

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
BOND FINANCING PROGRAM**

EXECUTIVE SUMMARY

Applicant:	Scripps College (the "College") Claremont, California Los Angeles County	Amount Requested:	\$12,500,000
		Date Requested:	August 2, 2001
Project Site:	Claremont, California	Requested Loan Term:	30 years
		Resolution Number:	191
Facility Type:	Private University		
Accreditation:	Western Association of Schools and Colleges		

Use of Bond Proceeds: Bond proceeds will be used to renovate existing facilities, refinance a taxable short term loan, reimburse prior expenditures, acquire land adjacent to the college and construct a recreational athletic facility and playing field.

Type of Issue:	Negotiated public offering, fixed rate
Credit Enhancement:	None
Expected Credit Rating:	A1- Moody's
Underwriter:	E. J. De La Rosa & Co., Inc.
Bond Counsel:	Arter & Hadden LLP

Financial Overview: Scripps College has a well diversified revenue base with solid growth in most revenue streams. The College's impressive net income includes significant investment returns on the College's large diversified investment portfolio. The College maintains superior financial resources, minimal debt and exhibits strong cash flow, which allows the College to efficiently manage its debt and other obligations.

<u>Sources of Revenues - FYE 6/30/00:</u>	<u>Amount</u>	<u>Percent</u>
(Unrestricted Fund)		
Net realized and unrealized gains of investments	\$33,659,217	47.3%
Student revenues (net)	15,956,892	22.4%
Investment income	7,143,058	10.0%
Release of temporary restricted net assets - plant	6,740,744	9.5%
Other operating revenue	3,867,457	5.4%
Other non-operating revenue	<u>3,865,825</u>	<u>5.4%</u>
Total revenue	<u>\$71,233,193</u>	<u>100%</u>

<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>	
Bond proceeds	\$12,500,000	Renovate existing facilities	\$16,350,000
College funds	19,100,000	Construct athletic facilities/field	5,000,000
		Refinance taxable short-term debt	4,000,000
		Acquire new land	3,000,000
		Reimbursement of prior expenses	3,000,000
		Financing costs	<u>250,000</u>
Total Sources	<u>\$31,600,000</u>	Total Uses	<u>\$31,600,000</u>

Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.

Staff Recommendation: Staff recommends the Authority approve a resolution in an amount not to exceed \$12,500,000 for Scripps College, subject to the bonds having at least a "A" rating by a nationally recognized rating agency and meeting the standard bond issuance provisions for "A" rated debt.

**STAFF SUMMARY AND RECOMMENDATION
BOND FINANCING PROGRAM**

August 2, 2001
Resolution Number: 191

SCRIPPS COLLEGE

I. PURPOSE OF FINANCING: As part of the College's overall strategic plan, the College has identified a series of projects designed to improve the quality of existing facilities, expand the curriculum offered to students, and provide space that brings students, faculty and staff together. The College believes that these projects will provide state-of-the-art facilities enabling it to be successful in attracting additional students.

The College seeks to secure financing for several construction/renovation projects, refinancing of existing debt, acquisition of land and reimbursement of prior project expenditures. The estimated total cost for all projects is \$31.35 million. It is anticipated bond proceeds will fund \$12.5 million, with the balance to be obtained from the College's internal sources and fundraising.

The details of these projects are described below:

Renovate existing facilities \$16,350,000

Music facilities new construction\$7,000,000

Remodel 8,000 square feet of support areas of Garrison Theatre into offices, seminar rooms and music practice rooms and wrap the Theatre with new construction to include a 110-seat recital hall, music library, faculty studies with restrooms to support these facilities.

Garrison Theatre rehabilitation4,000,000

This 1960's era auditorium with 42,000 square feet requires asbestos removal, mechanical, electrical and plumbing upgrades, bathroom remodel, acoustical modifications and interior upgrades.

Keck Science Center rehabilitation and shell space project2,600,000

Convert 7,200 square feet of shell space into laboratories and offices, remodel existing labs, upgrade fume hoods for energy efficiency and retrofit building from central steam plant to stand alone low pressure boilers.

Steele/Lang rehabilitation.....1,000,000

Remodel 6,000 square feet on the first and second floors to create a computer classroom, student computer laboratory, conference room and other academic space. Also, repair the roof and convert heating system from centralized steam plant to low-pressure stand-alone boilers.

Dance Facility renovation/remodel1,000,000

This project entails the conversion of 11,000 square feet of the old music facilities for expansion of the Dance Department and addition of space for academic and administrative use.

Denison Library rehabilitation/remodel750,000

This 23,000 square feet building built in 1930 requires upgrading the electrical, plumbing and heating systems. In addition, the decorative cast stone's exterior details need to be replaced.

Construct recreational athletic facility and playing field..... 5,000,000

New construction of a 23,000 square feet recreational athletic facility and playing field includes an aerobics room, yoga studio, offices, weight room, workout room, men and women locker rooms, NCAA Women's Lacrosse field and student parking.

Refinance taxable short term debt 4,000,000

The College intends to refinance a taxable line of credit that it has with Bank of America due in 2003. Currently, the rate for the line of credit is a variable rate tied to LIBOR index (3.835 to 4.055) plus a margin of .75%. The College would benefit by refinancing into a long-term tax exempt fixed rate financing.

Acquire land adjacent to College..... 3,000,000

The College intends to purchase 1.64 acres of land for purposes of future expansion. The College is currently in the negotiation process. The appraised value of the property must be satisfactory to the Authority.

Reimburse prior expenditures 3,000,000

Kimberly/Wilbur Hall kitchen renovation/remodel2,000,000

Convert 10,000 square feet of existing kitchen, pantry, dining rooms and living room into (2) triple rooms, (3) double rooms and (11) single rooms for student housing with toilet/shower support areas. A study lounge and laundry room is also part of this project. In addition, a two-bedroom apartment with living rooms, kitchen and dining area for the Assistant Dean of Students is included.

Browning/Dorsey Halls kitchen renovation/remodel500,000

Convert 2,200 square feet of existing kitchen, pantry and private dining room into (7) double rooms for student housing and toilet/shower areas to support the rooms.

Clark/Toll Halls kitchen renovation/remodel500,000

Convert 1,500 square feet of existing kitchen/pantry space into (1) double room and (5) single rooms for student housing with toilet/shower areas to support the rooms. Reconfigure steam heating system to remove a central system and install low-pressure stand-alone boilers.

It is anticipated these three projects will be completed by the end of August, 2001.

Financing costs		250,000
<i>Costs of Issuance</i>	<i>\$110,000</i>	
<i>Underwriting Fees and Expenses</i>	<i>140,000</i>	<hr/>
Total Uses of Funds		<u>\$31,600,000</u>

Financing Structure:

- General Obligation Pledge
- 30 year final maturity, serials and terms
- Negotiated Public Offering
- Fixed Interest Rate
- Expected Rating: A1 (Moody's)
- Financial covenants acceptable to the Authority which may include liquidity, debt service coverage and enrollment.

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II. FINANCIAL STATEMENTS AND ANALYSIS:

SCRIPPS COLLEGE Statements of Activities (unrestricted)

	For the Year Ended June 30		
	2000	1999	1998
Revenue and releases of net assets:			
Tuition, room and board fees	\$ 21,151,920	\$ 20,347,360	\$ 18,264,716
Less: financial aid	(5,195,028)	(5,316,778)	(5,041,261)
Net student revenues	15,956,892	15,030,582	13,223,455
Spending policy income*	6,484,402	5,748,147	5,031,580
Gifts to operations	2,122,270	2,060,489	1,979,663
Other investment income, net	658,656	390,764	414,726
Other revenue	506,439	856,749	444,259
Federal grants and contracts	451,008	547,754	509,411
Total revenues	26,179,667	24,634,485	21,603,094
Release of temporarily restricted net assets-operations	629,524	884,269	676,638
Release of temporarily restricted net assets-annuity & life income	158,216	-	631,903
Total revenues and release of net assets	26,967,407	25,518,754	22,911,635
Expenses:			
Academic program	13,109,356	12,851,080	11,432,654
Co-curricular program	6,462,969	5,608,982	4,980,722
Marketing	4,183,104	3,638,343	3,563,013
Administrative and general	2,852,255	2,735,960	2,810,129
Total expenses	26,607,684	24,834,365	22,786,518
Operating income	359,723	684,389	125,117
Non-operating revenue and expenses			
Net realized and unrealized gains on investments net of allocation to operations	33,659,217	15,271,655	18,599,672
Release of temporarily restricted net assets-plant	6,740,744	-	64,550
Non-operating bequests and gifts in kind	4,170,074	-	-
Gain on bond defeasance	-	-	241,837
Redesignation of net assets	(19,519)	(31,469)	(260)
Transfer to Claremont University Center	(284,730)	(473,024)	(4,615)
Increase in unrestricted net assets	44,625,509	15,451,551	19,026,391
Unrestricted net assets, beginning of year	157,935,670	142,484,119	123,457,728
Unrestricted net assets, end of year	\$ 202,561,179	\$ 157,935,670	\$ 142,484,119

*investment income allocated to operating revenue

SCRIPPS COLLEGE
Statements of Financial Position

	As of June 30		
	2000	1999	1998
Assets:			
Current assets			
Cash	\$ 196,650	\$ 467,863	\$ 478,282
Short term investments	-	-	2,569,759
Accounts receivable, net	865,492	752,898	687,131
Notes receivable, net	592,482	586,626	535,856
Contributions receivable	1,912,790	2,800,870	1,782,455
Assets whose use is limited	4,896,579	5,731,717	-
Other	70,301	88,459	142,823
Total current assets	8,534,294	10,428,433	6,196,306
Non current assets			
Notes receivable, net	4,344,865	4,301,927	3,929,611
Contributions receivable, net	5,295,987	6,243,276	5,429,442
Investments	225,219,340	188,788,249	165,258,907
Collections	15,723,394	15,544,564	14,641,964
Investments held as a reserve for depreciation	3,098,217	2,169,993	1,534,949
Net plant facilities	49,005,987	33,890,628	29,122,195
Total assets	\$ 311,222,084	\$ 261,367,070	\$ 226,113,374
Liabilities and Net Assets:			
Current liabilities			
Accounts payable and accrued liabilities	\$ 2,643,901	\$ 837,007	\$ 1,125,618
Current portion of notes and bonds payable	1,190,000	155,000	145,000
Deposits and deferred revenue	628,508	621,834	733,553
Total current liabilities	4,462,409	1,613,841	2,004,171
Life income and annuities payable	6,845,941	5,637,175	5,645,077
Payable to Claremont University Center	78,153	82,876	87,155
Notes and bonds payable	16,674,198	15,297,184	3,265,977
Government advances for student loans	1,919,843	1,870,995	1,806,726
Funds held in trust for others	186,312	134,499	135,583
Total liabilities	30,166,856	24,636,570	12,944,689
Net Assets:			
Unrestricted	202,561,179	157,935,670	142,484,119
Temporarily restricted	11,905,285	13,683,354	11,320,611
Permanently restricted	66,588,764	65,111,476	59,363,955
Total net assets	281,055,228	236,730,500	213,168,685
Total liabilities and net assets	\$ 311,222,084	\$ 261,367,070	\$ 226,113,374

Financial Ratios:

	Proforma (a)			
	YE June 30, 2000	2000	1999	1998
Debt service coverage (x)	33.64	91.12	42.72	51.05
Debt to expendable net assets (x)	0.13	0.09	0.10	0.02
Current ratio (x)		1.91	6.46	3.09
Operating margin (%)		1.33%	2.68%	0.55%

(a) Recalculates 2000 audited results to include the impact of this proposed financing.

Financial Discussion:

The College has a well-diversified revenue base with solid growth in most revenue streams, thus resulting in consistent operating profits.

The College has experienced solid growth in operations. The growth in operations over our review period has been driven by the growth in student body from 719 full time equivalent student in 1998 to 777 in fiscal 2000. Net student revenues have increased over 20% in the same period. The College also receives a sizeable portion of its revenues from other sources such as gifts, grants and contracts, spending policy income and investment income. These revenues totaled over \$11 million during the most recent fiscal year, thus providing the College with a diversified revenue stream.

Through a combination steady enrollment growth resulting in solid student revenue growth and controlled expenses, the College has achieved consistent operating income averaging \$390,000 over the past three fiscal years with modest operating margins averaging 1.6%. The College's enrollment growth has benefited through sharing many of its academic and auxiliary facilities' overhead costs with other members of the Claremont consortium, which include Pomona College, Claremont McKenna College, Pitzer College, Harvey Mudd College and Claremont University Center.

During the most recent fiscal year, the College's net income was an impressive \$44 million. Most of the College's net income includes significant investment returns on the College's large diversified investment portfolio of \$225 million.

The College's non-operating income is primarily responsible for its large net income. For example, during the most recent fiscal year, the College's net realized and unrealized gains on investments was an impressive \$33.6 million, non operating gifts and bequests of \$4.1 million, and the release of temporarily restricted net assets of \$6.7 million, thus boosting net income to over \$44 million.

The College maintains superior financial resources, minimal debt, and exhibits strong cash flow, which allows the College to efficiently manage its debt and other obligations.

The College's substantial financial strength is demonstrated by its total net assets of over \$281 million, of which \$214 million is unrestricted and/or temporarily restricted. In addition, the College has minimal long-term debt, consistent with management's strong desire to limit debt leverage. Over the past nine years, the College has funded several capital projects, including a new student center and dormitory renovations, through gifts and accumulated operating surpluses. With the proposed new debt, the College's proforma debt service coverage will be 33.64, indicating that the College should be able to manage the debt service comfortably.

III. STUDENTS, COLLEGE COSTS, AND FACULTY STATISTICS:

Applicant Pool

The 2000-01 entering freshmen class totaling 199 was selected from a pool of 1,099 applicants. This class represents from 32 states and 13 foreign countries with 71% of the class from outside of California. The average entering GPA for the freshmen class was 3.6 with SAT composite scores of 1,275.

Freshmen Applicant Pool

<u>Academic Year</u>	<u>Applications</u>	<u>Acceptance</u>	<u>Matriculations*</u>
1996-97	944	725	191
1997-98	1,099	773	183
1998-99	1,045	816	243
1999-00	1,063	749	212
2000-01	1,099	743	199

*Student entering the fall semester of academic year.

Enrollments and Degrees

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

Enrollments and Degrees

<u>Academic Year</u>	<u>Full-Time Equivalent Student Enrollments*</u>	<u>Degrees Awarded</u>
1996-97	714.0	130
1997-98	719.0	144
1998-99	778.5	197
1999-00	776.5	150
2000-01	787.6	166

*Based on the College's full-time equivalent enrollment for accounting and other purposes in accordance with generally accepted practices for colleges and universities.

Approximately 68% of College students in the 2001 graduating class will have graduated within 5 years (May 2001) of entering College.

Comprehensive Fees

Tuition, room, board and fees for full-time students at the College for the 2000-01 year total \$30,400. A five-year summary of tuition and fees and room and board is provided below:

<u>Academic Year</u>	<u>Tuition and Fees</u>	<u>Room and Board*</u>	<u>Total</u>
1996-97	\$18,800	\$7,650	\$26,450
1997-98	19,480	7,750	27,230
1998-99	20,126	7,874	28,000
1999-00	21,130	7,870	29,000
2000-01	22,600	7,800	30,400

*Based on double occupancy and a 19 meal plan.

Faculty Summary

The following table reflects the number of full-time and part-time faculty appointments for the current and past four academic years, as well as the percentage of regular, ongoing faculty with tenure. The data are for instructional faculty only, and exclude deans, associate deans, coaches, administrators and librarians who may hold faculty rank. The College participates in a joint science program and those faculty assigned to the College for the year are included.

<u>Academic Year</u>	<u>Faculty*</u>			
	<u>Full Time</u>	<u>Part Time</u>	<u>Full-Time Equivalent Total</u>	<u>Tenured</u>
1996-97	53	29	61.10	58%
1997-98	52	27	60.46	65%
1998-99	54	27	62.02	67%
1999-00	55	60	63.50	75%
2000-01	61	23	65.48	70%

*Based on Fall figures.

Of the 61 full-time faculty in 2000-01, 30 are professors, 17 are associate professors and 14 are assistant professors. Approximately 95.2% of the faculty ongoing faculty hold a Ph.D. or other terminal degree appropriate to their field. The current undergraduate student/faculty ratio is 11.5 to 1 including joint appointments in science and music. Approximately 54% of the regular, ongoing faculty are women and 17.5% are minorities.

A Ph.D. is required for any professorial rank except in those departments where other terminal professional degrees are appropriate. Reappointments, promotions and decisions to award tenure are made only after careful and systematic review by faculty peers. The Board of Trustees holds sole authority to grant promotions and tenure.

Regular sabbatical and faculty research programs encourage faculty research and writing. The College annually recognizes achievement in the areas of teaching, research and community service to the College to a select group of faculty. The 12 annual achievement awards carry a monetary stipend of \$5,000 each.

IV. BACKGROUND:

General:

Scripps College was founded in 1926 by Ellen Browning Scripps, a path-breaking philanthropist, journalist and publisher of the *Detroit Evening News*. It is located at the foot of the San Gabriel Mountains in Claremont, California. The College provides an independent, liberal arts education for women.

The College has a distinctive interdisciplinary core curriculum offering instruction in the humanities, fine arts and the natural and social sciences. Its mission is to educate women to develop their intellect and talents through active participation in a community of scholars, so that as graduates they may contribute to society through public and private lives of leadership, service, integrity and creativity. The College has an enrollment of approximately 780 students and as a residential college, about 88% of its students live on campus.

Scripps College and The Claremont Colleges: The College is the second undergraduate college to be founded in Claremont. As a founding member of this internationally recognized, prestigious consortium, the College is an independent member of the affiliated group of colleges known as The Claremont Colleges. The group consists of five undergraduate colleges (Pomona, Claremont McKenna, Harvey Mudd, Pitzer and the College) and two graduate institutions, the Claremont Graduate University, formerly The Claremont Graduate School, and the Keck Graduate Institute of Applied Life Sciences. The seven Claremont institutions jointly finance a central administration for the operation of shared programs, facilities and services, including a library system (with 1.9 million bound volumes, 57,568 periodicals and 1,304,065 microforms), a computer center, a security force, maintenance services, a chaplain's office, professionally staffed medical and counseling centers, and the Claremont Center for the Performing Arts, including Bridges Auditorium, which seats 2,500.

The seven campuses occupy contiguous campuses currently totaling 332 acres. Approximately 219 additional acres of land are set aside for future educational use. Each of the seven institutions is independent, having its own Board of Trustees, educational emphasis and tradition, faculty, student body, administrators, staff, campus buildings, and endowment. Although most of a student's courses are taken at his or her own college, a wide range of instruction is available without extra cost at the other colleges. Many of the academic programs offered by the colleges are joint or cooperative in nature, meaning that courses in particular fields (e.g., area studies, Joint Science) are offered on more than one of the Claremont campuses.

None of the other Claremont institutions has any responsibility to make payments with respect to the bonds or any other indebtedness of the College. Although the College is responsible for payments to operate facilities, which are owned jointly by the Claremont institutions, the College is not responsible for the indebtedness of any of the other six institutions.

Administration:

The College is governed by a self-perpetuating Board of Trustees which consists of not more than 36 regular trustees, including the President of the College and the President of the Alumnae Council, two alumnae trustees, two recent student trustees and the Chair of the Scripps Association of Families. The corporate powers, management and control of the affairs, business and property of the College are vested in the Board of Trustees. Current membership of the Board stands at 32 regular members, two alumnae trustees, two recent student trustees and the Chair of the Scripps Association of Families. In addition, there are 11 Trustees Emeritus.

The Board of Trustees is required by the by-laws of the College to meet at least four times a year. The Executive Committee of the Board and the other Committees of the Board meet numerous times throughout the year, according to the requirements of each group. The nine Committees of the Board include members of the Board (including Emeritus Trustees) and the President of the College. Some Committees also include two faculty members appointed by the Faculty Executive Committee and two students elected by the student body. All members have voting rights; Emeritus Trustees have full voting rights on Committees on which they serve.

Accreditation and Affiliations:

The College is accredited by the Western Association of Schools and Colleges, of which it is a member. The most recent accreditation was received in 1992. In addition, the College is a member of:

- American Association of Colleges and Universities
- American Association of Collegiate Registrars and Admissions Officers
- American Association of University Women
- American Council on Education
- Association of Governing Boards of Universities and Colleges
- Association of Independent California Colleges and Universities
- College Entrance Examination Board
- Council for the Advancement and Support of Education
- Independent Colleges of Southern California
- Higher Education Data Sharing Consortium
- National Association of College and University Business Officers.

Academic Programs:

The College offers the degree of Bachelor of Arts and a Post-baccalaureate Pre-Medical Certificate. The College has five divisions:

Fine Arts	Art History, Dance, Music and Studio Art
Letters	Classics, English, French, German, Hispanic Studies, Italian, Literature, Philosophy and Religious Studies
Social Sciences	Anthropology, Economics, History and Politics/ International Relations
Math and Sciences	Biology, Chemistry and Physics and several interdisciplinary science programs are all taught through the Joint Science Department, which is a cooperative program among the College, Claremont McKenna College and Pitzer College. Mathematics is offered at the College.

A major is required of each student. A major demands a significant level of accomplishment, both in class and through independent work culminating in the senior thesis. There are some 50 areas of specialization available either at the College or in conjunction with the other Claremont Colleges, fields that range from Classics to Media Studies and Zoology. The strength of the College's academic program is augmented through its relationship with its sister Claremont Colleges: Pomona College, Claremont McKenna College, Harvey Mudd College, Pitzer College, the Claremont Graduate University, formerly The Claremont Graduate School, and the Keck Institute of Applied Life Sciences.

Competition:

The College's competing institutions are:

<u>Colleges</u>	<u>Location</u>
Barnard College	New York, New York
Claremont McKenna College	Claremont, California
Occidental College	Los Angeles, California
Pitzer College	Claremont, California
Pomona College	Claremont, California
Smith College	Northampton, Massachusetts
University of California	All locations in the system
Wellesley College	Wellesley, Massachusetts
Mills College	Oakland, California

V. OUTSTANDING DEBT:

<u>Issue Name:</u>	<u>Original Amount</u>	<u>Amount Outstanding As of 6/30/00</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
Existing			
Revolving line of credit Agreement	\$5,000,000	\$4,145,000	\$ -0-
College/University Facility Loan Trust One	508,000	238,000	238,000
CEFA Pool Series 1997C	3,440,000	3,115,000	3,115,000*
CEFA Series 1999	11,000,000	11,000,000	11,000,000*
Proposed			
CEFA Series 2001			12,500,000
Totals		<u>\$18,498,000</u>	<u>\$26,853,000</u>

*The College made payments of \$125,000 and \$175,000 on March 1, 2001 and February 1, 2001 for Series 1997 and Series 1999 bonds respectively.

VI. 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.

VII. STAFF RECOMMENDATION:

Staff recommends the Authority approve a resolution in an amount not to exceed \$12,500,000 for Scripps College, subject to the bonds having at least a "A" rating by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "A" rated debt.