

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

Applicant:	California Lutheran University ("CLU") Thousand Oaks, California Ventura County	Amount Requested:	\$39,000,000
		Date Requested:	Sept. 23, 2004
		Requested Loan Term:	26 years
Facility Type:	Private University	Resolution Number:	218
Accreditations:	Western Association of Schools and Colleges		
Use of Bond Proceeds: Proceeds will be used to current refund the CEFA 1993 Series B bonds, advance refund the CEFA 1998 Series A bonds and restructure a line of credit. CLU also intends to construct student housing and an athletic facility to meet the needs of a growing student population.			
Type of Issue:	Negotiated public offering, 2004 Series A variable rate, 2004 Series B taxable variable rate, 2004 Series C fixed rate.		
Credit Enhancement:	Citibank, NA Direct Pay Letter of Credit for 2004 Series A and B No credit enhancement for 2004 Series C		
Expected Credit Rating:	2004 Series A & B – Aa/VMIG 1(Moody's) based on LOC with an underlying rating of Baa1 (Moody's), 2004 Series C – Baa1 - Fixed		
Senior Underwriter:	Prager, Sealy & Co., LLC		
Bond Counsel:	Orrick, Herrington & Sutcliffe, LLP		
Financial Overview: CLU had a negative margin in fiscal year 2002 due to unrealized investment losses but has shown impressive margins of 10.32% and 23.76% in fiscal years 2003 & 2004. CLU's balance sheet continues to grow and shows a positive trend in net assets.			
Sources of Revenues - FYE 5-31-04:			
(Unrestricted Funds)			
	<u>Amount</u>	<u>Percent</u>	
Net tuition and fees	\$29,500,764	54.0%	
Net gains (losses) on other investments	8,065,235	14.8%	
Auxiliary enterprise revenue	7,439,684	13.6%	
Contributions	3,209,255	5.9%	
Government grants	1,990,735	3.6%	
Endowment income	1,637,080	3.0%	
Sales and services of educational activities	1,400,444	2.6%	
Other revenue	<u>1,337,356</u>	<u>2.5%</u>	
Total revenue	<u>\$54,580,553</u>	<u>100%</u>	
Estimated Sources of Funds:			
Bond Proceeds	\$39,000,000		
Trustee held funds	<u>1,000,000</u>		
Total Sources	<u>\$40,000,000</u>		
Estimated Uses of Funds:			
Construction/Renovation		\$25,102,956	
Refunding/Restructuring		10,824,608	
Debt service reserve		2,885,595	
Capitalized interest		600,881	
Financing costs		<u>585,960</u>	
Total Uses		<u>\$40,000,000</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 \$39,000,000 to issue tax exempt and taxable revenue bonds for California Lutheran University, subject to a bond rating of at least a "Baa" category (or equivalent short-term rating) by a nationally recognized rating agency and the standard bond issuance guidelines for Baa rated debt.			

**STAFF SUMMARY AND RECOMMENDATION
BOND FINANCING PROGRAM**

September 23, 2004

CALIFORNIA LUTHERAN UNIVERSITY (CLU)

Resolution Number: 218

- I. PURPOSE OF FINANCING:** CLU plans to current refund the CEFA 1993 Series B bonds, advance refund the CEFA 1998 Series A bonds, and restructure a line of credit. CLU also intends to construct student housing and an athletic facility to meet the needs of a growing student population.

Uses of Funds:

- **Construction** **\$25,102,956**

CLU will be constructing a new 180-bed residence hall that will include an associated plaza and parking, access roads and site utilities.

CLU will also be constructing a new athletic facility that will include a fitness center, aquatics center, sports medicine lab, volleyball and basketball courts, baseball, football and soccer fields. With the addition of these new facilities, CLU expects to attract more students to remain competitive. Additionally, these improvements will increase annual net revenues approximately \$1 million.

- **Current Refunding** **\$3,549,804**

CLU intends to current refund its 1993 Series B bonds to achieve a net present value savings of approximately \$187,000 over the life of the bonds.

- **Advance Refunding**..... **\$4,379,804**

CLU intends to advance refund its 1998 Series A bonds with the issuance of tax-exempt and taxable bonds. Since a portion of the 1998 Series A bonds previously refinanced the 1990 CEFA bonds, the remaining 1998 Series A bonds are not eligible for another tax-exempt refinancing under the IRS tax codes. Approximately 83% or \$3,573,150 of the proposed refunding will become taxable and the remaining 17% or \$731,850 will be tax exempt. There will be no savings associated with this refunding, however, CLU will resolve its outstanding parity debt issue.

- **Restructuring Line of Credit** **\$2,895,000**

CLU will be restructuring a line of credit that is due to City National Bank on December 5, 2004. CLU borrowed against the line of credit to make the April 1, 2004 principal payment on the 1999 Series B bonds.

▪ Debt service reserve	\$2,885,595
▪ Capitalized interest fund	\$600,881
▪ Financing costs	<u>\$585,960</u>
Underwriters Discount	\$338,068
Cost of Issuance	\$247,892
Total Uses of Funds	<u>\$40,000,000</u>

Financing Structure:

Series A – \$5,897,500

- Negotiated public offering
- Tax Exempt, variable rate with a Direct Pay Letter of Credit from Citibank
- Expected rating is Aa/VMIG 1 (Moody’s) with an underlying rating of Baa1
- Final maturity 2029

Series B – \$4,172,500

- Negotiated public offering
- Taxable, variable rate with a Direct Pay Letter of Credit from Citibank
- Expected rating is Aa/VMIG 1 (Moody’s) with a an underlying rating of Baa1
- Final maturity 2013

Series C – \$28,930,000

- Negotiated public offering
- Tax Exempt, fixed rate
- Expected rating is Baa1 (Moody’s)
- Final maturity 2029
- Secured by a real property valued at \$35.8 million leading to a loan-to-value ratio of 88%
- Debt service reserve fund

II. FINANCIAL STATEMENTS AND ANALYSIS:

CALIFORNIA LUTHERAN UNIVERSITY Statement of Activities (unrestricted)

	Year Ended May 31,		
	2004	2003	2002
Revenues, gains, and other support			
Tuition and fees, net	\$29,500,764	\$27,247,580	\$26,241,181
Government grants	1,990,735	2,318,408	2,184,345
Contributions	3,209,255	2,666,288	1,518,252
Endowment income (loss)	1,637,080	(1,371,050)	(2,918,076)
Net gains (losses) on other investments	8,065,235	(69,565)	40,417
Sales and services of educational activities	1,400,444	1,479,078	1,158,389
Other sources	1,337,356	1,321,741	1,612,153
Sales and services of auxiliary enterprises	7,439,684	7,042,991	6,719,834
	<u>54,580,553</u>	<u>40,635,471</u>	<u>36,556,495</u>
Net assets released from restrictions	5,220,340	8,204,781	1,906,307
Reclassifications	945,163	(73,357)	(39,597)
Total revenues, gains and other support	<u>60,746,056</u>	<u>48,766,895</u>	<u>38,423,205</u>
Expenses			
Instruction	19,208,789	17,928,406	15,691,882
Public service	2,264,319	2,299,936	1,881,116
Academic support	3,368,284	3,267,719	3,004,433
Student services	6,092,873	5,890,187	5,517,762
Auxiliary enterprises	7,256,158	6,920,641	6,389,638
Institutional support	8,121,788	7,426,592	7,414,658
Operation and maintenance of plant	2,748,548	2,712,255	2,398,566
Depreciation	3,298,713	3,117,763	2,709,820
Interest	834,582	859,845	916,600
Less: Allocated expenses	(6,881,843)	(6,689,863)	(6,024,986)
Total expenses	<u>46,312,211</u>	<u>43,733,481</u>	<u>39,899,489</u>
Change in net assets	14,433,845	5,033,414	(1,476,284)
Unrestricted net assets at beginning of year	36,445,807	31,412,393	32,888,677
Unrestricted net assets at end of year	<u>\$ 50,879,652</u>	<u>\$ 36,445,807</u>	<u>\$31,412,393</u>

CALIFORNIA LUTHERAN UNIVERSITY
Statements of Financial Position

	As of May 31,		
	2004	2003	2002
ASSETS:			
Cash and cash equivalents	\$ 10,870,226	\$ 5,941,194	\$ 7,904,480
Receivables			
Student accounts, net doubtful accounts	1,221,717	1,042,846	1,143,880
Grants	717,896	152,577	99,051
Contributions	4,089,744	1,911,291	2,488,799
Other	388,105	315,141	281,028
Prepaid expenses, inventories and deposits	140,733	208,309	229,147
Student notes receivable, net	1,565,715	1,355,417	1,369,504
Land held for sale, at cost	-	3,640,000	1,931,068
Endowment investments	40,171,376	26,747,346	27,655,974
Deferred gift investments	2,459,526	3,251,311	2,598,536
Foundation investments	8,395,449	8,159,747	8,285,069
Other investments	832,817	1,117,006	499,454
Funds held in trust by others	240,651	343,768	372,712
Deposits with trustee			
Cash and short-term investments	1,500,210	1,454,418	1,459,478
Corporate and government bonds	749,672	781,373	777,068
Construction in progress	3,088,593	1,274,456	5,603,466
Property, plant and equipment	39,333,271	39,197,033	29,621,923
Total assets	<u>\$ 115,765,701</u>	<u>\$ 96,893,233</u>	<u>\$ 92,320,637</u>
LIABILITIES:			
Accounts payable	\$ 1,221,860	\$ 1,114,690	\$ 1,471,067
Accrued liabilities	4,443,322	3,329,244	3,049,934
Accrued retirement benefits		186,294	204,051
Student housing deposits	239,868	237,972	237,060
Deferred revenue	1,469,062	1,776,910	1,485,783
Long-term debt	17,286,838	15,679,881	15,260,029
Capital lease obligations	54,690	363,680	646,718
Annuities payable	5,405,576	6,326,660	5,153,937
Deposits held in trust for others	101,452	189,301	106,365
Government grants refundable	1,426,678	1,411,887	1,428,126
Total liabilities	<u>31,649,346</u>	<u>30,616,519</u>	<u>29,043,070</u>
NET ASSETS			
Unrestricted	50,879,652	36,445,807	31,412,393
Temporarily restricted	9,348,440	7,163,579	10,152,612
Permanently restricted	23,888,263	22,667,328	21,712,562
Total net assets	<u>84,116,355</u>	<u>66,276,714</u>	<u>63,277,567</u>
TOTAL LIABILITIES AND ASSETS	<u>\$ 115,765,701</u>	<u>\$ 96,893,233</u>	<u>\$ 92,320,637</u>

Financial Ratios:

	Proforma (a)			
	FYE May 31, 2004	2004	2003	2002
Debt service coverage (x)	4.30	3.27	5.05	1.24
Debt/Unrestricted net assets (x)	0.91	0.36	0.56	0.52
Margin (%)		23.76	10.32	(3.84)
Current Ratio (x)		2.58	1.64	2.10

(a) Recalculates 2004 audited results to include the payment of this proposed financing.

Financial Discussion:

CLU had a negative margin in fiscal year 2002 due to unrealized investment losses but has shown impressive margins of 10.32% and 23.76% in fiscal years 2003 and 2004.

The overall financial position of CLU has continued to improve over our review period. Total revenues have increased approximately 58% over the last three years. Revenue consists of a variety of sources that include tuition, investments and contributions. With a positive trend in student enrollment and a 5% average annual increase in tuition, total tuition revenue increased 12% over the last three years. CLU is constructing a new 180-bed residence hall that will help increase revenues approximately a \$1 million per year. CLU is also constructing a new athletic facility that will also help increase revenues by attracting students who may not otherwise go to CLU. Improving investments, as well as growing contributions increased unrestricted net assets from \$31.4 million in FY 2002 to \$50.9 million in FY 2004.

CLU's balance sheet continues to grow and shows a positive trend in net assets.

CLU 's total net assets have increased approximately 33% over our review period. Cash and cash equivalents have increased from \$7.9 million in FY 2002 to \$10.9 in FY 2004. CLU's proforma debt service coverage ratio of 4.30x demonstrates its ability to easily repay this debt. Leverage will increase substantially with a debt to unrestricted net assets ratio of 0.91x, from .36x but CLU has over \$84 million in net assets, providing good liquidity.

III. STUDENTS, COLLEGE COSTS, AND FACULTY STATISTICS:

Students

The fall 2003 entering freshman class had representatives from 20 states and nine foreign countries; 31% of the class was from outside California. The average entering GPA for the freshman class was 3.5, with SAT composite scores of 1080.

Freshman Application Pool

Academic Year	Applications	Acceptances	Matriculations*
1999-00	902	696	326
2000-01	987	778	364
2001-02	1,029	859	392
2002-03	1,051	772	333
2003-04	1,217	941	335

* Students entering in the fall semester of academic year

The following table provides information regarding student enrollments and the number of degrees conferred at the University for each of the five most recent academic years.

Enrollments and Degrees

Academic Year	Undergrad. Headcount ⁽¹⁾	FTE	Bachelor Degrees ⁽¹⁾⁽²⁾	Graduate Headcount	FTE	Masters Degrees ⁽³⁾
1999-00	1,850	1,688	433	944	541	235
2000-01	1,816	1,759	455	947	866	206
2001-02	1,846	1,803	485	1,011	907	204
2002-03	1,891	1,869	469	1,058	980	250
2003-04	1,920	1,879	503	1,000	958	258

⁽¹⁾ Includes Adult Degree Evening Program.

⁽²⁾ Includes degrees posting in November and December in the Fall semester, February & May in the Spring Semester and the following August.

⁽³⁾ Includes 100 Bachelor Degree applications and 84 Masters Degree applications expected to be posted by the Registrar in August of 2004.

Tuition, Fees and Room and Board

Tuition, room and board and fees for full-time day program students at CLU for the 2004-05 year total \$29,390. A five-year summary of tuition, fees and room and board is provided below:

Comprehensive Fees

Academic Year	Undergraduate Tuition and Fees	Graduate Tuition & Fees (Graduate/MBA/ADEP (1))	Room and Board (2)
2000-01	\$17,000	\$360-\$405-\$400	\$6,460
2001-02	\$18,260	\$370-\$425-\$410	\$6,656
2002-03	\$19,250	\$390-\$445-\$430	\$6,920
2003-04	\$20,400	\$410-\$465-\$450	\$7,200
2004-05	\$21,820	\$435-\$490-\$475	\$7,570

⁽¹⁾ Adult Degree Evening Program

⁽²⁾ Based on double occupancy and a 19-meal plan.

Faculty Summary

The following table reflects the number of full-time and part-time faculty appointments for the past five academic years, as well as the number of full-time faculty with tenure. The data is for instructional faculty only, and excludes deans, associate deans, coaches, administrators and librarians who may hold faculty rank. Shared faculty appointments in joint programs are not included.

Academic Year	Full Time	Part Time	Total FTE	Tenured
1999-00	99	134	96.7	54
2000-01	106	138	103.7	59
2001-02	110	131	107.2	66
2002-03	119	136	114.7	62
2003-04	122	127	117.2	65

IV. BACKGROUND:

General:

CLU is a nonprofit, privately endowed, coeducational liberal arts institution that offers undergraduate, graduate, doctoral, and continuing education programs. CLU's 225-acre principal campus is in the City of Thousand Oaks, in the Conejo Valley in Ventura County, 39 miles northwest of Los Angeles. CLU is the only private higher education institution with its principal campus located in Ventura County that offers four-year undergraduate, graduate and doctoral degrees.

CLU was founded in 1959 by the American Lutheran Church and the Pacific Southwest Synod of the Lutheran Church in America and commenced operations on its Thousand Oaks campus in the fall of 1961. In January 1988, with the merger of three Lutheran Church bodies, CLU became a University of The Evangelical Lutheran Church in America. Notwithstanding CLU Lutheran affiliation, persons of all religious persuasions are welcome at CLU as members of the student body and faculty. During the 2003-2004 academic year, approximately 74% of the full-time undergraduates and approximately 79% of the faculty were not affiliated with the Lutheran Church.

Administration:

A Board of Regents of up to 33 persons governs CLU. Members of the Board (except ex officio members) can be elected to three, three-year terms. The Board exercises all corporate power and controls the officers of CLU. There are currently two vacancies on the Board.

Accreditation:

CLU is 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. This accreditation was originally granted in 1962 and was last reaffirmed in July 1999. The next re-accreditation review is scheduled for 2006. In addition to WASC accreditation, CLU has been accredited by professional bodies including the National Athletic Training Association, the National Council for Accreditation for Teacher Education and is authorized by the State of California Commission for Teacher Preparation and Licensing to offer credentials under the Teacher Preparation and Licensing Law of 1970.

Academic Programs:

CLU is primarily a liberal arts institution that offers undergraduate, graduate, and continuing education programs through its College of Arts and Sciences, School of Business, School of Education, and the Office of Graduate Studies and Continuing Education. In addition, CLU offers summer sessions as an extension of its academic programs.

The College of Arts and Sciences is organized into 23 departments within four divisions: Humanities, Fine Arts, Natural Sciences and Social Sciences. Students may choose among 36 majors and 28 minors. They can receive pre-professional training for study in law, medicine or

theology, and undergraduate preparation in bioengineering. In addition to the full compliment of arts and sciences disciplines, the University has programs in business and education. In order to more clearly distinguish professional areas from study in arts and sciences, schools in business and education were established in 1989. The School of Business offers Bachelor of Arts degrees in Economics and in Marketing/Advertising, a Bachelor of Science degree in Accounting, and Bachelor of Arts and Bachelor of Science degrees in Business Administration. The School of Education offers a Bachelor of Arts degree in Liberal Arts to University undergraduate students.

CLU offers its graduate students a wide-range of master's level programs including Master of Science degrees in Computer Science, Psychological Counseling with an emphasis in Marriage & Family Counseling, and Clinical Psychology, a Master of Business Administration degree, a Master of Public Administration degree, and a number master-level degrees in education (which can be pursued in conjunction with the California Teachers Credential). In addition, the University offers a doctoral program in Educational Leadership. CLU operates two graduate education centers in Ventura and Woodland Hills, California.

Religious Certification:

CLU is an independent University affiliated with the Lutheran Church. It has provided the certification of compliance with the provisions of the CEFA Act relating to religion.

Competition:

The following is a list of CLU's actual competition based on FAFSA cross-listings.

California State University Northridge
San Diego State University
California Polytechnic State University San Luis Obispo
Loyola Marymount University
California State University Long Beach
University of California Los Angeles
Pepperdine University
University of California Irvine
University of Redlands
University of California San Diego
University of San Diego
University of Southern California
Chapman University

V. OUTSTANDING DEBT:

Issue:	Original Amount	Amount Outstanding As of 5/31/04*	Amount Outstanding after Proposed Financing
Existing:			
CEFA 1993 Series B	\$ 6,625,000	\$ 3,475,000	\$ 0
CEFA 1998 Series A	5,000,000	4,435,000	0
CEFA 1999 Series B	5,645,000	2,490,000	2,490,000
Notes payable		3,991,838	3,991,838
Line of Credit	2,895,000	2,895,000	0
Proposed:			
CEFA 2004 Series A, B, C			39,000,000
Total		<u>\$17,286,838</u>	<u>\$45,481,838</u>

*Includes current portion

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 the Applicant.

VII. STAFF RECOMMENDATION:

Staff recommends the Authority approve a resolution in an amount not to exceed \$39,000,000 to issue tax exempt and taxable revenue bonds for California Lutheran University, subject to a bond rating of at least a "Baa" category (or equivalent short-term rating) by a nationally recognized rating agency and the standard bond issuance guidelines for Baa rated debt.