19	49	182	127

IV. BACKGROUND:

General:

Dominican University of California is a coeducational, independent Catholic, international, learning-centered university. With students and faculty from a wide range of cultural and religious backgrounds, Dominican embraces diversity and a global perspective. The University offers undergraduate education in the liberal arts and sciences as well as undergraduate and graduate professional programs. Chartered by the Dominican Sisters of San Rafael as a college for women in 1890, the University has been governed by a predominantly lay Board of Trustees since 1968. The University became coeducational in the undergraduate program in 1971, where the gender ratio is currently 76% women to 24% men.

Administration:

A Board of Trustees of up to 35 persons governs the University. One seventh of the trustees with the power to vote are required to be members of the Sisters of St. Dominic's Congregation of the Most Holy Name. The President of the University, the President of the University Alumni Association, and the Prioress General of the Sisters of St. Dominic, Congregation of the Most Holy Name, are ex officio members of the Board; the latter two with full voting rights. Members of the Board (except ex officio members) are elected to one to three terms for up to three terms each.

Facilities:

Established in 1890, the University is located on approximately 80 acres in a residential neighborhood in San Rafael, Marin County, approximately 11 miles north of the Golden Gate Bridge and San Francisco. The University campus is divided into three areas: Forest Meadows, currently used for maintenance and storage facilities, an outdoor amphitheater, tennis courts, a multi-purpose field, the Sister Samuel Conlan Recreation Center, and the Grand Avenue Parking lot; the Academic Core features 11 buildings supporting classrooms, laboratories, administrative offices, the Library and two residence halls, which provides classrooms and offices in addition to housing; and the Residential Core contains two residence halls, a 6 building residential village, and a dining hall.

Academic Programs:

Day program. The University offers approximately 23 undergraduate majors. The most highly enrolled majors are Business Administration, English Literature/English with a Writing Emphasis, Humanities, International Management, Liberal Studies, Nursing, Psychology, and Occupational Therapy. The other majors offered are Art, Art History, Biology, Communications, Digital Art, E-Business, Environmental Science, History, individually designed interdisciplinary majors, International Studies, Music, Politics, Religion, and Strategic Management.

The general education program centers around nine thematic areas: Religious Heritage, Human Nature, a Cultural Heritage colloquium, Verbal Expression, the Natural World, Quantitative Reasoning, Cultural Perspectives, Human Relationships and Creativity in the Arts.

Pathways. The Pathways program was initiated in fall 1991 as an evening-weekend “menu” program for working adults and in fall 2004 numbered over 220 students. “Menu” program refers to the fact that students choose their courses from the lists of available courses, in contrast with the situation for cohort students described below. The following majors are available to Pathways “menu” students attending courses exclusively in the evenings or on weekends: English Literature, English Literature with a Writing Emphasis, Human Resources Management, Psychology and Humanities. Two degree completion majors are also offered: B.S. in Business Administration (offered only in the Cohort format described below) and the R.N. to B.S.N. (Bachelors of Science in Nursing). Pathways students may, for an extra fee, enroll in one of the Day Program majors but must complete their general education units in the Pathways scheduled courses.

The general education courses for the Pathways students are focused on the same set of goals as undergraduate general education courses for the Day Program, but are different courses designed to the specific requirements of a somewhat time-shortened program for highly motivated adult learners.

In addition to the menu program, Pathways has five cohort programs where groups of students move together through a pre-determined sequence of courses. The courses are taken one or two at a time, lasting either seven weeks or a regular semester. Four of the current cohorts are designed for students who have completed their lower division requirements and lead to a B.S. in Business Administration at the end of a two-year sequence of courses.

Graduate Program. At the graduate level, the University offers the multiple subjects and single subject teacher credential programs, and masters programs in Counseling Psychology, Education, Humanities, Nursing, MBA in Strategic Leadership, MBA in Global Strategic Management, and Occupational Therapy.

In cooperation with the California Management Institute, the University also offers a Masters in Public Administration, a Master of Arts in Management, and a Master of Arts in Medical Management.

Accreditation and Affiliations:

The University’s accreditation by the Western Association of Schools and Colleges was last reaffirmed in January 2004.

The National League for Nursing accreditation of the University’s Nursing program was last reaffirmed in the fall of 2004. The State of California Board of Registered Nursing last reviewed the Nursing program in the spring of 2004.

The Accreditation Council for Occupational Therapy Education accredited the Occupational Therapy program in the spring of 2005. The Education program was last reviewed by the California Commission on Teacher Credentialing Committee on Accreditation in the spring of 2002.

Competition:

Dominican University draws students primarily from the greater San Francisco Bay Area. Students who are accepted to Dominican University are considering Dominican in addition to the following schools: the University of California system, the California State University system, University of San Francisco and Saint Mary's University. Adult evening/weekend degree program candidates are also considering Golden Gate University, Saint Mary's University, the University of San Francisco, the University of Phoenix, and the New College.

V. CONSOLIDATED OUTSTANDING DEBT (\$000):

Issue	Original Issue Amount	Amount Outstanding as of 6/30/05*	Estimated Amount Outstanding after Proposed Financing
Existing:			
CEFA Pool 1995	\$ 9,300	\$ 7,300	\$ -
CEFA Pool 1997	1,545	1,080	1,080
CEFA Pool 1999	3,500	2,965	2,965
CEFA 2001	7,805	7,335	7,335
Proposed:			
CEFA 2006			20,585
TOTAL		\$ 18,680	\$ 31,965

*Includes current portion of long-term debt.

VI. RELIGIOUS AFFILIATION DUE DILIGENCE:

Staff has reviewed the Applicant's responses to the questions contained in the Religious Affiliation portion of the application. No information was disclosed in the questionnaire or discovered by staff to question the Applicant's compliance with the provisions of the Authority's Act relating to religious affiliation.

VII. 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.

VIII. STAFF RECOMMENDATION:

Staff recommends the Authority approve a resolution in an amount not to exceed \$20,585,000 to issue tax exempt revenue bonds for Dominican University of California, subject to a bond rating of at least a "Baa3" by a nationally recognized rating agency, certain bond covenants as described in the "Financing Structure" section, and the standard bond issuance guidelines.