

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
BOND FINANCING PROGRAM**

EXECUTIVE SUMMARY

Applicant: Scripps College ("the College") Claremont, CA Los Angeles County	Amount Requested: \$35,000,000 Date Requested: September 27, 2007 Resolution Number: 248
Facility Type: Private University	
Project Location: 1030 Columbia Avenue, Claremont, CA 91711	
Accreditation: Western Association of Schools and Colleges	

Use of Proceeds: Bond proceeds will be used to fund several capital projects, including new construction and the renovation of existing facilities. Bond proceeds will also be used to refund the CEFA Series 1999 and 2001 bonds.

Type of Issue: Negotiated public offering, Fixed Interest Rates
Credit Enhancement: Dependent on market conditions, may use insurance
Underlying Rating: A1 (Moody's, confirmed May 17, 2007)
Underwriter: De La Rosa & Co.
Bond Counsel: Squire, Sanders & Dempsey LLP

Financial Status: The College reached new milestones in the most recent fiscal year as well as producing positive operating results. The balance sheet exhibits steady growth in net assets and solid debt service coverage.

Sources of Revenue – FYE 06/30/06 (000's):

(Unrestricted Funds)	<u>Amount</u>	<u>Percent</u>
Net student revenues	\$26,352	64%
Spending policy income	7,769	18%
Contributions to operations	2,504	6%
Release of temporarily restricted net assets	1,990	5%
Other investment income, net	919	2%
Other revenue	717	2%
Gifts and endowment payout	657	2%
Federal gifts and contracts	<u>349</u>	<u>1%</u>
Total unrestricted revenue	<u>\$41,257</u>	<u>100%</u>

Sources of funds:		Uses of funds:	
Par Amount of Bonds	\$35,000,000	Refunding	\$21,477,500
		Capital Projects	13,000,000
		Financing Costs	<u>522,500</u>
Total Sources	<u>\$35,000,000</u>	Total Uses	<u>\$35,000,000</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 a Resolution in an amount not to exceed \$35,000,000 for Scripps College subject to a bond rating of at least an "A" by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "A" rated debt.

STAFF SUMMARY AND RECOMMENDATION

Scripps College (“the College”)

September 27, 2007

Resolution Number: 248

I. PURPOSE OF FINANCING: The College plans to complete several construction and renovation projects to enhance its existing facilities. The projects will result in numerous benefits including providing an athletic facility and field for recreational use and a competitive athletic program, access to individuals with disabilities by renovating two existing structures, and adding 230 parking spaces as well as 9,000 square feet of storage to meet long-term needs. Additionally, the College plans to refund all or a portion of the CEFA Series 1999 and 2001 bonds providing an estimated net present value savings of \$575,000 or 3.6%.

Projects\$13,000,000

The following facilities may be constructed and/or renovated with this financing:

- Sallie Tiernan Field House
- Soccer/Lacrosse Field
- Parking Garage
- Balch Hall Renovation
- Denison Library Renovation
- Acquisition of contiguous land

Environmental benefits will include, but not be limited to:

- ◆ Focus on extending the useful lives of existing structures by expanding the use of the building to conserve resources, retain historical structures, reduce waste, and alleviate the environmental impact of a new structure that may have become necessary.
- ◆ Purchase environmentally friendly materials, where possible.
- ◆ Seek to purchase materials manufactured, mined or grown within 500 miles to reduce transportation pollution.
- ◆ Install a parking garage beneath a new soccer/lacrosse field to efficiently use land and eliminate the need to develop other areas for parking.
- ◆ Install ventilation shaft in the parking garage to naturally ventilate and light the garage eliminating the need for a ventilation system, reducing lighting needs during daylight hours and reducing energy consumption.
- ◆ Install skylights in the recreational athletic building to reduce electricity use during daylight hours.

Refunding 21,477,500

The College intends to refund all or portions of the CEFA Series 1999 and 2001 bonds depending on market conditions. The estimated net present value savings for the 1999 refunding is approximately \$375,000 with another \$200,000 in savings expected for the 2001 refunding. If the rates increase to a level at which the refunding savings is not compelling, the Series 2001 bonds will not be refunded.

Financing costs.....522,500

Underwriter Fee and Expenses\$317,500

Costs of Issuance.....205,000

***TOTAL USES OF FUNDS* \$35,000,000**

Financing Structure:

- Negotiated public offering
- General obligation pledge
- Fixed interest rates
- Bond rating in the “A” category
- Credit Enhancement: The College is in the process of soliciting bids from insurance companies. The decision to use bond insurance will be based on the economic benefit.
- Expected rating AAA , if insured

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II. FINANCIAL ANALYSIS:

SCRIPPS COLLEGE
Statements of Activities
Unrestricted

	Fiscal Year Ended June 30,		
	2006	2005	2004
Revenues and releases of net assets:			
Net student revenues	\$ 26,352,142	\$ 22,301,940	\$ 20,883,461
Contributions to operations	2,503,990	2,792,020	3,044,624
Federal gifts and contracts	349,159	368,481	414,129
Spending policy income	7,768,695	8,150,934	8,563,086
Other investment income, net	918,551	397,553	231,753
Other revenue	717,247	875,643	885,119
Gifts and endowment payout for non-budgetary items	657,224	641,718	-
Release of temporarily restricted net assets	1,990,244	1,679,994	2,420,571
Total revenues and release of net assets	41,257,252	37,208,283	36,442,743
Expenses:			
Academic program	20,367,926	19,455,563	18,188,242
Co-curricular program	11,383,270	10,945,369	10,610,822
Marketing	5,484,170	5,310,695	4,807,810
Administration and general	3,871,900	3,631,901	3,468,986
Total expenses	41,107,266	39,343,528	37,075,860
Operating surplus (deficit)	149,986	(2,135,245)	(633,117)
Other changes in unrestricted net assets:			
Non-operating bequests and gifts in kind	661,531	67,435	94,977
Release of temporarily restricted net assets - plant	332,385	2,988,665	8,667,390
Redesignation of net assets	(208,600)	218,775	(107,643)
Net realized and unrealized gains on investments, net	26,560,807	18,284,901	15,917,382
Other comprehensive pension income (expense)	334,050	(29,707)	260,000
Transfer (to) from Claremont University Consortium	(72,737)	17,396	(349,515)
Total other changes in unrestricted net assets	27,607,436	21,547,465	24,482,591
Cumulative effect of change in accounting principle	(482,872)	-	-
Change in unrestricted net assets	27,274,550	19,412,220	23,849,474
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	187,274,484	167,862,264	144,012,790
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 214,549,034	\$ 187,274,484	\$ 167,862,264

SCRIPPS COLLEGE
Statements of Financial Position

	As of June 30,		
	2006	2005	2004
ASSETS:			
Current assets			
Cash	\$ 177,336	\$ 235,310	\$ 867,737
Accounts receivable, net	482,396	1,565,208	863,731
Notes receivable, net	561,216	559,669	565,662
Contributions receivable	1,051,003	1,065,635	3,478,799
Prepaid expenses, deposits, and other	473,653	436,274	138,665
Investments	8,403,401	3,730,430	7,900,000
Assets whose use is limited	3,410,817	3,410,817	2,200,000
Total current assets	14,559,822	11,003,343	16,014,594
Noncurrent assets			
Notes receivable, net	4,115,580	4,104,243	4,148,191
Contributions receivable, net	7,833,999	8,423,158	7,860,694
Investments	244,316,901	216,196,005	184,434,165
Investments held as a reserve for depreciation	1,613,257	1,368,505	6,616,291
Collections	16,501,166	16,057,841	15,996,840
Plant facilities, net	63,081,757	64,602,115	64,445,198
TOTAL ASSETS	\$ 352,022,482	\$ 321,755,210	\$ 299,515,973
LIABILITIES AND NET ASSETS:			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 2,438,935	\$ 2,543,929	\$ 2,269,199
Current portion of notes and bonds payable	435,000	418,000	410,000
Deposits and deferred revenue	1,051,605	659,688	503,080
Total current liabilities	3,925,540	3,621,617	3,182,279
Noncurrent liabilities			
Life income and annuities payable	4,989,261	4,699,163	4,474,589
Payable to Claremont University Consortium	37,529	46,075	53,817
Liability for staff retirement plan	243,471	566,762	565,983
Notes and bonds payable	23,245,363	23,646,091	24,029,820
Government advances for student loans	1,685,221	1,711,224	1,722,785
Funds held in trust for others	58,696	58,696	161,950
Asset retirement obligation	602,263	-	-
TOTAL LIABILITIES	34,787,344	34,349,628	34,191,223
Net assets:			
Unrestricted	214,549,034	187,274,484	167,862,264
Temporarily Restricted	22,071,374	21,815,647	21,630,123
Permanently Restricted	80,614,730	78,315,451	75,832,363
TOTAL NET ASSETS	317,235,138	287,405,582	265,324,750
TOTAL LIABILITIES AND NET ASSETS	\$ 352,022,482	\$ 321,755,210	\$ 299,515,973

Financial Ratios:

	Proforma (a)			
	FYE June 30, 2006	2006	2005	2004
Debt service coverage (x)	10.85	16.55	11.87	7.18
Debt to expendable net assets (x)	0.16	0.10	0.12	0.14
Expendable net assets to operations (x)		5.76	5.31	5.11
Margin (%)		0.4%	-5.7%	-1.7%

Financial Discussion:

The College reached new milestones in the most recent fiscal year as well as producing positive operating results.

FY 2006 was a record-breaking year for the College including the largest student body, the most assets, the highest revenue, and the biggest endowment. Operating revenue of \$41 million was the highest on record, an increase of 11% from FY 2005 to FY 2006 while operating expenses increased 5% to \$41 million over the same period. As a result, a modest operating surplus of nearly \$150,000 occurred in FY 2006 providing a significant improvement from the operating deficits experienced in the prior two fiscal years. The primary factors accounting for this favorable change were increased enrollment and budgeted fee increases along with the release of annuity and life income funds. FY 2007 unaudited financial statements reflect even stronger results with an operating surplus of approximately \$533,000.

The balance sheet exhibits steady growth in net assets and solid debt service coverage.

Total assets increased 9% to \$352 million in the current fiscal year. Investments comprised the largest single category at 73% of the total assets. Total net assets grew over the three-year review period to more than \$317 million in FY 2006, with the majority being unrestricted.

The College's debt service coverage ratios have been very strong averaging nearly 12x over the review period. The proforma ratio remains solid at 10.85x indicating its ability to support additional debt. In addition, this proposed financing is expected to generate a net present value savings of approximately \$575,000.

III. BACKGROUND:

General:

Founded in 1926, the College is an independent, liberal arts college for women with a distinctive interdisciplinary core curriculum offering instruction in the humanities, fine arts and social sciences. The College has an enrollment of approximately 875 students. The campus is located at the foot of the San Gabriel Mountains in Claremont, California. It is a residential college with 98% of its students living on campus. In addition, the College is on the National Register of Historic Places.

The College is an independent member of the affiliated group of colleges known as the Claremont Colleges. The group consists of five undergraduate colleges (the College, Claremont McKenna, Pomona, Pitzer, and Harvey Mudd) and two graduate institutions, The Claremont Graduate University and the Keck Graduate Institute of Applied Life Sciences.

Academic Programs:

The College offers the degree of Bachelor of Arts and a Post-baccalaureate Pre-Medical Certificate. The College has five divisions: Fine Arts, Letters, Social Sciences, Math and Sciences. Much of student life revolves around the five undergraduate colleges, or "5Cs". The Colleges all interact socially, but also share dining halls, libraries, and other facilities spread throughout the bordering campuses.

Any student attending the College can enroll in up to 2/3 of their classes at the other four undergraduate colleges, and can also major at any of the other four, as long as the student's requested major is not offered at the College. This is the general academic policy at all five schools, and is meant to give students the resources of a larger university while still maintaining the qualities of a small, liberal-arts college.

Administration:

The College is governed by a self-perpetuating Board of Trustees, which consists of not more than 37 regular trustees, including the President of the College and the President of the Alumnae Council, two alumnae trustees, two recent student trustees and the Chair of the Scripps Association of Families. The corporate powers, management and control of the affairs, business and property of the College are vested in the Board of Trustees. Current membership of the Board stands at 32 regular members, two alumnae trustees, two recent student trustees and the Chair of the Scripps Association of Families. In addition, there are twelve Trustees Emeritus.

The Board of Trustees is required by the By-Laws of the College to meet at least four times a year. The Executive Committee of the Board and the other Committees of the Board meet numerous times throughout the year, according to the requirements of each group. The nine Committees of the Board include members of the Board (including Emeritus Trustees) and the President of the College. Some committees also include two faculty members appointed by the Faculty Executive Committee and two students elected by the student body. All members have voting rights; Emeritus Trustees have full voting rights on the committees, which they serve.

Accreditations and Affiliations:

The College is accredited by the Western Association of Schools and Colleges, of which it is a member. The most recent accreditation was received in 2002. In addition, the College is a member of the following:

- ◆ American Association of Colleges and Universities
- ◆ American Association of Collegiate Registrars and Admissions Officers
- ◆ American Association of University Women
- ◆ American Council on Education
- ◆ Association of Governing Boards of Universities and Colleges
- ◆ Association of Independent California Colleges and Universities
- ◆ College Entrance Examination Board
- ◆ Council for the Advancement and Support of Education
- ◆ Independent Colleges of Southern California
- ◆ Higher Education Data Sharing Consortium
- ◆ National Association of College and University Business Officers.

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>
Existing Debt:			
CEFA, Series 1997C	\$ 3,440,000	\$ 2,230,000	\$ 2,230,000
CEFA, Series 1999	11,000,000	9,835,000	- 0 -
CEFA, Series 2001	12,250,000	12,250,000	- 0 -
 Proposed:			
CEFA, Series 2007			35,000,000
Total		<u>\$ 24,315,000</u>	<u>\$ 37,230,000</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 a Resolution in an amount not to exceed \$35,000,000 for Scripps College subject to a bond rating of at least an “A” by a nationally recognized rating agency and meeting the standard bond issuance guidelines for “A” rated debt.