

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
TAX-EXEMPT SIMPLIFIED EQUIPMENT FINANCING PROGRAM**

EXECUTIVE SUMMARY

Applicant:	St. Mary's College of California ("St. Mary's or SMC") Moraga, CA Contra Costa County	Amount Requested:	\$1,700,000
		Loan Term:	7 Years
		Date Requested:	February 26, 2004
		Resolution Number:	E-5
Facility Type:	Private University		
Project Location:	1928 Saint Mary's Road, Moraga, CA 94556		
Accreditation:	Western Association of Schools and Colleges. See page 8 for other accreditations.		
Use of Proceeds: Proceeds will be used to acquire, upgrade and install a variety of energy and water conservation equipment, which will result in approximately \$242,000 annual savings.			
Type of Issue: Private Placement Lease Financing			
Security: First lien on equipment held by Bank of America (B of A) Leasing & Capital, LLC			
Expected Rating: Unrated, however SMC has an underlying A3 rating (Moody's)			
Placement Agent: Municipal Finance Corporation (MFC)			
Special Tax Counsel: Dorsey & Whitney LLP			
Financial Status: SMC continues to exhibit positive operating results. The current year shows significant non-operating gains from improved investments results and reflects an increase in unrestricted net assets at over \$3 million. SMC's financial strength is sound with over \$173 million in total net assets.			
<u>Sources of Revenue – FYE 6/30/03 (000's):</u>			
(Unrestricted Funds)			
	<u>Amount</u>	<u>Percent</u>	
Tuition and fees, net	\$57,572	73%	
Sales and services of auxiliary enterprises	12,895	17%	
Endowment income and realized gains	2,987	4%	
Contributions	1,789	2%	
Net assets released from restrictions	2,400	3%	
Other sources	<u>1,088</u>	<u>1%</u>	
Total unrestricted revenue	<u>\$78,731</u>	<u>100%</u>	
<u>Sources of funds (000's):</u>		<u>Uses of funds (000's):</u>	
Proceeds	\$1,700,000	Equipment Lease/Purchase	\$1,650,000
Borrower funds	<u>0</u>	Costs of issuance	<u>50,000</u>
Total Sources	<u>\$1,700,000</u>	Total Uses	<u>\$1,700,000</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 an equipment financing resolution for St. Mary's College of California in an amount not to exceed \$1,700,000 with a term of 7 years.			

**STAFF SUMMARY AND RECOMMENDATION
TAX-EXEMPT SIMPLIFIED EQUIPMENT FINANCING PROGRAM
St. Mary's College of California (" St. Mary's or SMC")**

February 26, 2004
Resolution Number: E-5

I. PURPOSE OF FINANCING: St. Mary's College plans to update its campus with various energy and water conserving equipment. The college expects to realize annual savings of nearly \$242,000 through its energy conservation measures. SMC has the option to purchase the equipment under the terms of the Lease Agreement.

Equipment\$1,650,000

There are four main categories of energy and water conservation equipment to be installed throughout the campus. The following provides a brief description:

- Lighting measures - retrofitting/replacing various fixtures.
- Architectural measures – add window film on east, west, or south facing windows and vending misers at vending machines.
- Water conservation – install low-flow toilets and urinals with auto-flush valves and install irrigation metering.
- Mechanical measures – add return air to former Science building, add dorm boiler controllers, and replace old, inefficient motors.

Financing costs50,000

Program Fees and Counsel Fees \$48,762
CEFA Fee 1,238

TOTAL USES OF FUNDS \$1,700,000

Financing Structure:

- Tax-exempt lease financing.
- Privately placed with Bank of America (B of A) Leasing & Capital LLC.
- Seven-year lease financing fully amortized.
- Fixed interest rate estimated to be 3.0993%.
- Estimated monthly payment is \$22,591.
- B of A Leasing & Capital LLC will be granted a first priority security interest in the equipment.

Note: This is the second application for the Simplified Equipment Financing Program (SEFP) that was approved by the Board on April 25, 2002. The program was developed to provide colleges and universities of all sizes an efficient, cost-effective mechanism to finance various types of equipment.

II. FINANCIAL ANALYSIS:

Saint Mary's College of California
Statement of Activities
Unrestricted (000's)

	<u>Fiscal Year Ended June 30,</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Operating:			
<i>Revenues:</i>			
Tuition and fees, net	\$ 57,572	\$ 51,869	\$ 47,878
Sales and services of auxiliary enterprises	12,895	11,694	10,895
Contributions	1,789	2,144	973
Investment income	436	202	438
Endowment income and realized gains distributed	2,551	3,200	2,938
Other income	1,088	555	612
Net assets released from restrictions	2,400	1,660	1,336
Total operating revenue	<u>78,731</u>	<u>71,324</u>	<u>65,070</u>
<i>Expenses:</i>			
Instruction and academic support	37,325	33,190	30,893
Student services	10,798	9,526	8,555
Institutional support	14,277	11,586	10,544
Operations and plant maintenance	6,262	5,527	5,464
Other	125	90	34
Interest expense	1,763	1,951	2,359
Depreciation expense	2,483	2,365	1,261
Auxiliary services	5,635	5,463	5,469
Total operating expenses	<u>78,668</u>	<u>69,698</u>	<u>64,579</u>
Increase in unrestricted net assets from operations	<u>63</u>	<u>1,626</u>	<u>491</u>
Nonoperating:			
Contributions	-	-	1,261
Net gains/income on endowment and investments	2,921	(4,464)	528
Depreciation	(2,789)	(2,827)	(2,715)
Property, plant and equipment deletions	-	-	(984)
Actuarial adjustments and other	(1)	208	(522)
Net assets released from restrictions	2,811	664	7
Non-operating increase in unrestricted net assets	<u>2,942</u>	<u>(6,419)</u>	<u>(2,425)</u>
Increase in unrestricted net assets	3,005	(4,793)	(1,934)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>72,840</u>	<u>77,633</u>	<u>79,567</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 75,845</u>	<u>\$ 72,840</u>	<u>\$ 77,633</u>

Saint Mary's College of California
Statement of Financial Position (000's)

	As of June 30,		
	2003	2002	2001
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 11,748	\$ 18,244	\$ 8,638
Investments	18,121	14,889	14,367
Accounts receivables, net	2,300	13,847	7,481
Inventory	79	86	76
Prepaid expenses	1,331	987	867
Total current assets	33,579	48,053	31,429
Non-current cash and cash equivalents	10,000	-	-
Non-current investments	92,101	86,023	74,630
Contributions receivable	11,101	8,769	9,765
Notes receivable, net	1,729	1,583	1,402
Other assets	2,987	3,377	2,629
Property, plant and equipment, net	85,545	83,962	81,407
Total assets	\$ 237,042	\$ 231,767	\$ 201,262
LIABILITIES AND NET ASSETS:			
Current liabilities			
Accounts payable and accrued liabilities	\$ 4,583	\$ 4,531	\$ 3,577
Current portion of long-term debt	1,595	1,135	1,090
Deferred revenue	4,633	5,209	4,517
Total current liabilities	10,811	10,875	9,184
Liabilities under trust agreements	1,284	1,125	1,425
Long-term debt, excluding current portion	49,596	51,191	42,482
Federal government grants refundable	1,981	1,756	1,653
Total liabilities	63,672	64,947	54,744
Net assets:			
Unrestricted	75,845	72,840	77,633
Temporarily Restricted	23,454	26,322	23,809
Permanently Restricted	74,071	67,658	45,076
TOTAL NET ASSETS	173,370	166,820	146,518
TOTAL LIABILITIES AND NET ASSETS	\$ 237,042	\$ 231,767	\$ 201,262

Financial Ratios:

	Proforma (a)			
	FYE June 30, 2003	2003	2002	2001
Debt service coverage (x)	3.06	3.46	0.77	0.39
Debt to expendable net assets (x)	0.54	0.52	0.53	0.43
Expendable net assets to operations (x)		1.22	1.27	1.47
Margin (%)		3.6%	-6.5%	-2.9%

(a) Recalculates 2003 results to include the impact of this proposed financing. The proforma debt service coverage based on operating results only is 1.17 times.

Financial Discussion:

SMC continues to exhibit positive operating results. The current year shows significant non-operating gains from improved investments returns and reflects an increase in unrestricted net assets at over \$3 million.

SMC maintains solid market position with continued growth especially in graduate and professional enrollment. There was a decline in undergraduate enrollment because SMC had reached target capacity and reduced the size of its freshman class by approximately 100 full-time equivalents. However, the decline was offset with a rise in enrollment in the graduate and nursing programs. From FYE 2001 to FYE 2003, total tuition and fees revenues increased over 20%.

Operations have experienced significant swings over the review period due to escalating operating expenses. The primary factors driving the increases are rising instructional expenses including compensation increases for faculty and staff. Additionally, property, plant and equipment write-offs occurred in 2001. In 2002, there were net market value losses on the endowment and investments mainly due to a decline in the equity value of SMC's stock portfolio. However, the current year has rebounded with net gains/income on investments. Further, there were over \$2.8 million in net assets released from restrictions.

SMC's financial strength is sound with over \$173 million in total net assets.

The balance sheet remains strong with moderate debt. SMC maintains over \$173 million in total net assets. Debt service coverage has increased significantly in the current year to 3.46x. The pro forma debt service coverage remains very good at over 3x.

Through this financing, SMC expects to realize annual savings of nearly \$242,000 with its energy conservation measures.

III. STUDENT, COLLEGE COSTS, AND FACULTY STATISTICS:

Applications and New Enrollments

Strong growth in applications for freshman class admission from Fall 1999 through Fall 2001, and a corresponding increase in the size of the class have resulted in significant growth in the traditional undergraduate enrollment. During this same period, enrollment in adult and graduate programs declined due to increased competition from new institutions entering the market and adverse economic conditions. As a result of the enrollment decline in the adult programs, there is a corresponding decline in the total number of degrees conferred. While undergraduate enrollment declined during the period of 2001 through 2003, it increased during the period 1999 through 2001. For more detailed information, please refer to the first paragraph at the top of this page.

Fall Semester	Freshman*			Transfer*		
	Number of Apps.	Offered Admission	New Enrollments	Number of Apps.	Offered Admission	New Enrollments
2003	3,172	2,590	562	424	266	148
2002	3,022	2,559	645	446	318	153
2001	3,146	2,496	580	497	330	162
2000	3,103	2,428	618	490	323	142
1999	2,830	2,419	620	501	308	136

* Headcount, not full-time equivalent.

Fall Semester	Freshman and Transfer (Combined)*			
	Number of Apps.	Offered Admission	Selectivity Ratio	New Enrollments
2003	3,596	2,856	79.4%	710
2002	3,468	2,877	83.0%	798
2001	3,643	2,826	77.6%	742
2000	3,593	2,751	76.6%	760
1999	3,331	2,727	81.9%	756

*Headcount, not full-time equivalent

Graduate Programs

New enrollment data is not tracked for the College's graduate program.

Enrollment and Degrees

Academic Year	Enrollments			
	Undergrad. FTE	Extended Educ. FTE	Graduate FTE	Total FTE
2003	2,440	591	680	3,711
2002	2,542	573	636	3,751
2001	2,460	398	630	3,488
2000	2,459	363	627	3,449
1999	2,305	372	701	3,378

Academic Year	Degrees and Certificates Granted by Level (Academic Year)			
	Bachelor	Post-Baccalaureate	Master	Total Degrees Granted
2002	676	22	163	861
2001	723	9	185	917
2000	728	26	214	968
1999	792	61	191	1,044
1998	747	16	265	1,028

Degrees and Certificates - 2003 in progress, not yet available.

Tuition

SMC has raised its rates of tuition in each of the past five academic years and believes that its rates remain competitive compared to those of other private institutions with which SMC competes for students.

Academic Year	Undergraduate Tuition, Fees, Room and Board		
	Undergraduate Tuition and Fees	Room and Board	Undergraduate Total
2003	\$23,640	\$9,075	\$32,715
2002	\$20,885	\$8,550	\$29,435
2001	\$19,525	\$8,050	\$27,575
2000	\$18,255	\$7,555	\$25,810
1999	\$17,475	\$7,370	\$24,845

Faculty

SMC's full-time faculty under contract numbered 196 during the 2002-2003 academic year. Approximately 95% of the full-time faculty had obtained the terminal degree in their field and in the 2002-2003 academic year, 62% of full-time instructional faculty was tenured. In addition, SMC employed over 395 part-time faculty. SMC was served by 18 Christian Brothers who donated their services to SMC as faculty or staff during the 2002-2003 academic year. The 2002-2003 undergraduate student/faculty ratio was approximately 13 to 1. SMC anticipates these numbers to remain relatively constant in the 2003-2004 academic year. SMC does not utilize graduate teaching assistants.

Academic Year	Faculty Summary (Full-Time Equivalent)			
	Tenured Full-Time	Other Full-Time	Part-Time FTE	Total FTE
2002	121	75	96.9	292.9
2001	113	69	94.9	276.9
2000	104	88	108.3	300.3
1999	103	72	93.6	268.6
1998	131	41	88.6	260.6

2003 information not yet available.

IV. BACKGROUND:

General:

SMC is one of the oldest colleges in the West. Founded in San Francisco in 1863, its stewardship was assumed by the Christian Brothers in 1868. After its 1872 California Incorporation, SMC was given a charter empowering it to confer degrees and to exercise all other privileges of a university. The campus was relocated to Oakland in 1889 and then moved to its present site in Moraga in 1928 where it continues to offer a comprehensive array of liberal arts and professional undergraduate and graduate programs.

Religious Certification:

Since SMC is religiously affiliated with the Catholic Church and it was required to provide both a certification of compliance with the provisions of the Authority's Act relating to religion, and a more comprehensive certification detailing compliance with the specific standards as required by the Authority.

Issuer Counsel and Bond Counsel have reviewed the certifications and have determined that SMC responded satisfactorily to all questions.

Administration:

The governance of SMC is entrusted to a self-perpetuating Board of Trustees (the "Board") composed of 18 individuals, not less than six nor more than ten of whom must be Christian Brothers. There are currently two vacancies on the Board. On May 23, 2003, the Board voted to increase the size of the Board to 25 individuals, which will be effective upon the amendment of the College's Articles of Incorporation to implement such change. The leader of the San Francisco Province of the Christian Brothers and the President of the College are members of the Board by right of office. The other Trustees are elected to three-year terms and no Trustee may hold more than three successive terms except Trustees by right of office. The Trustees elect a Chairman for a term of two years. The Board normally meets three times each year and has six standing committees, including an Executive Committee and a Finance and Facilities Committee. In between meetings of the Board, the Executive Committee is empowered to take any action that the Board may take in emergency or exigent circumstances (as determined by the Executive Committee).

Accreditations and Affiliations:

SMC is accredited by the Western Association of Schools and Colleges. It also has professional accreditation from the following organizations: Commission on Teacher Credentialing, California State Board of Registered Nursing, National League for Nursing, American Bar Association, Montessori Accreditation Council for Teacher Education, American Association of Museums, and National Collegiate Athletic Association.

In addition to the accreditation organizations listed above, SMC is affiliated with the following organizations: American Association of Colleges for Teacher Education, American Association of Colleges of Nursing, American Montessori Society, Association of American Colleges and Universities, Association of Catholic Universities and Colleges, Association of Independent California Colleges and universities, California Association of Colleges for Teacher Education, Council for Advancement and Support of Education, Council for Higher Education Accreditation, Council of Independent Colleges, Executive MBA Council, Institute of International Education, Internal Association of Lasallian Institutions of Higher Education, and National Association of Independent Colleges and Universities.

Academic Programs:

SMC is organized into five schools, School of Liberal Arts, School of Science, School of Economics and Business Administration, School of Education, and School of Extended Education which provide the programs of study for students at the undergraduate and graduate levels. In addition, the Intercollegiate Nursing Program offers the degree of Bachelor of Science in Nursing in its co-institutional program with Samuel Merritt College.

Competition:

SMC competes for students with the following educational institutions:

<u>Institution</u>	<u>Location</u>
Cal Poly San Luis Obispo	San Luis Obispo, California
Loyola Marymount University	Los Angeles, California
Santa Clara University	Santa Clara, California
University of California, Berkeley	Berkeley, California
University of California, Davis	Davis, California
University of San Diego	San Diego, California
University of California, Santa Barbara	Santa Barbara, California

According to SMC’s management, prospective students report that they apply because of its academic reputation, small class size, and close contact to faculty.

SMC is consistently ranked as one of the top comprehensive institutions in the West by *US News & World Report*. SMC has also been included in the Princeton Review’s Best College Guide for the past eleven years.

V. OUTSTANDING DEBT:

<u>Issue:</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding as of 6/30/03 *</u>	<u>Estimated Amount Outstanding After Proposed Financing</u>
<i>Existing CEFA:</i>			
Revenue Bonds, 1993 *	\$ 28,675,000	\$ 24,635,000	\$ 25,375,000 **
Revenue Bonds, 2001	24,000,000	24,000,000	24,000,000
<i>Other:</i>			
Housing Bonds, 1964	2,963,000	771,000	686,000
Note Payable to Bank, due 2005	2,100,000	1,785,000	1,785,000
<i>Proposed:</i>			
CEFA Equipment Financing 2004			1,700,000
Total	<u>\$ 57,738,000</u>	<u>\$ 51,191,000</u>	<u>\$ 53,546,000</u>

* Includes current portion.

** Series 1993 Bonds were refunded in July 2003 (new Series 2003 amount \$25,375,000), not yet reflected in audited financials.

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 an equipment financing resolution for St. Mary's College of California in an amount not to exceed \$1,700,000 with a term of 7 years.