

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

<p>Applicant: Woodbury University (the "University") 7500 Glenoaks Blvd Burbank, CA 91510-7846 Los Angeles County</p> <p>Facility Type: Private University</p> <p>Accreditation: Western Association of Schools and Colleges National Architectural Accrediting Board Association of Collegiate Business Schools and Programs Foundation for Interior Design Education Research</p>	<p>Amount Requested: \$7,000,000</p> <p>Requested Loan Term: 30 years</p> <p>Date Requested: January 25, 2007</p> <p>Resolution Number: 243</p>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Uses of Bond Proceeds: Bond proceeds will be used to fund various capital projects.

<p>Type of Issue: Negotiated Public Offering, Fixed interest rate</p> <p>Credit Enhancement: None</p> <p>Credit Rating: Baa3 (Moody's)</p> <p>Senior Underwriter: E.J. De La Rosa & Co., Inc.</p> <p>Bond Counsel: Squire, Sanders, & Dempsey, LLP</p>	
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

Financial Overview: The University continues to post positive operating results supported by growth in tuition and fees. The balance sheet remains strong with good liquidity. Plant assets have increased due to new construction.

Sources of Revenues - FYE 6/30/06
(Unrestricted Funds \$000)

	<u>Amount</u>	<u>Percent</u>
Tuition and fees, net	\$17,843	66%
Net assets released from restrictions	5,500	20%
Auxiliary enterprises	1,836	7%
Interest and dividends	647	2%
Realized and unrealized gain (loss) on investments	542	2%
Other	500	2%
Private gifts and grants	<u>229</u>	<u>1%</u>
Total Revenue	<u>\$27,097</u>	<u>100%</u>

Estimated Sources of Funds (\$000)

Par Amount of Bonds	\$7,000
Premium	355
University/College equity contribution	<u>51</u>
Total Sources	<u>\$7,406</u>

Estimated Uses of Funds (\$000)

Capital Projects	\$6,752
Debt Service Reserve Fund	452
Financing Costs	<u>202</u>
Total Uses	<u>\$7,406</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 \$7,000,000 for Woodbury University subject to a bond rating of at least "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**

January 25, 2007

WOODBURY UNIVERSITY (the "University")

Resolution Number: 243

I. PURPOSE OF FINANCING:

The University has experienced continued growth in enrollment, which directly impacts classroom and studio space. In 2005, CEFA issued \$21 million in bonds for the University. The bond proceeds were used to fund new construction projects including a new Business/Multi-Purpose Building and a Studio Building. However, increased construction costs as well as increases in the scope of the projects demand more funding. The proposed 2007 CEFA bond issue will defray these unexpected costs.

Capital Projects **\$6,751,911**

Business/Multi-purpose Building (\$4,001,911) – The approximately 22,000 square foot building will house the University’s undergraduate and graduate business programs. Potential uses range from small seminar rooms to classrooms seating 50 or more as well as large, open instructional spaces. The new building will also provide space for a large multi-purpose auditorium that will seat 225.

Studio Building (\$2,750,000) – The new building will be provided for the students and faculty of the architecture, graphic design and fashion design programs. The approximately 12,000 square foot, flat-floor, multi-use space will be adaptable for design reviews, exhibits, university meetings, receptions and other functions.

Debt Service Reserve Fund **452,400**

Financing Costs **201,900**

Underwriters Fee and Expenses \$101,500

Cost of Issuance 100,400

Total Uses of Funds **\$7,406,211**

Financing Structure

- Negotiated Public Offering, fixed rate
- 30-year maturity
- General Obligation and Gross Revenue Pledge
- Deed of Trust to secure property
- Debt Service Reserve Fund
- Financial integrity covenants regarding maintenance of liquidity and debt service coverage

II. FINANCIAL STATEMENTS AND ANALYSIS:

WOODBURY UNIVERSITY Statement of Activities Unrestricted

	As of June 30,		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues and Gains:			
Net tuition and fees	\$ 17,843,289	\$ 16,653,401	\$ 15,063,091
Private gifts and grants	229,334	229,761	143,988
Auxiliary enterprises	1,836,444	1,648,562	1,657,962
Realized and unrealized gain (loss) on investments	541,693	499,686	827,279
Interest and dividends	647,058	218,208	157,995
Other	499,678	439,619	314,097
Net assets released from restrictions	5,499,886	4,658,583	4,674,839
Total revenues, gains, and other support	<u>27,097,382</u>	<u>24,347,820</u>	<u>22,839,251</u>
Operating Expenses:			
Instruction	9,369,269	7,858,061	7,616,507
Academic support	806,910	828,867	548,507
Library	808,590	785,282	670,181
Registrar	389,770	375,245	362,324
Student services	1,473,765	1,442,482	1,392,515
Institutional support	3,291,598	3,393,157	3,142,682
Campus operations and maintenance	2,246,472	1,765,049	1,741,242
Admissions	736,376	727,890	464,419
University marketing	1,966,040	1,552,650	1,492,595
Data Processing	634,827	565,440	500,183
Auxiliary enterprises	1,090,117	1,089,415	1,026,543
Depreciation and amortization	1,284,006	1,261,967	1,257,084
Other	1,317,172	1,295,312	1,403,188
Total expenses	<u>25,414,912</u>	<u>22,940,817</u>	<u>21,617,970</u>
Change in net assets before change in additional minimum pension liability	1,682,470	1,407,003	1,221,281
Change in additional minimum pension liability	1,558,597	(1,087,513)	865,723
Change in net assets	<u>3,241,067</u>	<u>319,490</u>	<u>2,087,004</u>
Net assets, beginning of year	22,641,120	22,321,630	20,234,626
Net assets, end of year	<u>\$ 25,882,187</u>	<u>\$ 22,641,120</u>	<u>\$ 22,321,630</u>

WOODBURY UNIVERSITY
Statement of Financial Position

	As of June 30,		
	2006	2005	2004
ASSETS:			
Cash and cash equivalents	\$ 3,934,152	\$ 1,884,622	\$ 843,022
Cash restricted for building construction	14,014,108	-	-
Cash restricted for bond reserve	1,292,249	-	-
Investments	11,223,833	10,017,812	8,857,873
Tuition receivable, net of allowance for doubtful accounts of \$169,647 in '06, \$431,597 in '05 and \$441,403 in 2004	908,648	916,247	974,525
Student loans, net	1,594,547	1,520,290	1,575,156
Grant receivable - Title V	657,759	634,494	1,108,137
Pledges and other receivables	963,828	1,136,598	413,737
Other receivables	108,517	75,938	-
Prepays, deposits and other assets	2,186,971	1,651,917	1,604,932
Property, plant, and equipment, net	21,788,469	20,639,631	21,020,903
TOTAL ASSETS	\$ 58,673,081	\$ 38,477,549	\$ 36,398,285
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts payable	170,015	255,219	230,063
Accrued expenses and other liabilities	3,388,882	3,968,644	2,643,278
Tuition advances	933,002	861,912	914,611
Student funds payable and student deposits	591,603	361,896	633,322
Line of credit	-	-	400,000
Loan payable	346,667	-	-
Bonds payable	19,995,000	4,310,000	5,010,000
TOTAL LIABILITIES	25,425,169	9,757,671	9,831,274
Net assets:			
Unrestricted:			
Undesignated	603,213	389,567	312,323
Investment in property, plant and equipment	16,952,299	16,594,285	16,309,835
Board designated endowment	8,640,486	7,529,676	6,484,367
Pension-additional minimal liability	(313,811)	(1,872,408)	(784,895)
Total Unrestricted	25,882,187	22,641,120	22,321,630
Temporarily Restricted	4,268,222	3,354,480	1,637,212
Permanently Restricted	3,097,503	2,724,278	2,608,169
TOTAL NET ASSETS	33,247,912	28,719,878	26,567,011
TOTAL LIABILITIES AND NET ASSETS	\$ 58,673,081	\$ 38,477,549	\$ 36,398,285

Financial Ratios:

	Proforma (a)			
	FYE June 30,			
	2006	2006	2005	2004
Debt service coverage (x)	2.96x	3.79x	1.84x	3.56x
Debt to expendable net assets (x)	0.91	0.67	0.17	0.21
Expendable net assets to operations (x)		1.19	1.13	1.11
Margin		11%	1%	9%

(a) recalculates 2006 audited results to include the impact of this proposed financing.

Financial Discussion

The University continues to post positive operating results supported by growth in tuition and fees.

The University relies on tuition and fees as a primary source of its revenues. In FY 2006, these revenues comprised 66% of total revenues. Given that the University relies heavily on student-derived fees, ongoing tuition growth is essential for sustaining balanced operating performances. The University has exhibited an 18% growth in net tuition and fees over the review period, up from \$15 million in FY 2004 to \$17.8 million in FY 2006. The University has maintained a stable demand with an average acceptance rate of 75% and an average matriculation rate of 48%. Moreover, full-time equivalent enrollment has grown 18% in the past five academic school years.

Over the three-year review period, expenses have increased proportionately with the increase in revenues. Expenses have increased 17%, from \$21.7 million in FY 2004 to \$25.4 million in FY 2006. These expenses are largely centered in instruction, campus operations and maintenance and University marketing.

The University began a planning process in the summer of 2005 to conceptualize and prepare for a comprehensive fundraising campaign. Since that time, the University has begun making a multi-year investment to build fundraising and alumni relation's capacity. As part of this effort, University leadership has been taking steps to put a major gift program in place that is critical to increasing support for endowment, new buildings, scholarships and other needs.

The balance sheet remains strong with good liquidity. Plant assets have increased due to new construction.

The University has a strong balance sheet with property, plant, and equipment accounting for 37% of total assets in FY 2006. Net property, plant and equipment increased by \$1.15 million as a result of new construction funded by the 2005 CEFA bond issue.

The University's total assets have increased approximately 61% over the three-year review period, up from \$36.4 million in FY 2004 to \$58.7 million in FY 2006. Cash and cash equivalents are up from \$843,022 in FY 2004 to \$3.9 million in FY 2006, a significant 363% increase. This is largely due to the refinancing of the 2005 CEFA bond issue and various other pledges and gifts.

The University's current financial strength is solid. The University maintains over \$33 million in total net assets, with the majority of these assets (\$25.9 million) being unrestricted. In FY 2006, its debt service coverage ratio is 3.79x. With this proposed financing, the proforma debt service ratio will be 2.96x, indicating the University's ability to manage the proposed additional debt.

III. STUDENTS, COLLEGE COSTS AND FACULTY STATISTICS:

Students

The following table provides information regarding the freshman applicant pool over the past five years.

Freshman Applicant Pool

Academic <u>Year</u>	<u>Applications</u>	<u>Acceptances</u>	<u>Matriculations*</u>
2002-03	370	275	122
2003-04	362	264	128
2004-05	340	251	126
2005-06	356	270	136
2006-07	410	314	151

* Students entering in the fall semester of academic year

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

Enrollments and Degrees

Academic <u>Year</u>	Fall Full-Time Equivalent <u>Student Enrollments*</u>	Degrees <u>Awarded</u>
2002-03	1127	310
2003-04	1158	313
2004-05	1295	331
2005-06	1314	345
2006-07	1330	TBD

* Based on the University's full-time equivalent enrollment for accounting and other purposes in accordance with generally accepted practices for colleges and universities.

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

Tuition and Fees

Academic <u>Year</u>	Tuition and <u>Fees</u>	Room and <u>Board *</u>	<u>Total</u>
2002-03	19,254	6,874	26,128
2003-04	20,310	7,378	27,688
2004-05	21,314	7,702	29,016
2005-06	22,368	8,060	30,428
2006-07	23,572	8,366	31,938

*Based on double-occupancy, a 12-meal plan with \$200 flex dollars.

The following table reflects the number of full-time and part-time faculty appointments for the five most recent academic years. The data is for instructional faculty only, and excludes deans, associate deans, coaches, administrators, and librarians who may hold faculty rank.

Faculty

Academic <u>Year</u>	<u>Full Time</u>	<u>Part Time</u>	<u>FTE Total</u>
2002-03	40	158	93
2003-04	39	171	96
2004-05	45	166	100
2005-06	44	176	140
2006-07	45	196	151

IV. BACKGROUND:

General:

Founded in 1884, Woodbury University is one of the oldest institutions of higher education in Southern California. The University is presently located on a 22-acre residential campus in the Verdugo Foothills adjoining Burbank, CA. The campus encompasses twenty academic, residential and administrative buildings as well as athletic facilities, parking and facilities maintenance structures. The current site provides ample room for campus expansion, including the facilities to be financed by the bonds, and to accommodate a growing student enrollment.

In 1998, the University opened a satellite campus in San Diego, CA where it offers the Bachelors of Architecture and Masters of Architecture; an additional off-campus site is located in Hollywood, CA. The University currently rents its facilities in San Diego and has no current plans to acquire this or other sites.

Administration:

The President of the University is appointed by the Board of Trustees and, as Chief Executive Officer, is charged with the principal responsibility for administration of the University. The President appoints all other Executive Officers of the University. Corporate Officers of the University are appointed by the Board of Trustees annually.

The University is governed by a self-perpetuating Board of Trustees presently comprised of 45 voting members. The Board of Trustees is responsible for the overall management of the University including its academic policy, University development, long-range land use and resource planning, and supervision of financial and budgetary affairs. The Board consists of individuals who have diverse experience in architecture, banking and finance, education, insurance, law, management, marketing, philanthropy, medicine, real estate development, investment, public accounting and public service. Trustees are appointed to serve five-year terms that are renewable.

Academic Programs:

The University's academic programs are organized into three schools, which offers bachelor's degrees from the School of Architecture and Design, Business and Management, and Arts and Sciences. In addition, the University also offers a Master of Business Administration as well as weekend and evening study for working adults.

The University offers undergraduate curricula leading to the degrees of Bachelor of Fine Arts, Bachelor of Science, Bachelor of Arts and Bachelor of Architecture.

The degree programs offered in the Weekend College are Bachelor of Science, Bachelor of Arts and a Master of Business Administration. The program is designed to meet the needs of students who are employed full-time. On eight weekends per semester, students take from one to four courses (from 3 to 12 units). Course content and student performance expectations are similar or identical to those in the day and evening sessions of the University. Teaching methodologies, student assignments and testing schedules are adjusted to accommodate the calendar arrangements. The Weekend College meets the needs of transfer students with 60 semester units or an Associate in Arts degree, but is open to freshman and sophomores.

Woodbury University's Intensive Degree Program offers a Bachelor of Science degree in Business & Management through an innovative program designed specifically for working adults. Classes meet 6 p.m. to 10 p.m. one evening a week for 5 weeks (or 9 weeks, depending on subject content). Students applying to this program are required to have at least 24 units of transferable college credit and a minimum of three years full-time work experience since graduating from high school. Classes are adult-oriented and not the usual lecture/test format. A module (expanded syllabus) accompanies the textbook(s) for each course. The module identifies the material to be covered, the assignments/activities to be completed, and the outcomes expected for each class meeting. Class size is limited to 15-20 students.

The University offers graduate curricula leading to the degrees of Master of Architecture in Real Estate Development, Master of Business Administration and Master of Organizational Leadership.

Accreditation and Affiliations

Woodbury University is fully accredited by the Senior Accrediting Commission of the Western Association of Schools and Colleges (WASC). In 2001, WASC reaffirmed accreditation of the University following a comprehensive review.

The University is also accredited by the National Architectural Accrediting Board, the Foundation for Interior Design Education Research and the Association of Collegiate Business Schools and Programs.

Competition

Woodbury University emphasizes professional education, access to classes, timely degree completion, and excellent service in order to position itself against less expensive state universities and more comprehensive liberal arts institutions. Woodbury focuses on narrow market niches rather than presence in a broad range of academic fields.

Programs in architecture, interior architecture, fashion design and animation hold market position in fields where there are fewer competitors. More conventional programs such as business, accounting and marketing endeavor to create market position by emphasizing smaller classes, excellent service, and access to practicing professionals in the classroom.

V. OUTSTANDING DEBT (\$000):

<u>Issue Name</u>	<u>Original Amount</u>	<u>Amount Outstanding as of 06/30/06*</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
Existing Debt:			
<i>CEFA Series, 2006</i>	\$19,995	\$19,995	\$19,995
<i>Loan Payable, 2005</i>	400	347	347
Proposed Debt:			
<i>CEFA College and University Financing Program, Series 2007</i>		N/A	7,000
TOTAL DEBT		<u>\$20,342</u>	<u>\$27,342</u>

N/A – Not Applicable

* Includes current portion of long-term debt.

VI. RELIGIOUS AFFILIATION DUE DILLIGENCE:

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. COMPLIANCE WITH ASSEMBLY BILL 1341:

Assembly Bill 1341 (Chapter 714, 2006) requires that prior to an action by the Authority Board, all applicants must provide the Authority with documentation certifying that a proposed project has complied with the California Environmental Quality Act (CEQA), or that the project is not subject to CEQA.

Woodbury has provided the necessary documents to show exemption from AB 1341.

VIII. 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.

IX. STAFF RECOMMENDATION:

Staff recommends the Authority approve a Resolution in an amount not to exceed \$7,000,000 for Woodbury University subject to a bond rating of at least "Baa3" by a nationally recognized rating agency, certain bond covenants as described in the "Financing Structure" section and the standard bond issuance guidelines.