

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
POOLED LOAN FINANCING PROGRAM-SERIES A**

EXECUTIVE SUMMARY

Applicant:	University of Redlands Redlands, California San Bernardino County	Bond Par Amount:	\$10,390,000
		Loan Term:	30 years
		Date Requested:	April 27, 2000
		Resolution Number:	178
Facility Type:	Private College		
Accreditation:	Western Association of Schools and Colleges		
Project: Bond proceeds will be used to increase and improve student housing, renovate classroom and other instructional facilities, and to purchase related equipment.			
Type of Issue:	Public Offering		
Credit Enhancement:	None		
Expected Pool Rating:	A3 (Moody's)		
Senior Underwriter:	Prager, McCarthy & Sealy LLC		
Bond Counsel:	Arter & Hadden LLP		
Financial Overview: The University of Redlands' income statement has shown consistent net income and good operating margins over our review period. The balance sheet also exhibited positive characteristics. Enrollment levels have remained stable while future growth is expected. This financing will increase leverage; however, proforma debt service coverage and strong liquidity indicate an excellent ability to financially manage this additional borrowing.			
Sources of Revenue (\$000) - FY 6/30/99:			
		<u>Amount</u>	<u>Percent</u>
(Unrestricted Funds)			
Tuition and fees		\$34,554	54.7%
Auxiliary revenue		8,976	14.2%
Net assets released from restriction		7,836	12.4%
Investment income		4,752	7.5%
Contributions		3,394	5.4%
Government grants and contracts		1,149	1.8%
Conference and other income		<u>2,534</u>	<u>4.0%</u>
Total unrestricted revenue		<u>\$63,195</u>	<u>100.0%</u>
Sources of Funds:		Uses of Funds:	
Par amount of CEFA bonds	\$10,390,000	Construction/ renovation	\$9,750,000
Original Issue Discount	(207,800)	Equipment	2,400,000
Federal grant	2,000,000	Financing costs	182,200
Donor funds	150,000		
Total Sources:	<u>\$12,332,200</u>	Subtotal	<u>\$12,332,200</u>
Staff Recommendation: Staff recommends the Authority approve a resolution for an amount not to exceed \$10,390,000 for the University of Redlands, subject to the Series A Pool being rated at least "A3" by a nationally recognized rating agency and meeting the standard bond issuance provisions for A rated debt.			

STAFF SUMMARY AND RECOMMENDATION
University of Redlands

April 27, 2000
Resolution Number: 178

I. PURPOSE OF FINANCING

The University of Redlands (Redlands) is requesting funds to continue the implementation of its Master Facilities Plan intended to increase and improve student housing, and renovate classroom and other instructional facilities. In 1995, Redlands issued \$22.4 million in CEFA debt to complete initial phases of its master plan. This financing will provide a wide range of campus improvements and additions which will allow Redlands to accommodate a projected 15% increase in student enrollment by 2002.

Construction/Renovations Projects \$9,750,000

Redlands will construct a new student apartment/dormitory structure to replace some old housing units (such as, "Vets Village" built during World War II as temporary housing), eliminating the need for existing student apartments leased by Redlands near campus, and accommodating recent and anticipated student enrollment growth. This structure is expected to accommodate about 100 students.

Redlands will also rehabilitate and renovate up to 24 existing buildings including the library, gymnasium, stadium, classrooms, laboratory, art studio, faculty and administrative office and student residences. The renovation efforts are in anticipation of growth in a number of majors including science, education and teacher preparation, environmental studies, communicative disorders, and music. Also included in Redlands' plan is the installation of a campus-wide Ethernet network.

Equipment Purchase.....2,400,000

Redlands plans to purchase and install equipment and furnishings related to the construction and renovation projects outlined above.

Financing Costs 182,200

Cost of Issuance	82,752
Underwriter's Counsel	13,127
Underwriter Discount	83,058
Contingency	<u>3,263</u>

TOTAL USES OF FUNDS..... \$12,332,200

Financing Structure

- Fixed interest rate.
- Thirty-year loan period.
- Negotiated public offering.
- Term and serial bonds.

II. FINANCIAL STATEMENTS AND ANALYSIS

University of Redlands
Statement of Activities
(unrestricted funds)

	Period Ending June 30,		
	<u>1999</u>	<u>1998</u>	<u>1997</u>
SUPPORT AND REVENUES:			
Tuition and fees	\$ 34,554,494	\$ 31,766,787	\$ 30,466,646
Room, board and other auxiliary enterprises	8,975,914	10,099,113	8,937,313
Sales and services of educational departments	440,137	451,403	454,826
Conference and other income	1,975,949	2,029,052	1,802,787
Contributions	3,393,982	2,458,597	2,869,774
Government grants and contracts	1,149,296	(47,138)	14,256
Investment return	4,752,132	6,084,904	7,557,881
Interest on notes receivable	117,433	222,273	372,248
Total revenue and gains	<u>55,359,337</u>	<u>53,064,991</u>	<u>52,475,731</u>
Net assets released from restrictions	7,835,805	1,375,789	1,095,374
Total revenues, gains and other support	<u>63,195,142</u>	<u>54,440,780</u>	<u>53,571,105</u>
EXPENSES:			
Instruction and research	\$ 19,995,816	\$ 19,014,355	\$ 17,428,438
Public support	1,252,052	1,351,777	1,152,390
Academic support	4,893,360	4,730,527	3,105,380
Student services	8,285,311	7,728,250	8,141,406
Institutional support	10,561,226	10,639,732	9,346,654
Room, board and other auxiliary enterprises	8,458,400	9,343,402	7,992,671
Other expense	-	-	1,936,561
Total Expenses	<u>53,446,165</u>	<u>52,808,043</u>	<u>49,103,500</u>
Increase in unrestricted net assets	9,748,977	1,632,737	4,467,605
Unrestricted net assets - beginning of the year	48,698,265	47,065,528	42,597,923
Unrestricted net assets - end of the year	<u>\$ 58,447,242</u>	<u>\$ 48,698,265</u>	<u>\$ 47,065,528</u>

University of Redlands
Statement of Financial Position

	Period Ending June 30,		
	1999	1998	1997
ASSETS:			
Cash and equivalents	\$ 836,113	\$ 810,054	\$ 1,072,209
Temporary investments	16,169,321	11,877,572	8,264,404
Student accounts receivable, net	4,435,792	4,277,123	4,571,171
Other receivables	1,988,743	1,554,359	1,576,974
Inventories	119,512	114,733	130,758
Prepaid expenses and other assets	330,502	131,869	218,816
Contributions receivable, net	4,798,706	7,624,969	6,307,622
Student loan receivables, net	6,154,319	6,463,263	7,400,767
Investments	80,725,726	77,512,907	68,389,663
Trust receivable	812,586	1,609,561	2,115,492
Property, plant and equipment	53,263,645	46,062,591	44,176,086
Other assets	216,990	225,230	233,470
Total Assets	\$ 169,851,955	\$ 158,264,231	\$ 144,457,432
LIABILITIES AND NET ASSETS:			
Accounts payable and accrued liabilities	9,157,979	6,984,859	5,684,193
Deferred revenue	554,277	1,598,072	3,149,769
Bonds and notes payable	22,497,257	22,803,922	23,358,220
Actuarial liability for trusts and annuities payable	16,128,397	15,927,635	14,703,840
Refundable U.S. government student loans	3,321,428	2,975,145	2,709,167
Total Liabilities	51,659,338	50,289,633	49,605,189
NET ASSETS:			
Unrestricted	58,447,242	48,698,265	47,065,528
Temporarily restricted	23,442,603	23,842,250	14,938,217
Permanently restricted	36,302,772	35,434,083	32,848,498
Total Net Assets	118,192,617	107,974,598	94,852,243
TOTAL LIABILITES AND NET ASSETS	\$ 169,851,955	\$ 158,264,231	\$ 144,457,432

Financial Ratios:

	Proforma (a)			
	FYE June 30, 1999	1999	1998	1997
Debt Service Coverage	5.40	7.49	3.08	3.29
Expendable net assets/debt	2.49	3.64	3.18	2.65
Expendable net assets/operations		1.53	1.37	1.26
Operating margin		15.43%	3.00%	8.34%

(a) Recalculates 1999 audited results to include the payment of this proposed financing.

Financial Discussion

The University of Redlands' income statement has shown consistent net income and good operating margins over our review period. The balance sheet also exhibited positive characteristics.

Net income has more than doubled from \$4.5 million in 1997 to \$9.7 million in 1999. In total revenues increased by 18% over this time period, while, expenditures increased at a slower 8% pace. Fiscal 1999 posted particularly strong results primarily due to the release from restrictions of almost \$8 million in net assets composed primarily of expenditures for property, plant and equipment, as well as instruction, academic and institutional support. Of note, student revenue over the period grew by over \$4 million given an overall 13% tuition and fee increase combined with a slight (3%) growth in enrollment. Overall, Redlands has been able to maintain strong control over expenses, while enhancing revenues, leading to positive margins over our review period.

As a result, net assets grew from \$94.9 million in 1997 to \$118.2 million in 1999, an increase of 25%. The balance sheet also demonstrates excellent liquidity as measured by cash and equivalents and investments near \$100 million.

Enrollment levels have remained stable while future growth is expected.

In the five-year period between academic year 1995-96 and 1999-2000, enrollment in the College of Arts and Sciences increased 26%. Redlands is planning for future enrollment growth in the College, a residential program with approximately 73% of the students living on campus. As of 1999-2000, the full-time enrollment in the College of Arts and Sciences was 1,710. By 2002-2003, enrollment is expected to increase 17%, or by 170, to 2,006. New student apartments to accommodate this demand are proposed to be built through this financing.

This financing will increase leverage; however, proforma debt service coverage and strong liquidity indicates an excellent ability to financially manage this additional borrowing.

With this proposed financing, debt will increase by about half from \$22.5 million to \$32.5 million, resulting in increased leverage as measured by the expendable net assets to debt ratio declining from 3.64 to a sufficient 2.49. Nonetheless, Redlands' ability to manage this debt is strong as measured by significant balance sheet cash and liquid assets and a proforma 5.40 debt service coverage, which demonstrates more than an adequate repayment cushion.

III. STUDENTS, COLLEGE COSTS, AND FACULTY STATISTICS

Applications and New Enrollments

Application Pool:

College of Arts & Sciences

Freshman and Transfer (Combined)*

Academic Year	Applications	Offered Admission	Selectivity Ratio	New Enrollments	Matriculation Ratio
1999-2000	2,273	1,833	80.6%	585	31.9%
1998-99	2,112	1,733	82.1%	533	30.8%
1997-98	1,911	1,547	81.0%	504	32.6%
1996-97	2,066	1,667	80.7%	483	29.0%
1995-96	1,924	1,510	78.5%	392	26.0%

*Headcount, not full-time equivalent

Graduate Programs*

Academic Year	Applications	Offered Admission	Selectivity Ratio	New Enrollments	Matriculation Ratio
1999-2000	130	64	49.2%	34	53.1%
1998-99	132	65	49.2%	26	40%
1997-98	113	42	37.2%	33	78.6%
1996-97	88	52	59.1%	30	57.7%
1995-96	79	30	38.0%	25	83.3%

*Headcount, not full-time equivalent

Whitehead College

Undergraduate and Graduate Programs*

Academic Year	Undergraduate Enrollment**	Graduate Enrollment**	Total**
1999-2000***	748	604	1,352
1998-99	707	728	1,435
1997-98	815	676	1,491
1996-97	602	389	997
1995-96	760	437	1,197

*Headcount, not full-time equivalent

**The number of applications and offers is not available

***Preliminary

Enrollments and Degrees:

College of Arts & Sciences

Academic Year	Full-time Equivalent Student Enrollment	Undergraduate Degrees Awarded	Graduate Degrees Awarded
1999-2000	1,710	250 (est.)	30 (est.)
1998-99	1,567	239	31
1997-98	1,468	243	21
1996-97	1,367	240	26
1995-96	1,352	328	47

Whitehead College

Academic Year	Full-time Equivalent Student Enrollment	Undergraduate Degrees Awarded	Graduate Degrees Awarded
1999-2000	2,240	600 (est.)	250 (est.)
1998-99	2,109	596	247
1997-98	2,059	587	344
1996-97	2,196	553	307
1995-96	2,325	508	222

Tuition and Fees:

College of Arts & Sciences

COMPREHENSIVE FEES

Academic Year	Undergraduate Tuition and Fees	Graduate Tuition and Fees	Room and Board
1999-2000	\$19,490	\$7,488	\$7,368
1998-99	18,940	7,272	7,224
1997-98	18,300	7,020	7,096
1996-97	17,605	6,570	6,710
1995-96	17,110	6,300	6,515

Whitehead College

Academic Year	Undergraduate Tuition and Fees	Graduate Tuition and Fees	Room and Board
1999-2000	\$9,360	\$8,200	N/A
1998-99	9,120	8,000	N/A
1997-98	8,736	7,880	N/A
1996-97	8,448	7,880	N/A
1995-96	8,184	7,600	N/A

Faculty:

FACULTY SUMMARY
(Full-Time Equivalent)

Academic Year	Tenured Full-time	Other Full-time	Part Time FTE	Total FTE
1999-2000	85	56	141	282
1998-99	83	36	153	272
1997-98	88	42	170	300
1996-97	88	49	162	299
1995-96	81	55	143	279

IV. BACKGROUND

University of Redlands:

The University of Redlands is a California non-profit, public benefit corporation founded in 1907. Redlands is a private educational institution providing instruction for both students of traditional college age through its on campus residential program, the College of Arts & Sciences, and for adult learners through its Alfred North Whitehead College for Lifelong Learning (Whitehead College). Redlands' low faculty to student ratio (approximately 1 to 14) makes for small class sizes and a high degree of personal attention to each student. Eighty seven percent of full-time instructional faculty hold Ph.D.'s.

College of Arts & Sciences

The admissions emphasis for the College of Arts & Sciences is on selection of academically talented and well-balanced students who will contribute to the comprehensive educational environment of Redlands. Students are drawn from a broad geographical area and show a wide range of interests. Typically, 82% of the entering freshman class comes from public high schools, the rest from private or parochial schools; 37% comes from states other than California and 2% from countries other than the United States. The fall entering freshman class had representatives from 33 states and 9 foreign countries. The average grade point of entering freshmen is typically 3.5 out of 4.0 in college preparatory subjects. Of entering undergraduate students each year, approximately 80% are freshmen and 20% are transfer students.

Whitehead College

Founded in 1971 as Redlands' Special Programs Division, today, Whitehead College continues its mission of providing a quality educational experience for mid-career adults through its Redlands campus and five regional centers in San Diego, Orange County, Los Angeles, Ontario and Burbank.

Students admitted to the undergraduate programs offered through Whitehead College come from varied backgrounds and occupations. All are working adults. Many hold middle management positions or are practicing professionals in various fields. The average age of entering undergraduate students is 35. By the nature of Whitehead College programs, most entering undergraduate students are transfer students with an average of 60 units from other institutions.

Administration:

Redlands is governed by a self-perpetuating Board of Trustees, which consists of up to 39 members, 13 of whom generally are elected annually for three-year terms. The Board of Trustees is responsible for the overall management of Redlands. Members of the Board of Trustees represent a diverse spectrum of the community and include business, financial, legal, cultural and educational interests.

Accreditation and Affiliations:

Redlands is accredited by the Accrediting Commission for Senior Colleges and Universities of the Western Association of Schools and Colleges (WASC), as well as programmatic accreditation by the National Association of Schools of Music, the American Speech-Language-Hearing Association, and the American Chemical Society. Redlands is approved by the Commission for Teacher Preparation and Licensing for the State of California.

Redlands is affiliated with, among others, the following organizations: the American Association of University Professors, American Association of University Women, American Council on Education, Association of New American Colleges, Association of Governing Boards, Association of Independent California Colleges and Universities, Council for Advancement and Support of Education, Independent Colleges of Southern California, National Association of College & University Business Officers, National Association of Independent Colleges and Universities, National Association of Student Personnel Administrators, National Collegiate Athletic Association, Tuition Plan Consortium and Western Interstate Commission for Higher Education.

Religious Certification:

Redlands was founded by American Baptists and since its founding has maintained an historic relationship with the American Baptists which affirms their importance in the establishment of Redlands. Redlands' relationship with the American Baptists does not, however, impose any limits or restrictions on the student body, faculty, administration or Board of Trustees.

Competition:

The College of Arts & Sciences recruits nationally for students. Thus, the College of Arts & Sciences competes for students with other colleges and universities throughout the country. Listed below are some of the primary institutions competing with the College of Arts & Sciences:

Chapman University	Orange, CA
Lewis & Clark College	Portland, OR
Loyola Marymount University	Los Angeles, CA
Occidental College	Los Angeles, CA
Pepperdine University	Malibu, CA
Pitzer College	Claremont, CA
Santa Clara University	Santa Clara, CA
Scripps College	Claremont, CA
University of California	various campuses in California
University of Denver	Denver, CO
University of the Pacific	Stockton, CA
University of Puget Sound	Tacoma, WA
University of San Diego	San Diego, CA
University of Southern California	Los Angeles, CA
Whittier College	Whittier, CA
Williamette University	Salem, OR

Outside of other selective independent colleges and universities located on the West Coast, the primary competitor for the College of Arts & Sciences is the University of California. It has a strong liberal arts foundation offering 32 undergraduate and graduate degrees. The College of Arts & Sciences has a number of academic programs including political science, creative writing, music, communicative disorders, education and environmental studies. Redlands positions the total cost of its tuition, room and board at a competitive level relative to other independent colleges and universities of a similar mission and quality on the West Coast. In addition, Redlands has a competitive, yet responsible financial aid program.

Whitehead College recruits adult learners in the Southern California region only. Its primary competitors are:

California Lutheran University	Thousand Oaks, CA
National University (Southern California)	San Diego, CA
Pepperdine University	Los Angeles, CA
University of Phoenix (Southern California)	Phoenix, AZ
University of La Verne	La Verne, CA

Now in its twenty-fifth year, Whitehead College continues its mission of serving mid-career adults by providing a flexible course and program format and by offering academic credit for work experience. Whitehead College grants undergraduate degrees in four majors, and graduate degrees in Business Management, Interactive Telecommunications, and Education. In order to stay competitive in the adult market, Redlands has invested significantly in enhancements to the Whitehead regional center facilities, including the expanded use of technology and the improvement of its faculty.

V. OUTSTANDING DEBT

As of June 30, 1999, Redlands had \$22.5 million of outstanding long-term debt. With this financing, the outstanding amount will increase to \$32.9 million.

<u>Issue Name</u>	<u>Original Amount</u>	<u>Amount Outstanding As of 6/30/99</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
Existing			
<i>CEFA Revenue bonds, Series 1995</i>	\$22,460,000	\$21,329,945	\$21,329,945
<i>Weingart Note Payable</i>		437,312	437,312
<i>Note Payable, Trust (6%)</i>		360,000	360,000
<i>Note Payable, Trust (8%)</i>		370,000	370,000
Proposed			
<i>CEFA Revenue bonds, Series 2000</i>			10,390,000
Totals		<u>\$22,497,257</u>	<u>\$32,887,257</u>

VI. STAFF RECOMMENDATION: Staff recommends the Authority approve a resolution for an amount not to exceed \$10,390,000 for the University of Redlands, subject to the bonds being rated at least "A".