

**STAFF SUMMARY AND RECOMMENDATION
WESTERN UNIVERSITY OF HEALTH SCIENCE**

**Amendment to Final Resolution Number 199
June 27, 2002**

ORIGINAL AMOUNT APPROVED: \$5,000,000 **ORIGINAL APPROVAL DATE:** March 28, 2002
(See Exhibit A for Original Executive and Staff Summary)

AMENDED ISSUE AMOUNT: \$20,000,000

EXPECTED RATING: Baa2 **CREDIT ENHANCEMENT:** None

SENIOR UNDERWRITER: Prager, McCarthy & Sealy LLC

TYPE OF FACILITY: Private University

LOCATION: Pomona, California, Los Angeles County

AMENDED USE OF BOND PROCEEDS: Bond proceeds will be used to finance the renovation of two existing building to house the College of Veterinary Medicine and to advance refund the Series 1998 and 2000 bonds issued by the Authority.

ISSUE: Western University of Health Sciences (the “University”) is requesting an Amendment to Resolution Number 199 authorizing the University to include the advance refunding of its 1998 and 2000 bonds issued by the Authority. **This refunding would only take place in the event bondholder consent could not be obtained to amend the existing documents.** (See Tab 5 for background of obtaining bondholder consent.) This amendment would also increase the requested amount from \$5 million to \$20 million.

As of June 1, 2002, \$6.685 million and \$4.075 million remains outstanding on the 1998 and 2000 bonds respectively. The following is an estimate of the revised sources and uses to incorporate the effect of the refunding.

<u>Sources of Funds</u>		<u>Uses of Funds</u>	
Par Amount of Bonds	\$ 20,000,000	Construction/Renovations	\$ 5,000,000
Original Issue Discount	(681,824)	Escrow for 1998 Bonds	7,505,000
Prior Funds held by Trustee and Equity	926,919	Escrow for 2000 Bonds	5,005,000
	<u>\$ 20,245,095</u>	Cost of Issuance	189,000
		Underwriters Discount	266,768
		Capitalized Interest	926,731
		Debt Service Reserve	1,352,596
			<u>\$ 20,245,095</u>

REASON FOR AMENDMENT: In the event that bondholder consent cannot be obtained, and in order for the 2002 bonds to be properly secured by a gross revenue pledge and deeds of trust, the University is requesting approval to refinance the 1998 and 2000 bonds.

FINANCIAL UPDATE: The University’s financial position remains solid. However, with the refunding the University will be highly leveraged with a profoma debt to unrestricted net asset ratio of 3.37x, but should be able to manage the new debt with a projected debt service coverage ratio of 1.30x. The refunding would have no savings for the University, in fact it will cost the University approximately \$5 million.

RECOMMENDATION: Staff recommends the Authority approve the Amendment to Resolution Number 199 in an amount not to exceed \$20,000,000 for Western University of Health Sciences, subject to all prior provisions and conditions to remain unchanged and in full effect.