

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

<p>Applicant: Loyola Marymount University Los Angeles, California Los Angeles County</p> <p>Facility Type: Private University</p> <p>Accreditations: Western Association of Schools and Colleges, American Bar Association</p>	<p>Amount Requested: \$55,000,000</p> <p>Date Requested: May 27, 2004</p> <p>Requested Loan Term: 31 years</p> <p>Resolution Number: 216</p>																					
<p>Use of Bond Proceeds: Proceeds will be used to current-refund Authority debt, to construct student housing, and for various capital needs.</p>																						
<p style="text-align: center;">Type of Issue: Negotiated public offering, variable auction rates</p> <p>Credit Enhancement: MBIA Insurance Corporation</p> <p>Expected Credit Rating: Aaa/VMIG1 (Moody's) based on MBIA Insurance with an underlying "A2" rating (Moody's). (Refer to Financing Structure on page 2 for additional information).</p> <p>Senior Underwriter: Banc of America Securities LLC</p> <p>Bond Counsel: Orrick, Herrington & Sutcliffe</p>																						
<p>Financial Overview: In our review period, Loyola has demonstrated small operating profits, other than fundraising revenue generated in a campaign that began in 2003. Despite continuing investment losses, however, the University has a substantial amount of unrestricted investments to support its operations. The University demonstrates a moderate amount of leverage, and an adequate ability to pay debt service.</p>																						
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<p>Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.</p>																						
<p>Staff Recommendation: Staff recommends the Authority approve a resolution in an amount not to exceed \$55,000,000 to issue tax exempt revenue bonds for Loyola Marymount University, subject to a bond rating of at least an "A" category (or equivalent short-term rating) by a nationally recognized rating agency and the standard bond issuance guidelines.</p>																						

**STAFF SUMMARY AND RECOMMENDATION
BOND FINANCING PROGRAM**

May 27, 2004

LOYOLA MARYMOUNT UNIVERSITY (the “University”)

Resolution Number: 216

- I. PURPOSE OF FINANCING:** The University plans to current refund existing CEFA bond issues for interest expense savings. The University also intends to construct student housing to meet the needs of a growing student population, as well as various other construction and renovation projects at the main Westchester Campus and the Law School.

Uses of Funds:

- **Current Refunding** **\$11,852,200**

The University intends to current refund its 1992 and 1994 fixed rate CEFA bonds to achieve a net present value savings of approximately \$1.0 million.

- **Construction** **\$38,000,000**

The University plans to construct and equip two structures to house approximately 635 students at its main campus. One of these will replace a residence hall for 280 students, resulting in a net increase of 355 housing units. The structures will also incorporate meeting spaces, retail uses, as well as parking.

This project is part of the University’s master plan, addressing the increases in enrollment, aimed at providing on campus accommodations for approximately 60% of undergraduates. Although three new residence halls have been added since 2001, demand still exceeds supply. The University increased room rates in that period, improving net auxiliary enterprise revenues. The University anticipates that this project will further increase these revenues.

- **Debt service reserve** **3,701,000**

- **Financing costs** **1,446,800**

Underwriters Discount\$233,750

Bond Insurance	781,550	
Cost of Issuance	392,700	
Contingency	38,800	_____
Total Uses of Funds		<u>\$55,000,000</u>

Financing Structure:

- Negotiated public offering
- Variable Auction Rate, 7 days initial reset
- 31 year term, final maturity October 1, 2034
- Expected Aaa/VMIG1 (Moody's) based on anticipated MBIA bond insurance

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II. FINANCIAL STATEMENTS AND ANALYSIS:

LOYOLA MARYMOUNT UNIVERSITY

Statement of Activities Unrestricted (000's)

	<u>Fiscal Year Ended May 31,</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues:			
Net tuition and fees	\$ 145,019	\$ 129,723	\$ 117,939
Investment return designated for operations *	12,878	13,925	13,288
Grants, contributions and pledges	30,980	10,934	10,573
Auxiliary enterprise revenue	22,151	20,022	18,486
Other revenue	2,432	2,417	2,232
Net assets released from restrictions	<u>90</u>	<u>56</u>	<u>854</u>
Total revenues	<u>213,550</u>	<u>177,077</u>	<u>163,372</u>
Expenses:			
Instruction and research	77,828	70,351	64,489
Academic support	6,338	5,760	6,140
Library	9,191	8,382	8,106
Student services	29,983	27,223	26,242
Institutional support	47,670	44,969	38,865
Auxiliary enterprises	<u>21,553</u>	<u>20,038</u>	<u>18,482</u>
Total expenses	<u>192,563</u>	<u>176,723</u>	<u>162,324</u>
Increase in operating net assets	20,987	354	1,048
Non-operating revenues and expenses:			
Investment gain/(loss) after amounts designated for current operations *	(19,572)	(22,465)	(19,203)
Contributions for non-operating purposes	2,684	6,804	2,514
Net assets released from restrictions	3,487	3,113	8,773
Loss from early extinguishment of debt	-	(8,484)	-
Other	<u>(806)</u>	<u>(1,817)</u>	<u>44</u>
Increase in unrestricted net assets	6,780	(22,495)	(6,824)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>352,701</u>	<u>375,196</u>	<u>382,020</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 359,481</u>	<u>\$ 352,701</u>	<u>\$ 375,196</u>

* A portion of total investment gains/(losses) is designated for use in current operations. The total loss on investments was \$6.4 million, \$7.8 million, and \$4.3 million in 2003, 2002, and 2001 respectively.

LOYOLA MARYMOUNT UNIVERSITY
Statement of Financial Position (000's)

	As of May 31,		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
ASSETS:			
Cash and cash equivalents	\$ 19,534	\$ 5,261	\$ 4,466
Tuition and fees receivable	1,098	930	1,742
Other accounts receivable	3,574	4,796	3,412
Pledges receivable, net	28,053	21,522	20,752
Notes receivable, net	28,245	28,525	28,699
Investments	236,169	244,379	240,006
Prepaid expenses and other assets	6,347	7,858	6,313
Plant properties, net of accumulated depreciation	367,305	354,933	341,057
TOTAL ASSETS	\$ 690,325	\$ 668,204	\$ 646,447
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts payable and accrued expenses	\$ 28,970	\$ 22,379	\$ 20,677
Deferred student revenue and deposits	8,007	7,932	9,106
Revenue bonds, net of unamortized discount	153,208	158,575	119,857
Loan funds returnable to donor	1,152	1,152	1,152
U.S. government grants refundable	11,505	11,344	11,208
Annuity liabilities and assets held for others	2,755	2,385	2,621
TOTAL LIABILITIES	205,597	203,767	164,621
Net assets:			
Unrestricted	359,481	352,701	375,196
Temporarily Restricted	31,689	24,910	24,416
Permanently Restricted	93,558	86,826	82,214
TOTAL NET ASSETS	484,728	464,437	481,826
TOTAL LIABILITIES AND NET ASSETS	\$ 690,325	\$ 668,204	\$ 646,447

Financial Ratios:

	Proforma ^(a)			
	<u>FYE May 31, 2003</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Debt service coverage (x)	2.45 ^(b)	3.25 ^(b)	1.91 ^(b)	2.04 ^(b)
Debt to expendable net assets (x)	0.50	0.39	0.42	0.30
Expendable net assets to operations (x)		1.84	1.81	2.20
Margin (%)		3.1%	-9.1%	-3.9%

^(a) Recalculates 2003 results to include the impact of this proposed financing.

^(b) Based on operating results.

Financial Discussion:

In our review period, Loyola has demonstrated small operating profits, other than fundraising revenue generated in a campaign that began in 2003. Despite continuing investment losses, however, the University has a substantial amount of unrestricted investments to support its operations.

Loyola has produced small positive operating profits in the three years of our review, with increases in tuition and other revenues matching increases in expenses. Operating margins were bolstered in 2003 with contributions for operating purposes increasing from approximately \$11 million to \$31 million.

Loyola has experienced sizable investment losses, mostly unrealized, in each of the three years of our review, resulting in negative gross margins in 2001 and 2002. In 2003, total unrestricted net assets increased by \$6.8 million, largely due to the significant increase in contributions. Despite these losses, Loyola maintains an investment portfolio of \$236 million, largely unrestricted.

In fiscal 2003, Loyola launched a six-year, \$300 million fundraising campaign, with approximately 40% to be used for capital assets, with the remainder devoted to the University's endowment. According to management, this campaign continues to meet its target through 2004. In addition to operating contributions, in fiscal 2003 total contributions for capital assets and other non-operating purposes increased by approximately \$4.1 million and endowment funds increased by \$2.5 million compared to 2002.

The projected growth in the University's endowment promises to reduce the dependency on tuition revenue. Loyola has benefited from its continued high demand, in spite of strong competition in Southern California. Loyola's enrollment has increased by 21% in the last five years while the University has become more selective (with a selectivity ratio of 62% vs. 59% for undergraduates and 40% vs. 20% for the law school). The number of faculty has at a slightly slower rate of 17% in this same period.

The University demonstrates a moderate amount of leverage, and an adequate ability to pay debt service.

Loyola's proforma debt service coverage ratio of 2.45x demonstrates their ability to repay this debt. Leverage will increase to a modest level, with a debt to expendable net asset ratio of 0.50x.

III. STUDENTS, COLLEGE COSTS, AND FACULTY STATISTICS:

Applicant Pool

The following tables set forth applications, admissions and new enrollments for the undergraduate, law and other graduate programs for the last five academic years:

Undergraduate*

Fall Semester	Applications	Offered Admission	Selectivity Ratio	New Enrollments
1999	6,345	3,937	62.0%	1,025
2000	6,455	4,020	62.3%	1,205
2001	7,468	4,446	59.5%	1,258
2002	7,959	4,492	56.4%	1,207
2003	7,716	4,568	59.2%	1,335

* Headcount, not full-time equivalent

Law School*

Fall Semester	Applications	Offered Admission	Selectivity Ratio	New Enrollments
1999	3,083	1,240	40.2%	444
2000	3,234	1,259	38.9%	442
2001	3,284	1,265	38.5%	425
2002	3,963	1,184	29.9%	444
2003	5,440	1,073	19.7%	408

* Headcount, not full-time equivalent

Other Graduate*

Fall Semester	Applications	Offered Admission	Selectivity Ratio	New Enrollments
1999	1,139	680	59.7%	442
2000	1,025	760	74.1%	540
2001	1,056	800	75.8%	530
2002	1,146	849	74.1%	584
2003	1,365	1,047	76.7%	712

* Headcount, not full-time equivalent

Enrollments and Degrees

The University's enrollment has grown from 6,719 to 8,099 full time equivalent (FTE) students over the last five years. The following table sets forth the University's full time equivalent fall semester enrollment for the past four years and the current academic year together with the number of degrees conferred in each such year completed.

Academic Year	Enrollments				Degrees Awarded		
	Undergraduate FTE	Graduate FTE	Law FTE	Total FTE	Bachelor	Graduate	Law
1999-00	4,444	1,031	1,244	6,719	991	389	383
2000-01	4,617	1,076	1,306	6,999	1,084	396	408
2001-02	4,952	1,217	1,301	7,470	1,112	431	420
2002-03	5,148	1,256	1,304	7,708	1,188	531	403
2003-04	5,463	1,441	1,195	8,099	N/A	N/A	N/A

Undergraduate Tuition and Fees, Room and Board, and Law School Tuition

Tuition fees and room/board costs for an undergraduate for the 2003-04 school year is \$32,194. Total undergraduate costs have increased an average of 6% over the last five years.

Academic Year	Undergraduate Tuition and Fees	Room and Board	Undergraduate Total	Law School Tuition
1999-00	\$18,411	\$7,322	\$25,733	\$22,530
2000-01	\$19,565	\$6,828	\$26,393	\$23,624
2001-02	\$20,694	\$7,100	\$27,794	\$24,924
2002-03	\$22,016	\$7,330	\$29,346	\$26,544
2003-04	\$23,934	\$8,260	\$32,194	\$28,074

Faculty Summary

The following table reflects the number of full time and part time faculty for the past five academic years together with the number of tenured full time faculty members. There are no unions representing members of the faculty.

Academic Year	Tenured Full Time	Other Full Time	Part Time FTE	Total FTE
1999-00	247	85	408	742
2000-01	258	104	387	749
2001-02	260	115	427	802
2002-03	261	144	400	805
2003-04	262	157	446	865

IV. BACKGROUND:

General:

Loyola Marymount University is a nonprofit, coeducational, privately endowed university emphasizing undergraduate liberal arts as well as professional and graduate education. It is affiliated with the Catholic Church. Because the University is affiliated with a religious denomination, it has provided a certification of compliance in accord with the CEFA Act. The University is the successor to St. Vincent's College, which was founded in 1865. In 1918, the institution was incorporated as Loyola College of Los Angeles by the members of the Society of Jesus and gained university status in 1930. The Marymount College for Women, founded in 1933, was consolidated with Loyola University in 1973 to become Loyola Marymount University.

The University has two major campuses: the 162-acre Westchester campus and the Loyola Law School campus. The Westchester campus is located near the western edge of Los Angeles on a mesa overlooking the Pacific Ocean and is approximately 1.5 miles north of the Los Angeles airport. This campus includes forty-five buildings comprising approximately 2,830,000 square feet. Fourteen of the buildings housed approximately 2,897 resident students in the fall of 2003. The remaining buildings are primarily devoted to the educational and related activities of the University.

The Law School is a four-acre campus located in downtown Los Angeles, approximately 18 miles northeast of the Westchester campus. The law school campus has received national architectural awards for its design and includes three major buildings and five other buildings totaling 181,000 square feet, all constructed or renovated since 1981. The Law School also operates an 800-car parking facility on its campus.

Religious Certification:

Loyola Marymount University is an independent University affiliated with the Catholic Church. It has provided 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.

Staff Counsel and Bond Counsel have reviewed the certifications and have determined that Loyola Marymount University responded satisfactorily to all questions.

Administration:

A self-perpetuating Board of Trustees comprised of 37 members serving three-year terms governs the University. The terms of approximately one-third of the members expire each year, and all officers of the Board are elected annually.

Accreditation and Affiliations:

The University is accredited by the Western Association of Schools and Colleges. It also has professional accreditation or approval from the following organizations: Accreditation Board for Engineering and Technology, Inc. (undergraduate); American Art Therapy Association; American Assembly of Collegiate Schools of Business; American Bar Association; American Chemical Society; Association of American Law Schools; California State Board of Education; the Committee of Bar Examiners of the State of California; International Association of Counseling Services; National Association of Schools of Art and Design Commission on Accreditation; National Association of Schools of Dance; National Association of Schools of Theatre; National Council for Accreditation of Teacher Education; and the State Commission on Teacher Credentialing.

Academic Programs:

The University's educational program is organized into four undergraduate colleges, the Graduate Division and the Law School. The colleges of Liberal Arts, Communication and Fine Arts, Business Administration, and Science and Engineering provide undergraduate instruction. In addition, the University offers several study abroad programs. Graduate degrees are awarded in the Law School and in selected majors in each of the colleges and in the Department of Education. The University offers 72 bachelor and masters degree programs, in addition to primary and secondary education credential programs, and an aerospace studies program leading to a commission in the United States Air Force. The Law School grants the Juris Doctor degree. The University also offers continuing education and summer session courses.

Competition:

Loyola finds that its competition for students comes primarily from the University of Southern California, University of California at Los Angeles (as well as other UC campuses), and the University of San Diego.

V. OUTSTANDING DEBT (\$000's):

Issue:	Original Amount	Amount Outstanding As of 5/31/03	Estimated Amount Outstanding after Proposed Financing
Existing:			
CEFA Series 1992*	\$ 20,485	\$ 9,655	\$ 0
CEFA Series 1994*	27,725	3,485	0
CEFA Series 1996	10,190	1,170	1,170
CEFA Series 1997	19,295	17,590	17,590
CEFA Series 1999 - Capital Appreciation Bonds *	62,143	16,362	16,362
CEFA Series 2001A and 2001B	106,449	105,614	105,614
Proposed:			
CEFA Series 2004			<u>55,000</u>
Total	<u>\$246,287</u>	<u>\$153,876**</u>	<u>\$195,736</u>

* Portions of the University's 1992, 1994, and 1999 bonds were refunded with the 2001 CEFA bond issuance.

** The University's outstanding debt balance of \$153,208,000 as reported in its 2003 balance sheet, is net of an unamortized bond discount of \$668,000.

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 the Applicant.

VII. STAFF RECOMMENDATION:

Staff recommends the Authority approve a resolution in an amount not to exceed \$55,000,000 to issue tax exempt revenue bonds for Loyola Marymount University, subject to a bond rating of at least an "A" category (or equivalent short-term rating) by a nationally recognized rating agency and the standard bond issuance guidelines.