

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY  
POOLED LOAN FINANCING PROGRAM – SERIES B**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	University of La Verne ("ULV") La Verne, California Los Angeles County	<b>Bond Par Amount:</b>	\$17,755,000
		<b>Loan Term:</b>	25 years
		<b>Date Requested:</b>	April 27, 2000
		<b>Resolution Number:</b>	178
<b>Facility Type:</b>	Private College		
<b>Accreditation:</b>	Western Association of Schools and Colleges		

**Project:** Bond proceeds will be used to construct a student residence hall and fund the renovation and upgrading of several facility buildings that are outdated. ULV will further use bond proceeds to restructure its Series 1993 CEFA bonds.

<b>Type of Issue:</b>	Public Offering, Fixed Interest Rate
<b>Credit Enhancement:</b>	None
<b>Expected Pool Rating:</b>	Baa2 (Moody's)
<b>Senior Underwriter:</b>	Prager, McCarthy & Sealy LLC
<b>Bond Counsel:</b>	Arter & Hadden LLP

**Financial Overview:** Over our three year financial review, ULV's income statement has improved primarily with increased student enrollment leading to positive net income and operating margins. The balance sheet also exhibits positive characteristics of yearly increases in net assets. To address significant space needs caused by soaring enrollment, ULV has proposed several facility improvement projects over the next two years and has increased spending for instruction and academic support. ULV's leverage will increase with this financing, however the proforma debt service coverage indicates a satisfactory ability to manage this project.

**Sources of Revenue (\$000) - FY 6/30/99:**

<b>(Unrestricted Funds)</b>	<b>Amount</b>	<b>Percent</b>
Net tuition and fees	\$48,485	88.7%
Private gifts and grants	1,362	2.5
Government grants	584	1.1
Investment income	1,174	2.1
Auxiliary enterprises	1,957	3.6
Other	827	1.5
Net assets released from restrictions	285	0.5
<b>Total unrestricted revenue</b>	<b>\$54,674</b>	<b>100.0%</b>

<b>Sources of Funds:</b>		<b>Uses of Funds:</b>	
Par amount of CEFA bonds	\$17,755,000	Construction/Renovation	\$ 6,000,000
Original issue discount	(355,100)	Restructure 1993 CEFA bonds	9,210,000
		Debt service reserve fund	1,734,688
		Financing costs	455,212
<b>Total Sources.....</b>	<b>\$17,399,900</b>	<b>Total Uses .....</b>	<b>\$17,399,900</b>

**Staff Recommendation:** Staff recommends the Authority approve a resolution for an amount not to exceed \$17,755,000 for the University of La Verne, subject to the Series B Pool being rated at least "Baa3" by a nationally recognized rating agency, certain bond covenants as described in the "Financing Structure" section, and meeting the standard bond issuance provisions for Baa rated debt.

**STAFF SUMMARY AND RECOMMENDATION**

**University of La Verne**

April 27, 2000

Resolution Number: 178

**I. PURPOSE OF FINANCING.**

The University of La Verne ("ULV") plans to use bond proceeds for various construction and renovation projects to accommodate a robust and growing enrollment. In addition, ULV will use bond proceeds to partially restructure its Series 1993 CEFA bonds to enhance cash flow through the restructured debt. No savings will be achieved with this restructuring because of the extended term.

**NOTE:** ULV is further requesting flexibility to use approved bond proceeds on campus projects as identified at Exhibit A. ULV intends to use proceeds as described below, but requests this flexibility in case additional targeted contributions are generated that offset the project costs, or if construction related or other problems delay or deter the development of these projects.

**Construction Projects ..... \$6,000,000**

ULV has been developing plans for several construction and renovation projects to accommodate the demand for additional classroom space, a student residence hall and faculty offices. The particulars of each project is described as follows:

Renovation of Hoover Building ..... \$1,500,000

This project involves renovating the former law school building and converting it into 11 Arts and Science classrooms and 27 faculty offices totaling 20,000 square feet.

Renovation of Lemon House ..... 1,500,000

A former fruit packaging plant building which provides storage space and houses the Art Department and Graphics office will be renovated into three classrooms and a lecture hall for the Visual Arts Department. In addition, air conditioning and heating units will be installed.

Construction of Student Residential Complex..... 1,500,000

This project involves construction of a new 65-bed student resident hall located adjacent to the existing Oaks student residence complex that will be known as the New Pod.

Renovation of Davenport Dining Hall ..... 750,000

This project involves the renovation of a 10,500 square foot dining hall to upgrade the dining room and kitchen in order to accommodate the growing enrollment in undergraduates.

Renovation of the Student Center ..... 750,000  
 This project involves the partial upgrading of a 50,000 square foot student activity center with construction of a new entrance, relocation of equipment and roof improvements.

**Partially Refund CEFA's 1993 Bonds..... 9,210,000**

ULV intends to partially restructure its outstanding CEFA bonds issued in 1993. Approximately \$9.21 million of the \$13.43 million outstanding will be currently refunded. This allows ULV to reduce its overall debt service by restructuring and extending its debt obligation an additional 12 years. No present value savings will be realized with this refunding because of the extended term.

**Debt service reserve ..... 1,734,688**

**Financing costs ..... 455,212**

Underwriter's Discount..... 141,885

Cost of Issuance ..... 127,869

Tender Premium..... 184,200

Other ..... 1,258

***TOTAL USES OF FUNDS..... \$17,399,900***

**Financing Structure:**

- Public Offering, Fixed Rate.....
- 25 year maturity.
- General Obligation and Gross Revenue Pledge.
- Deed of Trust to secure property.
- Debt Service Reserve Fund.
- Loan Agreement to include language requiring ULV to obtain credit enhancement or refinance out of CEFA Pool if ULV's rating falls below Baa3 and causes the Series B Pool rating to fall below Baa3.
- Financial integrity covenants regarding maintenance of liquidity and debt service coverage.

## II. FINANCIAL STATEMENTS AND ANALYSIS

**University of La Verne**  
**Statement of Activities (000's)**  
**(Unrestricted Funds)**

	<b>Period Ending June 30,</b>		
	<u>1999</u>	<u>1998</u>	<u>1997</u>
<b>Revenues:</b>			
Net student tuition and Fees	\$ 48,485	\$ 42,429	\$ 38,878
Private gifts and grants	1,362	1,403	781
Government grants	584	673	494
Investment income	1,174	699	966
Auxillary enterprises	1,957	1,693	1,701
Other	827	770	824
Net assets released from restriction	285	579	1,476
<b>Total Revenues</b>	<u>54,674</u>	<u>48,246</u>	<u>45,120</u>
<b>Expenses:</b>			
Instruction	27,678	24,247	23,083
Academic support	7,606	6,712	6,544
Student services	7,181	6,487	6,435
Institutional support	7,218	6,815	6,628
Auxiliary enterprises	2,394	2,290	2,247
<b>Total expenses</b>	<u>52,077</u>	<u>46,551</u>	<u>44,937</u>
<b>Increase in net assets from operating activities</b>	2,597	1,695	183
<b>Nonoperating activities:</b>			
Net gains on investments	3,223	3,663	2,598
Net change in actuarial obligations	282	-	-
Actuarial funds released	126	-	-
<b>Total nonoperating activities</b>	<u>3,631</u>	<u>3,663</u>	<u>2,598</u>
<b>Increase in unrestricted net assets</b>	6,228	5,358	2,781
Unrestricted net assets - beginning of the year	35,827	30,469	27,688
<b>Unrestricted net assets - end of the year</b>	<u>\$ 42,055</u>	<u>\$ 35,827</u>	<u>\$ 30,469</u>

**University of La Verne**  
**Statement of Financial Position (000s)**

	As of June 30,		
	1999	1998	1997
<b>Assets:</b>			
Cash and cash equivalents	\$ 9,481	\$ 7,523	\$ 5,547
Accounts and notes receivable, net	11,438	12,478	10,451
Prepaid expenses and other assets	855	879	867
Investments	43,627	39,863	32,636
Property, plant and equipment, net	25,777	24,628	24,869
<b>Total Assets</b>	<b>\$ 91,178</b>	<b>\$ 85,371</b>	<b>\$ 74,370</b>
<b>Liabilities and net assets:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 4,446	\$ 3,646	\$ 3,216
Lines of credit	1,136	-	-
Student deposits and deferred revenues	7,449	8,088	6,845
Actuarial liability for annuity obligations	3,147	3,955	4,007
Bonds and notes payable	16,093	17,043	17,462
Federal student loan funds	3,143	3,066	1,916
<b>Total Liabilities</b>	<b>35,414</b>	<b>35,798</b>	<b>33,446</b>
<b>Net Assets:</b>			
Unrestricted	42,055	35,827	30,469
Temporarily restricted	509	1,691	1,825
Permanently restricted	13,200	12,055	8,630
<b>Total Net Assets</b>	<b>55,764</b>	<b>49,573</b>	<b>40,924</b>
<b>Total liabilities and net assets</b>	<b>\$ 91,178</b>	<b>\$ 85,371</b>	<b>\$ 74,370</b>

**Financial Ratios:**

	Proforma FYE June 30, 1999	1999	1998	1997
Debt Service Coverage	3.68	5.00	4.68	3.58
Expendable net assets/debt	1.78	2.64	2.20	1.85
Expendable net assets/operations		0.82	0.81	0.72
Margin		4.75%	3.51%	0.41%

## Financial Discussion:

**University of La Verne's income statement has improved primarily with increased student enrollment leading to positive net income and operating margins. The balance sheet also exhibits positive characteristics of yearly increases in net assets.**

ULV has shown consistent positive net income over our three-year review period. It has been able to achieve good earnings as a result of increased student enrollment, minimal tuition increases (approximately 3% each year), combined with moderate increases in program and administrative expenses. The operating margin has been in a positive trend since 1997 and is a strong 4.75% for 1999.

ULV's balance sheet also demonstrated positive characteristics over our review period. For example, net assets grew from approximately \$41 million to nearly \$56 million, or by 37%. Approximately \$4 million of this increase came from endowments and annuities and roughly \$9 million is the result of the increased value of investments.

ULV is in the midst of a five year "Campaign for La Verne". It was launched in July 1996, with a goal of \$22 million and as of June 30, 1999, it slightly exceeded its goal. Gifts of future interest through irrevocable life income and insurance gifts, which augment ULV's endowment, represent 62% of the total gifts. In addition, nearly \$500,000 has been donated towards the \$4 million renovation of the new College of Law building. The goal is to raise a minimum of \$2 million for this project with the remainder coming from foundation support.

**To address significant needs caused by soaring enrollment, ULV has proposed several facility improvement projects over the next two years and has increased spending for instruction and academic support. Proforma debt service coverage indicates a satisfactory cushion to financially manage this project.**

With this proposed financing, ULV's objective is to improve and expand classroom space in its existing buildings and provide an additional residence hall to accommodate the growing number of students. Total enrollment has increased nearly 28% over the last three years (from 5,500 FTE's in 1977 to 7,021 FTE's in 2000) while spending for instruction and academic support increased 19%. Over the same period, full-time equivalent faculty has increased to address this demand from 455 to 535.

Total long-term debt will increase approximately \$7.9 million or 49%, resulting in the expendable net assets to debt ratio declining from its current level of 2.64 to a satisfactory 1.78. Moreover, ULV's ability to cover debt service payments from operating funds will diminish given the greater debt load, but the debt service coverage ratio will remain good, albeit declining from the current 5.00 times to a proforma of 3.68 times.

### III. STUDENTS, COLLEGE COSTS, AND FACULTY STATISTICS.

#### Freshman Applicant Pool

The fall entering freshmen class had representatives from 11 states and 8 foreign countries and 9% of the class was from outside California. The average entering GPA for the freshmen class was 3.33 with SAT composite scores of 956.

#### Freshman

Academic Year	Applications	Acceptances	Selectivity Ratio	Matriculations
1999	1,269	957	75.4%	338
1998	1,153	904	78.4%	323
1997	961	770	80.1%	215
1996	1,228	868	70.7%	232
1995	1,463	973	66.5%	200

#### Graduate Programs

Academic Year	Applications	Acceptances	Selectivity Ratio	Matriculations
1999	Not Available	Not Available	Not Avail.	Not Available
1998	826	643	77.8%	Not Available
1997	724	634	87.6%	Not Available
1996	702	622	88.6%	Not Available
1995	576	524	91.0%	Not Available

#### Enrollments and Degrees

The following table provides student enrollments and the number of degrees conferred at the University for each of the five most recent academic years.

Academic Year	Enrollments					Degrees Awarded				
	Undergrad. FTE	Graduate FTE	Law FTE	Doctoral FTE	Total FTE	Associate	Bachelor	Graduate	Law	Doctoral
2000(est.)*	3,207	3,018	485	311	7,021	N.A.	N.A.	N.A.	N.A.	N.A.
1999	2,866	2,934	542	277	6,619	6	673	831	89	60
1998	2,587	2,476	589	295	5,947	7	691	677	71	56
1997	2,634	2,062	513	290	5,499	5	783	751	67	55
1996	2,746	2,030	492	269	5,537	16	827	664	85	57

\* 1999-2000 Headcounts and FTES are projected estimates based on the four year running average proportion of Fall term to fiscal year Headcounts and FTES, by student level.

### Tuition and Fees:

Tuition, fees, room and board for undergraduate students at ULV for the 1999-2000 year total \$20,950. A five-year summary of these costs is provided below.

#### UNDERGRADUATE TUITION, FEES, ROOM AND BOARD

Academic Year	Undergraduate Tuition and Fees	Room and Board	Undergraduate Total
1999-2000	\$16,000	\$4,950	\$20,950
1998-99	\$15,500	\$4,820	\$20,320
1997-98	\$15,100	\$4,690	\$19,790
1996-97	\$14,650	\$4,690	\$19,340
1995-96	\$14,220	\$4,630	\$18,850

### Faculty:

The following table reflects the number of full-time and part-time faculty appointments for the current and past four academic years. The data is for instructional faculty only and excluded deans, associated deans, coaches, administrators, and librarians who may hold faculty rank. Shared faculty appointments in joint programs are not included.

#### FACULTY SUMMARY (Full-Time Equivalent)

Academic Year	Tenured	Full-time	Part Time**	Total FTE***
2000	72.5	123.63	411.39	535.02
1999	67.5	125.63	375.37	501.00
1998	68.5	122.38	343.79	466.17
1997	73.5	115.38	340.12	455.50
1996	Not Available	Not Available	Not Available	442.67

\*\* Estimated Part-time Instructional Faculty FTEF are calculated by subtracting the Full-time Instructional Faculty Estimated Total ETEF. It also includes any overloads undertaken by Full-time Instructional Faculty.

\*\*\* Full-time Equivalent Faculty are estimated based on the number of classes (CRNs) with four or more students (after cross-list adjustments), divided by a full-time faculty workload of 6 classes of this size per year.

Of the 126 full-time faculty in 1999-2000, 53 are professors, 45 are associate professors and 25 are assistant professors. Approximately 50% of the full and part-time faculty and 83% of the full-time faculty have obtained a Ph.D. or other terminal degree and 58% of the faculty are tenured. The current undergraduate student/faculty ratio is 10 to 1 without joint appointments. Approximately 40% of the faculty are women and almost 16% of the faculty represent minority faculty appointments.



## **IV. BACKGROUND**

### **University of La Verne:**

The University of La Verne was founded in 1891 as Lordsburg College by members of the Church of the Brethren who moved west to settle a new land. Both the College and the agricultural community were renamed La Verne in 1917, and the next 20 years found three-quarters of the student body in teacher education. The next three decades saw campus facilities multiply fourfold, the Board of Trustees became independent of church control, and the student body increased. In 1955, the College was accredited by the Western Association of Schools and Colleges ("WASC"). A decade later it awarded its first master's degree, and in 1979 conferred its first doctorate.

In 1969 the College began offering degree programs off campus, and the following year opened its College of Law. Reflecting these profound changes in size and scope, the College reorganized in 1977 as the University of La Verne. In 1983, the San Fernando Valley College of Law became part of the University, and established its San Fernando Valley campus. Continuing this trend of improving service to off-campus students, ULV created campuses in Ventura (1991), Riverside (1992), and developed La Verne College of Athens into a complete branch campus (1996).

### **Administration:**

ULV is governed by a Board of Trustees, comprised of up to 39 members. Members of the Board (except ex-officio members) are elected to three year terms and officers to six year terms. There are presently 2 vacancies on the Board.

### **Accreditation and Affiliations:**

ULV is accredited by the Accrediting Commission for Senior Colleges and Universities of the Western Association of Schools and Colleges and is approved by the California Commission of Teacher Credentialing for offering credentials in several areas. The College of Law is accredited by the Committee of Bar Examiners for the State of California. The most recent WASC visit was in spring 2000.

### **Academic Programs:**

ULV is a Doctoral II University offering bachelor's, master's, and doctoral degrees to approximately 7,200 students. It consists of the College of Arts and Sciences, the School of Business and Global Studies, the College of Law, the School of Organizational Management, and the School of Continuing Education. Organization of ULV is formulated and controlled through a management team at the central campus in La Verne, California. Major units of ULV are located throughout California, Alaska and in Greece. All programs are designed, monitored, and controlled through the appropriate departments and colleges at the central campus.

**Competition:**

ULV's principal competitors are large universities located within Southern California. However, ULV offers smaller classes that enable it to compete with the other universities. ULV is well known for its excellent teacher education program and has graduated over 9,000 teachers.

ULV also offers a unique First Generation student success program, funded through a \$650,000 grant from the Irvine Foundation, that is geared to attract and retain students who are the first in their family to pursue a Bachelor's degree.

**V. OUTSTANDING DEBT.**

As of June 30, 1999, ULV had \$14.1 million of outstanding Authority debt. With this financing, the outstanding amount will increase to approximately \$22 million. ULV's other long-term debt totals nearly \$2 million as shown below.

<b>Issue Name:</b>	<b>Original Amount</b>	<b>Amount Outstanding As of 06/30/99</b>	<b>Estimated Amount Outstanding after Proposed Financing</b>
<b>Existing</b>			
<i>CEFA Revenue Bonds, Series 1993</i>	\$17,500,000	\$14,100,000	\$ 4,220,000 (1)
<b>Proposed</b>			
<i>CEFA Revenue Bonds, Series 2000</i>			17,755,000
<i>Total CEFA Debt</i>		14,100,000	21,975,000 (1)
<i>Other Long-Term Debt</i>		1,992,688	1,992,688
<b>Total All Debt</b>		<b>\$16,092,688</b>	<b>\$23,967,688</b>

(1) Reflects the April 1, 2000 maturity of \$670,000.

**VI. STAFF RECOMMENDATION.** Staff recommends the Authority approve a resolution for an amount not to exceed \$17,755,000 for the University of La Verne, subject to the Series B Pool being rated at least "Baa3" by a nationally recognized rating agency, certain bond covenants as described in the "Financing Structure" section, and meeting the standard bond issuance provisions for Baa rated debt.

**EXHIBIT A**

Additional campus projects that ULV requests flexibility to fund with bond proceeds or contributions and a grant from the City of Ontario.

Development of College of Law Building ..... Amount  
\$5,300,000

This project involves the complete renovation of a newly acquired 60,000 square foot building into the new ULV College of Law. It is anticipated that the cost will be covered through \$4 million in contributions and a \$1.3 million grant provided by the City of Ontario.

Renovation of Founders Hall ..... 2,000,000

Founders Hall is the primary administration and classroom building on campus built in 1928. This project would renovate primarily the first floor, the east entrance, and the auditorium.

Renovation or replacement of Studebaker-Hanawalt ("Stu-Han") Residence Hall ..... 2,000,000

"Stu-Han" is a 42 year-old residence hall with 132 beds used by female students. It has no air conditioning and the plumbing system is deteriorated. A current evaluation of the building will determine the appropriateness of renovating or replacing the residence hall with about 150 beds.