# STAFF SUMMARY REGARDING CHFFA/CEFA BOND GUIDELINES
# PROPOSED STAFF REPORT METHODOLOGY

August 26, 2010

At the June 24, 2010 Authority board meeting, staff presented the board with a proposed new methodology for the analysis of bond applications and the preparation of staff reports. This new methodology included a comprehensive process of due diligence, investigation and analysis of proposed bond covenants, security features and disclosures submitted to the Authority by a borrower's bond finance team. Board members requested Authority staff to create a template staff report to best illustrate the proposed new methodology for evaluating bond transactions.

Staff applied the new proposed methodology for evaluating bond transactions and created a template staff report from a previously approved transaction for Stanford University (Stanford).

Stanford came before and was approved by the CEFA board for bond financing at the March 17, 2010 Authority meeting. Stanford was approved to issue $918,315,000 in bonds, proceeds of which were to be used for various capital expenditures and improvements as well as to refund previously issued bonds. Stanford is one of CEFA's most prominent borrowers and has an excellent credit rating of Aaa/AAA. Staff concluded that the Stanford transaction is an ideal candidate to present the Authority's proposed evaluation methodology.

For your review and consideration, staff has included the following documents:

- **Exhibit A** – The entire proposed Revenue Bond Application Resources and Review Process (as presented to the board at the June 24, 2010 meeting)
- **Exhibit B** – An excerpt from Exhibit A showing the relevant review process which leads to the new methodology staff recommends including within Authority staff reports (also previously presented to the board at the June 24, 2010 meeting)
- **Exhibit C** – Original Stanford staff report
- **Exhibit D** – Redlined Stanford staff report, incorporating proposed methodology
- **Exhibit E** – Clean Stanford staff report, incorporating proposed methodology

Exhibit A

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
# INVESTMENT GRADE PUBLIC OFFERINGS

## Revenue Bond Application Resources and Review Process

## OUTLINE

I. CEFA MISSION STATEMENT (link)

II. CEFA COMMITMENT TO "CUSTOMER" SERVICE

III. CEFA ACT (link)

(A) Qualifying Borrowers; Definition of "Participating Private College" (link)

(B) Qualifying Projects; Definitions of "Project," "Cost," and "Private College" (link)

(C) Financed Projects must comply with CEQA (link to § 94212 and required documentation)

(D) State Treasurer (STO) acts as agent for sale for CEFA (link)

IV. CEFA MEETINGS/HEARINGS/AGENDA REQUIREMENTS

(A) Transactions are set for hearings and approvals after receipt of an application (see Article VI below)

(B) Under Regualtions Secton 9006, Regular Meetings are held the fourth Thursday of each month, unless otherwise ordered by the Authority. By resolution, Regular meetings are ordered for the last Thursday of every month atapproximately 1:30 pm at CEFA offices in Sacramento (link)

(C) Special Meetings are possible in extraordinary circumstances

(D) Agenda Deadlines (CEFA must distribute each meeting agenda at least ten days in advance of meetings unless there is an extraordinary situation meeting legal requirements for shorter notice; link to public meeting law)

(E) TEFRA Hearing Arrangements

(1) A single public hearing covers projects throughout the State

(2) CEFA's custom is to hold hearings at its offices on the Wednesday preceding each regular monthly meeting at 10:00 a.m.; Borrowers are not required to attend; alternative days and times available upon request

(3) Bond Counsel arranges publication of hearing notices and provides affidavits of publication to CEFA at least 2 business days prior to the hearing

(4) STO provides issuer approval certificate within 10 days after hearing (link to model certification language)

(F) Single Meeting Approval via Resolution (link to model resolution)

V. SELECTION OF FINANCE TEAM

(A) Underwriter(s) may be designated by Borrower from STO approved list (link)

(B) Borrower selects its own Counsel

(C) Borrower may select Bond Counsel with CEFA consent

(D) CEFA represented by Attorney General's (AG) Office or a designated outside attorney, acting as issuer counsel

(E) CEFA/ Financial Advisor is PFM

(F) STO is Agent for Sale (following approval, pricing and bond sale are to be coordinated through CEFA with STO)

(G) Trustee/Paying Agent May Be Selected by Borrower with CEFA consent

(H) CEFA will designate an Analyst for each Financing as Primary Contact

(I) CEFA Analyst will provide contacts for CEFA/STO/AG participants

(J) Credit or Liquidity Enhancer Identified by Borrower

VI. APPLICATION SUBMISSION

(A) Staff Assistance Available Prior to Formal Application

(1) Discuss Project/Borrower Eligibility

(2) Consideration of Corporation an appropriate Applicant and Borrower

(3) Resources for Municipal Borrowing Information (links to STO resources; CDIAC Primer and materials gathered by CEFA)

(B) On-Line Application Form (link)

(C) Timing – Due by first business day of month in which approval is sought

(D) Application Fee (link); Issuance Fee Information (link)

(E) Borrower Documents Requested with Application

(1) Latest Audited Financial Statements

(2) Latest Unaudited Financial Information

(3) Previous Official Statement (if any)

(4) Evidence of CEQA Compliance or Exemption

(5) Draft of CEFA Resolution

(6) [Master Indenture] or other document containing Borrower or existing covenants

(7) Latest Rating Agency Reports of Borrower

(F) Bond Documents

(1) Substantially Final Drafts Due No Later than 10th of the month in which approval is sought; further refinements of the documents may continue to be submitted to CEFA staff

(2) Standard Provisions of CEFA Loan Agreements and Indentures to be Used (link)

(a) Recitals

(b) Representations

(c) Reporting Requirements

(d) Indemnification

(e) California Choice of Law

(f) Venue in Sacramento County

(g) CEFA Named as "Additional Insured"

(h) Signature Block format

(3) Tax Agreement Provisions, including rebate reporting (link)

(4) CEFA Closing Certificate Forms (link)

(G) Underwriting Documents

(1) Substantially final drafts due no later than 10th of the month in which approval is sought; further refinements of the documents may continue to be submitted to CEFA staff

(2) Standard provisions of CEFA Bond Purchase Agreement and Official Statement (link)

(a) CEFA disclosure/disclaimers

(b) Required Legal Opinions

(i) Issuer Counsel

(ii) Bond Counsel (validity opinion and supplemental opinion including SEC Act § 10b(5) opinion)

(iii) Underwriters' Counsel

(iv) Borrower Counsel (must cover SEC § 10b(5) opinion on full OS with very limited exclusions)

(3) Authority 15c-2(12) Certificates (link to model and process and timing for obtaining from CEFA)

## VII. INVESTMENT GRADE RATING REQUIRED

(A) Borrower must obtain an Investment Grade Rating from at least one nationally recognized rating agency on bonds to be issued; BBB-/BBB-/Baa3 or better from S&P/Fitch/Moody's

(B) For Variable Rate Bonds that may be Converted to Fixed Rate Bonds without further CEFA action, Indenture provisions shall require confirmation prior to the Conversion that an Investment Grade Rating will apply to the bonds following Conversion

(C) If proposed bonds have more than one rating, the highest rating shall be used to determine compliance except when one of the ratings falls below BBB-/BBB-/Baa3, regardless of the higher rating CEFA will not treat the requested bonds as having an Investment Grade Rating

## VIII. CEFA STAFF EVALUATION PROCESS

(A) Staff Diligence Pursuant to § 94142 (link)

(B) Work Compiled in Staff Report

(1) Sample Staff Report Form (link)

(2) Draft Report will be provided to Borrower, UW, BC, CEFA's Financial Analyst and AG for review and comment

(3) Final Report Sent to Authority Members **7** Days Prior to Meeting

(C) Staff Makes Recommendation but Authority retains discretion

IX. CONSIDERATION OF COVENANTS AND SECURITY FOR BONDHOLDERS

(A) Borrower and CEFA Analyst to compile list of key provisions; CEFA does NOT require particular covenants

(B) Clarify which entities' finances secure repayment of CEFA loan, e.g. single Borrower corporation, Guarantors

(C) Sample Covenants/Security (#1 is required; ## 2-4 are strongly preferred; remaining ones are examples of what is often seen in various financings depending on credit strength and market conditions)

(1) Unconditional Promise to Pay

(2) Gross Revenue or Gross Receivables Pledge

(3) Negative Pledge Against Prior Liens

(4) Limited Permitted Encumbrances

(5) Debt Service Reserve Fund

(a) Would one be funded with bond proceeds or equity

(b) If it is a springing funding requirement, what is the trigger

(c) How is the reserve requirement sized

(d) Is a surety or letter of credit permitted in lieu of a cash deposit

(e) Are there circumstances where all moneys in the reserve may be released

(6) Debt Service Coverage Requirement

(a) Maximum Annual Debt Service or Annual Debt Service to be covered; what is the required ratio; how low can it be before default?

(b) Is a Consultant review required if the ratio falls below a threshold?

(c) Steps and Timing Before Event of Default

(7) Additional Debt Limitation

(8) Disposition of Cash and Property Limitations

(9) Cash or Liquidity Requirements

(10) Debt to Capitalization Requirement

(11) Security Interest in Designated Property

(12) Mortgage or Deed of Trust

(13) Other

X. CONTINUING DISCLOSURE

(A) Comply with SEC Rule 15c2-12

(B) Authority Standard Provisions (link)

Exhibit B

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY**
**INVESTMENT GRADE PUBLIC OFFERINGS**

**Revenue Bond Application Review Process**

I. INVESTMENT GRADE RATING REQUIRED

(A) Borrower must obtain an Investment Grade Rating from at least one nationally recognized rating agency on bonds to be issued; BBB-/BBB-/Baa3 or better from S&P/Fitch/Moody's

(B) For Variable Rate Bonds that may be Converted to Fixed Rate Bonds without further CEFA action, Indenture provisions shall require confirmation prior to the Conversion that an Investment Grade Rating will apply to the bonds following Conversion

(C) If proposed bonds have more than one rating, the highest rating shall be used to determine compliance except when one of the ratings falls below BBB-/BBB-/Baa3, regardless of the higher rating CEFA will not treat the requested bonds as having an Investment Grade Rating

II. CEFA STAFF EVALUATION PROCESS

(A) Staff Diligence Pursuant to § 94142 (link)

(B) Work Compiled in Staff Report

(1) Sample Staff Report Form (link)

(2) Draft Report will be provided to Borrower, UW, BC, CEFA's Financial Analyst and AG for review and comment

(3) Final Report Sent to Authority Members seven Days Prior to Meeting

(C) Staff Makes Recommendation but Authority retains discretion

III. CONSIDERATION OF COVENANTS AND SECURITY FOR BONDHOLDERS

(A) Borrower and CEFA Analyst to compile list of key provisions; CEFA does <u>NOT</u> require particular covenants

(B) Clarify which entities' finances secure repayment of CEFA loan, e.g. single Borrower corporation, , Guarantors

(C) Sample Covenants/Security (#1 is required; ## 2-4 are strongly preferred; remaining ones are examples of what is often seen in various financings depending on credit strength and market conditions)

(1) Unconditional Promise to Pay

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(8) Disposition of Cash and Property Limitations

(9) Cash or Liquidity Requirements

(10) Debt to Capitalization Requirement

(11) Security Interest in Designated Property

(12) Mortgage or Deed of Trust

(13) Other

Exhibit C

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

| | | | |
|---|---|---|---|
| **Applicant:** | Stanford University ("Stanford" or "Leland Stanford Junior University")<br>Stanford, California<br>Santa Clara County | **Amount Requested:**<br>**Date Requested:**<br>**Requested Loan Term:**<br>**Resolution Number:** | $918,315,000<br>March 17, 2010<br>up to 50 years<br>273 |

**Facility Type:** Private University
**Accreditation:** Western Association of Schools and Colleges

**Use of Bond Proceeds:** Bond proceeds will be used to support various planned capital expenditures and improvements at Stanford as part of its on-going capital plan. In addition, Stanford seeks to refund all or a portion of its CEFA Series P, Q, R, S, and T-4 bonds.

**Environmental Benefits:** Stanford is committed to a decade long commitment to energy conservation and efficiency. Phase I of a comprehensive energy retrofit program is underway with the goal of energy consumption reductions. The buildings selected for retrofit represent $15.9 million of energy expenses per year, or nearly 36% of the total campus energy expense. A second group of fourteen buildings, which consume an additional 24% of Stanford's total energy usage have been identified for the energy retrofit studies and implementation program. In addition to the two large-scale retrofits mentioned above, two medium sized energy retrofits have been implemented. The environmental benefits associated with Stanford's construction, renovation and upgrade projects include the installation of energy efficient appliances, water-efficient fixtures and the utilization of recycled products and materials.

| | |
|---|---|
| **Type of Issue:** | Negotiated public offering, fixed rates |
| **Credit Enhancement:** | None |
| **Expected Credit Rating:** | Aaa/AAA/AAA (Moody's/S & P/Fitch) based on University credit |
| **Underwriter:** | Morgan Stanley |
| **Bond Counsel:** | Orrick, Herrington & Sutcliffe |

**Financial Overview:** Stanford University operating results appears solid. The balance sheet appears solid with substantial liquidity including impressive fundraising results.

| **Estimated Sources of Funds ($000):** | | **Estimated Uses of Funds ($000):*** | |
|---|---|---|---|
| Bond Proceeds | $918,315 | Refundings of CEFA Bonds | $611,640 |
| | | Refunding of CEFA TECP | 150,000 |
| | | Capital Projects | 150,000 |
| | | Financing Costs | 6,675 |
| Total Sources | $918,315 | Total Uses | $918,315 |

*Uses may include financing costs to the extent permitted by federal tax law and requested by Stanford.

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

**Staff Recommendation:** Staff recommends the Authority approve Resolution Number 273 in an amount not to exceed $918,315,000 for Stanford University subject to a bond rating of at least an "A" category by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "A" category rated debt and satisfactory conclusion of the TEFRA hearing and approval.

**STAFF SUMMARY AND RECOMMENDATION**
**BOND FINANCING PROGRAM**
March 17, 2010
Resolution Number: 273

**STANFORD UNIVERSITY ("Stanford")**

I. **PURPOSE OF FINANCING:** Stanford continues to progress with its significant multi-year Capital Program. This financing will refund, subject to market conditions, up to $762 million of existing CEFA debt outstanding (including approximately $150 million of existing CEFA commercial paper) and include approximately $150 million new money. The new money will be used for new construction projects.

**Uses of Funds:** (Each use indicated below may include financing costs to the extent permitted by federal tax law and requested by Stanford)

**Refunding of CEFA Bonds............................................................................ $611,640,000**
Stanford plans to use bond proceeds to refund all or a portion of outstanding balances of the CEFA Series P, Q, R, S and T-4 bonds which financed such projects as:

- Chemistry/Biology Building
- Biomedical Engineering and Sciences facilities
- Stanford West Apartments
- New Mechanical Engineering Laboratory
- Sand Hills Road Projects
- Seismic retrofitting
- Parking and campus transportation projects
- Construction/Renovation of various graduate and undergraduate residential facilities.

**Refunding of CEFA commercial paper......................................................... 150,000,000**
Stanford plans to use bond proceeds to refund outstanding CEFA commercial paper which financed and/or refinanced certain capital projects.

**Construction/Renovation ..................................................................... 150,000,000**
Student Housing and Dining Facilities -_ Stanford University houses approximately 4,650 graduate students on campus. In an effort to address the shortage and affordability of student housing several housing projects underway are near completion. The Munger Residence Hall, a graduate student housing complex, currently houses graduate students and families in all five of its buildings, and is nearly complete. Crothers Hall and Crothers Memorial Hall previously housed 244 graduate students and is being renovated to house 376 undergraduate students. In addition, Stanford's Residential and Dining Enterprises has an ongoing capital improvement program to maintain, upgrade and renovate facilities.

Academic Facilities and Infrastructure - Stanford's Capital Plan addresses the need to replace and upgrade many of the university's aging facilities for science, medicine and engineering. New research facilities include the Nano Technology Center which will make available to over 70 researchers on campus some of the most advanced equipment available, and the Learning Knowledge Center which will be an active hub for the School of Medicine, providing supportive environments for learning and knowledge development. The School of Medicine long-range plan calls for the development of new research facilities that will focus on the five Institutes of Medicine to be housed in three new buildings. The Stanford Institutes of Medicine (SIM1) building, the first of three institute-based buildings planned by the school will house Stem Cell Biology and Regenerative Medicine Institute (SCBRM) and the Cancer Center. The Huang Engineering Center, at the heart of the School of Engineering Quad 2 (SEQ2), will be the headquarters for the School of Engineering. Additionally, the plan includes a new Campus for the Graduate School of Business (the Knight Management Center), and Law School Clinics and Faculty Office Building.. Renovations of existing facilities include: seismic upgrades, building energy retrofitting, system upgrades of existing classrooms, libraries, laboratories and student activity facilities. A variety of furniture, fixtures and equipment are included in the plan, but not limited to computers, vehicles and general equipment.

Environmental Benefits: Stanford is committed to advancing sustainability in design, construction, and operation of campus facilities. The reduction of overall energy consumption and the use of clear energy sources are integral in creating a sustainable campus. Stanford continues a decade long commitment to energy conservation and efficiency. The environmental benefits include, but are not limited to:

- Focusing in extending the life-cycle of existing facilities to conserve resources, retain cultural resources, reduce waste and minimize the environmental impacts of new construction.
- Implementing new water saving technologies include plumbing retrofits, replacement of once-through cooling systems in laboratories with re-circulating systems and water reclamation for irrigation and flushing toilets,
- Recycling and/or salvage demolition of construction waste whenever possible to divert waste from landfills, and
- Purchasing and use of Energy Star appliances and water-efficient fixtures

| | | |
|---|---|---|
| **Financing Costs** | | **6,675,000** |
| Cost of Issuance | $2,000,000 | |
| Underwriter's Expense | 4,675,000 | |
| **Total Uses of Funds** | | **$918,315,000** |

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## II. FINANCIAL STATEMENTS AND ANALYSIS:

**STANFORD UNIVERSITY**

**Consolidated Statement of Activities**
**Unrestricted (000's)**

| | Fiscal Year Ended August 31, 2009 | 2008 | 2007 |
|---|---|---|---|
| **Revenues:** | | | |
| Student Income | $ 401,495 | $ 404,821 | $ 394,062 |
| Sponsored research support | 1,031,345 | 1,075,929 | 1,058,158 |
| Expendable gifts in support of operations | 155,037 | 189,378 | 198,454 |
| Investment income | 1,070,805 | 1,006,919 | 709,549 |
| Health Care Services | 2,423,929 | 2,192,968 | 1,996,482 |
| Other income | 422,741 | 429,188 | 397,975 |
| Net assets released from restrictions | 97,428 | 104,356 | 122,433 |
| Total revenues | 5,602,780 | 5,403,559 | 4,877,113 |
| **Expenses:** | | | |
| Salaries and benefits | 3,090,283 | 2,884,928 | 2,602,987 |
| Depreciation | 321,610 | 315,415 | 265,564 |
| Other operating expenses | 1,681,575 | 1,756,741 | 1,599,029 |
| Total expenses | 5,093,468 | 4,957,084 | 4,467,580 |
| **Excess of revenues over expenses** | **509,312** | **446,475** | **409,533** |
| Other changes in unrestricted net assets | | | |
| (Decrease) increase in reinvested gains | (2,459,429) | (201,623) | 2,868,521 |
| Donor advised funds, net | 1,010 | 165,583 | 32,527 |
| Current year gifts not included inoperations | 10,711 | 8,976 | 5,838 |
| Contribution revenue from pmerger with CASBS | - | 29,198 | - |
| Capital and other gifts released from restriction | 178,034 | 66,742 | 142,828 |
| Capital gifts related to Hospitals | - | - | 2,547 |
| Decrease in minimum pension liability | - | - | 3,593 |
| Pension related changes other than net period benefit expense | (278,328) | (13,572) | - |
| Transfer to permanently restricted net assets | (52,236) | (41,348) | (40,676) |
| Transfer to temporarily restricted net assets | (6,552) | (43,657) | (14,598) |
| Swap intest and unrealized losses | (65,988) | (52,243) | (3,126) |
| Loss on extinguishment of debt | - | (17,855) | - |
| Income (loss) from discontinued operations | - | 890 | (23,869) |
| Cumulative effect of change in accounting principle | - | - | (82,232) |
| Other | 6,235 | 138 | (9,879) |
| Net change in unrestricted net assets before effect of change in accounting principle | (2,157,231) | 347,704 | 3,291,007 |
| Effect of change in accounting principle | (6,445,253) | - | - |
| Net change in unrestricted net assets after effect of change in accounting principle | (8,602,484) | 347,704 | 3,291,007 |

## STANFORD UNIVERSITY

**Consolidated Statement of Financial Position (000's)**

| | As of August 31 | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| **ASSETS:** | | | |
| Cash and cash equivalent | 1,781,274 | $ 859,030 | $ 646,620 |
| Accounts receivable, net | 555,970 | 599,779 | 656,896 |
| Prepaid expenses and other assets | 131,467 | 146,974 | 237,661 |
| Pledges receivable, net | 894,445 | 883,347 | 757,631 |
| Student loans receivable, net | 72,375 | 70,950 | 65,626 |
| Faculty and staff mortgages and other loans receivable, net | 421,052 | 376,491 | 334,268 |
| Investment at fair value | 17,757,473 | 23,469,799 | 23,118,655 |
| Plant facilites, net | 4,529,636 | 3,967,183 | 3,472,369 |
| **TOTAL ASSETS** | $ 26,143,692 | $ 30,373,553 | $ 29,289,726 |
| | | | |
| **LIABILITIES AND NET ASSETS:** | | | |
| **Liabilities:** | | | |
| Accounts payable and accrued expenses | 1,090,634 | 1,107,114 | $ 916,772 |
| Accrued pension and post retirement benefit cost | 561,052 | 287,987 | 277,273 |
| Pending trades | 66,160 | 170,919 | 141,838 |
| Liabilities under security agreements | 248,048 | 548,951 | 648,723 |
| Deferred rental income | 378,496 | 388,018 | 392,999 |
| Income beneficiary share of split interest agreeements | 316,404 | 423,197 | 413,403 |
| Notes and bonds payable | 3,515,590 | 2,539,536 | 2,508,507 |
| U.S. government refundable loan funds | 53,203 | 52,848 | 52,685 |
| **TOTAL LIABILITIES** | 6,229,587 | 5,518,570 | 5,352,200 |
| | | | |
| **NET ASSETS:** | | | |
| Unrestricted | 9,659,490 | 18,261,974 | 17,914,270 |
| Temporarily Restricted | 5,307,165 | 1,558,349 | 1,348,491 |
| Permanently Restricted | 4,947,450 | 5,034,660 | 4,674,765 |
| **TOTAL NET ASSETS** | $ 19,914,105 | $ 24,854,983 | $ 23,937,526 |
| | | | |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 26,143,692 | $ 30,373,553 | $ 29,289,726 |

**Financial Ratios:**

| | **Proforma YE Aug 31, 2009** | **2009** | **2008** | **2007** |
|---|---|---|---|---|
| Debt service coverage (x) | 2.44 | 2.49 | 3.10 | 19.50 |
| Debt to expendable net assets (x) | 0.26 | 0.25 | 0.13 | 0.13 |
| Expendable net assets to operations (x) | | 2.94 | 4.00 | 4.31 |
| Margin (%) | | 9.1 | 8.3 | 8.4 |

**Financial Discussion:** ***Unless otherwise stated, financial information is for Stanford University only and excludes affiliated entities.***

**Stanford University's operating results appears solid.**

Stanford University reports operating results were solid despite the economic climate. Stanford's consolidated statement of activities ended fiscal year 2009 with a surplus from operations of $509 million compared to $446 million in fiscal year 2008. According to Stanford, the operating surplus was largely due to the following three factors:

1) Endowment payout was fixed prior to the beginning of the fiscal year and the financial downturn;
2) Substantial operating funds were allocated for facilities projects and were capitalized rather than expended; and
3) As the financial downturn unfolded, expenses were reduced in anticipation of lower revenues in fiscal year 2010.

Endowment payout on existing funds is budgeted to decrease 10% in fiscal year 2010 and expected to decrease a further 15% in fiscal year 2011.

Stanford has significantly scaled back an ambitious capital plan by delaying or suspending approximately $1 billion in capital projects originally expected in the next few years. Stanford will continue with a number of projects that have been heavily gift funded or were significantly underway.

Stanford has taken a significant number of steps to adjust budgeting and spending patterns to accommodate reductions in endowment payout in the current and future years, including salary freezes, layoffs and reductions in general fund allocations.

**The balance sheet appears solid with substantial liquidity including impressive fundraising results.**

In fiscal year 2009, Stanford's consolidated balance sheet reflects $1.7 billion in cash and cash equivalents, an increase of 207%. This increase is due to Stanford's desire to maintain adequate liquidity. Stanford issued $1 billion of taxable debt of which $800 million, net of issuance cost, was set aside in a fund invested in money market securities. This enabled Stanford the additional liquidity it desired for Stanford's general purposes. The balance sheet reflects a decrease in investments, endowment and nets assets for fiscal year 2009. This decrease appears to be primarily from the turmoil in the financial markets and global economy. Temporarily restricted net assets increased due to the adoption of a new accounting principle (FSP FAS 117-1)[1] which resulted in reclassifying $6.3 billion of expendable appreciation on donor-restricted endowment funds from unrestricted to temporarily restricted nets assets. Investment losses of $2.5 billion and new gifts and pledges of $209 million also impacted temporarily restricted net assets. Debt service coverage is

[1] FSP FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act and requires additional disclosure about an organization's endowment funds.

based on operating results and remains solid with a debt service coverage ratio of 2.49x. With the new debt, Stanford proforma debt service coverage remains a solid 2.44x.

The balance sheet is bolstered further by Stanford's impressive fundraising results. *The Stanford Challenge,* which was launched in October 2006 with a goal of raising $4.3 billion over five years, surpassed its milestone reaching a total at $4.48 billion for fiscal year 2009.

## III. BACKGROUND:

**General:**

Founded in 1885, The Leland Stanford Junior University is one of a select group of American universities that has achieved eminence in both undergraduate and graduate education and in a broad range of academic disciplines. It is internationally recognized for the quality of its teaching and research, its distinguished faculty and its outstanding student body. Situated on 8,200 acres near Palo Alto in Santa Clara County, Stanford is 35 miles southeast of San Francisco and 20 miles northwest of San Jose. The program of instruction at Stanford is organized around seven schools: Business, Earth Sciences, Education, Engineering, Humanities and Sciences, Law and Medicine.

**Administration:**

Stanford is governed by a Board of Trustees consisting of a minimum of 25 and a maximum of 35 members, including the President of Stanford. The Board is responsible for determining policies for operation and control of Stanford including, among other things, the adoption of Stanford budget, establishment of schools and departments, investment and accounting policies, debt policy and land use and development. The Board conducts its business through standing committees, including the Committees on Finance, Development, Audit and Compliance, Academic Policy, Land and Buildings, Alumni and External Affairs and the Medical Center, and trusteeship. The Board nominates and selects its successors, eight of whom are required to be alumni Trustees.

The Board of Trustees delegates the responsibility to the President to prescribe the duties of professors and teachers, to set the course of study and the mode and manner of teaching and to exercise all other necessary powers relating to the educational, research, financial and business affairs of Stanford, including the operation of the physical plant. The President appoints, subject to confirmation by the Board, the Provost and the other Officers of Stanford. The Stanford Management Company is the operating division of Stanford responsible for the management of Stanford's investment assets.

**Accreditation and Affiliations:**

Stanford is fully accredited by the Accrediting Commission for Senior Colleges and Universities of 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 year 2000.

Stanford also has professional accreditation from the Accreditation Board for Engineering and Technology using criteria and standards developed and accepted by United States engineering communities. The following undergraduate curricula are accredited at Stanford: Chemical Engineering, Civil Engineering, Electrical Engineering, Environmental Engineering and Mechanical Engineering.

**Academic Programs:**

Stanford is a major research and teaching university offering a wide range of undergraduate, graduate and professional degree programs. The Schools of Earth Sciences, Engineering and Humanities and Sciences (which includes the core humanities, fine arts, languages and literature, the social sciences, mathematics, and the natural sciences) offer both undergraduate and graduate degree programs. The Schools of Business, Education, Law and Medicine offer graduate and professional degree programs. Undergraduate students are admitted to Stanford and have access to any undergraduate major and to classes and research opportunities in all seven schools. Degree programs are offered by departments and through interdepartmental programs involving faculty from multiple departments in one or more Schools. Stanford, its Schools and its academic programs hold all appropriate accreditations.

## IV. CONSOLIDATED OUTSTANDING DEBT ($000's):

| Issue: | Original Issue Amount | Amount Outstanding As of 8/31/09* | Estimated Amount Outstanding after Proposed Financing |
|---|---|---|---|
| **Existing:** | | | |
| CEFA Revenue Bonds | | | |
| Series L, O, P, Q, R, S, T | $1,258,533 | $980,588 | $362,273 |
| CEFA Commercial Paper | 300,000 | 152,140 | 2,140 |
| Stanford University Bonds – Taxable | | 150,000 | 150,000 |
| Medium Term Notes – Taxable | | 100,000 | 100,000 |
| Stanford Univ. Bonds Series 2009 – Taxable | | 1,000,000 | 1,000,000 |
| Commercial Paper – Taxable | 350,000 | 97,476 | 97,476 |
| Other | | 1,601 | 1,601 |
| Subtotal University Notes and Bonds | | 2,481,805 | 1,713,490 |
| CHFFA Hospital Bonds | 1,104,945 | 978,400 | 978,400 |
| Promissory Note | | 857 | 857 |
| Capital Lease Obligation | | 15748 | 15,748 |
| Subtotal Hospital Notes and Bonds | | 995,005 | 995,005 |
| **Proposed:** | | | |
| ***CEFA Series U 2010*** | | | **$918,315** |
| Total | | $3,476,810 | $3,626,810 |

* Includes current portion.

## V. DUE DILIGENCE:

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

- Religious Due Diligence
- Legal Review
- Compliance with Section 94212(b) of the Education Code – California Environmental Quality Act

## VI. STAFF RECOMMENDATION:

Staff recommends the Authority approve Resolution Number 273 in an amount not to exceed $918,315,000 for Stanford University subject to a bond rating of at least an "A" category by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "A" category rated debt and satisfactory conclusion of the TEFRA hearing and approval.

Exhibit D

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

| | | | |
|---|---|---|---|
| **Applicant:** | Stanford University ("Stanford" or "Leland Stanford Junior University")<br>Stanford, California<br>Santa Clara County | **Amount Requested:**<br>**Date Requested:**<br>**Requested Loan Term:**<br>**Resolution Number:** | $918,315,000<br>March 17, 2010<br>up to 50 years<br>273 |
| **Facility Type:** | Private University | | |
| **Accreditation:** | Western Association of Schools and Colleges | | |

**Use of Bond Proceeds:** Bond proceeds will be used to support various planned capital expenditures and improvements at Stanford as part of its on-going capital plan. In addition, Stanford seeks to refund all or a portion of its CEFA Series P, Q, R, S, and T-4 bonds.

**Environmental Benefits:** Stanford is committed to a decade long commitment to energy conservation and efficiency. Phase I of a comprehensive energy retrofit program is underway with the goal of energy consumption reductions. The buildings selected for retrofit represent $15.9 million of energy expenses per year, or nearly 36% of the total campus energy expense. A second group of fourteen buildings, which consume an additional 24% of Stanford's total energy usage have been identified for the energy retrofit studies and implementation program. In addition to the two large-scale retrofits mentioned above, two medium sized energy retrofits have been implemented. The environmental benefits associated with Stanford's construction, renovation and upgrade projects include the installation of energy efficient appliances, water-efficient fixtures and the utilization of recycled products and materials.

| | |
|---|---|
| **Type of Issue:** | Negotiated public offering, fixed rates; $5,000 denominations |
| **Credit Enhancement:** | None |
| **Expected Credit Rating:** | Aaa/AAA/AAA (Moody's/S & P/Fitch) based on University credit |
| **Underwriter:** | Morgan Stanley |
| **Bond Counsel:** | Orrick, Herrington & Sutcliffe |

**Financial Overview:** Stanford University operating results appear solid. The balance sheet appears solid with substantial liquidity including impressive fundraising results.

| **Estimated Sources of Funds ($000):** | | **Estimated Uses of Funds ($000):*** | |
|---|---|---|---|
| Bond Proceeds | $918,315 | Refundings of CEFA Bonds | $611,640 |
| | | Refunding of CEFA TECP | 150,000 |
| | | Capital Projects | 150,000 |
| | | Financing Costs | 6,675 |
| Total Sources | $918,315 | Total Uses | $918,315 |

*Uses may include financing costs to the extent permitted by federal tax law and requested by Stanford.

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

**Staff Recommendation:** Staff recommends the Authority approve Resolution Number 273 in an amount not to exceed $918,315,000 for Stanford University subject to a bond rating of at least a~~n~~ "BBB~~A~~" category by a nationally recognized rating agency ~~and meeting the standard bond issuance guidelines for "A" category rated debt~~ and satisfactory conclusion of the TEFRA hearing and approval. Macias Gini & O'Connell, LLP., the Authority's financial analyst, concurs with the Authority's staff recommendations. Public Financial Management, the Authority's pricing advisor, has reviewed the proposed covenants and security features and found them to be appropriate for Board approval.

(MM)

**STAFF SUMMARY AND RECOMMENDATION**
**BOND FINANCING PROGRAM**
March 17, 2010
Resolution Number: 273

**STANFORD UNIVERSITY ("Stanford")**

I. **PURPOSE OF FINANCING:** Stanford continues to progress with its significant multi-year Capital Program. This financing will refund, subject to market conditions, up to $762 million of existing CEFA debt outstanding (including approximately $150 million of existing CEFA commercial paper) and include approximately $150 million new money. The new money will be used for new construction projects.

**Uses of Funds:** (Each use indicated below may include financing costs to the extent permitted by federal tax law and requested by Stanford)

**Refunding of CEFA Bonds........................................................................ $611,640,000**
Stanford plans to use bond proceeds to refund all or a portion of outstanding balances of the CEFA Series P, Q, R, S and T-4 bonds which financed such projects as:

- Chemistry/Biology Building
- Biomedical Engineering and Sciences facilities
- Stanford West Apartments
- New Mechanical Engineering Laboratory
- Sand Hills Road Projects
- Seismic retrofitting
- Parking and campus transportation projects
- Construction/Renovation of various graduate and undergraduate residential facilities.

**Refunding of CEFA commercial paper........................................................ 150,000,000**
Stanford plans to use bond proceeds to refund outstanding CEFA commercial paper which financed and/or refinanced certain capital projects.

**Construction/Renovation ........................................................................ 150,000,000**
Student Housing and Dining Facilities - Stanford University houses approximately 4,650 graduate students on campus. In an effort to address the shortage and affordability of student housing several housing projects underway are near completion. The Munger Residence Hall, a graduate student housing complex, currently houses graduate students and families in all five of its buildings, and is nearly complete. Crothers Hall and Crothers Memorial Hall previously housed 244 graduate students and is being renovated to house 376 undergraduate students. In addition, Stanford's Residential and Dining Enterprises has an ongoing capital improvement program to maintain, upgrade and renovate facilities.

Academic Facilities and Infrastructure - Stanford's Capital Plan addresses the need to replace and upgrade many of the university's aging facilities for science, medicine and engineering. New research facilities include the Nano Technology Center which will make available to over 70 researchers on campus some of the most advanced equipment available, and the Learning Knowledge Center which will be an active hub for the School of Medicine, providing supportive environments for learning and knowledge development. The School of Medicine long-range plan calls for the development of new research facilities that will focus on the five Institutes of Medicine to be housed in three new buildings. The Stanford Institutes of Medicine (SIM1) building, the first of three institute-based buildings planned by the school will house Stem Cell Biology and Regenerative Medicine Institute (SCBRM) and the Cancer Center. The Huang Engineering Center, at the heart of the School of Engineering Quad 2 (SEQ2), will be the headquarters for the School of Engineering. Additionally, the plan includes a new Campus for the Graduate School of Business (the Knight Management Center), and Law School Clinics and Faculty Office Building.. Renovations of existing facilities include: seismic upgrades, building energy retrofitting, system upgrades of existing classrooms, libraries, laboratories and student activity facilities. A variety of furniture, fixtures and equipment are included in the plan, but not limited to computers, vehicles and general equipment.

Environmental Benefits: Stanford is committed to advancing sustainability in design, construction, and operation of campus facilities. The reduction of overall energy consumption and the use of clear energy sources are integral in creating a sustainable campus. Stanford continues a decade long commitment to energy conservation and efficiency. The environmental benefits include, but are not limited to:

- Focusing in extending the life-cycle of existing facilities to conserve resources, retain cultural resources, reduce waste and minimize the environmental impacts of new construction.
- Implementing new water saving technologies include plumbing retrofits, replacement of once-through cooling systems in laboratories with re-circulating systems and water reclamation for irrigation and flushing toilets,
- Recycling and/or salvage demolition of construction waste whenever possible to divert waste from landfills, and
- Purchasing and use of Energy Star appliances and water-efficient fixtures

| | | |
|---|---|---|
| **Financing Costs** ........................................ | | **6,675,000** |
| Cost of Issuance........................................ | $2,000,000 | |
| Underwriter's Expense ........................................ | 4,675,000 | |
| **Total Uses of Funds** ........................................ | | **$918,315,000** |

## II. PROPOSED COVENANTS, SECURITY AND DISCLOSURES:

Staff report and recommendations include minimum requirements. Additional or more stringent covenants or disclosures may be added following consultation with Authority staff but without further notification to the Authority's Board. These covenants cannot be diluted or removed without subsequent review. If there have been modifications to the covenant proposal following the preparation of this staff report, staff will report it at the meeting.

- ✓ **Unconditional Promise to Pay.** *Borrower agrees to pay Trustee all amounts required for principal, interest or reserve deposits and other payments and expenses designated in the Loan Agreement. All Revenues[1] and any other amounts held in a designated fund or account under the Bond Indenture are pledged to secure the full payment of the bonds.*

- ✓ **Disposition of Cash and Property Limitations.** *Borrower agrees not to sell, lease or dispose of substantially all assets unless authorized by the Loan Agreement.*

- ✓ **Comply with SEC Rule 15c2-12.** *The rule prohibits underwriters from underwriting municipal bond deals unless the issuer or borrower contractually agrees to disclose designated financial and operating information to the marketplace during the life of the bonds and to report designated "material events" such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.*

Staff has reviewed the entirety of this financing package and finds it to be acceptable.

**Not applicable for this transaction as separate and affirmative covenants:**

- **Pledge of Gross Revenues.** *Borrower pledges to deposit all revenues, income, receipts and money received into a Gross Revenues Fund over which the Trustee has a control deposit account agreement.*
- **Negative Pledge Against Prior Liens.** *Borrower agrees not to create or assume any Lien upon Borrower's Property other than the Permitted Encumbrances.*
- **Limited Permitted Encumbrances.** *Borrower is subject to a restrictive set of allowable encumbrances it may incur pursuant to the Master Indenture.*
- **Debt Service Reserve.** *Account established under the Indenture to make principal and interest payments if the Borrower fails to deposit timely payments.*
- **Debt Service Coverage Requirement.** *A ratio measuring ability to make interest and principal payments as they become due by assessing the amount of revenue available to meet debt service payments.*
- **Additional Debt Limitation.** *Borrower agrees not to incur additional Indebtedness unless authorized by the Loan Agreement.*
- **Security Interest in Designated Property/Deed of Trust.**
- **Cash or Liquidity Requirements.** *Borrower promises to periodically measure the balance of their liquid assets and maintain them at a prescribed level.*
- **Debt to Capitalization Requirement.** *A ratio limiting how much debt can be incurred based on the liquid assets and debt then in place.*

[1] Capitalized terms are defined in the Indenture.

# ~~II.~~III. FINANCIAL STATEMENTS AND ANALYSIS:

**STANFORD UNIVERSITY**

**Consolidated Statement of Activities**
**Unrestricted (000's)**

| | Fiscal Year Ended August 31, | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| **Revenues:** | | | |
| Student Income | $ 401,495 | $ 404,821 | $ 394,062 |
| Sponsored research support | 1,031,345 | 1,075,929 | 1,058,158 |
| Expendable gifts in support of operations | 155,037 | 189,378 | 198,454 |
| Investment income | 1,070,805 | 1,006,919 | 709,549 |
| Health Care Services | 2,423,929 | 2,192,968 | 1,996,482 |
| Other income | 422,741 | 429,188 | 397,975 |
| Net assets released from restrictions | 97,428 | 104,356 | 122,433 |
| Total revenues | 5,602,780 | 5,403,559 | 4,877,113 |
| **Expenses:** | | | |
| Salaries and benefits | 3,090,283 | 2,884,928 | 2,602,987 |
| Depreciation | 321,610 | 315,415 | 265,564 |
| Other operating expenses | 1,681,575 | 1,756,741 | 1,599,029 |
| Total expenses | 5,093,468 | 4,957,084 | 4,467,580 |
| **Excess of revenues over expenses** | **509,312** | **446,475** | **409,533** |
| Other changes in unrestricted net assets | | | |
| (Decrease) increase in reinvested gains | (2,459,429) | (201,623) | 2,868,521 |
| Donor advised funds, net | 1,010 | 165,583 | 32,527 |
| Current year gifts not included inoperations | 10,711 | 8,976 | 5,838 |
| Contribution revenue from pmerger with CASBS | - | 29,198 | - |
| Capital and other gifts released from restriction | 178,034 | 66,742 | 142,828 |
| Capital gifts related to Hospitals | - | - | 2,547 |
| Decrease in minimum pension liability | - | - | 3,593 |
| Pension related changes other than net period benefit expense | (278,328) | (13,572) | - |
| Transfer to permanently restricted net assets | (52,236) | (41,348) | (40,676) |
| Transfer to temporarily restricted net assets | (6,552) | (43,657) | (14,598) |
| Swap intest and unrealized losses | (65,988) | (52,243) | (3,126) |
| Loss on extinguishment of debt | - | (17,855) | - |
| Income (loss) from discontinued operations | - | 890 | (23,869) |
| Cumulative effect of change in accounting principle | - | - | (82,232) |
| Other | 6,235 | 138 | (9,879) |
| Net change in unrestricted net assets before effect of change in accounting principle | (2,157,231) | 347,704 | 3,291,007 |
| Effect of change in accounting principle | (6,445,253) | - | - |
| Net change in unrestricted net assets after effect of change in accounting principle | (8,602,484) | 347,704 | 3,291,007 |

**STANFORD UNIVERSITY**

**Consolidated Statement of Financial Position (000's)**

| | As of August 31 | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| **ASSETS:** | | | |
| Cash and cash equivalent | 1,781,274 | $ 859,030 | $ 646,620 |
| Accounts receivable, net | 555,970 | 599,779 | 656,896 |
| Prepaid expenses and other assets | 131,467 | 146,974 | 237,661 |
| Pledges receivable, net | 894,445 | 883,347 | 757,631 |
| Student loans receivable, net | 72,375 | 70,950 | 65,626 |
| Faculty and staff mortgages and other loans receivable, net | 421,052 | 376,491 | 334,268 |
| Investment at fair value | 17,757,473 | 23,469,799 | 23,118,655 |
| Plant facilites, net | 4,529,636 | 3,967,183 | 3,472,369 |
| **TOTAL ASSETS** | $ 26,143,692 | $ 30,373,553 | $ 29,289,726 |
| | | | |
| **LIABILITIES AND NET ASSETS:** | | | |
| **Liabilities:** | | | |
| Accounts payable and accrued expenses | 1,090,634 | 1,107,114 | $ 916,772 |
| Accrued pension and post retirement benefit cost | 561,052 | 287,987 | 277,273 |
| Pending trades | 66,160 | 170,919 | 141,838 |
| Liabilities under security agreements | 248,048 | 548,951 | 648,723 |
| Deferred rental income | 378,496 | 388,018 | 392,999 |
| Income beneficiary share of split interest agreeements | 316,404 | 423,197 | 413,403 |
| Notes and bonds payable | 3,515,590 | 2,539,536 | 2,508,507 |
| U.S. government refundable loan funds | 53,203 | 52,848 | 52,685 |
| **TOTAL LIABILITIES** | 6,229,587 | 5,518,570 | 5,352,200 |
| | | | |
| **NET ASSETS:** | | | |
| Unrestricted | 9,659,490 | 18,261,974 | 17,914,270 |
| Temporarily Restricted | 5,307,165 | 1,558,349 | 1,348,491 |
| Permanently Restricted | 4,947,450 | 5,034,660 | 4,674,765 |
| **TOTAL NET ASSETS** | $ 19,914,105 | $ 24,854,983 | $ 23,937,526 |
| | | | |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 26,143,692 | $ 30,373,553 | $ 29,289,726 |

**Financial Ratios:**

| | **Proforma YE Aug 31, 2009** | **2009** | **2008** | **2007** |
|---|---|---|---|---|
| Debt service coverage (x) | 2.44 | 2.49 | 3.10 | 19.50 |
| Debt to expendable net assets (x) | 0.26 | 0.25 | 0.13 | 0.13 |
| Expendable net assets to operations (x) | | 2.94 | 4.00 | 4.31 |
| Margin (%) | | 9.1 | 8.3 | 8.4 |

**<u>Financial Discussion:</u>** ***Unless otherwise stated, financial information is for Stanford University only and excludes affiliated entities.***

**Stanford University's operating results appears solid.**

Stanford University reports operating results were solid despite the economic climate. Stanford's consolidated statement of activities ended fiscal year 2009 with a surplus from operations of $509 million compared to $446 million in fiscal year 2008. According to Stanford, the operating surplus was largely due to the following three factors:

1) Endowment payout was fixed prior to the beginning of the fiscal year and the financial downturn;
2) Substantial operating funds were allocated for facilities projects and were capitalized rather than expended; and
3) As the financial downturn unfolded, expenses were reduced in anticipation of lower revenues in fiscal year 2010.

Endowment payout on existing funds is budgeted to decrease 10% in fiscal year 2010 and expected to decrease a further 15% in fiscal year 2011.

Stanford has significantly scaled back an ambitious capital plan by delaying or suspending approximately $1 billion in capital projects originally expected in the next few years. Stanford will continue with a number of projects that have been heavily gift funded or were significantly underway.

Stanford has taken a significant number of steps to adjust budgeting and spending patterns to accommodate reductions in endowment payout in the current and future years, including salary freezes, layoffs and reductions in general fund allocations.

**The balance sheet appears solid with substantial liquidity including impressive fundraising results.**

In fiscal year 2009, Stanford's consolidated balance sheet reflects $1.7 billion in cash and cash equivalents, an increase of 207%. This increase is due to Stanford's desire to maintain adequate liquidity. Stanford issued $1 billion of taxable debt of which $800 million, net of issuance cost, was set aside in a fund invested in money market securities. This enabled Stanford the additional liquidity it desired for Stanford's general purposes. The balance sheet reflects a decrease in investments, endowment and nets assets for fiscal year 2009. This decrease appears to be primarily from the turmoil in the financial markets and global economy. Temporarily restricted net assets increased due to the adoption of a new accounting principle (FSP FAS 117-1)[2] which resulted in reclassifying $6.3 billion of expendable appreciation on donor-restricted endowment funds from unrestricted to temporarily restricted nets assets. Investment losses of $2.5 billion and new gifts and pledges of $209 million also impacted temporarily restricted net assets. Debt service coverage is

[2] FSP FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act and requires additional disclosure about an organization's endowment funds.

based on operating results and remains solid with a debt service coverage ratio of 2.49x. With the new debt, Stanford proforma debt service coverage remains a solid 2.44x.

The balance sheet is bolstered further by Stanford's impressive fundraising results. *The Stanford Challenge,* which was launched in October 2006 with a goal of raising $4.3 billion over five years, surpassed its milestone reaching a total at $4.48 billion for fiscal year 2009.

## III. BACKGROUND:

**General:**

Founded in 1885, The Leland Stanford Junior University is one of a select group of American universities that has achieved eminence in both undergraduate and graduate education and in a broad range of academic disciplines. It is internationally recognized for the quality of its teaching and research, its distinguished faculty and its outstanding student body. Situated on 8,200 acres near Palo Alto in Santa Clara County, Stanford is 35 miles southeast of San Francisco and 20 miles northwest of San Jose. The program of instruction at Stanford is organized around seven schools: Business, Earth Sciences, Education, Engineering, Humanities and Sciences, Law and Medicine.

**Administration:**

Stanford is governed by a Board of Trustees consisting of a minimum of 25 and a maximum of 35 members, including the President of Stanford. The Board is responsible for determining policies for operation and control of Stanford including, among other things, the adoption of Stanford budget, establishment of schools and departments, investment and accounting policies, debt policy and land use and development. The Board conducts its business through standing committees, including the Committees on Finance, Development, Audit and Compliance, Academic Policy, Land and Buildings, Alumni and External Affairs and the Medical Center, and trusteeship. The Board nominates and selects its successors, eight of whom are required to be alumni Trustees.

The Board of Trustees delegates the responsibility to the President to prescribe the duties of professors and teachers, to set the course of study and the mode and manner of teaching and to exercise all other necessary powers relating to the educational, research, financial and business affairs of Stanford, including the operation of the physical plant. The President appoints, subject to confirmation by the Board, the Provost and the other Officers of Stanford. The Stanford Management Company is the operating division of Stanford responsible for the management of Stanford's investment assets.

**Accreditation and Affiliations:**

Stanford is fully accredited by the Accrediting Commission for Senior Colleges and Universities of 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 year 2000.

Stanford also has professional accreditation from the Accreditation Board for Engineering and Technology using criteria and standards developed and accepted by United States engineering communities. The following undergraduate curricula are accredited at Stanford: Chemical Engineering, Civil Engineering, Electrical Engineering, Environmental Engineering and Mechanical Engineering.

**Academic Programs:**

Stanford is a major research and teaching university offering a wide range of undergraduate, graduate and professional degree programs. The Schools of Earth Sciences, Engineering and Humanities and Sciences (which includes the core humanities, fine arts, languages and literature, the social sciences, mathematics, and the natural sciences) offer both undergraduate and graduate degree programs. The Schools of Business, Education, Law and Medicine offer graduate and professional degree programs. Undergraduate students are admitted to Stanford and have access to any undergraduate major and to classes and research opportunities in all seven schools. Degree programs are offered by departments and through interdepartmental programs involving faculty from multiple departments in one or more Schools. Stanford, its Schools and its academic programs hold all appropriate accreditations.

## IV. CONSOLIDATED OUTSTANDING DEBT ($000's):

| Issue: | Original Issue Amount | Amount Outstanding As of 8/31/09* | Estimated Amount Outstanding after Proposed Financing |
|---|---|---|---|
| **Existing:** | | | |
| CEFA Revenue Bonds | | | |
| Series L, O, P, Q, R, S, T | $1,258,533 | $980,588 | $362,273 |
| CEFA Commercial Paper | 300,000 | 152,140 | 2,140 |
| Stanford University Bonds – Taxable | | 150,000 | 150,000 |
| Medium Term Notes – Taxable | | 100,000 | 100,000 |
| Stanford Univ. Bonds Series 2009 – Taxable | | 1,000,000 | 1,000,000 |
| Commercial Paper – Taxable | 350,000 | 97,476 | 97,476 |
| Other | | 1,601 | 1,601 |
| Subtotal University Notes and Bonds | | 2,481,805 | 1,713,490 |
| CHFFA Hospital Bonds | 1,104,945 | 978,400 | 978,400 |
| Promissory Note | | 857 | 857 |
| Capital Lease Obligation | | 15748 | 15,748 |
| Subtotal Hospital Notes and Bonds | | 995,005 | 995,005 |
| **Proposed:** | | | |
| ***CEFA Series U 2010*** | | | **$918,315** |
| Total | | $3,476,810 | $3,626,810 |

* Includes current portion.

## V. DUE DILIGENCE:

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

- Religious Due Diligence
- Legal Review
- Compliance with Section 94212(b) of the Education Code – California Environmental Quality Act

## VI. STAFF RECOMMENDATION:

Staff recommends the Authority approve Resolution Number 273 in an amount not to exceed $918,315,000 for Stanford University subject to a bond rating of at least an "A" category by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "A" category rated debt and satisfactory conclusion of the TEFRA hearing and approval.

Exhibit E

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

| | | | |
|---|---|---|---|
| **Applicant:** | Stanford University ("Stanford" or "Leland Stanford Junior University")<br>Stanford, California<br>Santa Clara County | **Amount Requested:** | $918,315,000 |
| | | **Date Requested:** | March 17, 2010 |
| | | **Requested Loan Term:** | up to 50 years |
| | | **Resolution Number:** | 273 |
| **Facility Type:** | Private University | | |
| **Accreditation:** | Western Association of Schools and Colleges | | |

**Use of Bond Proceeds:** Bond proceeds will be used to support various planned capital expenditures and improvements at Stanford as part of its on-going capital plan. In addition, Stanford seeks to refund all or a portion of its CEFA Series P, Q, R, S, and T-4 bonds.

**Environmental Benefits:** Stanford is committed to a decade long commitment to energy conservation and efficiency. Phase I of a comprehensive energy retrofit program is underway with the goal of energy consumption reductions. The buildings selected for retrofit represent $15.9 million of energy expenses per year, or nearly 36% of the total campus energy expense. A second group of fourteen buildings, which consume an additional 24% of Stanford's total energy usage have been identified for the energy retrofit studies and implementation program. In addition to the two large-scale retrofits mentioned above, two medium sized energy retrofits have been implemented. The environmental benefits associated with Stanford's construction, renovation and upgrade projects include the installation of energy efficient appliances, water-efficient fixtures and the utilization of recycled products and materials.

| | |
|---|---|
| **Type of Issue:** | Negotiated public offering, fixed rates; $5,000 denominations |
| **Credit Enhancement:** | None |
| **Expected Credit Rating:** | Aaa/AAA/AAA (Moody's/S & P/Fitch) based on University credit |
| **Underwriter:** | Morgan Stanley |
| **Bond Counsel:** | Orrick, Herrington & Sutcliffe |

**Financial Overview:** Stanford University operating results appear solid. The balance sheet appears solid with substantial liquidity including impressive fundraising results.

| **Estimated Sources of Funds ($000):** | | **Estimated Uses of Funds ($000):*** | |
|---|---|---|---|
| Bond Proceeds | $918,315 | Refundings of CEFA Bonds | $611,640 |
| | | Refunding of CEFA TECP | 150,000 |
| | | Capital Projects | 150,000 |
| | | Financing Costs | 6,675 |
| Total Sources | $918,315 | Total Uses | $918,315 |

*Uses may include financing costs to the extent permitted by federal tax law and requested by Stanford.

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

**Staff Recommendation:** Staff recommends the Authority approve Resolution Number 273 in an amount not to exceed $918,315,000 for Stanford University subject to a bond rating of at least a "BBB" category by a nationally recognized rating agency and satisfactory conclusion of the TEFRA hearing and approval. Macias Gini & O'Connell, LLP., the Authority's financial analyst, concurs with the Authority's staff recommendations. Public Financial Management, the Authority's pricing advisor, has reviewed the proposed covenants and security features and found them to be appropriate for Board approval.

**STAFF SUMMARY AND RECOMMENDATION**
**BOND FINANCING PROGRAM**
March 17, 2010
Resolution Number: 273

**STANFORD UNIVERSITY ("Stanford")**

I. **PURPOSE OF FINANCING:** Stanford continues to progress with its significant multi-year Capital Program. This financing will refund, subject to market conditions, up to $762 million of existing CEFA debt outstanding (including approximately $150 million of existing CEFA commercial paper) and include approximately $150 million new money. The new money will be used for new construction projects.

**Uses of Funds:** (Each use indicated below may include financing costs to the extent permitted by federal tax law and requested by Stanford)

**Refunding of CEFA Bonds.................................................................... $611,640,000**
Stanford plans to use bond proceeds to refund all or a portion of outstanding balances of the CEFA Series P, Q, R, S and T-4 bonds which financed such projects as:

- Chemistry/Biology Building
- Biomedical Engineering and Sciences facilities
- Stanford West Apartments
- New Mechanical Engineering Laboratory
- Sand Hills Road Projects
- Seismic retrofitting
- Parking and campus transportation projects
- Construction/Renovation of various graduate and undergraduate residential facilities.

**Refunding of CEFA commercial paper........................................................ 150,000,000**
Stanford plans to use bond proceeds to refund outstanding CEFA commercial paper which financed and/or refinanced certain capital projects.

**Construction/Renovation .................................................................... 150,000,000**
Student Housing and Dining Facilities - Stanford University houses approximately 4,650 graduate students on campus. In an effort to address the shortage and affordability of student housing several housing projects underway are near completion. The Munger Residence Hall, a graduate student housing complex, currently houses graduate students and families in all five of its buildings, and is nearly complete. Crothers Hall and Crothers Memorial Hall previously housed 244 graduate students and is being renovated to house 376 undergraduate students. In addition, Stanford's Residential and Dining Enterprises has an ongoing capital improvement program to maintain, upgrade and renovate facilities.

Academic Facilities and Infrastructure - Stanford's Capital Plan addresses the need to replace and upgrade many of the university's aging facilities for science, medicine and engineering. New research facilities include the Nano Technology Center which will make available to over 70 researchers on campus some of the most advanced equipment available, and the Learning Knowledge Center which will be an active hub for the School of Medicine, providing supportive environments for learning and knowledge development. The School of Medicine long-range plan calls for the development of new research facilities that will focus on the five Institutes of Medicine to be housed in three new buildings. The Stanford Institutes of Medicine (SIM1) building, the first of three institute-based buildings planned by the school will house Stem Cell Biology and Regenerative Medicine Institute (SCBRM) and the Cancer Center. The Huang Engineering Center, at the heart of the School of Engineering Quad 2 (SEQ2), will be the headquarters for the School of Engineering. Additionally, the plan includes a new Campus for the Graduate School of Business (the Knight Management Center), and Law School Clinics and Faculty Office Building.. Renovations of existing facilities include: seismic upgrades, building energy retrofitting, system upgrades of existing classrooms, libraries, laboratories and student activity facilities. A variety of furniture, fixtures and equipment are included in the plan, but not limited to computers, vehicles and general equipment.

Environmental Benefits: Stanford is committed to advancing sustainability in design, construction, and operation of campus facilities. The reduction of overall energy consumption and the use of clear energy sources are integral in creating a sustainable campus. Stanford continues a decade long commitment to energy conservation and efficiency. The environmental benefits include, but are not limited to:

- Focusing in extending the life-cycle of existing facilities to conserve resources, retain cultural resources, reduce waste and minimize the environmental impacts of new construction.
- Implementing new water saving technologies include plumbing retrofits, replacement of once-through cooling systems in laboratories with re-circulating systems and water reclamation for irrigation and flushing toilets,
- Recycling and/or salvage demolition of construction waste whenever possible to divert waste from landfills, and
- Purchasing and use of Energy Star appliances and water-efficient fixtures

| | | |
|---|---|---|
| **Financing Costs** | | **6,675,000** |
| Cost of Issuance | $2,000,000 | |
| Underwriter's Expense | 4,675,000 | |
| **Total Uses of Funds** | | **$918,315,000** |

## II. PROPOSED COVENANTS, SECURITY AND DISCLOSURES:

Staff report and recommendations include minimum requirements. Additional or more stringent covenants or disclosures may be added following consultation with Authority staff but without further notification to the Authority's Board. These covenants cannot be diluted or removed without subsequent review. If there have been modifications to the covenant proposal following the preparation of this staff report, staff will report it at the meeting.

- ✓ **Unconditional Promise to Pay.** *Borrower agrees to pay Trustee all amounts required for principal, interest or reserve deposits and other payments and expenses designated in the Loan Agreement. All Revenues*[1] *and any other amounts held in a designated fund or account under the Bond Indenture are pledged to secure the full payment of the bonds.*

- ✓ **Disposition of Cash and Property Limitations.** *Borrower agrees not to sell, lease or dispose of substantially all assets unless authorized by the Loan Agreement.*

- ✓ **Comply with SEC Rule 15c2-12.** *The rule prohibits underwriters from underwriting municipal bond deals unless the issuer or borrower contractually agrees to disclose designated financial and operating information to the marketplace during the life of the bonds and to report designated "material events" such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.*

Staff has reviewed the entirety of this financing package and finds it to be acceptable.

**Not applicable for this transaction as separate and affirmative covenants:**

- **Pledge of Gross Revenues.** *Borrower pledges to deposit all revenues, income, receipts and money received into a Gross Revenues Fund over which the Trustee has a control deposit account agreement.*
- **Negative Pledge Against Prior Liens.** *Borrower agrees not to create or assume any Lien upon Borrower's Property other than the Permitted Encumbrances.*
- **Limited Permitted Encumbrances.** *Borrower is subject to a restrictive set of allowable encumbrances it may incur pursuant to the Master Indenture.*
- **Debt Service Reserve.** *Account established under the Indenture to make principal and interest payments if the Borrower fails to deposit timely payments.*
- **Debt Service Coverage Requirement.** *A ratio measuring ability to make interest and principal payments as they become due by assessing the amount of revenue available to meet debt service payments.*
- **Additional Debt Limitation.** *Borrower agrees not to incur additional Indebtedness unless authorized by the Loan Agreement.*
- **Security Interest in Designated Property/Deed of Trust.**
- **Cash or Liquidity Requirements.** *Borrower promises to periodically measure the balance of their liquid assets and maintain them at a prescribed level.*
- **Debt to Capitalization Requirement.** *A ratio limiting how much debt can be incurred based on the liquid assets and debt then in place.*

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[1] Capitalized terms are defined in the Indenture.

## III. FINANCIAL STATEMENTS AND ANALYSIS:

**STANFORD UNIVERSITY**

**Consolidated Statement of Activities**
**Unrestricted (000's)**

| | Fiscal Year Ended August 31, | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| **Revenues:** | | | |
| Student Income | $ 401,495 | $ 404,821 | $ 394,062 |
| Sponsored research support | 1,031,345 | 1,075,929 | 1,058,158 |
| Expendable gifts in support of operations | 155,037 | 189,378 | 198,454 |
| Investment income | 1,070,805 | 1,006,919 | 709,549 |
| Health Care Services | 2,423,929 | 2,192,968 | 1,996,482 |
| Other income | 422,741 | 429,188 | 397,975 |
| Net assets released from restrictions | 97,428 | 104,356 | 122,433 |
| Total revenues | 5,602,780 | 5,403,559 | 4,877,113 |
| **Expenses:** | | | |
| Salaries and benefits | 3,090,283 | 2,884,928 | 2,602,987 |
| Depreciation | 321,610 | 315,415 | 265,564 |
| Other operating expenses | 1,681,575 | 1,756,741 | 1,599,029 |
| Total expenses | 5,093,468 | 4,957,084 | 4,467,580 |
| **Excess of revenues over expenses** | **509,312** | **446,475** | **409,533** |
| Other changes in unrestricted net assets | | | |
| (Decrease) increase in reinvested gains | (2,459,429) | (201,623) | 2,868,521 |
| Donor advised funds, net | 1,010 | 165,583 | 32,527 |
| Current year gifts not included inoperations | 10,711 | 8,976 | 5,838 |
| Contribution revenue from pmerger with CASBS | - | 29,198 | - |
| Capital and other gifts released from restriction | 178,034 | 66,742 | 142,828 |
| Capital gifts related to Hospitals | - | - | 2,547 |
| Decrease in minimum pension liability | - | - | 3,593 |
| Pension related changes other than net period benefit expense | (278,328) | (13,572) | - |
| Transfer to permanently restricted net assets | (52,236) | (41,348) | (40,676) |
| Transfer to temporarily restricted net assets | (6,552) | (43,657) | (14,598) |
| Swap intest and unrealized losses | (65,988) | (52,243) | (3,126) |
| Loss on extinguishment of debt | - | (17,855) | - |
| Income (loss) from discontinued operations | - | 890 | (23,869) |
| Cumulative effect of change in accounting principle | - | - | (82,232) |
| Other | 6,235 | 138 | (9,879) |
| Net change in unrestricted net assets before effect of change in accounting principle | (2,157,231) | 347,704 | 3,291,007 |
| Effect of change in accounting principle | (6,445,253) | - | - |
| Net change in unrestricted net assets after effect of change in accounting principle | (8,602,484) | 347,704 | 3,291,007 |

**STANFORD UNIVERSITY**

**Consolidated Statement of Financial Position (000's)**

| | As of August 31 | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| **ASSETS:** | | | |
| Cash and cash equivalent | 1,781,274 | $ 859,030 | $ 646,620 |
| Accounts receivable, net | 555,970 | 599,779 | 656,896 |
| Prepaid expenses and other assets | 131,467 | 146,974 | 237,661 |
| Pledges receivable, net | 894,445 | 883,347 | 757,631 |
| Student loans receivable, net | 72,375 | 70,950 | 65,626 |
| Faculty and staff mortgages and other loans receivable, net | 421,052 | 376,491 | 334,268 |
| Investment at fair value | 17,757,473 | 23,469,799 | 23,118,655 |
| Plant facilites, net | 4,529,636 | 3,967,183 | 3,472,369 |
| **TOTAL ASSETS** | $ 26,143,692 | $ 30,373,553 | $ 29,289,726 |
| | | | |
| **LIABILITIES AND NET ASSETS:** | | | |
| **Liabilities:** | | | |
| Accounts payable and accrued expenses | 1,090,634 | 1,107,114 | $ 916,772 |
| Accrued pension and post retirement benefit cost | 561,052 | 287,987 | 277,273 |
| Pending trades | 66,160 | 170,919 | 141,838 |
| Liabilities under security agreements | 248,048 | 548,951 | 648,723 |
| Deferred rental income | 378,496 | 388,018 | 392,999 |
| Income beneficiary share of split interest agreeements | 316,404 | 423,197 | 413,403 |
| Notes and bonds payable | 3,515,590 | 2,539,536 | 2,508,507 |
| U.S. government refundable loan funds | 53,203 | 52,848 | 52,685 |
| **TOTAL LIABILITIES** | 6,229,587 | 5,518,570 | 5,352,200 |
| | | | |
| **NET ASSETS:** | | | |
| Unrestricted | 9,659,490 | 18,261,974 | 17,914,270 |
| Temporarily Restricted | 5,307,165 | 1,558,349 | 1,348,491 |
| Permanently Restricted | 4,947,450 | 5,034,660 | 4,674,765 |
| **TOTAL NET ASSETS** | $ 19,914,105 | $ 24,854,983 | $ 23,937,526 |
| | | | |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 26,143,692 | $ 30,373,553 | $ 29,289,726 |

**Financial Ratios:**

| | **Proforma YE Aug 31, 2009** | **2009** | **2008** | **2007** |
|---|---|---|---|---|
| Debt service coverage (x) | 2.44 | 2.49 | 3.10 | 19.50 |
| Debt to expendable net assets (x) | 0.26 | 0.25 | 0.13 | 0.13 |
| Expendable net assets to operations (x) | | 2.94 | 4.00 | 4.31 |
| Margin (%) | | 9.1 | 8.3 | 8.4 |

**<u>Financial Discussion:</u>** ***Unless otherwise stated, financial information is for Stanford University only and excludes affiliated entities.***

**Stanford University's operating results appears solid.**

Stanford University reports operating results were solid despite the economic climate. Stanford's consolidated statement of activities ended fiscal year 2009 with a surplus from operations of $509 million compared to $446 million in fiscal year 2008. According to Stanford, the operating surplus was largely due to the following three factors:

1) Endowment payout was fixed prior to the beginning of the fiscal year and the financial downturn;
2) Substantial operating funds were allocated for facilities projects and were capitalized rather than expended; and
3) As the financial downturn unfolded, expenses were reduced in anticipation of lower revenues in fiscal year 2010.

Endowment payout on existing funds is budgeted to decrease 10% in fiscal year 2010 and expected to decrease a further 15% in fiscal year 2011.

Stanford has significantly scaled back an ambitious capital plan by delaying or suspending approximately $1 billion in capital projects originally expected in the next few years. Stanford will continue with a number of projects that have been heavily gift funded or were significantly underway.

Stanford has taken a significant number of steps to adjust budgeting and spending patterns to accommodate reductions in endowment payout in the current and future years, including salary freezes, layoffs and reductions in general fund allocations.

**The balance sheet appears solid with substantial liquidity including impressive fundraising results.**

In fiscal year 2009, Stanford's consolidated balance sheet reflects $1.7 billion in cash and cash equivalents, an increase of 207%. This increase is due to Stanford's desire to maintain adequate liquidity. Stanford issued $1 billion of taxable debt of which $800 million, net of issuance cost, was set aside in a fund invested in money market securities. This enabled Stanford the additional liquidity it desired for Stanford's general purposes. The balance sheet reflects a decrease in investments, endowment and nets assets for fiscal year 2009. This decrease appears to be primarily from the turmoil in the financial markets and global economy. Temporarily restricted net assets increased due to the adoption of a new accounting principle (FSP FAS 117-1)[2] which resulted in reclassifying $6.3 billion of expendable appreciation on donor-restricted endowment funds from unrestricted to temporarily restricted nets assets. Investment losses of $2.5 billion and new gifts and pledges of $209 million also impacted temporarily restricted net assets. Debt service coverage is

[2] FSP FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act and requires additional disclosure about an organization's endowment funds.

based on operating results and remains solid with a debt service coverage ratio of 2.49x. With the new debt, Stanford proforma debt service coverage remains a solid 2.44x.

The balance sheet is bolstered further by Stanford's impressive fundraising results. *The Stanford Challenge,* which was launched in October 2006 with a goal of raising $4.3 billion over five years, surpassed its milestone reaching a total at $4.48 billion for fiscal year 2009.

## III. BACKGROUND:

**General:**

Founded in 1885, The Leland Stanford Junior University is one of a select group of American universities that has achieved eminence in both undergraduate and graduate education and in a broad range of academic disciplines. It is internationally recognized for the quality of its teaching and research, its distinguished faculty and its outstanding student body. Situated on 8,200 acres near Palo Alto in Santa Clara County, Stanford is 35 miles southeast of San Francisco and 20 miles northwest of San Jose. The program of instruction at Stanford is organized around seven schools: Business, Earth Sciences, Education, Engineering, Humanities and Sciences, Law and Medicine.

**Administration:**

Stanford is governed by a Board of Trustees consisting of a minimum of 25 and a maximum of 35 members, including the President of Stanford. The Board is responsible for determining policies for operation and control of Stanford including, among other things, the adoption of Stanford budget, establishment of schools and departments, investment and accounting policies, debt policy and land use and development. The Board conducts its business through standing committees, including the Committees on Finance, Development, Audit and Compliance, Academic Policy, Land and Buildings, Alumni and External Affairs and the Medical Center, and trusteeship. The Board nominates and selects its successors, eight of whom are required to be alumni Trustees.

The Board of Trustees delegates the responsibility to the President to prescribe the duties of professors and teachers, to set the course of study and the mode and manner of teaching and to exercise all other necessary powers relating to the educational, research, financial and business affairs of Stanford, including the operation of the physical plant. The President appoints, subject to confirmation by the Board, the Provost and the other Officers of Stanford. The Stanford Management Company is the operating division of Stanford responsible for the management of Stanford's investment assets.

**Accreditation and Affiliations:**

Stanford is fully accredited by the Accrediting Commission for Senior Colleges and Universities of 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 year 2000.

Stanford also has professional accreditation from the Accreditation Board for Engineering and Technology using criteria and standards developed and accepted by United States engineering communities. The following undergraduate curricula are accredited at Stanford: Chemical Engineering, Civil Engineering, Electrical Engineering, Environmental Engineering and Mechanical Engineering.

**Academic Programs:**

Stanford is a major research and teaching university offering a wide range of undergraduate, graduate and professional degree programs. The Schools of Earth Sciences, Engineering and Humanities and Sciences (which includes the core humanities, fine arts, languages and literature, the social sciences, mathematics, and the natural sciences) offer both undergraduate and graduate degree programs. The Schools of Business, Education, Law and Medicine offer graduate and professional degree programs. Undergraduate students are admitted to Stanford and have access to any undergraduate major and to classes and research opportunities in all seven schools. Degree programs are offered by departments and through interdepartmental programs involving faculty from multiple departments in one or more Schools. Stanford, its Schools and its academic programs hold all appropriate accreditations.

## IV. CONSOLIDATED OUTSTANDING DEBT ($000's):

| Issue: | Original Issue Amount | Amount Outstanding As of 8/31/09* | Estimated Amount Outstanding after Proposed Financing |
|---|---|---|---|
| **Existing:** | | | |
| CEFA Revenue Bonds | | | |
| Series L, O, P, Q, R, S, T | $1,258,533 | $980,588 | $362,273 |
| CEFA Commercial Paper | 300,000 | 152,140 | 2,140 |
| Stanford University Bonds – Taxable | | 150,000 | 150,000 |
| Medium Term Notes – Taxable | | 100,000 | 100,000 |
| Stanford Univ. Bonds Series 2009 – Taxable | | 1,000,000 | 1,000,000 |
| Commercial Paper – Taxable | 350,000 | 97,476 | 97,476 |
| Other | | 1,601 | 1,601 |
| Subtotal University Notes and Bonds | | 2,481,805 | 1,713,490 |
| CHFFA Hospital Bonds | 1,104,945 | 978,400 | 978,400 |
| Promissory Note | | 857 | 857 |
| Capital Lease Obligation | | 15748 | 15,748 |
| Subtotal Hospital Notes and Bonds | | 995,005 | 995,005 |
| **Proposed:** | | | |
| ***CEFA Series U 2010*** | | | **$918,315** |
| Total | | $3,476,810 | $3,626,810 |

* Includes current portion.

## V. DUE DILIGENCE:

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

- Religious Due Diligence
- Legal Review
- Compliance with Section 94212(b) of the Education Code – California Environmental Quality Act

## VI. STAFF RECOMMENDATION:

Staff recommends the Authority approve Resolution Number 273 in an amount not to exceed $918,315,000 for Stanford University subject to a bond rating of at least an "A" category by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "A" category rated debt and satisfactory conclusion of the TEFRA hearing and approval.