

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY  
BOND FINANCING PROGRAM**

**EXECUTIVE SUMMARY**

<p><b>Applicant:</b> University of La Verne ("The University") La Verne, CA Los Angeles County</p> <p><b>Facility Type:</b> Private University</p> <p><b>Project Location:</b> 1950 Third Street, La Verne, CA 91750</p> <p><b>Accreditation:</b> Western Association of Schools and Colleges</p>	<p><b>Amount Requested:</b> \$22,500,000</p> <p><b>Date Requested:</b> September 27, 2007</p> <p><b>Resolution Number:</b> 249</p>																														
<p><b>Use of Proceeds:</b> Bond proceeds will be used to finance various capital projects.</p>																															
<p><b>Type of Issue:</b> Negotiated public offering, variable and/or fixed rates</p> <p><b>Credit Enhancement:</b> Anticipated Letter of Credit, Allied Irish Bank</p> <p><b>Underlying Rating:</b> Baa2 (Moody's)</p> <p><b>Credit Rating with Enhancement:</b> Aa (Moody's)</p> <p><b>Underwriter:</b> Prager, Sealy &amp; Co., LLC</p> <p><b>Bond Counsel:</b> Squire, Sanders &amp; Dempsey LLP</p>																															
<p><b>Financial Status:</b> The University continues to improve its operating results over the review period and has posted positive earnings this fiscal year. Total net assets have grown as a result of a capital campaign, improved financial performance, and a positive growth in investments. The balance sheet exhibits good liquidity with over \$20 million in cash and cash equivalents and increased pledges and other receivables.</p>																															
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<p><b>Legal Review:</b> Although disclosures were made by the applicant, the information disclosed does not appear to detrimentally affect the financial viability or legal integrity of the Applicant.</p>																															
<p><b>Staff Recommendation:</b> Staff recommends the Authority approve a Resolution in an amount not to exceed \$22,500,000 for University of La Verne subject to a bond rating of at least a "Baa" by a nationally recognized rating agency, certain bond covenants as described in the "Financing Structure" section and the standard bond issuance guidelines.</p>																															

## STAFF SUMMARY AND RECOMMENDATION

### University of La Verne (“The University”)

September 27, 2007

Resolution Number: 249

- I. PURPOSE OF FINANCING:** The University is proposing major capital improvement projects to add new student-oriented facilities, relocate athletic fields and upgrade existing plant assets. The projects will be funded by a combination of debt, capital campaign donations and University capital reserves. The goal is to improve the competitive position of the University in recruitment of traditional undergraduate students

**Projects .....\$18,693,731**

Abraham Campus Center – The construction of the 46,000 square-foot building will house a café, large multipurpose room, student activity and club offices, recreation and social gathering spaces and classrooms.

- Environmental benefits: The Campus Center will be LEED certified

Athletic Pavilion – Final phase of multi-year project to upgrade and improve the 60,000 square-foot campus athletic sports complex. Renovate men and women’s public locker rooms and women’s team lockers.

- Environmental benefits: Project includes automated climate controls that can be centrally monitored, high efficiency lighting, and water-conserving showers, toilets and urinals.

Johnson Family Plaza – The central outdoor plaza will be an outdoor “living room” connecting the renovated sports facility with the new Campus Center.

- Environmental benefits: The Plaza includes a fountain with balanced aquatic flora and fauna eliminating the need for filtration and chemical purification. Landscaping includes water-conserving planting and drip irrigation. Hardscape is permeable to allow oxygenation of heritage oaks and to minimize watering.

Infrastructure upgrades – Various campus infrastructure upgrades required to accommodate the Campus Center building, Pavilion and other construction and renovation including backup central chiller, HVAC control upgrades, sewer line relocation, information technology pipeline relocation

- Environmental benefits: Replacement of legacy control system for the HVAC improvements will take full advantage of central University chiller capacity and allow for automated and centralized monitoring of climate controls. Replacement of large window unit air conditioners will minimize energy consumption in high demand facilities.

Student Housing and Dining Hall Renewal – Construction of new student housing and dining facilities and the renovation of the existing student dining hall.

- Environmental benefits: Pre-planning and feasibility work will investigate LEED certification obligations and cost/benefit. New facility will replace 50-year old dormitory.

Campus parking – Replaces existing lots and expands parking to accommodate added facilities.

Founders Auditorium – Renovation of the primary University auditorium.

Campus general renewal projects – Minor cosmetic upgrades to classrooms, public areas and building facades across campus.

<b>Debt Service Reserve Fund*</b> .....	<b>2,250,000</b>
<b>Capitalized Interest Fund</b> .....	<b>1,072,519</b>
<b>Financing costs</b> .....	<b>564,625</b>
Underwriter Fee and Expenses .....	\$296,375
Costs of Issuance.....	<u>268,250</u>
 <b>TOTAL USES OF FUNDS</b> .....	 <b><u>\$22,580,875</u></b>

**Financing Structure:**

- Negotiated public offering
- General obligation pledge
- Variable and/or fixed rates
- 30-year term, final maturity 2038
- Letter of Credit anticipated from Allied Irish Bank
- Debt service reserve fund\*
- Revenue pledge\*
- Secured with real property with an appraised value equal to or greater than the par amount of the bonds\*

*\* May not be required if Letter of Credit with a bond rating of at least an “Aa” rating is provided and funds will then be used for approved projects.*

## II. FINANCIAL ANALYSIS:

### University of La Verne Statement of Activities Unrestricted

	Fiscal Year Ended June 30,		
	2006	2005	2004
<b>Operating:</b>			
<b>Revenues:</b>			
Tuition and fees, net	\$ 78,630,079	\$ 73,767,628	\$ 68,288,301
Private gifts and grants	1,712,092	1,918,304	2,560,616
Government grants	1,114,701	1,355,109	1,232,907
Sponsored programs	413,918	-	-
Investment income	2,440,679	976,010	707,314
Auxiliary enterprises	4,236,733	4,333,370	3,750,005
Annuity and trust gifts	20,000	-	10,000
Other	922,880	1,269,142	1,126,310
Net assets released from restriction	681,765	468,518	281,272
Total revenues	<u>90,172,847</u>	<u>84,088,081</u>	<u>77,956,725</u>
<b>Expenses:</b>			
Instruction	41,252,341	42,967,152	42,772,144
Academic support	14,074,638	14,961,489	9,140,230
Student services	11,285,116	11,062,904	10,585,736
Institutional support	17,216,902	11,402,784	12,979,247
Auxiliary enterprises	3,765,382	4,557,232	4,496,820
Total expenses	<u>87,594,379</u>	<u>84,951,561</u>	<u>79,974,177</u>
<b>Increase in net assets from operating activities</b>	<b>2,578,468</b>	<b>(863,480)</b>	<b>(2,017,452)</b>
<b>Nonoperating:</b>			
Net gains on investments	1,958,395	838,224	3,306,030
Net loss on defeasance of bonds	(2,286,267)	-	-
Net change in actuarial obligations	<u>(126,114)</u>	<u>(12,851)</u>	<u>49,266</u>
Increase in net assets from nonoperating activities	(453,986)		
Increase in net assets before cumulative effect of a change in accounting principle	2,124,482	-	-
Cumulative effect of a change in accounting principle	<u>(441,160)</u>	<u>-</u>	<u>-</u>
<b>Increase (decrease) in unrestricted net assets</b>	<b>1,683,322</b>	<b>(38,107)</b>	<b>1,337,844</b>
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>40,595,717</u>	<u>40,633,824</u>	<u>39,295,980</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 42,279,039</u>	<u>\$ 40,595,717</u>	<u>\$ 40,633,824</u>

**University of La Verne**  
**Statement of Financial Position**

	As of June 30,		
	2006	2005	2004
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 20,192,641	\$ 10,077,161	\$ 8,803,061
Cash whose use is restricted	2,098,580	1,807,679	1,814,129
Accounts and notes receivable, net	10,435,255	11,102,162	10,710,410
Pledges receivable, net	5,308,960	3,576,952	1,692,000
Preapid expenses and other assets	2,177,350	2,062,396	1,424,319
Investments	37,876,560	36,192,305	35,876,479
Property, plant and equipment, net	49,331,705	40,652,058	39,037,734
Total assets	<u>\$ 127,421,051</u>	<u>\$ 105,470,713</u>	<u>\$ 99,358,132</u>
<b>LIABILITIES AND NET ASSETS:</b>			
Accounts payable and accrued liabilities	\$ 6,934,983	\$ 6,365,996	\$ 4,879,750
Student deposits and deferred revenues	6,378,105	6,909,900	6,670,652
Actuarial liability for annuity obligations	4,588,679	4,884,387	5,651,508
Bonds and notes payable	32,592,150	22,574,971	21,172,401
Federal student loan funds	2,779,238	2,751,927	2,645,521
Total liabilities	<u>53,273,155</u>	<u>43,487,181</u>	<u>41,019,832</u>
<b>Net assets:</b>			
Unrestricted			
Available for operations	10,689,283	10,279,629	8,800,361
Designated for:			
Funds functioning as endowment	11,168,868	10,266,604	11,472,912
Facilities and equipment	20,420,888	20,049,484	20,360,551
Total unrestricted	42,279,039	40,595,717	40,633,824
Temporarily restricted	11,810,322	4,647,791	1,795,711
Permanently restricted	20,058,535	16,740,024	15,908,765
<b>TOTAL NET ASSETS</b>	<u>74,147,896</u>	<u>61,983,532</u>	<u>58,338,300</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 127,421,051</u>	<u>\$ 105,470,713</u>	<u>\$ 99,358,132</u>

Financial Ratios

	<b>Proforma (a)</b> <b>FYE 6/30/06</b>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Debt service coverage (x)	1.65	2.78	2.94	3.51
Debt to expendable net assets (x)	1.02	0.60	0.50	0.50
Expendable net assets to operations (x)		0.62	0.53	0.53
Margin (%)		2.9%	-1.0%	-2.6%

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

## **Financial Discussion:**

**The University continues to improve its operating results over the review period and has posted positive earnings this fiscal year.**

The University experienced operating losses of \$2.0 million and \$863,480 in FY 2004 and FY 2005, respectively, due to a downturn in the economy in 2002. However, results in FY 2006 markedly improved, as the net increase to unrestricted net assets from operations was over \$2.5 million. The University attributes the operating improvements to the reduction in the tuition discount rate, the success of the capital campaign and the stringent management of expenditures. Revenues have increased approximately 16% over the review period from \$77.9 million in FY 2004 to \$90.1 million in FY 2006 while expenses only increased 9% since FY 2004.

To improve the University's competitiveness in recruiting undergraduate students, the University developed a Master Plan to expand and renovate the campus, aiming to attract more students whose tuition constitutes 87% of the University's total revenue.

**Total net assets have grown as a result of a capital campaign, improved financial performance, and a positive growth in investments. The balance sheet exhibits good liquidity with over \$20 million in cash and cash equivalents and increased pledges and other receivables.**

There has been a steady increase in the Asset section over the review period, due in part from the University's capital campaign. Cash and cash equivalents have increased 129% or 8.8 million in FY 2004 to \$20.1 million in FY 2006. A 26% growth in Property, plant and equipment reflects a surge in capital improvements and renovations. The University's total net assets have grown approximately 27% over the review period, from \$58.3 million in FY 2004 to \$74.1 million in FY 2006. The liabilities reflect a slight increase due to the issuance of CEFA bonds in FY 2005.

2006 is the fourth year of the University's five-year capital campaign. The University has achieved over \$34.3 million or 82% of a five-year \$42 million goal with 13 months remaining to the end of the campaign. It is projected that the campaign will achieve in excess of \$8 million over the next 13 months and exceed the \$42 million goal.

The University's current financial strength is solid. It maintains over \$74 million in total net assets, with the majority of these assets (\$42.2 million) being unrestricted. In FY 2006, the University's debt service coverage ratio was 2.78x. With this proposed financing, its proforma debt service coverage ratio will be approximately 1.65x, indicating the University's ability to manage additional debt.

### **III. BACKGROUND:**

#### **General:**

University of La Verne (the “University”) is a nonprofit organization founded in 1891 as Lordsburg College by members of the Church of the Brethren. Renamed La Verne College in 1917, it was reorganized as the University of La Verne in 1977.

The University is located approximately 35 miles east of Los Angeles in the City of La Verne. The 30-acre campus is bordered by residential housing on two sides, Old Town La Verne on a third and Arrow Highway on its fourth side

#### **Administration:**

The University is governed by a Board of Trustees consisting of up to 35 persons. Members of the Board (except ex-officio members) are elected to three-year terms and officers to six-year terms.

#### **Accreditations and Affiliations:**

The University is accredited by the Western Association of Schools and Colleges. It also has professional accreditation from the following organizations: California Commission on Teacher Credentialing, American Psychological Association, National Association of School of Public Affairs and Admissions, Commission on Accreditation of Allied Health Education Programs, Committee of Bar Examiners for the State of California and the American Bar Association.

The University maintains memberships and affiliations in numerous organizations including gthe American Council on Education, the Association of Independent California Colleges and Universities, the Independent Colleges of Southern California, the Western College Association, the American Assembly of Collegiate Schools of Business, and the College Board.

#### **Academic Programs:**

The University offers 72 majors from associate through doctoral degrees in four major colleges: the College of Arts and Sciences, the College of Business and Public Management, the College of Education and Organizational Leadership, and the College of Law.

<u>Issue:</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding as of 06/30/06</u>	<u>Estimated Amount Outstanding After Proposed Financing</u>
<b>Existing Debt:</b>			
CEFA, Series 2005A	20,680,000	20,330,000	20,330,000
CEFA, Series 2005B	8,160,000	8,160,000	8,160,000
Note payable, Wells Fargo		1,600,000	1,600,000
Note payable, Metropolitan Water District Property		1,057,500	1,057,500
Note payable, Weingart Foundation		972,897	972,897
Note payable, Brown		471,753	471,753
<b><i>Proposed:</i></b>			
CEFA, Series 2007			22,500,000
Total		<u>\$ 32,592,150</u>	<u>\$ 55,092,150</u>

**IV. OUTSTANDING DEBT:**

**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 \$22,500,000 for University of La Verne subject to a bond rating of at least a “Baa” by a nationally recognized rating agency, certain bond covenants as described in the “Financing Structure” section and the standard bond issuance guidelines.