

**STAFF SUMMARY AND RECOMMENDATION**  
**UNIVERSITY OF LA VERNE**  
**Amendment to Final Resolution Number 228**  
June 30, 2005

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**ORIGINAL AMOUNT APPROVED:** \$25,000,000

**ORIGINAL APPROVAL DATE** May 26, 2005

**AMENDED ISSUE AMOUNT:** \$30,000,000

**EXPECTED RATING:** Without letter of credit (LOC) : Baa2 (Moody's)

**CREDIT ENHANCEMENT:** Dependent on market condition  
May use LOC on the taxable portion  
Rating will range from Aaa - Aa3 long-term  
depending on the LOC provider chosen and  
all with VMIG1 short-term

**SENIOR UNDERWRITER:** Prager, Sealy & Co., LLC

**TYPE OF FACILITY:** Private University

**LOCATION:** La Verne, California, Los Angeles County

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**BACKGROUND:** At the May 26, 2005 Authority Meeting, the board approved Resolution Number 228 authorizing bond proceeds not to exceed \$25 million to be used to advance refund the University's portion of CEFA Pool Series 2000B, refund CEFA Series 1993 and renovate various campus facilities. The overall present value savings is approximately \$1,335,000 over the life of the bonds.

**AMENDED USE OF BOND PROCEEDS:** University of La Verne is requesting an Amendment to Resolution Number 228 to include a combination of taxable and tax-exempt bonds and raise the amount originally approved from \$25 million to \$30 million. Bond proceeds will be used to advance refund the University's portion of CEFA Pool Series 2000B using taxable and tax-exempt bonds, refund CEFA Series 1993 and renovate various campus facilities.

**Estimated Sources of Funds:**

Bond Proceeds, tax-exempt	\$21,000,000
Bonds proceed, taxable	9,000,000
Borrower's funds	1,600,000
Total Sources	<u>\$31,600,000</u>

**Estimated Uses of Funds:**

Advance refund CEFA, 2000B	\$20,000,000
Refund CEFA, 1993	2,000,000
Chill Water Loop/Retrofit	4,500,000
Refinance short term note	1,400,000
Reimbursement	50,000
Miscellaneous Projects	1,200,000
Debt Service Reserve Fund	1,825,000
Financing Costs	<u>625,000</u>
Total Uses	<u>\$31,600,000</u>

**REASON FOR AMENDMENT:** The 1986 Tax Act disallowed multiple advance refundings for tax-exempt bonds issued after December 31, 1985. Series 1993 used up the one-time advance refunding of Series 1989. As a result, when a portion of the 1993 bonds were currently refunded by the 2000B bonds, a portion ties back to Series 1989 (i.e., is not advance refundable). Therefore, 31.085% (\$3,307,087) of the 2000B bonds associated with the refunding of the 1993 bonds is advance refundable with tax-exempt bonds and 68.915% (\$7,331,679) of the 2000B bonds is not advance refundable with tax-exempt bonds.

The original staff report stated that tax-exempt bonds will be used to advance refund CEFA Pool Series 2000B. It was determined that a portion of CEFA Pool Series 2000B is not eligible for tax-exempt financing. The University desires to use taxable bonds in order to advance refund the portion of ineligible use. This refunding would allow the University to be released from certain covenants (Liquidity Ratio and Debt Service Coverage Ratio) associated with the CEFA Pool Series 2000B.

**FINANCIAL UPDATE:** University of La Verne's management anticipates that fiscal year 2005 will be similar or slightly better than fiscal year 2004. Investments have steadily increased in performance in the last quarter of fiscal year 2005. The University's financial information is included on pages 3 and 4.

**RECOMMENDATION:** Staff recommends the Authority approve the amended resolution in an amount not to exceed \$30,000,000 to issue taxable and tax-exempt revenue bonds for the University of La Verne, subject to all prior provisions and conditions to remain unchanged and in full effect.

**University of La Verne**  
**Statement of Activities**  
**Unrestricted**

	Fiscal Year Ended June 30,		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:			
Student tuition and fees, net	\$ 68,288,301	\$ 65,762,026	\$ 58,539,632
Private gifts and grants	2,560,616	3,723,666	2,096,561
Government grants	1,232,907	998,783	985,045
Investment income	707,314	718,429	1,037,376
Auxiliary enterprises	3,750,005	3,508,096	2,988,574
Annuity and trust gifts	10,000	-	115,870
Other	1,126,310	978,055	1,076,304
Net assets released from restriction	281,272	-	-
Total revenues	<u>77,956,725</u>	<u>75,689,055</u>	<u>66,839,362</u>
Expenses:			
Instruction	42,772,144	40,859,841	37,234,290
Academic support	9,140,230	9,523,780	9,081,676
Student services	10,585,736	10,832,060	10,073,053
Institutional support	12,979,247	12,204,441	9,599,596
Auxiliary enterprises	4,496,820	4,431,303	4,380,707
Total expenses	<u>79,974,177</u>	<u>77,851,425</u>	<u>70,369,322</u>
Increase (decrease) in net assets from operating activities	(2,017,452)	(2,162,370)	(3,529,960)
Net gains (loss) on investments/other	3,355,296	(299,928)	(2,912,239)
<b>Increase (decrease) in net assets</b>	<b>1,337,844</b>	<b>(2,462,298)</b>	<b>(6,442,199)</b>
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>39,295,980</u>	<u>41,758,278</u>	<u>48,200,477</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 40,633,824</u>	<u>\$ 39,295,980</u>	<u>\$ 41,758,278</u>

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

	As of June 30,		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 8,803,061	\$ 5,297,464	\$ 3,064,208
Cash whose use is restricted	1,814,129	1,813,789	1,812,304
Accounts, notes and pledge receivable, net	12,402,410	10,092,762	9,886,578
Prepaid expenses and other assets	1,424,319	1,358,016	1,535,248
Investments	35,876,479	36,778,230	39,163,161
Property plant and equipment, net	39,037,734	40,436,545	42,564,741
<b>Total Assets</b>	<u>\$ 99,358,132</u>	<u>\$ 95,776,806</u>	<u>\$ 98,026,240</u>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 4,879,750	\$ 5,463,793	\$ 5,560,649
Line of credit	-	-	143,393 <sup>(b)</sup>
Student deposits and deferred revenues	6,670,652	5,143,102	5,474,154
Actuarial liability for annuity obligations	5,651,508	6,205,262	5,702,689
Bonds and notes payable	21,172,401	21,796,060	22,545,574
Federal student loan funds.	2,645,521	2,593,578	2,191,987
<b>Total Liabilities</b>	<u>41,019,832</u>	<u>41,201,795</u>	<u>41,618,446</u>
<b>Net Assets</b>			
Unrestricted	40,633,824	39,295,980	41,758,278
Temporarily Restricted	1,795,711	328,430	199,993
Permanently Restricted	15,908,765	14,950,601	14,449,523
<b>Total Net Assets</b>	<u>58,338,300</u>	<u>54,575,011</u>	<u>56,407,794</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 99,358,132</u>	<u>\$ 95,776,806</u>	<u>\$ 98,026,240</u>

**Financial Ratios:**

	<b>Proforma (a)</b>			
	<b><u>FYE June 30, 2004</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
Debt service coverage (x)	3.03	3.51	1.28	(0.50)
Debt to expendable net assets (x)	1.17	0.50	0.55	0.54
Expendable net assets to operations (x)		0.53	0.51	0.60
Margin (%)		(2.6)	(2.9)	(5.3)

(a) Recalculates 2004 audited results to include the impact of this proposed financing.

(b) Line of credit was used to pay a balloon payment on a mortgage payable. This was subsequently refinanced by a note payable. Currently, no outstanding balance is due on the line of credit.