

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

EXECUTIVE SUMMARY

<p>Applicant: University of San Francisco ("USF") 2130 Fulton Street San Francisco, California San Francisco County</p> <p>Facility Type: Private College</p> <p>Project Location: San Francisco, CA</p> <p>Accreditation: Western Association of Schools and Colleges, State Bar Examiners</p>	<p>Amount Requested: \$60,000,000</p> <p>Loan Term: 30 Years</p> <p>Date Requested: June 29, 2006</p> <p>Resolution Number: F-239</p>																								
<p>Use of Bond Proceeds: Bond proceeds will be used to finance various construction, renovation, campus technology upgrades, and various other capital projects. In addition, proceeds will be used to refinance a portion of the CEFA Series 1996 bonds providing a net present value savings of \$5.5 million.</p>																									
<p>Type of Issue: Negotiated Public Offering, Auction Rate Securities</p> <p>Credit Enhancement: MBIA Insurance</p> <p>Expected Rating: Aaa (Moody's) AAA (S&P) based on MBIA's rating</p> <p>Underwriter: Banc of America Securities LLC</p> <p>Bond Counsel: Sidley Austin LLP</p>																									
<p>Financial Status: USF shows continued revenue growth during the review period. USF's balance sheet remains strong with good debt service coverage.</p>																									
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<p>Legal Review: Although disclosures were made by the applicant, the information disclosed does not appear to adversely affect the financial viability or legal integrity of the applicant.</p>																									
<p>Staff Recommendation: Staff recommends the Authority approve a resolution for an amount not to exceed \$60,000,000 for the University of San Francisco, subject to the bonds being rated at least an "A" category or equivalent short-term rating by a nationally recognized rating agency and meeting the standard bond issuance provisions for A rated debt.</p>																									

STAFF SUMMARY AND RECOMMENDATION

University of San Francisco (“USF”)

June 29, 2006
Resolution Number: F-239

I. PURPOSE OF FINANCING:

Bond proceeds will be used to finance various capital improvements to USF’s educational facilities, including the construction, renovation, remodeling, expansion and rehabilitation of such facilities, equipment acquisition and related costs. USF continues to upgrade and expand its facilities to accommodate the increasing student population. In addition, proceeds will be used to refinance a portion of the CEFA 1996 bonds.

Construction/renovation \$26,580,618

USF has proposed the following projects:

Science Center – The Science Center will be renovated and a new wing added to the existing building. The new wing will include science classrooms, labs and faculty offices. \$6,500,000

Kalmonovitz Hall– Kalmanovitz Hall will be renovated to accommodate all Humanities and Social Sciences. The space will include faculty offices, classrooms, student/faculty space and social science and language labs. This project will also include upgrades to Kalmonovitz Hall. \$6,500,000

University Center – The University Center’s top floor will be renovated to improve and upgrade faculty offices and meeting rooms. \$2,000,000

Dormitories – This project includes various renovations and improvements to dormitories on both the main and Lone Mountain campuses. Both campuses are located within the University’s boundaries. Renovations will include reconfiguration of rooms, plumbing upgrades and bathroom replacements. \$4,000,000

Fromm Hall – A portion of Fromm Hall will be renovated to include a childcare center for University staff and faculty. \$1,000,000

Enterprise Reporting System - The Enterprise Reporting System will be a campus wide reporting system, which includes student information, accounting, human resources and alumni development systems. \$2,000,000

Steam Lines and Utility Systems – This project includes the replacement of steam lines and utility systems across the Main Campus, Koret Health & Recreation Center and the Lone Mountain campus. \$1,500,000

Miscellaneous Projects - Various other renovation projects will be completed on the Main Campus, the Lone Mountain Campus and the Koret Health and Recreation Center. Significant projects include roof replacement on several campus buildings, boiler replacement, additional exterior lighting, restoration and waterproofing of Lone Mountain. \$3,080,618

Refunding \$31,918,109

USF intends to current refund a portion of the CEFA Series 1996 bonds which will provide USF with a net present value savings of approximately \$5.5 million or approximately 18% of the refunded bonds.

Financing Costs 1,501,273

Underwriter discount	346,650
Insurance premium	785,000
Counsel fees.....	112,000
Bond Surety Policy Premium	107,000
Other Costs of Issuance	<u>150,623</u>

***TOTAL USES OF FUNDS* \$60,000,000**

Financing Structure:

- Negotiated public offering of Auction Rate Securities
- Maximum 30-year maturity.
- Expected Aaa (Moody’s) AAA (S&P) based on MBIA’s insured rating.
- General obligation pledge.

II. FINANCIAL ANALYSIS:

University of San Francisco
Statement of Activities
Unrestricted (000)

	Period Ending May 31,		
	2005	2004	2003
Revenues:			
Tuition and fees	\$ 173,080	\$ 159,993	\$ 145,579
Grant and contracts	10,285	11,148	10,816
Contributions	9,488	6,558	10,348
Investment income	3,229	2,544	2,467
Net realized/unrealized gains (losses) on investments	15,797	19,408	(1,876)
Auxiliary revenue	23,123	22,320	21,577
Other	5,209	1,600	2,882
Net assets released from restrictions	651	7,803	1,390
Total revenue and other support	<u>240,862</u>	<u>231,374</u>	<u>193,183</u>
Expenses:			
Program expenses:			
Instruction	93,906	88,059	80,168
Research	1,170	1,218	889
Public service	1,024	951	791
Academic support	21,775	19,042	17,987
Student services	18,331	16,375	15,321
Institutional support	24,043	25,183	22,167
Scholarships and fellowships	36,192	34,185	33,637
Auxiliary enterprises	24,441	23,726	23,077
Other	1,807	1,756	199
Total expenses	<u>222,689</u>	<u>210,495</u>	<u>194,236</u>
Change in donor stipulations	-	(1,225)	1,411
Increase (decrease) in net assets	18,173	19,654	358
Cumulative effect on prior years due to change in accounting principle	7,116	-	-
Net Assets - Beginning of year	186,944	167,290	166,932
Net Assets - End of year	<u>\$ 212,233</u>	<u>\$ 186,944</u>	<u>\$ 167,290</u>

University of San Francisco
Statement of Financial Position (000)

	As of May 31,		
	2005	2004	2003
Assets:			
Cash and cash equivalents	\$ 24,096	\$ 17,088	\$ 12,804
Receivables	42,482	42,249	36,508
Investments	197,307	166,642	148,492
Restricted investments	6	17,457	26,592
Prepaid expenses and other assets	8,592	10,425	10,420
Property, plant and equipment, net	244,144	224,168	210,413
Total assets	516,627	478,029	445,229
Liabilities and Net Assets:			
Liabilities			
Accounts payable and accrued liabilities	25,787	21,204	16,653
Deferred revenue	11,288	9,963	9,131
Federal student loan funds	9,508	9,693	8,696
Line of credit	3,502	320	-
Bonds and notes payable	133,230	136,688	138,887
Total liabilities	183,315	177,868	173,367
Net Assets:			
Unrestricted	212,233	186,944	167,290
Temporarily restricted	30,039	25,952	22,892
Permanently restricted	91,040	87,265	81,680
Total net assets	333,312	300,161	271,862
Total Liabilities and Net Assets	\$ 516,627	\$ 478,029	\$ 445,229

Financial Ratios:

	Proforma (a)			
	FYE May 31, 2005	2005	2004	2003
Debt service coverage (x)	2.12	3.31	3.41	1.45
Debt to expendable net assets (x)	0.87	0.55	0.64	0.73
Expendable net assets to operations (x)		1.09	1.01	0.98
Margin (%)		7.5	9.0	(0.5)

(a) Recalculates 2005 audited results to include the impact of this proposed financing.
Also includes the 2005 financing that closed after the end of the 2005 fiscal year.

Financial Discussion:

USF shows continued revenue growth during the review period.

Total revenues have increased 25 percent, from \$193.1 million in fiscal year 2003 to \$240.8 million in fiscal year 2005. The increase in total revenues is attributable to an increase in student tuition and fees. Net tuition and fees have increased 18.9 percent during our review period.

USF began the private portion of its capital campaign in June 2002 with a goal of raising \$175 million. The University has raised \$151.4 million, or 87 percent of the \$175 million goal as of May 24, 2006, and expects to complete the campaign by May 31, 2007.

USF continues to see improvements in investments during fiscal year 2005, with a \$15.7 million gain compared to losses of \$1.8 million in fiscal year 2003. The investment gains reflect general improvements in the financial markets.

Expenditures have increased approximately 15 percent during our review period due to consistent growth and expansion in enrollment, instruction, academic support and University funded financial aid expenses.

USF's balance sheet remains strong with good debt service coverage.

Unrestricted net assets have increased approximately 27 percent during our review period, from \$167.3 million in fiscal year 2003 to \$212.2 million in 2005. Cash and cash equivalents have increased from \$12.8 million in fiscal year 2003 to \$24 million in fiscal year 2005. USF's debt service coverage is very acceptable at 3.31x. With the proposed new debt of \$24.3 million, the debt service coverage remains strong at 2.12x, indicating that USF should be able to meet the annual debt service payments on the proposed financing.

III. STUDENT, COLLEGE COSTS, AND FACULTY STATISTICS:

Applications and New Enrollments

Fall Semester	Freshman*			Transfer*		
	Number of Apps.	Offered Admission	New Enrollments	Number of Apps.	Offered Admission	New Enrollment
2001	3,838	3,038	845	1,004	771	354
2002	3,590	2,960	844	916	720	349
2003	4,634	3,798	921	998	800	359
2004	5,338	3,961	933	1,167	821	383
2005	6,090	4,376	934	1,222	851	398

Freshman and Transfer (Combined)*				
Fall Semester	Number of Apps.	Offered Admission	Selectivity Ratio	New Enrollments
2001	4,842	3,809	78.7%	1199
2002	4,506	3,680	81.7%	1193
2003	5,632	4,598	81.6%	1,280
2004	6,505	4,782	73.5%	1,316
2005	7,312	5,227	71.5%	1,332

Graduate Programs*				
Fall Semester	Number of Apps.	Offered Admission	Selectivity Ratio	New Enrollments
2001	2,329	1,745	74.9%	936
2002	2,289	1,664	72.7%	965
2003	2,645	1,896	71.7%	970
2004	2,713	1,631	60.1%	862
2005	2,574	1,580	61.4%	836

Law Program*				
Fall Semester	Number of Apps.	Offered Admission	Selectivity Ratio	New Enrollments
2001	2,002	928	46.4%	242
2002	3,107	1,011	32.5%	249
2003	3,726	978	26.2%	271
2004	4,581	1,122	24.5%	257
2005	4,154	1265	30.5%	259

*Headcount, not full-time equivalent

Enrollment and Degrees

Academic Year	Enrollments			Degrees		
	Undergrad FTE	Graduate FTE	Total FTE	Bachelor	Graduate	Total
2001-02	4,575	2,984	7,559	1,111	1,212	2,323
2002-03	4,590	3,207	7,797	1,189	1,100	2,289
2003-04	4,611	3,173	7,784	1,164	1,299	2,463
2004-05	4,861	3,027	7,888	1,134	1,121	2,255
2005-06	5,112	2,927	8,039	N/A	N/A	N/A

Tuition

Undergraduate Tuition, Fees, Room and Board

Academic Year	Undergraduate Tuition & Fees	Room and Board	Undergraduate Total
2001-02	\$20,190	\$8,710	\$28,900
2002-03	\$21,660	\$9,080	\$30,740
2003-04	\$23,220	\$9,350	\$32,570
2004-05	\$25,040	\$9,780	\$34,820
2005-06	\$26,820	\$10,130	\$36,950

Faculty

Faculty Summary
(Headcount)

Academic Year	Professors	Associate Professors	Assistant Professors	Instructors	Total	Percent Tenured
2001-02	110	86	102	12	310	61%
2002-03	118	92	98	14	322	62%
2003-04	123	86	104	18	331	62%
2004-05	122	88	102	18	330	63%

IV. BACKGROUND:

University of San Francisco:

USF, a California corporation, is a private non-profit educational institution founded in 1855 and is located on a 55-acre hilltop near Golden Gate Park in San Francisco, California. The University enrolls approximately 8,000 undergraduate and graduate students in its six colleges and professional schools. Seventy-nine percent of the University's students are from California, fourteen percent are from other states and seven percent are from outside the United States. Sixty percent of the students are under age 25, while 39% are age 25 to 54 and 1% are age 55 and over. The University's faculty includes approximately 860 full and part-time members. The Alumni Association includes over 70,000 graduates throughout the world.

Administration:

USF is governed by a self-perpetuating Board of Trustees, which is presently composed of 46 members. Members of the sponsoring religious body, the Society of Jesus, constitute approximately one-third of the membership while the remaining Trustees represent diverse backgrounds: religious, financial, legal, cultural, educational, and mercantile. USF welcomes persons of all religious persuasions as members of its student body, faculty and administration.

Accreditations:

USF is accredited by the Western Association of Schools and Colleges. It also has professional accreditation or approval from the following organizations: American Chemical Society, American Psychological Association, Computing Sciences Accrediting Board, National Collegiate Athletic Association (Division I), United States Department of Justice, American Association of Collegiate Registrars and Admissions Officers, American Association of Colleges of Nursing, American Association of Higher Education, American Council on Education, Association of American Colleges, Association of Catholic Colleges and Universities, Association of Independent California Colleges and Universities, Association of Jesuit Colleges and Universities, California Association of Colleges for Teacher Education, College Entrance Examination Board, Conference of Jesuit Law Schools, Conference of Western Law Schools, Council for the Advancement of Experiential Learning, and Council of Graduate Schools in the United States.

Religious Certification:

Since USF is affiliated with a religious denomination, it was required to provide both a certification of compliance with the provisions of the CEFA Act relating to religion, and a more comprehensive certification detailing compliance with the specific standards as required by the Authority. USF has provided this information in the application.

Competition:

USF's principal competitors are:

<u>Institution Name</u>	<u>Location</u>
UC Berkeley	Berkeley, California
UC Davis	Davis, California
UCLA	Los Angeles, California
USC	Los Angeles, California
Santa Clara University	Santa Clara, California
Loyola Marymount University	Los Angeles, California
University of San Diego	San Diego, California

USF has several distinguishing characteristics that enable it to compete with these institutions, which are its Jesuit Catholic Mission, a wide range of academic majors and special programs, a culturally diverse student body and the San Francisco location.

Specific programs offered by USF that are unique include: the dual degree program in Teacher Education, Advance Degree/Bachelor of Science program in the school of Nursing, and the Hospitality Management program in the McLaren School of Business.

V. OUTSTANDING DEBT:

Issue Name:	Original Amount	Amount Outstanding As of 5/31/05	Estimated Amount Outstanding after Proposed Financing
Existing			
CEFA Revenue Bonds, Series 1996	\$ 75,000,000	\$ 67,830,000	\$ 14,415,000
CEFA Revenue Bonds, Series 2000	27,000,000	25,600,000	25,600,000
CEFA Revenue Bonds, Series 2003	40,000,000	39,800,000	39,800,000
CEFA Revenue Bonds, 2005 Series A*	23,410,000	23,310,000	23,310,000
CEFA Revenue Bonds, 2005 Series B*	27,500,000	27,500,000	27,500,000
Proposed			
CEFA Revenue Bonds, Series 2006			60,000,000
Totals		\$ 184,040,000	\$ 190,625,000

*transaction closed after the end of the fiscal year.

VI. LEGAL REVIEW:

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. Although disclosures were made by the applicant, the information disclosed does not appear to adversely affect the financial viability or legal integrity of the applicant.

VII. STAFF RECOMMENDATION:

Staff recommends the Authority approve a resolution for an amount not to exceed \$60,000,000 for the University of San Francisco, subject to the bonds being rated at least an "A" category or equivalent short-term rating by a nationally recognized rating agency and meeting the standard bond issuance provisions for A rated debt.