

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
BOND FINANCING PROGRAM**

EXECUTIVE SUMMARY

<p>Applicant: The President and Board of Trustees of Santa Clara College dba Santa Clara University (“The University”) 500 El Camino Real Santa Clara, CA 95053 Santa Clara County</p> <p>Project Site: 500 El Camino Real, Santa Clara, CA</p> <p>Accreditation: Western Association of Schools and Colleges American Bar Association</p>	<p>Amount Requested: \$45,000,000</p> <p>Date Requested: May 25, 2006</p> <p>Requested Loan Term: 30 years</p> <p>Resolution Number: F-238</p> <p>Facility Type: Private University</p>																														
<p>Uses of Bond Proceeds: Bond proceeds will be used for construction of a new library, business school, and other academic facilities and to current refund the remaining Series 1996 CEFA bond issue. The refunding will generate an approximate net present savings of \$2,669,551 or 15.2%.</p>																															
<p>Type of Issue: Negotiated public offering, variable rates</p> <p>Credit Enhancement: Bond Insurance through Municipal Bond Insurance Association (MBIA)</p> <p>Expected Credit Rating: Aaa/VMIG1 (Moody’s), based upon Municipal Bond Insurance A1 underlying rating (Moody’s)</p> <p>Senior Underwriter: Banc of America Securities</p> <p>Bond Counsel: Orrick, Herrington & Sutcliffe LLP</p>																															
<p>Financial Overview: The University has recorded growth in revenues with moderate expense increases resulting in substantial total net asset increases over the review period. With the inclusion of this proposed additional debt, the University maintains exceptional leverage levels. Management anticipates the extended outlook for the University to remain stable.</p>																															
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<p>Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.</p>																															
<p>Staff Recommendation: Staff recommends the Authority approve a Resolution in an amount not to exceed \$45,000,000 for Santa Clara University, subject to the bonds having at least an “A” category rating by a nationally recognized rating agency and meeting the standard bond issuance provisions for “A” rated debt.</p>																															

**STAFF SUMMARY AND RECOMMENDATION
BOND FINANCING PROGRAM**

May 25, 2006
Resolution Number: F-238

SANTA CLARA UNIVERSITY (the “University”)

- I. PURPOSE OF FINANCING:** In order to accommodate the growing student population, the University plans to construct a new library, a new business school building and an enrollment management building. This proposed financing is the seventh in a series of financings with the Authority beginning in 1993. In 2002, the University embarked on a \$350 million capital campaign to raise funds for various campus needs including on-campus projects and scholarships. The University has successfully raised their target goal well ahead of schedule and plans to continue fundraising. The University intends to use approximately \$25.7 million from this financing for capital projects to supplement the capital campaign funds. The University also plans to defease the remaining portion of its 1996 CEFA bond issuance. The refunding will generate an approximate net present savings of \$2,669,551 or 15.2%.

Specific details for the current projects are as follows:

Capital Projects **\$25,734,490**

Library 15,734,490

The new Library & Commons building will replace the current library building, which is inadequate to accommodate the changing needs of students, faculty and staff as well as new technology. The new building will offer students and faculty open computing resources including wired and wireless networks and specialty labs for multimedia use, language learning and faculty curriculum development. Also, more than thirty collaborative workrooms will be available for students that will be fully supported by networking and display technologies. The new library will house the staff and services of the present University library, Information Technology and Media Services that are currently housed in separate campus buildings. This combination of all of the University’s central computing resources will help to appropriately integrate academic and administrative systems to better support overall University operations and meet the needs of individual students, faculty, staff and alumni. The estimated total cost of construction will be \$95,000,000 with \$15,734,490 funded from bond proceeds.

Business School Building \$5,000,000

The distinguished Leavey School of Business at the University has grown in student enrollment, faculty and staff since its beginnings in 1923. Currently the school occupies six buildings across the campus in facilities

that are antiquated for the type of instruction, study and technology necessary to prepare students adequately for careers in business. The new structure will be an 84,000 square-foot complex uniting the school's classrooms, faculty offices, research centers and institutes, and degree and executive education programs. The facilities will include flexible classroom/meeting spaces, gathering spaces to accommodate group study and current technology supporting the teaching and learning programs. Total cost of the new building will be approximately \$46,000,000 with \$5,000,000 funded from bond proceeds.

Enrollment Management Building..... \$5,000,000
 Enrollment Management at the University consists of several departments that interact directly with students and their parents. These include undergraduate admissions, financial aid, and the bursar and registrar offices. These offices are currently in two different buildings, which doesn't allow for efficiency and accessibility. The University plans to construct a new building to house all of the above-mentioned offices that will provide a variety of related services in one location saving time to students, parents and staff. The estimated total cost of construction will be \$12,000,000 with \$5,000,000 funded from bond proceeds.

Current Refund 1996 CEFA Bonds **18,154,190**

The University intends to current refund the remaining series 1996 CEFA bond issue to achieve a net present value savings of \$2,669,551 or 15.2%. Bond proceeds were originally used to advance refund the 1990 and 1991 CEFA bond issuance and construction/renovation of various University facilities.

Financing Costs **1,111,320**

Cost of Issuance\$368,820
 Underwriter's Discount.....292,500
 Insurance Premium450,000

Total Uses of Funds **\$45,000,000**

Financing Structure:

- General Obligation of the University
- Variable auction rates
- Negotiated public offering
- 30-year term, final maturity September 2036
- Bond insurance through MBIA
- Expected credit rating: Long-term/Short-term insured Aaa/VMIG1 (Moody's), underlying A1 (Moody's)

II. FINANCIAL STATEMENTS AND ANALYSIS:

SANTA CLARA UNIVERSITY Statement of Activities Unrestricted (000's)

	Fiscal Year ending June 30,		
	2005	2004	2003
REVENUES:			
Tuition and fees	\$ 187,207	\$ 170,805	\$ 160,579
Financial aid	(40,572)	(38,696)	(36,088)
Net Tuition and fees	146,635	132,109	124,491
Contributions	1,932	1,736	2,779
Grant revenues	3,310	3,444	2,716
Income on investments	8,391	6,670	4,953
Investment gains, net	5,548	7,535	6,531
Other additions	8,636	9,240	7,406
Auxiliary activities	18,002	14,990	14,441
Total Revenues	192,454	175,724	163,317
Net assets released from restrictions	37,891	24,068	18,006
Total revenues and other support	230,345	199,792	181,323
EXPENSES:			
Educational and general:			
Instruction	79,942	77,374	72,505
Research	3,004	1,369	1,726
Public service	1,532	1,792	2,077
Academic support	21,792	19,307	18,700
Student services	27,867	25,729	23,668
Institutional support	42,226	43,785	43,071
Scholarship and fellowships	1,033	923	659
Total educational and general	177,396	170,279	162,406
Auxiliary activities	14,808	15,618	14,219
Total expenses	192,204	185,897	176,625
Increase in unrestricted net assets from operations	38,141	13,895	4,698
Non-operating reinvested (spent) income and gains	16,929	15,063	(8,489)
Write down on fixed assets	-	(3,529)	(3,427)
Increase in unrestricted net assets	55,070	25,429	(7,218)
UNRESTRICTED NET ASSETS			
BEGINNING OF YEAR	356,820	331,391	338,609
UNRESTRICTED NET ASSETS,			
END OF YEAR	\$ 411,890	\$ 356,820	\$ 331,391

SANTA CLARA UNIVERSITY
Statement of Financial Position (000's)

		As of June 30,		
		<u>2005</u>	<u>2004</u>	<u>2003</u>
ASSETS:				
Cash and cash equivalents		\$ 13,314	\$ 17,344	\$ 27,344
Contributions receivable, net		53,938	47,807	49,104
Student and other receivables		10,682	10,365	12,836
Inventories		292	253	257
Investments		595,149	508,817	426,952
Deposits with Trustees		102	1,957	8,155
Other assets		5,082	4,714	4,865
Plant facilities, net		330,409	312,295	307,257
TOTAL ASSETS		\$ 1,008,968	\$ 903,552	\$ 836,770
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable and accrued expenses		\$ 24,648	\$ 21,616	\$ 23,622
Deposits and deferred revenue		14,869	11,995	7,966
Amounts held on behalf of others		2,314	2,432	2,432
Annuity and trust obligations		4,396	4,125	3,861
Bonds and notes payable		151,742	155,204	151,108
U.S. government loan advances		6,892	6,856	6,792
TOTAL LIABILITIES		204,861	202,228	195,781
Net Assets:				
Unrestricted		411,890	356,820	331,391
Temporarily Restricted		203,602	167,924	140,630
Permanently Restricted		188,615	176,580	168,968
TOTAL NET ASSETS		807,407	701,324	640,989
TOTAL LIABILITIES AND NET ASSETS		\$ 1,008,968	\$ 903,552	\$ 836,770

Financial Ratios:

	Proforma FYE			
	<u>June 30, 2005(a)</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Debt service coverage (x)	6.02	6.74	4.05	1.7
Debt to expendable net assets (x)	0.29	0.25	0.31	0.33
Expendable net assets to operations (x)		3.2	2.82	2.67
Margin (%)		17.0	7.0	3.0

(a) Recalculates 2005 audited results to include the impact of this proposed financing.

Financial Discussion

The University has recorded growth in revenues with moderate expense increases resulting in substantial total net asset increases over the review period.

The University continues to generate consistent operating results over the review period. Total revenues have increased from \$181.3 million in fiscal year 2003 to \$230.3 million in fiscal year 2005, a 27% increase. Several key factors account for the revenue increase including higher enrollment with tuition rate escalation, success of a capital campaign and positive investment market results.

Net tuition and fees are the University's main source of revenue representing 64% of total revenues in fiscal year 2005 and have increased an average of 6% per year from fiscal year 2003. As a result of the University's ability to remain competitive with other California Universities and Colleges, the number of freshman and transfer applicants and enrollments are at their highest in the past five years. In fiscal year 2005, the University enrolled 1,422 freshman and transfer students, a 20% increase from fiscal year 2001 (1,183 freshman and transfer students). The number of applicants has consistently exceeded available positions.

In 2002, the University announced it would embark on the largest capital campaign in the history of the University. Their goal was to reach \$350 million by December 2006. Board members and other University supporters aided the University in achieving this goal in March 2006. The University plans to continue campaigning for other University needs.

With the inclusion of this proposed additional debt, the University maintains exceptional leverage levels. Management anticipates the extended outlook for the University to remain stable.

This proposed financing is the seventh in a series of financings with the Authority since 1993. In September 2005, Moody's Investor Service affirmed the University's long standing rating of A1, affecting \$151.7 million of outstanding debt.

The University's financial strength remains sound. It maintains over \$800 million in total net assets, over half of which is unrestricted (\$411.8 million). Debt to expendable net assets has remained consistently low. With the proposed financing, the proforma ratio is consistent at 0.29x. The University has maintained an average of 4.12x debt service coverage ratios since fiscal year 2003. The proforma debt service coverage ratio is 6x, indicating that the University can support a manageable amount of debt.

III. STUDENTS, COLLEGE COSTS AND FACULTY STATISTICS:

Application Pool

The following table illustrates application, admissions and new enrollments for the University's undergraduate, law and other graduate programs for the fall term of the current and last four academic years.

Freshman and Transfer (Combined) *

Fall Semester	Number of Apps.	Offered Admission	Selectivity Ratio	New Enrollments
2001	6,539	4,115	63%	1,183
2002	6,331	4,427	70%	1,341
2003	6,894	4,627	67%	1,171
2004	8,301	4,789	58%	1,414
2005	9,567	5,861	61%	1,422

Graduate Programs *

Fall Semester	Number of Apps.	Offered Admission	Selectivity Ratio	New Enrollments
2001	1,176	800	68%	553
2002	1,490	957	64%	654
2003	1,289	940	73%	624
2004	1,174	884	75%	611
2005	1,172	894	76%	625

School of Law *

Fall Semester	Number of Apps.	Offered Admission	Selectivity Ratio	New Enrollments
2001	2,597	1,272	49%	297
2002	3,228	1,263	39%	320
2003	4,538	1,194	26%	314
2004	5,288	1,600	30%	324
2005	4,487	1,665	37%	315

* *Headcount, not full-time equivalent.*

Enrollments and Degrees (Full-Time Equivalent)

The following table reflects, for the past five academic years, undergraduate, graduate and law enrollments, and total enrollments on a “head count” basis for the fall term, total full-time equivalent enrollments for the fall term, as well as the undergraduate, graduate, law and total degrees awarded therein.

New enrollments have steadily risen over the past five years since 2001, with the exception of academic year 2003-04. In 2003-04, the University experienced a significant decline in freshman students due primarily to inadequate admissions processes. The University immediately took steps to strengthen these processes by hiring a new Vice Provost for Enrollment Management and revising the organizational structure. These actions have resulted in enrollments back on track while also showing increasing quality of students.

Academic Year	Enrollments			Degrees Awarded		
	Under-Graduate FTE	Law and Graduate FTE	Total Full-Time Equiv.	Bachelor	Law and Graduate	Total
2001-02	4,228	2,277	6,505	1,175	922	2,097
2002-03	4,589	2,536	7,125	1,242	774	2,290
2003-04	4,496	2,587	7,083	1,138	1,081	2,219
2004-05	4,695	2,581	7,276	1,233	1,254	2,487
2005-06	4,894	2,551	7,445	-	-	-

Undergraduate Tuition, Fees, Room and Board

A five-year summary of tuition, fees, room and board is provided below.

Academic Year	Undergraduate First Year Tuition and Fees	Room and Board	Undergraduate Total
2002-03	\$23,925	\$8,904	\$32,829
2003-04	\$25,365	\$9,336	\$34,701
2004-05	\$27,135	\$9,693	\$36,828
2005-06	\$28,899	\$10,032	\$38,931
2006-07	\$30,900	\$10,380	\$41,280

Faculty Summary

The following table reflects the number of full-time and part-time faculty for the past five academic years as well as the number of full-time faculty with tenure.

Academic Year	Tenured Full -Time	Other Full-Time	Part-Time FTE	Total FTE
2001-02	239	170	145	554
2002-03	240	175	154	569
2003-04	243	176	151	570
2004-05	251	168	146	565
2005-06	259	177	142	578

IV. BACKGROUND:

General:

The University is a non-profit, privately endowed, co-educational university offering degrees in more than 30 fields of study. Full time equivalent enrollment for the fall of 2005-06 academic year was 7,445 students of which approximately 66% were undergraduate students. More than 8,900 applicants competed for the 1,200 openings for the freshman class. The College of Arts and Sciences, the School of Engineering and the Thomas and Dorothy Leavey School of Business and Administration provide undergraduate and graduate instruction. The School of Law and the School of Education, Counseling Psychology and Pastoral Ministries offer programs at the graduate level only.

Located in the “Silicon Valley,” a world center for high technology industries, the University is 46 miles south of San Francisco and one mile west of San Jose. Its 104-acre campus has more than 52 major buildings. These include 16 residence halls, three apartment complexes, the Michael Orradre Library, the Edwin A. Heafey Law Library, the Louis B. Mayer Theatre, the Thomas E. Leavey Activities Center, the Center for the Performing Arts, the Robert F. Benson Memorial Center, the de Saisset Museum, the Pat Malley Fitness and Recreation Center, Loyola Hall and other numerous classroom and administration buildings. In the heart of the tree-lined campus stands the historic Mission Santa Clara de Asis, established in 1777 by Franciscan missionaries as the eighth in a series of 21 California missions.

The Society of Jesus, or Jesuits, as the order is commonly known, founded the University at the site of the Mission in 1851 making it the oldest institution of higher education in California. Although the University remains affiliated with the Catholic Church and the Society of Jesus, it is governed by an independent Board of Trustees and welcomes persons of all religious persuasions as members of its student body, faculty and administration.

Administration:

The University is governed by a Board of Trustees composed of 45 members. The Bylaws require that the Board include the President of the University, the Rector of the Jesuit Community of Santa Clara University (the “Rector”) and 43 others, of whom at least 8 must be members of the Society of Jesus and 25% will be alumni. With the exception of the President and the Rector, who serve by virtue of their offices, all members of the Board are elected for three-year terms. Approximately one-third of the members are elected annually.

The Board of Trustees annually elects a Chairman, Vice Chairman, a Secretary, and a Treasurer for terms of one year. In addition to an Executive Committee, which acts for the Board between meetings, the Board has six standing committees, including a Committee on Financial Planning and Budget. The full Board meets three times each year.

Accreditation:

The University 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 2000 resulting in a reaffirmation of accreditation. The next comprehensive visit is scheduled for 2009. It also has professional accreditation from the Accreditation Board for Engineering and Technology, the American Assembly of Collegiate Schools of Business (Undergraduate and Graduate programs), the American Association of Museums, and the American Chemical Society. The University has been approved by the California State Commission on Teacher Credentialing and has been admitted to membership in the National Association of Schools of Music and the National Association of Schools of Theatre. The School of Law is accredited by the American Bar Association and the State Bar of California, and is a member of the Association of American Law Schools.

Academic Programs:

The University is organized into five major academic divisions:

College of Arts and Sciences is the largest academic unit on campus, with faculty that teach all of the courses in the University’s undergraduate core curriculum. Its 24 departments and special programs offer two undergraduate degrees in 34 majors.

Thomas and Dorothy Leavey School of Business and Administration offers both undergraduate and graduate programs in Business including an Executive MBA program.

The *School of Engineering* offers both Bachelor of Science and Masters of Science programs in Civil Engineering, Computer Engineering, and Electrical Engineering, General Engineering, and Mechanical Engineering. It also offers Master of Science programs in Applied Mathematics, Engineering Management and Software Engineering. Ph.D. programs are offered in Electrical Engineering, Computer Engineering and Mechanical Engineering.

The *School of Law* offers a full range of courses dealing with federal, state and international law leading to the Juris Doctor Degree. Its day and evening divisions also provide students

with opportunities to participate in overseas summer programs, internships and institutes, such as the Institutes and the Institute of International and Comparative Law.

The School of Education, Counseling, Psychology and Pastoral Ministries includes programs leading to the Master of Arts in Counseling, Counseling Psychology, Marriage, Family, and Child Counseling, Education, Educational Administration, and Special Education.

Competition:

The University's competing institutions are:

University of California, Berkeley	University of California, Davis
University of California, Los Angeles	University of Southern California
Loyola Marymount University in Los Angeles	St. Mary's College of California
University of San Francisco	University of San Diego

V. OUTSTANDING DEBT (\$000):

<u>Issue Name</u>	<u>Original Amount</u>	<u>Amount Outstanding As of 06/30/05</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
Existing			
CEFA, Series 1996	\$81,095	\$17,075	\$0
CEFA, Series 1999	82,181	83,685	83,685
CEFA, Series 2002A	21,600	20,776	20,776
CEFA, Series 2002B	10,390	10,090	10,090
CEFA, Series 2003A	23,600	19,898	19,898
Other		218	218
Proposed			
CEFA, Series 2006		N/A	45,000
Totals		<u>\$151,742</u>	<u>\$179,667</u>

VI. RELIGIOUS AFFILIATION DUE DILIGENCE:

Staff has reviewed the Applicant's responses to the questions contained in the Religious Affiliation portion of the application. No information was disclosed in the questionnaire or discovered by staff to question the Applicant's compliance with the provisions of the Authority's Act relating to religious affiliation.

VII. LEGAL REVIEW:

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of this applicant.

VIII. STAFF RECOMMENDATION:

Staff recommends the Authority approve a Resolution in an amount not to exceed \$45,000,000 for Santa Clara University, subject to the bonds having at least an "A" category rating by a nationally recognized rating agency and meeting the standard bond issuance provisions for "A" rated debt.