

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
BOND FINANCING PROGRAM**

EXECUTIVE SUMMARY

Applicant:	Santa Clara University Santa Clara, CA Santa Clara County	Amount Requested:	\$35,000,000
		Date Requested:	December 6, 2001
		Requested Loan Term:	32 years
Project Site:	Santa Clara	Resolution Number:	194
Facility Type:	Private University		
Accreditation:	Western Association of Schools and Colleges		
Uses of Bond Proceeds: Bond proceeds will be used primarily to construct a new residence hall, and to purchase a hotel to provide additional student housing and parking. Remaining proceeds will allow for additional campus improvements.			
Type of Issue:	Negotiated public offering, fixed and variable rates		
Credit Enhancement:	Anticipated Bond Insurance through Ambac or MBIA		
Expected Credit Rating:	Aaa/VMIG1 (Moody's), AAA (Fitch), based upon Municipal Bond Insurance		
	A1 underlying rating (Moody's)		
Senior Underwriter:	Banc of America Securities		
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP		
Financial Overview: Santa Clara University continues to post good operating results. With the inclusion of this proposed additional debt, the University maintains satisfactory leverage levels. The extended outlook for the University remains stable.			
<u>Sources of Revenues (\$000) - FYE 06/30/01</u>			
		<u>Amount</u>	<u>Percent</u>
Tuition and fees, net		\$111,284	78%
Auxiliary activities		12,685	9%
Investment income		7,448	5%
Other		7,335	5%
Grants & Contributions		4,476	3%
		<u>\$143,228</u>	<u>100%</u>
<u>Estimated Sources of Funds (\$000):</u>		<u>Estimated Uses of Funds (\$000):</u>	
Par Amount of Bonds	\$35,000	Construction/Renovation	\$27,000
		Real Estate (Land) purchase	7,000
		Financing costs	1,000
Total Sources	<u>\$35,000</u>	Total Uses	<u>\$35,000</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 \$35,000,000 for Santa Clara University, subject to the bonds having at least an 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**

December 6, 2001
Resolution Number: 194

SANTA CLARA UNIVERSITY (the "University")

- I. PURPOSE OF FINANCING:** In order to attract and retain students, the University plans to finance new construction and renovation projects primarily to provide affordable student housing and parking as well as various improvements to the campus. This proposed financing is the fifth in a series of financings with the Authority beginning in 1993.

Specific details for the current projects are as follows:

- **Construct new residence hall\$16,250,000**

A new residence hall will be built on the main campus land. It will be a suite-style complex housing approximately 200 students. Underground parking and additional academic space may also be included in the final design of this project.

- **Renovate Leavey Activity Center 10,000,000**

The second phase of renovations to the Leavey Activity Center will be funded with this proposed financing. The project involves demolition of the east end upper bleachers and approximately 13,000 square feet of existing space. A four-story interior reconstruction includes new upper level bleachers, concession stands, weight room and academic center for athletes. The project also provides for conference and video rooms, a working press center, ticket office and a new east entrance facing El Camino Real.

- **Acquire building/land and provide renovations 7,000,000**

The University intends to purchase the Pacific Inn, a hotel that is located on approximately ½ acre of land adjacent to the college. It has 58 double rooms and includes underground parking for approximately 47 vehicles and ground level parking for 20 vehicles. The property will provide residences for approximately 116 students.

- **Renovate existing facility 750,000**

The Kids on Campus daycare facility must be moved in order to make land available on the main campus for the new residence hall referenced in the aforementioned second paragraph. The University intends to renovate an existing leased building on campus to house the daycare facility.

▪ Financing costs	1,000,000
Bond Insurance	\$418,000
Underwriter's Discount.....	264,000
Costs of Issuance	318,000
	<hr/>
Total Uses of Funds	<u>\$35,000,000</u>

Financing Structure:

- General Obligation of the University
- Bonds insurance anticipated through Ambac or MBIA
- 32 year term, final maturity September 2034
- Negotiated Public Offering
- \$25 million Series 2002A Fixed Rate
- \$10 million Series 2002B Variable Rate
- Expected rating: Aaa/VMIG1 (Moody's), AAA (Fitch)
- Liquidity Provider – Allied Irish Bank

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II. FINANCIAL STATEMENTS AND ANALYSIS:

SANTA CLARA UNIVERSITY

Statement of Activities Unrestricted (000's)

	Fiscal Year Ended June 30,		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
Revenues:			
Tuition and fees	\$ 137,028	\$ 128,774	\$ 119,449
Financial aid	(25,744)	(23,057)	(22,355)
Net tuition and fees	111,284	105,717	97,094
Contributions	1,855	1,894	1,387
Grant revenues	2,621	2,158	2,372
Income on investments	5,816	8,454	8,764
Investment gains, net	1,632	2,860	2,934
Other additions	7,335	6,766	7,044
Auxiliary activities	12,685	11,533	11,210
Total revenues	143,228	139,382	130,805
Net assets released from restrictions	15,818	20,104	19,431
Total revenues and other additions	159,046	159,486	150,236
Expenses:			
Educational and general:			
Instruction	63,342	59,082	53,066
Research	1,749	1,471	1,480
Public service	1,725	1,359	1,316
Academic support	18,697	16,682	14,060
Student services	20,878	18,657	16,541
Institutional support	34,215	32,028	28,469
Scholarship and fellowships	751	811	911
Total educational and general	141,357	130,090	115,843
Auxiliary activities	12,666	10,412	10,402
Total expenses	154,023	140,502	126,245
Increase in unrestricted net assets from operations	5,023	18,984	23,991
Non-operating reinvested (spent) income and gains	634	5,760	6,026
Extraordinary loss on defeasance of debt	-	-	(3,518)
Increase in unrestricted net assets	5,657	24,744	26,499
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	333,484	308,740	282,241
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 339,141	\$ 333,484	\$ 308,740

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

	As of June 30		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
ASSETS:			
Cash and cash equivalents	\$ 15,632	\$ 17,119	\$ 6,402
Contributions receivable, net	50,282	39,075	6,619
Student and other receivables	15,770	18,338	12,383
Inventories	319	300	270
Investments	457,504	447,697	419,494
Deposits with trustees	4,582	16,369	38,074
Other assets	2,869	4,431	4,225
Plant facilities, net	275,054	248,217	212,797
TOTAL ASSETS	<u>\$ 822,012</u>	<u>\$ 791,546</u>	<u>\$ 700,264</u>
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts payable and accrued expenses	\$ 19,541	\$ 21,553	\$ 16,465
Deposits and deferred revenue	6,565	7,646	7,394
Amounts held on behalf of others	4,043	3,445	3,014
Annuity and trust obligations	3,380	3,772	2,919
Bonds and notes payable	121,853	125,424	128,012
U.S. government loan advances	6,944	6,854	6,697
TOTAL LIABILITIES	<u>162,326</u>	<u>168,694</u>	<u>164,501</u>
Net assets:			
Unrestricted	339,141	333,484	308,740
Temporarily Restricted	165,994	151,368	103,137
Permanently Restricted	154,551	138,000	123,886
TOTAL NET ASSETS	<u>659,686</u>	<u>622,852</u>	<u>535,763</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 822,012</u>	<u>\$ 791,546</u>	<u>\$ 700,264</u>

Financial Ratios:

	Proforma (a)			
	<u>FYE June 30, 2001</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Debt service coverage (x)	1.96	2.43	4.53	5.17
Debt to expendable net assets (x)	0.31	0.24	0.26	0.31
Expendable net assets to operations (x)		3.28	3.45	3.26
Margin (%)		3.2%	11.9%	16.0%

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

Santa Clara University continues to post good operating results.

The University has generated consistent operating results, although expenses are growing faster than revenues over the last three years. Tuition and fees are the university's main source of revenue representing 78% of total revenues in fiscal 2001 and increasing an average of over 6% per year.

In 1999, proceeds from the CEFA revenue bonds were used to defease a portion of Series 1996 bonds and to finance various capital projects. Consequently, a one-time accounting loss of \$3.5 million was incurred. However, subsequent debt service payments have been reduced resulting in an economic gain of approximately \$1.2 million to the University.

In 2001, net income declined significantly as compared to the prior two years primarily due to decreased investment returns resulting from the downturn in the stockmarket. The University maintains a strong net asset base with over \$300 million in unrestricted net assets over our review period. In addition, its consistent expendable net assets to operations ratio of over 3 indicates that these sources could sustain the University operations for more than 3 years.

The balance sheet reflects significant increases in contributions receivable for future plant facilities. Plant facilities also show increases as major construction projects were completed primarily funded from bond issues in 1996 and 1999.

With the inclusion of this proposed additional debt, the University maintains satisfactory leverage levels.

This proposed financing is the fifth in a series of financings with the Authority since 1993. The University has borrowed approximately \$192 million while maintaining very strong debt service coverage ratios averaging over 4x during our review period. The debt service coverage ratio remains satisfactory with the inclusion of this proposed new debt at nearly 2x.

The extended outlook for the University remains stable.

In August 2001, Moody's Investors Service affirmed the University's long-standing rating at A1. This rating is based on its established track record of strong financial operations and stable market position, well-established regional student demand in a growing market, strong operating margins and debt service coverage ratio, and above-average financial reserves and improved fundraising. In addition, the University's management projects that the proposed new student housing will generate significant additional auxiliary revenues amounting to approximately \$2 million annually.

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 Admissions	Selectivity Ratio	New Enrollments
1997-98	6,413	4,187	65%	1,209
1998-99	6,214	4,160	67%	1,262
1999-00	6,056	4,179	69%	1,294
2000-01	6,395	3,894	61%	1,201
2001-02	6,539	4,115	63%	1,183

Graduate Programs *

Fall Semester	Number of Apps.	Offered Admissions	Selectivity Ratio	New Enrollments
1997-98	1,392	806	58%	499
1998-99	1,126	848	75%	546
1999-00	1,235	780	63%	549
2000-01	1,299	796	61%	489
2001-02	1,176	800	68%	553

School of Law *

Fall Semester	Number of Apps.	Offered Admissions	Selectivity Ratio	New Enrollments
1997-98	2,676	1,366	51%	349
1998-99	2,530	1,281	51%	293
1999-00	2,463	1,338	54%	297
2000-01	2,693	1,322	49%	306
2001-02	2,597	1,272	49%	297

**** 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.

Enrollments

Degrees Awarded

Academic Year	Under-Graduate	Graduate	Law	Total	Total Full-Time Equiv.	Under-Graduate	Graduate	Law	Total
1997-98	4,282	2,723	941	7,946	6,810	1,005	784	265	2,054
1998-99	4,332	2,441	934	7,707	6,688	1,073	784	282	2,139
1999-00	4,479	2,321	907	7,707	6,704	1,138	694	270	2,102
2000-01	4,308	2,115	933	7,356	6,506	1,177	702	274	2,153
2001-02	4,279	2,167	922	7,368	6,505	-	-	-	-

Tuition and Fees

A summary of University tuition and fee charges and room and board charges for the academic years shown is set forth in the table below. In the academic years beginning in 1999 and 2001 the University instituted a higher undergraduate tuition rate for new incoming students. Undergraduate and graduate students attend classes on a quarter system basis, and the tuition and fee amounts assume attendance during the quarters on a full-time basis. Law students attend courses on a semester basis, and the tuition and fee amounts assume attendance during two semesters on the basis indicated.

TUITION, FEES, ROOM AND BOARD

Academic Year	Undergraduate Tuition and Fees	Room and Board	Undergraduate Total	Graduate Business	Graduate Engineering	Other Graduate	Full-Time Law	Part-Time (Evening) Law
1997-98	\$16,455	\$7,026	\$23,481	\$11,664	\$11,664	\$8,613	\$19,820	\$15,180
1998-99	\$17,442	\$7,323	\$24,765	12,366	12,366	8,883	20,602	15,796
1999-00	\$19,095	\$7,644	\$26,739	13,473	12,825	9,153	22,000	16,000
2000-01	\$20,577	\$8,034	\$28,611	14,553	13,905	9,369	23,880	16,716
2001-02	\$22,572	\$8,436	\$31,008	15,417	14,742	9,936	25,560	17,892

Faculty

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.

FACULTY SUMMARY

Academic Year	Full-Time Faculty *	Part-Time	Total	Tenured Faculty
1997-98	381	190	571	235
1998-99	401	201	602	242
1999-00	415	225	640	247
2000-01	415	216	631	247
2001-02	420	213	633	248

* Includes Faculty on leave; excludes visiting faculty.

IV. BACKGROUND:

General:

The University is a non-profit, privately endowed, co-educational university offering degrees in more than 30 fields of study. Enrollment for the fall term of 2001-02 academic year was 7,368 (6,505 FTE) students of which approximately 58% were undergraduate students. More than 6,000 applicants a year compete for 1,025 openings in the freshman class. Undergraduate and graduate instruction is provided by the College of Arts and Sciences, the School of Engineering and the Thomas and Dorothy Leavey School of Business and Administration. The School of Law and the Division of Counseling Psychology and Education 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 50 major buildings. These include 13 residence halls, four apartment complexes, the Michael Orradre Library, the Edwin A. Heafey Law Library, the Center for Performing Arts, the Thomas E. Leavey Activities Center, the Robert F. Benson Memorial Center, the de Saisset Museum, the Pat Malley Fitness and Recreation Center, 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 University was founded at the site of the Mission in 1851 by the Society of Jesus, or Jesuits, as the order is commonly known, and is 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.

Religious Certification:

Santa Clara University is an independent institution of higher education affiliated with the Catholic Church. It has provided both a certification of compliance with the provisions of the CEFA Act relating to religion, and a more comprehensive certification detailing compliance with the specific standards as required by the Authority.

Staff Counsel and Bond Counsel have reviewed the certifications and have determined that the University responded satisfactorily to all questions.

Administration:

The University is governed by a Board of Trustees composed of 38 members. The Bylaws require that the Board include the President of the University, two alumni, the Rector of the Jesuit Community of Santa Clara University (the "Rector") and 34 others, of whom at least 11 must be members of the Society of Jesus. 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. Currently, there are three vacancies on the Board.

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 accreditation is scheduled in November 2004. 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 Associate of School 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 20 departments and special programs offer two undergraduate degrees in 32 majors.

Thomas and Dorothy Leavey School of Business and Administration offers both undergraduate and graduate programs.

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 Division of Counseling Psychology and Education 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:-*841</u>	<u>Original Amount</u>	<u>Amount Outstanding As of 06/30/01</u>		<u>Estimated Amount Outstanding after Proposed Financing</u>
Existing				
CEFA, Series 1993	\$23,870	\$16,670		\$16,670
CEFA, 1995 Pool	5,030	3,760		3,760
CEFA, Series 1996	81,095	17,707	*	17,707
CEFA, Series 1999	82,182	82,602	*	82,602
HUD, Series 1964	78,876	685		685
Other		429		429
Proposed				
CEFA, Series 2002A and 2002B				32,000 35,000
Totals		\$121,853		\$153,853

* Includes accreted values of capital appreciation bonds.

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 \$35,000,000 for Santa Clara University, subject to the bonds having at least an A rating by a nationally recognized rating agency and meeting the standard bond issuance provisions for "A" rated debt.