

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
TAX-EXEMPT SIMPLIFIED EQUIPMENT FINANCING PROGRAM**

EXECUTIVE SUMMARY

Applicant:	University of the Pacific (“UOP”) 3601 Pacific Avenue Stockton, CA 95211 San Joaquin County	Amount Requested:	\$5,000,000
		Loan Term:	10 years
		Date Requested:	May 31, 2007
		Resolution Number:	E-7
Facility Type:	Private University		
Project Locations:	Stockton, Sacramento, and San Francisco, CA		
Accreditation:	Western Association of Schools and Colleges		
Use of Proceeds: Proceeds will be used to acquire and install telecommunications, audiovisual, wireless networking, dental sterilization, security, and other equipment.			
Type of Issue: Private Placement Lease Financing			
Security: First lien on equipment held by Comerica Leasing Corporation			
Rating: A2 (Moody’s)			
Placement Agent: Municipal Finance Corporation (MFC)			
Special Tax Counsel: Nixon Peabody LLP			
Financial Status: UOP exhibits positive results with growing revenues. The current fiscal year reflects an increase in unrestricted net assets of more than \$10 million. UOP’s financial strength is sound with approximately \$385 million in total net assets.			
<u>Sources of Revenue – FYE 6/30/06 (000’s):</u>			
(Unrestricted Funds)			
	<u>Amount</u>	<u>Percent</u>	
Tuition and fees, net	\$144,066	59%	
Government grants and contracts	37,082	15%	
Sales and services of auxiliary enterprises	25,408	10%	
Dental clinic fees	10,990	5%	
Investment return	10,556	4%	
Private grants, gifts, and bequests	7,589	3%	
Other	7,331	3%	
Net assets released from restrictions	<u>3,218</u>	<u>1%</u>	
Total unrestricted revenue	<u>\$246,240</u>	<u>100%</u>	
<u>Sources of funds:</u>			
Proceeds	\$5,000,000	<u>Uses of funds:</u>	
		Equipment Lease/Purchase	\$4,900,000
		Financing Costs	<u>100,000</u>
Total Sources	<u>\$5,000,000</u>	Total Uses	<u>\$5,000,000</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 an equipment financing resolution for University of the Pacific in an amount not to exceed \$5,000,000 with a term of 10 years.			

STAFF SUMMARY AND RECOMMENDATION
TAX-EXEMPT SIMPLIFIED EQUIPMENT FINANCING PROGRAM
University of the Pacific (“UOP”)

May 31, 2007

Resolution Number: E-7

- I. PURPOSE OF FINANCING:** UOP plans to acquire and install telecommunications, audiovisual, wireless networking, dental sterilization, security, and other equipment.

Equipment..... \$4,900,000

Dugoni School of Dentistry (San Francisco)

1. Acquiring and installing a centralized equipment sterilization facility. \$1,700,000

McGeorge School of Law (Sacramento)

1. Acquiring and installing audiovisual equipment. 50,000
 2. Acquiring card swipe devices to provide facility security and access. .. 100,000

Main Campus (Stockton)

1. Acquiring and installing telephone equipment. 1,000,000
 2. Acquiring and installing wireless networking system..... 500,000
 3. Acquiring and installing surveillance cameras for additional security in parking lots. 500,000
 4. Acquiring card swipe devices to provide facility security and access. .. 300,000

Contingency amount 750,000

Cost of Issuance 100,000

Program Fees..... \$ 96,250

CEFA Fee..... 3,750

Total Uses of Funds \$5,000,000

Financing Structure:

- Tax-exempt lease financing.
- Privately placed with Comerica Leasing Corporation.
- 10-year lease financing fully amortized.
- Fixed interest rate estimated to be 3.94%.
- Estimated semiannual payment is \$412,138.
- Comerica Leasing Corporation will be granted a first priority security interest on the equipment.

II. FINANCIAL ANALYSIS:

University of the Pacific
Statement of Activities (Unrestricted)
(In thousands)

	Fiscal Year Ended June 30,		
	2006	2005	2004
Operating:			
Revenues, gains, and other support:			
Tuition and fees, net	\$ 144,066	\$ 138,808	\$ 127,013
Sales and services of auxiliary enterprises	25,408	24,999	22,994
Government grants and contracts	37,082	31,234	18,128
Private grants, gifts, and bequests	7,589	5,072	10,384
Investment return	10,556	8,654	6,731
Dental clinic fees	10,990	10,294	9,886
Other	7,331	7,388	8,047
Net assets released from restrictions	3,218	2,453	11,092
Total revenues, gains, and other support	246,240	228,902	214,275
Expenses:			
Instructional and department research	100,898	93,485	98,899
Auxiliary enterprises	24,288	24,415	23,470
Sponsored programs	29,802	26,710	9,994
Academic support	17,675	15,124	7,865
Student services	14,331	13,325	12,423
Student aid	2,160	2,183	2,398
General administration	10,216	8,563	6,426
Fund-raising activities	8,398	7,957	7,180
Operations and plant maintenance	14,675	16,699	15,644
Depreciation and amortization	11,891	10,595	12,140
Interest	4,637	5,153	4,260
Total expenses	238,971	224,209	200,699
Increase in unrestricted net assets from operations	7,269	4,693	13,576
Other changes:			
Investment gain, net of distributions	9,190	6,060	18,221
Cumulative effect of change in accounting principle	(6,197)	779	-
Increase in unrestricted net assets	10,262	11,532	31,797
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	208,760	197,228	165,431
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 219,022	\$ 208,760	\$ 197,228

University of the Pacific
Statement of Financial Position
(In thousands)

	As of June 30,		
	2006	2005	2004
ASSETS:			
Cash and cash equivalents	\$ 16,879	\$ 20,647	\$ 26,465
Accounts receivable, net	18,828	24,101	13,120
Pledges receivable, net	20,331	19,203	17,779
Inventories, prepaid expenses, and other assets	6,633	7,450	6,808
Student loans receivable, net	29,761	27,070	25,957
Investments	319,388	248,274	220,380
Fixed assets, net	176,640	173,666	173,593
Total assets	<u>\$ 588,460</u>	<u>\$ 520,411</u>	<u>\$ 484,102</u>
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 18,738	\$ 15,484	\$ 15,696
Assets retirement obligations	6,505	-	-
Advance deposits and deferred revenue	14,521	9,021	8,728
Self-insurance reserves	4,416	4,393	3,511
Early retirement reserves	2,191	2,191	1,961
Capital lease obligations	569	309	786
Notes and bonds payable	118,045	93,522	84,279
Trust and annuity obligations	11,666	8,589	10,307
Federal student loan funds	26,754	26,230	25,366
Total liabilities	<u>203,405</u>	<u>159,739</u>	<u>150,634</u>
Net assets:			
Unrestricted	219,022	208,760	197,228
Temporarily Restricted	39,472	33,084	26,752
Permanently Restricted	126,561	118,828	109,488
Total net assets	<u>385,055</u>	<u>360,672</u>	<u>333,468</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 588,460</u>	<u>\$ 520,411</u>	<u>\$ 484,102</u>

Financial Ratios:

	Proforma (a)			
	FYE June 30, 2006	2006	2005	2004
Debt service coverage (x)	3.78	4.08	3.45	7.46
Debt to expendable net assets (x)	0.48	0.46	0.39	0.38
Expendable net assets to operations (x)		1.08	1.08	1.12
Margin (%)		3.00	2.10	6.30

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

Financial Discussion:

UOP exhibits positive results with growing revenues. The current fiscal year reflects an increase in unrestricted net assets of more than \$10 million.

UOP continues to exhibit steady revenue growth over the three-year review period. Revenues are diverse and include, tuition, gifts and investments that provide UOP with liquidity and flexibility.

Total revenues equaled \$246 million, increasing more than \$17 million or 7.6% in FY 2006 as compared to FY 2005. The increase can be primarily attributed to an increase in net tuition and fee income, private and government grants, and to investment gains.

Expenses totaled \$239 million in FY 2006, increasing by \$15 million or 6.6% as compared to the prior fiscal year. This increase is due mainly to general administration expenses, academic support, and sponsored programs.

UOP's financial strength is sound with approximately \$385 million in total net assets.

The balance sheet remains strong. In FY 2006, total net assets were \$385 million, an increase of \$24 million or 6.8% from the prior fiscal year. The debt service coverage ratios have been consistently strong with the current year at 4.08x. The proforma debt service ratio coverage remains very good at 3.78x.

III. BACKGROUND:

UOP founded in 1851, is the oldest chartered university in California. From its beginnings in Santa Clara, the institution has evolved into an institution with campuses in Stockton, Sacramento, and San Francisco.

UOP has been accredited since 1949 by 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 March 2000, in which WASC reaffirmed UOP's accreditation to 2010.

IV. OUTSTANDING DEBT:

<u>Issue:</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding as of 6/30/06*</u>	<u>Estimated Amount Outstanding After Proposed Financing</u>
<i>Existing CEFA:</i>			
Revenue Bonds, 1997A	\$ 9,570,000	\$ 4,120,000	\$ 4,120,000
Revenue Bonds, 1998	12,500,000	11,005,000	11,005,000
Revenue Bonds, 2000	41,000,000	12,710,000	12,710,000
Revenue Bonds, 2004	11,500,000	11,040,000	11,040,000
Revenue Bonds, 2006	77,180,000	77,180,000	77,180,000
<i>Proposed:</i>			
CEFA Equipment Financing 2007			5,000,000
Total		<u>\$ 116,055,000</u>	<u>\$ 121,055,000</u>

* includes current portion.

V. DUE DILIGENCE:

Due diligence has been completed with regard to the following items:

- Religious Due Diligence
- Legal Review
- Compliance with Assembly Bill 1341 – California Environmental Quality Act

VI. STAFF RECOMMENDATION:

Staff recommends the Authority approve an equipment financing resolution for University of the Pacific in an amount not to exceed \$5,000,000 with a term of 10 years.