

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

Applicant:	Saint Mary's College of California, Inc. ("Saint Mary's") Moraga, CA Contra Costa County	Amount Requested:	\$24,000,000
		Date Requested:	June 28, 2001
Project Site:	1928 St. Mary's Road Moraga, CA 94575	Requested Loan Term:	30 years
Facility Type:	Private University	Resolution Number:	190
Accreditation:	Western Association of Schools and Colleges (See page 8 for other accreditations).		

Purpose of Financing: Bond proceeds will be used to refinance an existing line of credit and reimburse certain costs associated with the construction of a new campus science building. Saint Mary's anticipates the remaining bond proceeds will be used for the renovation of residence halls (refer to page 1 for additional details). The refinancing portion of this transaction is expected to achieve, in total, approximately \$450,000 of interest savings.

Type of Issue:	Negotiated public offering, fixed and variable interest rate
Credit Enhancement:	MBIA Insurance Corporation
Expected Rating:	Aaa/VMIG 1 (Moody's), AAA/A-1+ (S & P), based on MBIA insurance with an expected underlying "A3" rating (Moody's). (Refer to Financing Structure on page 2 for additional information).
Senior Underwriter:	Banc of America Securities LLC
Bond Counsel:	Orrick, Herrington and Sutcliffe LLP

Financial Overview: During the past three years, Saint Mary's has continued to increase its net assets, which has resulted in additional operational flexibility. In addition, Saint Mary's posted gains to unrestricted net assets over the review period as student demand continued to remain strong.

Sources of Revenues (\$000)- FYE 6-30-00: (Unrestricted Funds)	<u>Amount</u>	<u>Percent</u>
Tuition & fees, net	\$44,942	73%
Sales and services of auxiliary enterprises	10,132	17%
Net assets released from restrictions	1,862	3%
Endowment income and realized gains	1,756	3%
Contributions	1,491	2%
Other sources	1,082	2%
Total operating revenue	<u>\$61,265</u>	<u>100%</u>

<u>Estimated Sources of Funds (000's):</u>		<u>Estimated Uses of Funds (000's):</u>	
Bond Proceeds	\$24,000	Refinance line of credit/reimbursement	\$16,400
Interest earnings	200	Residence hall renovations	6,700
Total Sources	<u>\$24,200</u>	Financing Costs	1,100
		Total Uses	<u>\$24,200</u>

Legal Review: No information was disclosed to question the financial viability or legal integrity of this applicant.

Staff Recommendation: Staff recommends the Authority approve a resolution in an amount not to exceed \$24,000,000 for Saint Mary's College of California, subject to the bonds having at least an "A" rating for the fixed rate bonds and subject to a minimum "VMIG1" short-term rating (or equivalent category) for the variable rate bonds by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "A" rated debt.

STAFF SUMMARY AND RECOMMENDATION

Saint Mary's College of California, Inc. ("Saint Mary's")

June 28, 2001
Resolution Number: 190

I. PURPOSE OF FINANCING:

Saint Mary's College of California, Inc. ("Saint Mary's") will use bond proceeds to refinance an existing line of credit and reimburse certain costs associated with the construction of a new campus science building and plans to use remaining bond proceeds for various residence halls renovation projects.

NOTE: Saint Mary's is requesting flexibility to use approved bond proceeds on campus projects as identified at Exhibit A. Saint Mary's intends to use proceeds as described below, but requests this flexibility in case the final estimates for the residence hall renovations do not prove feasible.

***Refinance Line of Credit/reimbursement* \$16,400,000**

Saint Mary's currently has a line of credit with Bank of America that was used to build a new science facility in 2000. Over the past year, the interest rate on the line has ranged between approximately 5.5% to 8.5%. The Series 2001B bonds, with an anticipated initial all-in cost of approximately 4%, will refinance the existing line, in its entirety and will result in a total interest rate savings of approximately \$450,000. Approximately \$900,000 of this \$16.4 million will be used to reimburse certain costs associated with the construction of the new science building.

***Renovation* 6,700,000**

Saint Mary's plans to update the existing residence halls with a comprehensive renovation project. Projects include seismic-related improvements and general refurbishment to its older existing residence halls.

***Financing costs* 1,100,000**

Underwriter's discount \$198,000
Costs of issuance 527,000
Bond insurance 375,000

***Total Uses of Funds* \$24,200,000**

Financing Structure:

- Negotiated public offering
- General obligation pledge
- Fixed and variable interest rates
- Expected final maturity on October 1, 2031
- MBIA insurance
- \$7 million 2001A fixed rate (new money component)
(expected "Aaa/AAA" - Moody's and S & P ratings)
- \$17 million 2001B variable rate (refunding component)
(expected "VMIG 1/A-1+ - Moody's and S & P ratings)

II. FINANCIAL STATEMENTS AND ANALYSIS:

Saint Mary's College of California
Statement of Unrestricted Activities
(in 000's)

	Year Ended June 30,		
	2000	1999	1998
Operating:			
Revenues and gains:			
Tuition and fees, net	\$ 44,942	\$ 44,002	\$ 41,911
Sales and services of auxiliary enterprises	10,132	9,411	8,870
Contributions	1,491	1,413	1,781
Investment income	467	740	750
Endowment income and realized gains	1,756	1,605	1,784
Other	615	893	792
Net assets released from restrictions	1,862	1,817	930
Total operating revenue	61,265	59,881	56,818
Expenses:			
Instruction and academic support	29,446	28,502	26,292
Student services	7,868	7,342	7,089
Institutional support	10,486	9,636	9,602
Operations and plant maintenance	4,414	4,480	3,940
Other	34	43	34
Interest expense	1,488	1,533	1,575
Depreciation expense	2,097	3,079	1,373
Auxiliary services	5,332	4,839	4,619
Total operating expenses	61,165	59,454	54,524
Increase in unrestricted net assets from operations	100	427	2,294
Nonoperating:			
Contributions	525	-	2,849
Net gains/income on endowments and investments	2,109	3,923	4,619
Depreciation	(1,306)	(385)	(1,338)
Actuarial and other adjustments	122	41	-
Net assets released from restrictions	3,525	11,888	1,160
Non-operating increase in unrestricted net assets	4,975	15,467	7,290
Increase in unrestricted net assets	5,075	15,894	9,584
Unrestricted net assets, beginning of year	80,069	64,175	54,591
Unrestricted net assets, end of year	\$ 85,144	\$ 80,069	\$ 64,175

Saint Mary's College of California
Statement of Financial Position (000's)

As of June 30,

	<u>2000</u>	<u>1999</u>	<u>1998</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 6,295	\$ 7,845	\$ 13,858
Investments	13,342	18,257	15,688
Accounts receivables, net	4,149	13,052	4,508
Inventory	79	76	68
Prepaid expenses	707	809	520
Total current assets	<u>24,572</u>	<u>40,039</u>	<u>34,642</u>
Non-current cash and cash equivalents	6,642	-	-
Non-current investments	69,277	70,509	65,834
Contributions receivable	7,100	-	-
Notes receivable, net	1,328	1,354	1,411
Other assets	2,732	2,828	2,909
Property, plant and equipment, net	77,740	56,211	46,613
Total assets	<u>\$189,391</u>	<u>\$170,941</u>	<u>\$151,409</u>
LIABILITIES AND NET ASSETS:			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 4,827	\$ 4,136	\$ 3,699
Note payable to bank	8,022	-	-
Current portion of long-term debt	1,040	892	853
Deferred revenue	4,437	4,109	3,536
Total current liabilities	<u>18,326</u>	<u>9,137</u>	<u>8,088</u>
Liabilities under trust agreements	1,504	1,425	1,473
Long-term debt, excluding current portion	29,416	28,356	29,248
Federal government grants refundable	1,560	1,469	1,433
Total liabilities	<u>50,806</u>	<u>40,387</u>	<u>40,242</u>
Net assets:			
Unrestricted	85,144	80,069	64,175
Temporarily restricted	13,583	13,480	17,406
Permanently restricted	39,858	37,005	32,586
Total net assets	<u>138,585</u>	<u>130,554</u>	<u>114,167</u>
Total liabilities and net assets	<u>\$ 189,391</u>	<u>\$ 170,941</u>	<u>\$ 154,409</u>

Financial Ratios:

	Proforma(a) YE June 30, 2000			
Debt service coverage (x)	2.64	4.19	8.76	5.81
Debt/expendable net assets (x)	0.53	0.31	0.31	0.37
Expendable assets/operations (x)		1.58	1.56	1.46
Margin (%)		8	20	15

(a) Recalculates 2000 audited results to include the payment of this proposed financing. Proforma debt reduced by CEFA bond paid in full in 10/2000 and by line of credit to be paid in full with this proposed financing.

Financial Discussion:

During the past three fiscal years, Saint Mary's has continued to increase its net assets, which has resulted in additional operational flexibility.

Saint Mary's maintains a strong balance sheet, with FYE 2000 total net assets exceeding \$139 million, a 21% increase from FYE 1998. This increase has led to improved operational flexibility as noted by the improving expendable net assets to operations ratio. During each of the past three fiscal years, Saint Mary's has maintained a cash and investment balance near \$95 million.

The increase in net assets is partially attributable to a successful capital campaign that began in fiscal year 1996 and was completed in the spring of this year. According to figures presented by management, the capital campaign raised \$180 million and enabled the school to construct two new dormitories, increase endowments and fund scholarships.

Also in 1999, the construction of a new science building commenced. Saint Mary's used a line of credit to finance the project, which will be refinanced with this proposed bond financing. Although the additional debt impacted the debt service coverage ratio, it remained very strong in 2000 at 4.19 and will be 2.64 after this proposed financing is completed.

In addition, Saint Mary's posted gains to unrestricted net assets over the review period as student demand continued to remain strong.

Consistently ranked as one of America's best colleges by *US News and World Report* and the *Princeton Review's Guide to America's Best Colleges*, Saint Mary's continues to generate strong student demand and rely on tuition and fees as the majority of its revenue. Between 1998 and 2000, Saint Mary's generated net income ranging from \$5 to \$15 million with margins between 8% and 20%. The net income during fiscal year 1999 was substantially higher than the other two fiscal years due to an unusually large release of net assets from restrictions.

III. STUDENTS, COLLEGE COSTS AND FACULTY STATISTICS:

Applicant Pool

Applications for freshman class admission since Fall 1996 have increased more than 30% which has enabled Saint Mary's to increase its admission selectivity while gradually increasing the total number of new enrollments. New enrollment data is not tracked for Saint Mary's graduate programs.

Freshman*

Fall Semester	Number of Apps.	Offered Admission	New Enrollments
1996	2,371	2,108	486
1997	2,719	2,278	602
1998	2,999	2,478	572
1999	2,830	2,419	620
2000	3,103	2,428	618

*Headcount, not full-time equivalent.

Transfer*

Fall Semester	Number of Apps.	Offered Admission	New Enrollments
1996	536	394	185
1997	441	332	149
1998	522	375	170
1999	501	308	136
2000	490	323	142

*Headcount, not full-time equivalent.

Freshman and Transfer (Combined)*

Fall Semester	Number of Apps.	Offered Admission	Selectivity Ratio	New Enrollments
1996	2,907	2,502	86.1%	671
1997	3,160	2,610	82.6%	751
1998	3,521	2,853	81.0%	742
1999	3,331	2,727	81.9%	756
2000	3,593	2,751	76.6%	760

*Headcount, not full-time equivalent.

Enrollments and Degrees

While overall enrollment has remained steady over the past five academic years, adult and graduate enrollment has declined due to increased competition from new institutions entering the market and adverse economic conditions.

Full-Time Equivalent Enrollments					Degrees & Certificates Granted by Level			
Academic Year	Undergrad. FTE	Extended Educ. FTE	Graduate FTE	Total FTE	Bachelor	Post - Baccalaureate	Master	Total Degrees Granted
Fall 1996	2,088	503	806	3,400	806	61	226	1,093
Fall 1997	2,184	511	783	3,478	811	75	256	1,142
Fall 1998	2,271	512	756	3,539	747	16	265	1,028
Fall 1999	2,305	372	701	3,378	792	61	191	1,044
Fall 2000	2,459	363	627	3,449	728	26	214	968

Tuition and Fees

Over the past five years, Saint Mary's has mirrored the national trend of increased college costs. As reflected on the following table, undergraduate tuition and fees grew an average of 4.9% per year, while room and board at the campus grew by an average of 2.3% per year.

Undergraduate Tuition, Fees, Room and Board

Academic Year	Undergraduate Tuition and Fees	Room and Board	Undergraduate Total
Fall 1996	\$15,098	\$6,909	\$22,007
Fall 1997	\$15,998	\$7,100	\$23,098
Fall 1998	\$16,792	\$6,990	\$23,782
Fall 1999	\$17,475	\$7,370	\$24,845
Fall 2000	\$18,255	\$7,555	\$25,810

Faculty and Staff

The full-time equivalent faculty is tied to the undergraduate enrollment and has risen at a proportional level.

**Faculty Summary
(Full-Time Equivalent)**

Academic Year	Tenured Full-Time	Other Full-Time	Part-Time FTE	Total FTE
Fall 1996	88	67	75.6	230.6
Fall 1997	101	64	76.3	241.3
Fall 1998	102	70	88.6	260.6
Fall 1999	103	72	93.6	268.6
Fall 2000	104	88	108.3	300.3

IV. BACKGROUND:

General:

Saint Mary's is one of the oldest colleges in the West. Founded in San Francisco in 1863, its stewardship was assumed by the Christian Brothers in 1868. After its 1872 California Incorporation, Saint Mary's was given a charter empowering it to confer degrees and to exercise all other privileges of a university. The campus was relocated to Oakland in 1889 and then moved to its present site in Moraga in 1928 where it continues to offer a comprehensive array of liberal arts and professional undergraduate and graduate programs.

Religious Certification:

Saint Mary's is an independent institution of higher education 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 Saint Mary's responded satisfactorily to all questions.

Administration:

The governance of Saint Mary's is entrusted to a self-perpetuating Board of Trustees composed of 18 individuals, not less than six nor more than ten of whom must be Christian Brothers. There is currently one vacancy on the Board. The leader of the San Francisco Province of the Christian Brothers and the President of the College are members of the Board by right of office. The other Trustees are elected to three-year terms and no Trustee may hold more than three successive terms except Trustees by right of office. The Trustees elect a Chairman for a term of two years. The Board normally meets three times each year and has six standing committees, including a Finance and Facilities Committee. In between meetings of the Board, the Executive Committee is empowered to take any action that the Board may take.

Accreditations and Affiliations:

Saint Mary's is accredited by the Western Association of Schools and Colleges. It also has professional accreditation from the following organizations: Commission on Teacher Credentialing, California State Board of Registered Nursing, National League for Nursing, American Bar Association, Montessori Accreditation Council for Teacher Education, American Association of Museums, and National Collegiate Athletic Association.

In addition to the accreditation organizations listed above, Saint Mary's is affiliated with the following organizations: American Association of Colleges for Teacher Education, American Association of Colleges of Nursing, American Montessori Society, Association of American Colleges and Universities, Association of Catholic Universities and Colleges, Association of Independent California Colleges and Universities, California Association of Colleges for Teacher Education, Council for Advancement and Support of Education, Council for Higher Education Accreditation, Council of Independent Colleges, Executive MBA Council, Institute of International Education, International Association of Lasallian Institutions of Higher Education, and National Association of Independent Colleges and Universities.

Academic Programs:

Saint Mary's is organized into five schools, School of Liberal Arts, School of Science, School of Economics and Business Administration, School of Education, and School of Extended Education which provide the programs of study for students at the undergraduate and graduate levels. In addition, the Intercollegiate Nursing Program offers the degree of Bachelor of Science in Nursing in its co-institutional program with Samuel Merritt College.

Competition:

Saint Mary's competes for students with the University of San Diego, Loyola Marymount University, Santa Clara University, Cal Poly San Luis Obispo, and the University of California campuses of Davis, Santa Barbara, and Berkeley.

V. OUTSTANDING DEBT:

<u>Issue:</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding as of 6/30/00</u>	<u>Estimated Amount Outstanding After Proposed Financing</u>
<i>Existing CEFA:</i>			
Revenue Bonds, 1990*	\$ 18,000,000	\$ 330,000	\$ -
Revenue Bonds, 1993	28,675,000	27,010,000	27,010,000
<i>Other:</i>			
Housing Bonds, 1964	2,963,000	1,016,000	1,016,000
Bank Line of Credit**	17,000,000	2,100,000	-
<i>Proposed:</i>			
CEFA Revenue Bonds 2001			24,000,000
Total	\$ 66,638,000	\$ 30,456,000	\$ 52,026,000

*CEFA 1990 Revenue bonds were paid off in October, 2000.

**Saint Mary's used the line of credit (with a \$17 million commitment) subsequent to the 2000 audit for construction purposes. The current balance is \$15.5 million and will be paid in full with bond proceeds.

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 \$24,000,000 for Saint Mary's College of California, subject to the bonds having at least an "A" rating for the fixed rate bonds and subject to a minimum "VMIG1" short-term rating (or equivalent category) for the variable rate bonds by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "A" rated debt.

EXHIBIT A

Additional campus projects that Saint Mary's requests flexibility to fund with bond proceeds.

	<u>Amount</u>
Utility and infrastructure	\$2,300,000

Currently, Saint Mary's infrastructure loop extends to approximately 65% of the campus. This funding would be used to complete the remaining 35%.

Oliver Hall dining and kitchen facility renovation	2,000,000
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Oliver Hall is the primary dining hall for Saint Mary's students that reside on-campus and services approximately 1,200 students daily. This funding would renovate and expand the dining facilities and modernize the kitchen.

Performing arts facilities renovation	1,700,000
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Saint Mary's intends to enhance its performing arts program by constructing an extension, consisting of a two-story building to the existing theatre. The new building will provide space for an administrative office, four classrooms, a recital room, an elevator to comply with ADA requirements, and additional space for the construction of theatre stages.