

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
BOND FINANCING PROGRAM**

EXECUTIVE SUMMARY

<p>Applicant: Saint Mary's College of California ("SMC") Moraga, CA Contra Costa County</p> <p>Facility Type: Private University</p> <p>Project Location: 1928 Saint Mary's Road, Moraga, CA 94556</p> <p>Accreditation: Western Association of Schools and Colleges</p>	<p>Amount Requested: \$75,000,000</p> <p>Date Requested: July 26, 2007</p> <p>Resolution Number: 247</p>																								
<p>Use of Proceeds: Bond proceeds will be used to fund several capital projects, including new construction and the renovation of existing facilities. Bond proceeds will also be used to refund the CEFA Series 2001A, 2001B and 2003 bonds.</p>																									
<p>Type of Issue: Negotiated public offering, Auction Rate Securities</p> <p>Credit Enhancement: MBIA Insured</p> <p>Expected Rating: Aaa/AAA based on MBIA Insurance</p> <p>Underlying Rating: A3 (Moody's, confirmed April 2007)</p> <p>Underwriter: Banc of America Securities LLC</p> <p>Bond Counsel: Orrick, Herrington & Sutcliffe LLP</p>																									
<p>Financial Status: SMC continues to exhibit positive results from growth in tuition and fees and solid student demand. SMC's financial strength is sound with approximately \$270.8 million in total assets.</p>																									
<p><u>Sources of Revenue – FYE 6/30/06 (000's):</u></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">(Unrestricted Funds)</th> <th style="text-align: right;"><u>Amount</u></th> <th style="text-align: right;"><u>Percent</u></th> </tr> </thead> <tbody> <tr> <td>Tuition and fees, net</td> <td style="text-align: right;">\$69,393</td> <td style="text-align: right;">74%</td> </tr> <tr> <td>Sales and services of auxiliary enterprises</td> <td style="text-align: right;">14,920</td> <td style="text-align: right;">16%</td> </tr> <tr> <td>Endowment income and realized gains</td> <td style="text-align: right;">4,450</td> <td style="text-align: right;">5%</td> </tr> <tr> <td>Other sources</td> <td style="text-align: right;">1,892</td> <td style="text-align: right;">2%</td> </tr> <tr> <td>Contributions</td> <td style="text-align: right;">1,711</td> <td style="text-align: right;">2%</td> </tr> <tr> <td>Net assets released from restrictions</td> <td style="text-align: right;"><u>1,614</u></td> <td style="text-align: right;"><u>1%</u></td> </tr> <tr> <td>Total unrestricted revenue</td> <td style="text-align: right;"><u>\$93,980</u></td> <td style="text-align: right;"><u>100%</u></td> </tr> </tbody> </table>		(Unrestricted Funds)	<u>Amount</u>	<u>Percent</u>	Tuition and fees, net	\$69,393	74%	Sales and services of auxiliary enterprises	14,920	16%	Endowment income and realized gains	4,450	5%	Other sources	1,892	2%	Contributions	1,711	2%	Net assets released from restrictions	<u>1,614</u>	<u>1%</u>	Total unrestricted revenue	<u>\$93,980</u>	<u>100%</u>
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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 \$75,000,000 for Saint Mary's College of California subject to a bond rating of at least an "A" by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "A" rated debt.</p>																									

STAFF SUMMARY AND RECOMMENDATION

Saint Mary’s College of California (“SMC”)

July 26, 2007

Resolution Number: 247

I. PURPOSE OF FINANCING: SMC plans to complete several construction and renovation projects to enhance its existing facilities. SMC will be taking steps to enhance these facilities’ sustainability by implementing environmentally beneficial measures. Additionally, SMC will refund the CEFA Series 2001A, 2001B and 2003 bonds.

Projects \$28,745,000

The following facilities may be renovated with this financing:

- | | |
|---------------------------|--------------------------------|
| Oliver Hall | Dryden Hall |
| Cassin Student Union | Guerrieri West Hall |
| Guerrieri East Hall | Freitas Hall |
| Thille Hall | Sabatte Hall |
| Syufy Hall | Augustine Hall |
| De La Salle Hall | Aquinas Hall |
| Mitty Hall | Justin Hall |
| More Hall | Becket Hall |
| Claeys Hall North | Claeys Hall South |
| Michael E. Ageno Hall | Siena Hall |
| Marjorie David Ageno Hall | Ferdinand & Camille Ageno Hall |
| Edward S. Ageno Hall West | Edward S. Ageno Hall East |
| Assumption Hall | |

Environmental benefits will include, but not be limited to:

- Focus on extending the life-cycle of existing facilities to conserve resources, retain cultural resources, reduce waste and minimize the environmental impacts of new construction
- Purchase and use of low or no volatile organic compounds (VOC) building materials and furnishings
- Recycle and/or salvage demolition and construction waste whenever possible to divert waste from landfills
- Purchase and use of salvaged, refurbished or recycled building materials, products and furnishings
- Purchase and use of Energy Star appliances and water-efficient fixtures
- Integrate new electronic digital HVAC control system
- Integrate new electrical sub-metering systems

Refunding 43,964,642

SMC intends to refund the remaining portions of the CEFA Series 2001A, 2001B and 2003 bonds.

The CEFA Series 2001A bonds will be an advance refunding, providing SMC with an approximate net present value savings of \$312,000 or 4.8%. If the rates increase to a level at which the refunding savings is not compelling, the Series 2001A bonds will not be refunded.

The CEFA Series 2001B and 2003 bonds will be a current refunding. The 2001B Bonds are being refunded in order to eliminate the existing bank liquidity facility. The Series 2003 bonds are being restructured in order to create additional debt capacity.

Financing costs.....2,290,358

Underwriter Fee and Expenses\$600,000

Costs of Issuance1,690,358

***TOTAL USES OF FUNDS* \$75,000,000**

Financing Structure:

- Negotiated public offering
- General obligation pledge
- Variable interest rates in the form of auction rate securities
- Rates reset every seven days
- MBIA insured
- Bond rating in the “A” category

II. FINANCIAL ANALYSIS:

Saint Mary's College of California
Statement of Activities
 Unrestricted

	Fiscal Year Ended June 30,		
	2006	2005	2004
Operating:			
Revenues:			
Tuition and fees, net	\$ 69,392,777	\$ 67,046,960	\$ 62,089,184
Sales and services of auxiliary enterprises	14,919,861	13,988,590	13,166,082
Contributions	1,711,201	2,270,024	1,815,027
Investment income	527,503	180,665	43,221
Endowment income and realized gains distributed	4,450,113	4,245,778	4,327,727
Other income	1,364,932	716,793	970,044
Net assets released from restrictions	1,613,816	2,218,574	1,861,591
Total operating revenue	93,980,203	90,667,384	84,272,876
Expenses:			
Instruction and academic support	33,970,556	33,164,793	32,898,012
Academic support	7,997,549	11,715,371	9,549,610
Student services	12,404,827	11,716,617	11,347,223
Institutional support	15,006,241	15,244,178	14,759,444
Operations and plant maintenance	6,163,794	6,109,753	6,116,863
Other	-	19,308	38,227
Interest expense	1,989,861	2,120,424	2,205,000
Depreciation expense	4,329,731	3,135,752	779,134
Auxiliary services	7,093,252	6,904,687	6,327,528
Total operating expenses	88,955,811	90,130,883	84,021,041
 Increase in unrestricted net assets from operations	 5,024,392	 536,501	 251,835
Nonoperating:			
Contributions	548,027	-	-
Net gains and income on endowment	1,662,224	4,041,596	9,994,503
Net gains and income on other investments	880,579	136,209	218,874
Depreciation	-	(1,265,268)	(4,498,778)
Write-off of unamortized bond discount upon defeasance	-	-	(1,899,913)
Write-off of construction in progress on abandoned project	(1,432,226)	-	-
Unrealized (loss) gain on interest rate swaps	2,391,988	(1,518,119)	154,467
Other	2,981,121	19,363	36,698
Actuarial adjustments	557	(2,593)	(4,151)
Net assets released from restrictions	3,222,788	1,539,101	3,316,186
Non-operating increase in unrestricted net assets	10,255,058	2,950,289	7,317,886
Change in accounting principle	(2,503,460)	-	-
Increase in unrestricted net assets	12,775,990	3,486,790	7,569,721
 UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	 86,901,038	 83,414,248	 75,844,527
 UNRESTRICTED NET ASSETS, END OF YEAR	 \$ 99,677,028	 \$ 86,901,038	 \$ 83,414,248

Saint Mary's College of California
Statement of Financial Position

	As of June 30,		
	2006	2005	2004
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 10,264,841	\$ 5,053,762	\$ 4,469,572
Investments	22,379,195	21,361,995	20,713,104
Student receivable, net	1,218,346	1,001,577	799,403
Contributions receivable, net	562,140	762,517	881,924
Accounts receivable, other	556,244	526,353	508,010
Inventory	106,485	113,719	74,799
Prepaid expenses	1,788,741	1,376,755	1,418,404
Total current assets	<u>36,875,992</u>	<u>30,196,678</u>	<u>28,865,216</u>
Noncurrent Assets			
Investments	135,669,897	125,503,559	118,445,887
Contributions receivable, net	11,877,258	10,732,002	10,839,633
Notes receivable, net	1,678,152	1,862,057	1,814,176
Other assets	2,786,693	1,845,017	2,099,319
Property, plant and equipment, net	81,966,146	84,738,088	86,495,672
Total noncurrent assets	<u>233,978,146</u>	<u>224,680,723</u>	<u>219,694,687</u>
Total assets	<u>\$ 270,854,138</u>	<u>\$ 254,877,401</u>	<u>\$ 248,559,903</u>
LIABILITIES AND NET ASSETS:			
Current liabilities			
Accounts payable and accrued liabilities	\$ 6,613,914	\$ 6,534,141	\$ 4,421,303
Current portion of long-term debt	2,265,113	2,201,178	3,704,454
Deferred revenue	4,534,399	4,850,621	4,659,919
Total current liabilities	<u>13,413,426</u>	<u>13,585,940</u>	<u>12,785,676</u>
Noncurrent Liabilities			
Liabilities under trust agreements	1,592,304	1,658,243	1,524,248
Long-term debt, excluding current portion	46,275,255	48,540,368	49,166,546
Asset retirement obligations	2,503,460	-	-
Federal government grants refundable	2,075,006	2,049,543	1,957,438
Total noncurrent liabilities	<u>52,446,025</u>	<u>52,248,154</u>	<u>52,648,232</u>
Total liabilities	<u>65,859,451</u>	<u>65,834,094</u>	<u>65,433,908</u>
Net assets:			
Unrestricted	99,677,028	86,901,038	83,414,248
Temporarily Restricted	27,379,078	23,141,786	22,476,992
Permanently Restricted	77,938,581	79,000,483	77,234,755
TOTAL NET ASSETS	<u>204,994,687</u>	<u>189,043,307</u>	<u>183,125,995</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 270,854,138</u>	<u>\$ 254,877,401</u>	<u>\$ 248,559,903</u>

Financial Ratios:

	Proforma (a) FYE June 30, 2006	2006	2005	2004
Debt service coverage (x)	4.56	4.56	1.72	2.78
Debt to expendable net assets (x)	0.69	0.43	0.53	0.59
Expendable net assets to operations (x)		1.28	1.07	1.06
Margin (%)		5.30	0.60	0.30

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

Financial Discussion:

SMC continues to exhibit positive results from growth in tuition and fees and solid student demand.

SMC continues to generate consistent operating results over the review period. Total revenues in FY 2006 have increased from \$84.2 million in FY 2004 to \$93.9 million in FY 2006, an 11% increase. This increase can be primarily attributed to an increase in net tuition and fee income and to an increase in sales and services of auxiliary enterprises.

Net tuition and fees are SMC's main source of revenue representing 74% of total revenues in FY 2006 and have increased an average of 6% from FY 2004. As a result of SMC's ability to remain competitive with other California universities and colleges, the number of freshman and transfer applicants is at the highest in the past five years.

Operating expenses totaled \$88.9 million, decreasing by \$1.2 million or 1.3% as compared to the prior fiscal year. This decrease is due mainly to cost containment initiatives including staff salary savings and the closing of non-profitable adult education programs. The impact of the decision to cease offering adult undergraduate degree completion programs will be negligible on net income, as SMC has yielded little or no net income from the program for most of the past five years.

SMC's financial strength is sound with approximately \$270.8 million in total assets.

Total assets in FY 2006 were \$270.8 million, an increase of \$15.9 million or 6.2% from the prior year. This increase is primarily attributed to increases in cash and cash equivalents related to improved operating results, the market appreciation of endowment investments and new endowment gifts, and increased net contributions receivable from fundraising.

The balance sheet remains strong with moderate debt. SMC maintains nearly \$205 million in total net assets, nearly half of which is unrestricted (\$99.6 million). The pro forma debt service ratio coverage remains strong at 4.56x, indicating that SMC will be able to support the proposed debt.

III. BACKGROUND:

General:

SMC is one of the oldest colleges in the West. Founded in San Francisco in 1863, its stewardship was assumed by the Christian Brothers in 1868. After its 1872 California Incorporation, SMC was given a charter empowering it to confer degrees and to exercise all other privileges of a university. The campus was relocated to Oakland in 1889 and then moved to its present site in Moraga in 1928 where it continues to offer a comprehensive array of liberal arts and professional undergraduate and graduate programs.

Administration:

The governance of the College is entrusted to a self-perpetuating Board of Trustees (the “Board”) composed of 25 individuals, not less than six nor more than ten of whom must be Christian Brothers. There are currently two vacancies on the Board. The leader of the San Francisco Province of the Christian Brothers and the President of the College are members of the Board by right of office. The other Trustees are elected to three-year terms and no Trustee may hold more than three successive terms except Trustees by right of office. The Trustees elect a Chairman for a term of two years. The Board normally meets three times each year and has seven standing committees, including an Executive Committee, an Audit Committee, an Investment Committee and a Finance Committee. In between meetings of the Board, the Executive Committee is empowered to take any action that the Board may take in emergency or exigent circumstances (as determined by the Executive Committee).

Accreditations and Affiliations:

SMC is accredited by the Western Association of Schools and Colleges. It also has professional accreditation from the following organizations: Commission on Teacher Credentialing, California State Board of Registered Nursing, National League for Nursing, American Bar Association, Montessori Accreditation Council for Teacher Education, American Association of Museums, and National Collegiate Athletic Association.

In addition to the accreditation organizations listed above, SMC is affiliated with the following organizations: American Association of Colleges for Teacher Education, American Association of Colleges of Nursing, American Montessori Society, Association of American Colleges and Universities, Association of Catholic Universities and Colleges, Association of Independent California Colleges and Universities, California Association of Colleges for Teacher Education, Council for Advancement and Support of Education, Council for Higher Education Accreditation, Council of Independent Colleges, Executive MBA Council, Institute of International Education, Internal Association of Lasallian Institutions of Higher Education, and National Association of Independent Colleges and Universities.

Academic Programs:

SMC is organized into five schools: School of Liberal Arts, School of Science, School of Economics and Business Administration, School of Education, and School of Extended Education, which provide the programs of study for students at the undergraduate and graduate levels.

IV. OUTSTANDING DEBT:

<u>Issue:</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding as of 6/30/07</u>	<u>Estimated Amount Outstanding After Proposed Financing</u>
Existing Debt:			
CEFA, Series 2001	\$ 24,000,000	\$ 21,990,000	\$ -
CEFA, Series 2003	25,375,000	21,525,000	-
CEFA Equipment Financing 2004	1,700,000	986,256	986,256
CEFA Equipment Financing 2007	2,484,966	2,484,966	2,484,966
Housing Bonds, 1964	2,963,000	409,000	409,000
Note Payable to Bank	2,100,000	1,365,000	1,365,000
<i>Proposed:</i>			
CEFA, Series 2007			75,000,000
Total		<u>\$ 48,760,222</u>	<u>\$ 80,245,222</u>

V. DUE DILIGENCE:

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

- Religious Due Diligence
- Legal Review
- Compliance with Assembly Bill 1341 – California Environmental Quality Act

VI. STAFF RECOMMENDATION:

Staff recommends the Authority approve a Resolution in an amount not to exceed \$75,000,000 for Saint Mary’s College subject to a bond rating of at least an “A” by a nationally recognized rating agency and meeting the standard bond issuance guidelines for “A” rated debt.