

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
EXECUTIVE SUMMARY
BOND FINANCING PROGRAM**

Applicant:	Pomona College (the "College") Claremont, California Los Angeles County	Bond Par Amount:	\$16,110,000
		Loan Term:	16 years
		Date Requested:	Oct. 25, 2001
		Resolution Number:	193
Facility Type:	Private College		
Accreditation:	Western Association of Schools and Colleges		
Use of Bond Proceeds: Funds will be used to current refund the outstanding balance of the College's CEFA Series 1992 bonds for a estimated net present value savings of \$1.5 million, which is approximately 10% of the bonds to be refunded.			
Type of Issue:	Negotiated Public offering, fixed rate		
Credit Enhancement:	None		
Expected Rating:	AAA (Standard & Poor's)		
Senior Underwriter:	E. J. De La Rosa & Co., Inc		
Bond Counsel:	Arter & Hadden		
Financial Overview: The College has shown healthy operating margins in each of the last three years, due to its growing and varied revenue base of tuition, investments, gifts, and controlled expenditure growth. The College has an extremely strong balance sheet with minimal long-term debt and a significant amount of financial resources.			
<u>Operating Revenue --FY 6/30/01 (\$000):</u>			
	Net student revenues	\$36,504	45%
	Investment income & gains on investments	32,718	41%
	Gifts, grants, and contracts	10,276	13%
	Other sources	<u>913</u>	<u>1%</u>
	Total operating revenue	<u>\$80,411</u>	<u>100%</u>
Sources of Funds:		Uses of Funds:	
	Par amount of CEFA bonds	\$16,110,000	Current Refunding
	Original Issue Discount	<u>(116,480)</u>	\$15,689,618
			Underwriters Discount
			169,023
			Cost of Issuance
			<u>134,879</u>
	Total Sources	<u>\$15,993,520</u>	Total Uses
			<u>\$ 15,993,520</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 for an amount not to exceed \$16,110,000 for Pomona College, subject to the bonds having at least an "A" rating by a nationally recognized rating agency.			

STAFF SUMMARY AND RECOMMENDATION

POMONA COLLEGE

October 25, 2001

Resolution Number: 193

- I. PURPOSE OF FINANCING:** Pomona College proposes to current refund its CEFA 1992 Series bonds to take advantage of current low interest rates. This financing is expected to generate an overall net present value savings of approximately \$1.5 million or approximately 10% of the refunded bonds. The current outstanding balance of the 1992 bonds is \$15,7 million.

Uses of Funds:

1. *Current Refunding* **\$15,689,618**

The College will current refund the outstanding balance of the CEFA Series 1992 debt issue to achieve a net present value savings of approximately \$1.5 million under current market conditions.

2. *Financing Costs* **303,902**
Underwriter's Discount..... 169,023
Costs of Issuance..... 134,879

Total Uses of Funds..... **\$15,993,520**

Financing Structure:

- General Obligation Pledge
- Fixed rate
- AAA S&P rating
- Negotiated Public Offering
- 16 year term
- Financial covenants acceptable to the Authority in accordance with guidelines for an A rated financing.

II. FINANCIAL STATEMENTS AND ANALYSIS

POMONA COLLEGE
Statement of Activities
Unrestricted (000)

	Year Ending June 30,		
	2001	2000	1999
Revenues and gains:			
Student revenues	\$ 49,174	\$ 46,327	\$ 45,443
Less: financial aid	12,670	11,971	12,434
Net student revenues	36,504	34,356	33,009
Federal grants and contracts	1,611	1,564	1,402
Private gifts and grants	8,171	6,731	7,423
Private contracts	494	482	454
Investment income	20,770	16,016	16,487
Net realized and unrealized gains on investments, appropriated	11,948	12,268	9,565
Sales and services of education dept.	355	402	348
Other sources	558	598	556
Total revenues and gains	80,411	72,417	69,244
Expenses:			
Instruction	29,197	27,373	25,282
Research	1,638	2,390	2,146
Public service	561	437	513
Academic support	8,328	7,470	7,059
Student services	9,385	8,786	8,252
Institutional support	11,728	10,844	9,823
Auxiliary enterprises	12,854	11,062	8,574
Total expenses	73,691	68,362	61,649
Increase in unrestricted net assets from operating activities	6,720	4,055	7,595
Nonoperating activities:			
Net realized and unrealized gains on investments, unappropriated	(11,873)	334,688	74,138
Adjustments of actuarial liabilities	(114)	8,994	2,724
Annuity and life income funds released	298		
Net assets released from restrictions	5,180	24,601	942
Change in designation of donor contributions	(218)	(51)	(85)
Loss on debt refinancing			(1,243)
Increase (decrease) in unrestricted net assets from nonoperating activities	(6,727)	368,232	76,476
Increase (decrease) in unrestricted net assets	(7)	372,287	84,071
Unrestricted net assets at beginning of year	1,069,982	697,695	613,624
Unrestricted net assets at end of year	\$ 1,069,975	\$ 1,069,982	\$ 697,695

POMONA COLLEGE
Statement of Financial Position (000)

	As of June 30		
	2001	2000	1999
Assets:			
Cash	\$ 1,134	\$ 757	\$ 704
Accounts Receivable, Net	2,654	8,566	3,834
Prepaid expenses & deposits	713	783	517
Short-term investments	29,578	28,754	29,970
Contributions receivable	42,015	36,148	41,978
Notes receivable, net	14,526	13,837	13,058
Long-term investments:			
Pooled	1,145,470	1,146,148	786,094
Separately invested	126,004	131,436	112,956
Plant facilities	113,051	96,052	87,888
Total assets	<u>\$ 1,475,145</u>	<u>\$ 1,462,481</u>	<u>\$ 1,076,999</u>
Liabilities and Net Assets:			
Liabilities:			
Accounts payable	\$ 5,597	\$ 4,348	\$ 3,391
Accrued payroll and other liabilities	1,603	1,471	895
Deposits and deferred revenues	1,362	1,453	1,429
Life income and annuities payable	44,092	43,110	42,465
CEFA bonds payable	51,222	55,753	45,934
Government advances for student loans	4,300	4,147	3,940
Funds held in trust for others	22,737	21,910	23,894
Total liabilities	<u>130,913</u>	<u>132,192</u>	<u>121,948</u>
Net Assets:			
Unrestricted	1,069,975	1,069,982	697,695
Temporarily	55,235	50,249	64,220
Permanently	219,022	210,058	193,136
Total net assets	<u>1,344,232</u>	<u>1,330,289</u>	<u>955,051</u>
Total liabilities and net assets	<u>\$ 1,475,145</u>	<u>\$ 1,462,481</u>	<u>\$ 1,076,999</u>

	Proforma (a)			
	2001	2001	2000	1999
Debt service coverage (x)	1.69	1.64	93.22	27.48
Debt to expendable net assets (x)	0.05	0.05	0.05	0.06
Expendable net assets to operations		15.27	16.39	12.36
Operating margin (%)		8.4	5.6	11.00

(a) Recalculates 2001 audited results to include the impact of this proposed financing.

Financial Discussion:

The College has shown healthy operating margins in each of the last three years due to its growing and varied revenue base of tuition, investments, gifts, and controlled expenditure growth.

The College has exhibited solid revenue growth over the last three years. Revenues mainly consist of tuition and investment income providing the College with substantial liquidity and flexibility. Net income has varied from year to year primarily due to fluctuations in investment values. In addition, tuition and student fees have increased nearly 5% each year providing stable growth. In fiscal 2000, the College had exceptional returns on its investments of over \$300 million. Unfortunately, with the downturn in the stock market, the College's investment income of \$20 million resulted in a break-even year for fiscal 2001. Operating margins have also varied but remain solid at 8.4% for fiscal 2001. The College should continue to generate positive financial results with its diversified investment portfolio and a continued demand for services from its strong applicant pool and controlling expenditures.

The College also benefits from sharing facility and other expenses with other members of the Claremont University Consortium. Adding to the benefits for students, the College nearing its goals in its five-year fundraising campaign that ends in June 2002, to raise \$150 million to provide financial aid, improve faculty salaries, increase endowment and raise support for building renovations

The College has an extremely strong balance sheet with minimal long-term debt and a significant amount of financial resources.

The College's balance sheet continues to grow with positive operating results and earnings from its investment portfolio. Most impressive is the College has only \$51 million in long-term debt compared to \$1.4 billion in net assets. Unrestricted and temporarily restricted net assets accounted for approximately \$1.1 billion of this total leading to a debt-to-expendable net asset ratio of 0.05%. The debt service coverage ratio has dropped in fiscal 2001, but is still an acceptable 1.64.

III. STUDENTS, COLLEGE COSTS, AND FACULTY STATISTICS:

Applications and New Enrollments

The size of the freshman applicant pool is large, and has nearly doubled in the last decade. Over the past five years the number of applicants has ranged from nearly 3,500 to just over 3,800.

Freshman Applicant Pool

<u>Fall Semester</u>	<u>Applied</u>	<u>Admitted</u>	<u>Selectivity Ratio</u>	<u>Enrolled</u>
1996	3,439	1,168	34%	398
1997	3,892	1,229	32%	393
1998	3,640	1,170	32%	397
1999	3,612	1,147	32%	390
2000	3,804	1,125	30%	399

The following table provides student enrollment and the number of degrees conferred for each of the past five academic years.

Enrollments and Degrees

<u>Academic Year</u>	<u>Total Full-Time Students Enrolled (Fall)</u>	<u>Degrees Awarded</u>
1996-97	1,523	366
1997-98	1,561	366
1998-99	1,568	393
1999-00	1,528	372
2000-01	1,549	363

Tuition, Room and Board Rates:

Tuition, room, board and fees for a full-time student for 2001-2002 is \$33,960. A five year summary of comprehensive fees is provided below.

Comprehensive Fees

<u>Academic Year</u>	<u>Tuition Fees</u>	<u>Room and Board</u>	<u>Total</u>
1997-98	\$ 20,680	\$ 8,180	\$ 28,860
1998-99	21,600	8,270	29,870
1999-00	23,170	7,750	30,920
2000-01	24,170	8,170	32,340
2001-02	25,010	8,950	33,960

Faculty:

The ratio of faculty to students is approximately 1:9. The following table provides a breakdown of the faculty for each of the last five academic years.

	Faculty			
	Academic Year			
	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>
Professors	61	65	63	62
Associate Professors	49	48	46	55
Assistant Professors	41	45	46	40
Instructors	<u>1</u>	<u>3</u>	<u>0</u>	<u>1</u>
	<u>152</u>	<u>161</u>	<u>155</u>	<u>158</u>

IV. BACKGROUND

General:

Pomona College (the "College") is one of the oldest institutions of higher learning in California. The College is a private, nonprofit, nonsectarian, coeducational, liberal arts college with a present and planned future enrollment of about 1,400 undergraduate students on campus. The College occupies a campus of approximately 140 acres, located in the city of Claremont, 35 miles east of Los Angeles in the foothills of the San Gabriel Mountains. It is a residential college, with 90 to 95 percent of its students living on campus. The students enrolled at Pomona have established records of high scholastic aptitude before entering college. The median College Board Scholastic Aptitude Test (SAT) scores for the 2001-02 freshman class were 720 verbal and 720 math.

The College was established in 1887-88 under the sponsorship of persons affiliated with the Congregational churches, ties to which were severed in 1909. In 1914, a chapter of Phi Beta Kappa, the national scholastic honorary society, was established at the College, marking the first such chapter in Southern California and the third in the State.

Affiliated Institutions:

The College is the founder and an independent member of an affiliated group of colleges known as The Claremont Colleges, which consists of five undergraduate colleges (Pomona, Harvey Mudd, Claremont McKenna, Scripps and Pitzer), 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, 58,000 periodicals and 1.3 million 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 institutions occupy contiguous campuses 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 in his or her own college, a wide range of instruction is available without extra cost in the other six institutions.

Administration:

The College is governed by a self-perpetuating Board of Trustees which consists of up to 42 members, including the President of the College. Current membership on the Board stands at 38. Officers of the Board are elected each year at the annual meeting in May. Members serve staggered three-year terms. The president of the Pomona College Alumni Association and the national chair for Annual Giving are ex-officio, nonvoting members of the Board. Provision is made for Honorary Trusteeship for those who have served on the Board for a number of years and who have reached normal retirement age of 70. Honorary Trustees do not have voting power.

The Board of Trustees is required by the Bylaws to meet at least four times a year. It currently meets quarterly. The Executive Committee meets on call by the Chairman of the Board or by any three members of the committee.

The Board of Trustees has legal responsibility for the management of the College, including its academic policy, land use and development, faculty and staff appointments and benefits, gift development, adoption of the College budget and supervision of financial affairs. Certain of the powers of the Board may be delegated to the Executive and other committees.

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 the Association of American Colleges; American Association of Collegiate Registrars and Admissions Officers; American Association of University Women; American Council on Education; American Council of Learned Societies; 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; National Association of College and University Business Officers; Independent Colleges of Southern California; and the Consortium on the Financing of Higher Education.

V. OUTSTANDING AUTHORITY DEBT (000): Pomona College, as of June 30, 2001, had \$52.3 million of outstanding Authority debt. With this financing, the outstanding amount will increase to approximately \$53.3 million.

<u>Issue Name:</u>	<u>Original Amount</u>	<u>Amount Outstanding As of 6/30/01</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
Existing			
<i>Pomona College, Series 1992</i>	\$ 32,200*	\$ 15,015	\$ 0
<i>Pomona College, Series 1997</i>	10,200	2,200	2,200
<i>CEFA Pool, Series 1997 C</i>	4,745	2,310	2,310
<i>Pomona College, Series 1999</i>	17,885	17,095	17,095
<i>Pomona College, Series 1999 B</i>	16,170	15,680	15,680
Proposed			
<i>Pomona College, Series 2001</i>	16,110		16,110
Totals		<u>\$ 52,300**</u>	<u>\$ 53,395</u>

* \$15,960,000 was advance refunded with the issuance of the Series 1999 Bonds.

** Includes \$1,078 unamortized bond discount not reflected on balance sheet accounting of debt.

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 for an amount not to exceed \$16,110,000 for Pomona College, subject to the bonds having at least an "A" rating by a nationally recognized rating agency.