

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

Applicant: Santa Clara University (“SCU” or the “University”) Santa Clara, CA Santa Clara County	Amount Requested: \$25,000,000 Date Requested: June 26, 2003 Requested Loan Term: 30 years Resolution Number: 213
Project Site: 500 El Camino Real, Santa Clara, CA	
Facility Type: Private University	
Accreditation: Western Association of Schools and Colleges	

Uses of Bond Proceeds: Bond proceeds of \$17,500,000 will be used to refinance the CEFA Series 1993 and Series 1995A Pool bonds, which will result in a net present value savings of approximately \$932,000. Remaining bond proceeds will be used to finance various construction and renovations.

Type of Issue:	Negotiated public offering, fixed rate
Credit Enhancement:	Anticipated Bond Insurance through MBIA or AMBAC
Expected Credit Rating:	Aaa (Moody’s), AAA (S & P), based upon Municipal Bond Insurance Underlying rating for the University - A1 (Moody’s)
Senior Underwriter:	E.J. De La Rosa & Co., Inc.
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP

Financial Overview: SCU continues to post good operating results supported by growth in tuition and fees and solid student demand. The University’s outlook remains stable. The balance sheet is strong. Plant assets continue to increase as new construction continues. This financing is expected to generate significant net present value savings.

<u>Sources of Revenues (\$000) - FYE 06/30/02</u>	<u>Amount</u>	<u>Percent</u>
Tuition and fees, net	\$117,133	64%
Net assets released from restrictions	27,633	15%
Auxiliary activities	14,635	8%
Investment income	9,976	5%
Other	8,675	5%
Grants & Contributions	<u>5,057</u>	<u>3%</u>
	<u>\$183,109</u>	<u>100%</u>

<u>Estimated Sources of Funds (\$000):</u>		<u>Estimated Uses of Funds (\$000):</u>	
Par Amount of Bonds	\$25,000	Refunding	\$17,500
Original Issue Discount	(1,149)	Construction/renovations	5,800
		Financing costs	<u>551</u>
Total Sources	<u>\$23,851</u>	Total Uses	<u>\$23,851</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 \$25,000,000 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**

June 26, 2003
Resolution Number: 213

SANTA CLARA UNIVERSITY (“SCU” or the “University”)

- I. PURPOSE OF FINANCING:** SCU plans to refinance its CEFA Series 1993 and CEFA Pool 1995A bonds. In addition, bond proceeds will be used to complete the construction of a student residence hall and renovate various facilities providing improvements to the campus.

Specific details are as follows:

- **Current refund CEFA, Series 1993 bonds..... \$13,900,000**

The University intends to refinance the existing CEFA Series 1993 bonds resulting in a net present value savings of approximately \$826,000. The original issue amount was \$23,870,000 with interest rates ranging from 5.15% - 5.75% and a final maturity due in 2018. \$13,285,000 remains outstanding from the 1993 bonds as of May 31, 2003.

- **Advance refund CEFA Pool, Series 1995A bonds 3,600,000**

Additionally, SCU plans to refinance the existing CEFA Series 1995A Pool bonds resulting in a net present value savings of approximately \$106,000. The original issue amount was \$5,030,000 with interest rates ranging from 5.05% - 5.6% and a final maturity due in 2020. \$3,165,000 remains outstanding from the 1995A bonds as of May 31, 2003.

- **Complete construction of student residence hall 4,000,000**

A portion of the proceeds will be used to complete the construction of a residence hall for 240 students. The original project planned for 200 beds, has since expanded to add 40 additional beds as well as classroom space. Of the total cost of the facility (\$18.5 million), \$12.5 million was previously funded from the proceeds of the Series 2002A bonds and \$2 million was funded from the University.

- Renovations 1,800,000**

Renovations, relocation and improvement to the following facilities are planned:

- Varsi Hall – new HVAC system and interior renovations.
- Kennedy Mall – Landscaping and removal of a street.
- de Saisset Museum – compact shelving for storing collections.

- **Financing costs 551,000**

Bond Insurance	\$250,000
Underwriter's Discount.....	170,000
Costs of Issuance	<u>131,000</u>

Total Uses of Funds **\$23,851,000**

Financing Structure:

- General Obligation of the University
- Bond insurance anticipated through MBIA or AMBAC
- 30 year term, final maturity September 2033
- Negotiated public offering
- Fixed interest rate
- Expected rating: Aaa/AAA, if insured,
 Moody's A1 (Underlying rating for the University)

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II. FINANCIAL STATEMENTS AND ANALYSIS:

SANTA CLARA UNIVERSITY

Statement of Activities
Unrestricted (000's)

	Fiscal Year Ended June 30,		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
Revenues:			
Tuition and fees	\$ 147,275	\$ 137,028	\$ 128,774
Financial aid	(30,142)	(25,744)	(23,057)
Net tuition and fees	117,133	111,284	105,717
Contributions	2,098	1,855	1,894
Grant revenues	2,959	2,621	2,158
Income on investments	5,825	5,816	8,454
Investment gains, net	4,151	1,632	2,860
Other	8,675	7,335	6,766
Auxiliary activities	14,635	12,685	11,533
Total revenues	155,476	143,228	139,382
Net assets released from restrictions	27,633	15,818	20,104
Total revenues and other additions	183,109	159,046	159,486
Expenses:			
Educational and general:			
Instruction	68,081	63,342	59,082
Research	2,055	1,749	1,471
Public service	1,669	1,725	1,359
Academic support	18,363	18,697	16,682
Student services	24,836	20,878	18,657
Institutional support	35,668	34,215	32,028
Scholarship and fellowships	734	751	811
Total educational and general	151,406	141,357	130,090
Auxiliary activities	14,895	12,666	10,412
Total expenses	166,301	154,023	140,502
Increase in unrestricted net assets from operations	16,808	5,023	18,984
Non-operating investment gains (losses)	(17,340)	634	5,760
Increase (decrease) in unrestricted net assets	(532)	5,657	24,744
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	339,141	333,484	308,740
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 338,609	\$ 339,141	\$ 333,484

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

	As of June 30		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
ASSETS:			
Cash and cash equivalents	\$ 19,196	\$ 15,632	\$ 17,119
Contributions receivable, net	45,416	50,282	39,075
Student and other receivables	16,483	15,770	18,338
Inventories	332	319	300
Investments	434,942	457,504	447,697
Deposits with trustees	18,541	4,582	16,369
Other assets	5,665	2,869	4,431
Plant facilities, net	297,213	275,054	248,217
TOTAL ASSETS	<u>\$ 837,788</u>	<u>\$ 822,012</u>	<u>\$ 791,546</u>
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts payable and accrued expenses	\$ 21,452	\$ 19,541	\$ 21,553
Deposits and deferred revenue	7,401	6,565	7,646
Amounts held on behalf of others	3,388	4,043	3,445
Annuity and trust obligations	3,917	3,380	3,772
Bonds and notes payable	154,304	121,853	125,424
U.S. government loan advances	7,028	6,944	6,854
TOTAL LIABILITIES	<u>197,490</u>	<u>162,326</u>	<u>168,694</u>
Net assets:			
Unrestricted	338,609	339,141	333,484
Temporarily Restricted	137,559	165,994	151,368
Permanently Restricted	164,130	154,551	138,000
TOTAL NET ASSETS	<u>640,298</u>	<u>659,686</u>	<u>622,852</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 837,788</u>	<u>\$ 822,012</u>	<u>\$ 791,546</u>

Financial Ratios:

	Proforma (a)			
	<u>FYE June 30, 2002</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Debt service coverage (x)	1.78	1.97	2.43	4.53
Debt to expendable net assets (x)	0.34	0.32	0.24	0.26
Expendable net assets to operations (x)		2.86	3.28	3.45
Margin (%)		9.2%	3.2%	11.9%

(a) Recalculates 2002 audited results to include the impact of this proposed financing.

Financial Discussion:

SCU continues to post good operating results supported by growth in tuition and fees and solid student demand. The University's outlook remains stable.

The University has experienced growth in its tuition and fee revenues over the last three years reflecting the increase in tuition rates and enrollment. Management believes that its rates of tuition remain competitive to those of other private institutions of comparable quality. The University's enrollment has been approximately 7,350 to 8,060 students (6,500 to 7,125 FTEs) over the last five years. Throughout this period, the number of applicants has substantially exceeded available positions. The University anticipates its location in a major technological and population center and its mix of graduate and undergraduate programs, will enable it to maintain a relatively stable enrollment for the foreseeable future.

Total annual cash gifts and grants received have averaged over \$31.6 million during the three-year period. However, contributions have declined, as experienced by all not-for-profit institutions. The University conducts a comprehensive ongoing effort to obtain gifts, grants and bequests from private sources, including more than 154,800 alumni, parents, friends, corporations and foundations. In October 2002, the largest campaign in the history of the University was announced with the goal of \$350 million. To date, the campaign has raised over \$182.7 million; 54.6% of the goal. The Campaign for Santa Clara is intended to run through June 2006.

A declining investment market has also negatively affected the University's results. SCU maintains a well-diversified investment portfolio to minimize the impact of the volatile financial market conditions.

The balance sheet is strong. Plant assets continue to increase as new construction continues. This financing is expected to generate significant net present value savings.

The balance sheet remains strong. Plant assets continue to increase as new construction continues. As a result, the amount of long-term debt has increased providing financing for various projects.

The University maintains good debt service coverage ratios averaging nearly 3x during the review period. Because this proposed refinancing will primarily refund existing CEFA debt, SCU's total outstanding balance will only increase approximately \$6.4 million. The pro forma debt service coverage ratio remains good at nearly 1.8x. In addition, net present value savings exceeding \$900,000 are anticipated with this financing.

III. STUDENTS, COLLEGE COSTS AND FACULTY STATISTICS:

Application Pool

The following table illustrates applications, 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 Admission	Selectivity Ratio	New Enrollments
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
2002-03	6,331	4,427	70%	1,341

Graduate Programs *

Fall Semester	Number of Apps.	Offered Admission	Selectivity Ratio	New Enrollments
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
2002-03	1,490	957	64%	654

School of Law *

Fall Semester	Number of Apps.	Offered Admission	Selectivity Ratio	New Enrollments
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
2002-03	3,228	1,263	39%	320

* *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.

<u>Enrollments</u>					<u>Degrees Awarded</u>				

Academic Year	Under-Graduate	Graduate	Law	Total	Total Full-Time Equiv.	Under-Graduate	Graduate	Law	Total
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	1,175	658	264	2,097
2002-03	4,644	2,450	968	8,062	7,125	-	-	-	-

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. 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
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
2002-03	\$23,925	\$8,904	\$32,829	\$16,038	\$15,336	\$10,341	\$27,360	\$19,152
2003-04	\$25,365	\$9,336	\$34,701	\$16,605	\$15,876	\$10,341	\$28,740	\$20,118

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 (Full-Time Equivalent)

Academic Year	Tenured Full- Time	Other Full-Time	Part-Time FTE	Total
1998-99	233	154	116	503
1999-00	238	165	109	512
2000-01	236	185	133	554
2001-02	239	170	145	554
2002-03	240	175	154	569

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 2002-03 academic year was 7,125 students, divided approximately equally between undergraduate and graduate students. More than 6,000 applicants competed for the 1,125 openings for the fall, 2003 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 45 major buildings. These include 13 residence halls, four apartment complexes, the Michael Orradre Library, the Edwin A. Heafey Law Library, the Louis B. Mayer Theatre, the Thomas E. Leavey Activities Center, the Center for Performing Arts, the Robert F. Benson Memorial Center, the de Saisset Art Gallery and Museum, the Pat Malley Fitness and Recreation Center, and other 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.

Issuer’s Counsel has reviewed the certifications and 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 ten members of the Board will be members of the Society of Jesus (Jesuits), including the President of the University, and the Rector of the Jesuit Community of Santa Clara University (the “Rector”). Of the remaining twenty-eight other members, approximately forty percent will be alumni/ae. 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 five vacancies on the Board.

The Board of Trustees annually elects a Chairman, a Vice Chairman, a Secretary and 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 2009. 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 Institute of International and Comparative Law.

The School of Education, Counseling Psychology and Pastoral Ministries includes programs leading to master's-level degree programs with emphasis in three areas: health psychology, career counseling, and correctional psychology. In addition, several certificates and state-approved credential programs are offered in specialist, advanced and professional areas including special education, mild-moderate disabilities, early childhood special education, alternative and correctional education, administrative services, and school management.

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:</u>	<u>Original Amount</u>	<u>Amount Outstanding As of 06/30/02</u>		<u>Estimated Amount Outstanding after Proposed Financing</u>	
Existing					
CEFA, Series 1993	\$23,870	\$15,015		\$ 0	*
CEFA, 1995A Pool	5,030	3,470		0	*
CEFA, Series 1996	81,095	17,554	**	17,554	
CEFA, Series 1999	82,182	84,588	**	84,588	
CEFA, Series 2002A and B	32,000	31,990		31,990	
HUD, Series 1964	78,876	355		355	
Other		1,332		1,332	
Proposed					
CEFA, Series 2003A		N/A		25,000	
Totals		<u>\$154,304</u>		<u>\$160,819</u>	

* Excludes CEFA, Series 1993 and Series 1995A Pool to be refunded with this proposed financing.

** 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 \$25,000,000 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