

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

Applicant:	Westmont College Santa Barbara, CA Santa Barbara County	Amount Requested:	\$22,500,000
		Date Requested:	June 27, 2002
		Requested Loan Term:	30 years
Project Sites:	Santa Barbara & San Francisco	Resolution Number:	202
Facility Type:	Private University		
Accreditation:	Western Association of Schools and Colleges		
Uses of Bond Proceeds: Bond proceeds will be used primarily for construction, renovation and equipment and to current-refund Authority debt for present value savings of approximately \$850,000. Remaining proceeds will be used to purchase a building in San Francisco for the Urban Studies program.			
Type of Issue:	Negotiated public offering, variable auction rates		
Credit Enhancement:	Bond insurance (insurer to be determined)		
Expected Credit Rating:	A or better, (Moody's or S&P) based on credit enhancement		
Senior Underwriter:	Lehman Brothers		
Bond Counsel:	Arter & Hadden LLP		
Financial Overview: The College has exhibited a strong balance sheet with good liquidity, substantial financial resources and minimal debt. Debt service coverage has been strong and the College continues to post impressive operating results. With the inclusion of this proposed debt, the leverage remains satisfactory and debt service coverage is strong.			
<u>Sources of Revenue (\$000) - FYE 6/30/01</u>			
	<u>Amount</u>	<u>Percent</u>	
Tuition and fees, net	\$21,040	56%	
Auxiliary enterprises	10,200	27%	
Gifts, grants and contracts	3,081	8%	
Investments	1,308	4%	
Other	<u>2,050</u>	<u>5%</u>	
Total	<u>\$37,679</u>	<u>100%</u>	
<u>Estimated Sources of Funds (\$000):</u>		<u>Estimated Uses of Funds (\$000):</u>	
Par Amount of Bonds	\$22,500	Construction/Renovation	\$30,291
Gifts and college funds	18,427	Refunding	5,310
		Equipment	2,280
		Purchase building	2,250
		Insurance	572
		Financing costs	<u>224</u>
Total Sources	<u>\$40,927</u>	Total Uses	<u>\$40,927</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 \$22,500,000 for Westmont College, subject to the bonds having at least an A rating by a nationally recognized rating agency and the transaction otherwise meeting the standard bond issuance provisions for "A" rated debt.			

**STAFF SUMMARY AND RECOMMENDATION
BOND FINANCING PROGRAM**

June 27, 2002
Final Resolution Number: 202

WESTMONT COLLEGE (the “College”)

I. PURPOSE OF FINANCING:

Proceeds of the proposed financing are primarily to expand and renovate facilities in accordance with the College’s master plan. The objective is to improve the quality of College facilities and to provide additional space to existing programs. Although enrollments will not increase (enrollment is capped at 1,200), these improvements are expected to result in increased applications (and student selectivity) and increased annual donations.

The College will construct a science/math building and visual arts building, install modular buildings for biology and administration, renovate a number of facilities (including classrooms, residence halls, and gymnasium), purchase a residence in San Francisco for the Urban Studies Program, and to current refund existing debt with substantial interest savings.

Specific details for the current financing request are as follows:

▪ **Construction\$27,800,000**

A 34,000 square foot building will be constructed to house mathematics and science programs. The College will also construct an 18,000 square foot visual arts building. The existing visual arts building will be converted back to its original residential use.

▪ **Renovation/reimbursements \$2,491,000**

Various renovations, including roofing, plumbing, and heating, will be performed on ten existing structures, including residence halls, classrooms, offices, the dining commons, and the gymnasium. Approximately \$1.2 million of this amount are renovation costs to be reimbursed with bond proceeds.

▪ **Current refunding..... \$5,310,000**

The College intends to use approximately \$5.3 million to current refund its portion of a pooled bond financing issued by the Authority in 1990. As of May 31, 2002, approximately \$5.3 million remains outstanding. Net present value savings is estimated to be \$847,000.

▪ **Equipment\$2,280,000**

Proposed purchases include furniture, fixtures, and equipment for classrooms, lecture halls, seminar rooms, science labs, art studios, faculty and staff offices, and student study lounges.

▪ **Purchase building\$2,250,000**

The College will purchase a 12-bedroom, 13 bath, San Francisco Victorian to house the Urban Studies Program. The building will have four offices for faculty and staff, a classroom and computer lab, and will provide living space for up to 30 students. The College has leased facilities for this program since its establishment in 1972.

▪ **Financing costs \$796,000**

Insurance	\$ 572,400	
Underwriter's Discount.....	100,000	
Costs of Issuance	123,600	_____

Total Uses of Funds\$40,927,000

Financing Structure:

- General Obligation of the College
- Bond insurance anticipated (insurer to be determined)
- 30 year term, final maturity March 1, 2032
- Negotiated Public Offering
- Variable Auction Rate, 7 days initial maturity
- A or better, (Moody's or S&P) based on credit enhancement

II. FINANCIAL STATEMENTS AND ANALYSIS:

WESTMONT COLLEGE

Statement of Activities Unrestricted (000's)

	Fiscal Year Ended June 30,		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
Revenues:			
Net tuition and fees	\$ 21,040	\$ 19,371	\$ 18,252
Gifts, grants and contracts	3,081	5,501	5,458
Investment income	1,929	1,395	1,005
Realized gains on sales of investments, net	511	784	336
Unrealized gains (losses) on investments, net	(1,132)	430	412
Auxiliary enterprises	10,200	9,745	9,317
Other income	407	322	232
Net assets released from restrictions	<u>1,643</u>	<u>2,375</u>	<u>1,796</u>
Total revenues	<u>37,679</u>	<u>39,923</u>	<u>36,808</u>
Expenses:			
Instruction	10,771	9,817	8,632
Academic support	1,963	1,844	1,516
Research	72	66	81
Student services	4,960	4,499	4,527
General and administrative	6,254	5,953	5,728
Auxiliary activities	8,129	7,563	7,283
Depreciation	<u>1,906</u>	<u>1,832</u>	<u>1,653</u>
Total expenses	<u>34,055</u>	<u>31,574</u>	<u>29,420</u>
Change in net assets	3,624	8,349	7,388
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	42,581	33,754	26,366
Prior period adjustment	<u>-</u>	<u>478</u>	<u>-</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 46,205</u>	<u>\$ 42,581</u>	<u>\$ 33,754</u>

WESTMONT COLLEGE
Statement of Financial Position (000's)

	As of June 30,		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
ASSETS:			
Cash and cash equivalents	\$ 15,264	\$ 10,535	\$ 5,788
Accounts and other receivables, net	463	346	462
Contributions receivable, net	7,950	5,301	4,663
Notes receivable, net ⁽¹⁾	8,972	8,807	7,052
Investments	32,204	27,818	28,312
Assets whose use is limited	5,441	4,513	4,143
Premises and equipment, net	28,689	27,218	23,651
Other assets	597	959	690
TOTAL ASSETS	<u>\$ 99,580</u>	<u>\$ 85,497</u>	<u>\$ 74,761</u>
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 2,517	\$ 2,175	\$ 2,416
Student deposits and deferred revenue	926	915	1,045
Bonds payable	5,599	5,850	6,085
Annuities payable	784	785	723
Deferred income	2,844	1,740	1,806
Long-term faculty housing commitments ⁽²⁾	4,979	4,893	3,142
Government grants refundable	1,900	1,864	1,832
TOTAL LIABILITIES	<u>19,549</u>	<u>18,222</u>	<u>17,049</u>
Net assets:			
Unrestricted	46,205	42,581	33,754
Temporarily Restricted	13,223	7,954	7,763
Permanently Restricted	20,603	16,740	16,195
TOTAL NET ASSETS	<u>80,031</u>	<u>67,275</u>	<u>57,712</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 99,580</u>	<u>\$ 85,497</u>	<u>\$ 74,761</u>

⁽¹⁾ The College holds notes from students under various loan programs.

⁽²⁾ The College constructed 30 housing units which it has sold to faculty members under an agreement specifying conditions under which the College will repurchase the homes. Due to the nature of the agreement, the homes are recorded as College assets. The liability represents the amount that would be needed to repurchase the homes.

Financial Ratios:

	Proforma (a)			
	<u>FYE June 30, 2001</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Debt service coverage (x)	6.60	8.88	12.15	14.37
Debt to expendable net assets (x)	0.38	0.10	0.12	0.15
Expendable net assets to operations (x)		1.75	1.60	1.41
Margin (%)		9.6%	20.9%	20.1%

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

Financial Discussion:

The College has exhibited a strong balance sheet with good liquidity, substantial financial resources and minimal debt.

The College's balance sheet is strong, with total net assets over \$80 million, including over \$47 million in cash and investments.

A sizeable increase in net assets of \$22 million between 1999 and 2001 (a 39% increase) and low debt has led to a debt to expendable net assets ratio of 0.10x. While unrestricted gifts and grants declined significantly in 2001, the College received an impressive \$6.7 million in temporarily restricted donations and \$3.7 million for the endowment, as the result of a capital campaign focused on this planned expansion. This campaign continues through the end of this fiscal year.

Debt service coverage has been strong and the College continues to post impressive operating results.

Debt service coverage has been strong in our review period, with a low of 8.88x in 2001.

Overall, in our review period, revenue growth, especially from net tuition, has been good. The College has seen a modest increase in education expenses, with the hiring of additional teaching staff (in order to lower its faculty to student ratio) and an increase in tenured staff. Auxiliary enterprises adds approximately \$2 million per year in net revenue, further adding to the College's diverse revenue flow. Even with an unrealized investment loss and reduced unrestricted donations, the College posted an impressive 9.6% margin in fiscal 2001.

With the inclusion of this proposed debt, leverage remains satisfactory and debt service coverage is strong.

The additional debt will increase leverage only slightly, to 0.38x (using fiscal 2001 results). Projected debt service coverage is 6.60x.

III. STUDENTS, COLLEGE COSTS AND FACULTY STATISTICS:

Application Pool

The following table illustrates application, admissions and new enrollments for the College's undergraduate graduate programs for the current and last four academic years. Combined data for the spring, summer, and fall semesters is shown for each year.

Freshman and Transfer (Combined) *

Academic Year	Number of Apps.	Offered Admission	Selectivity Ratio	New Enrollments
1997/98	1,469	1,126	77%	331
1998/99	1,615	1,251	77%	400
1999/00	1,643	1,149	70%	318
2000/01	1,747	1,194	68%	378
2001/02	1,563	1,158	74%	371

* *Headcount, not full-time equivalent.*

Enrollments and Degrees

The following table reflects, for the past five academic years undergraduate enrollments, as well as the degrees awarded therein. The enrollment figure above includes off-campus classes. On-campus enrollment is capped at 1,200 per a longstanding agreement with the community.

Academic Year	Enrollments*	Degrees awarded
1997/98	1,298	291
1998/99	1,365	267
1999/00	1,385	315
2000/01	1,331	278
2001/02	1,370	310

* *Headcount, not full-time equivalent.*

Tuition and Fees

UNDERGRADUATE TUITION, FEES, ROOM AND BOARD

Academic Year	Undergraduate Tuition and Fees	Room and Board	Undergraduate Total
1997/98	\$17,998	\$6,048	\$24,046
1998/99	\$18,808	\$6,382	\$25,190
1999/00	\$19,746	\$6,668	\$26,414
2000/01	\$20,964	\$7,068	\$28,032
2001/02	\$22,256	\$7,492	\$29,748

Faculty

FACULTY SUMMARY

Academic Year	Tenured Full-Time	Other Full-Time	Part-Time FTE	Total FTE
1997/98	47	31	13.6	91.6
1998/99	48	32	15.2	95.2
1999/00	48	37	11.5	96.5
2000/01	49	32	16.0	97.0
2001/02	53	32	12.5	97.5

IV. BACKGROUND:

General:

Westmont College is a nonprofit, independent, coeducational, four-year undergraduate college offering a liberal arts curriculum. The College enrolled 1,370 full-time equivalent students for the fall term of the 2001-02 academic year. The programs of the college emphasize both academic excellence and personal development, with discipline and competence in both areas being major goals.

The mission of the College is to provide a high quality liberal arts program in a residential campus community that assists men and women toward a balance of rigorous intellectual competence, healthy personal development, and strong Christian commitments. While not affiliated with any church or denomination, the College is committed to imparting a comprehensive education within the historical Christian tradition.

The College is located in the western hills of Montecito, a primarily residential suburb of Santa Barbara. The 111 acre campus consolidates several private estates and has been developed to

include the Roger Voskuyl Library (containing over 150,000 volumes), the Murchison Gymnasium and physical education complex, a dining commons, and a fine arts complex. Over eighty percent of students live in one of the College's five residence halls.

Religious Certification:

Westmont is an independent Christian college not affiliated with a church or sect. 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.

Administration:

Under its Articles of Incorporation, a Board of Trustees consisting of thirty-five members governs the College. In addition, eleven retired Board members have been elected Trustee Emeriti and may attend Board meetings but do not vote. The Trustees elect a Chair for a three-year term and elect Vice-Chairs, a Secretary, and a Treasurer annually who are officers of the corporation. There are eleven standing committees of the Board, including an Executive Committee and a Finance Committee. The full Board meets three times a year.

Accreditation:

The College is fully accredited by the Western Association of Schools and Colleges (WASC). The latest reaffirmation of accreditation was in 1995. The next accreditation is scheduled for 2003. It also has accreditation from the California State Board of Education for its teacher credentialing program. The College is affiliated with the Council for Christian Colleges and Universities and the Christian College Consortium.

Academic Programs:

The curriculum features bachelor of art and science degrees in 26 majors, 10 pre-professional programs (including law, medicine, engineering and dentistry), a fifth-year teacher credential program, and opportunities to volunteer and participate in the arts. The College also offers a variety of off-campus programs.

Competition:

The College considers its competition to be highly-regarded liberal arts colleges across the country, including, in California, Claremont McKenna, Occidental, and Pomona. Westmont further distinguishes itself by its commitment to character development and its membership in the Council for Christian Colleges and Universities.

V. OUTSTANDING DEBT (\$000):

Issue Name:	Original Amount	Amount Outstanding As of 6/30/01	Estimated Amount Outstanding after Proposed Financing
Existing CEFA Pool, Series 1990	\$7,210	\$5,530	\$ 0
Proposed CEFA, Series 2002			22,500
Totals		<u>\$5,530</u>	<u>\$22,500</u>

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 \$22,500,000 for Westmont College, subject to the bonds having at least an A rating by a nationally recognized rating agency and the transaction otherwise meeting the standard bond issuance provisions for “A” rated debt.