

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

<b>Applicant:</b>	Occidental College (“Occidental”) Los Angeles, California Los Angeles County 2005	<b>Bond Par Amount:</b>	\$65,000,000
		<b>Loan Term:</b>	31 years
		<b>Date Requested:</b>	February 24, 2005
		<b>Resolution Number:</b>	222
<b>Facility Type:</b>	Private University		
<b>Accreditation:</b>	Western Association of Schools and Colleges		
<b>Project:</b>	Bond proceeds will be used to acquire, construct, install and equip a residence hall, athletic facilities, administrative office buildings and related infrastructure improvements. Proceeds will also be used to advance refund a portion of CEFA’s Series 1997 bonds.		
<b>Type of Issue:</b>	Public Offering, Fixed and/or Variable interest rates		
<b>Credit Enhancement:</b>	MBIA insurance		
<b>Expected Rating:</b>	Aaa/VMIG1 (Moody’s). Expected underlying rating of an A category.		
<b>Senior Underwriter:</b>	Banc of America Securities LLC		
<b>Bond Counsel:</b>	Orrick, Herrington & Sutcliffe		
<b>Financial Overview:</b>	Occidental has shown improving operating results during our review period. Occidental’s balance sheet continues to grow with good liquidity, minimal debt, very strong debt service coverage, and significant financial resources.		
<b>Sources of Revenue - FY 6/30/04:</b>			
<b>(Unrestricted Funds)</b>			
	<u>Amount</u>	<u>Percent</u>	
Tuition, net	\$31,334,318	44.6%	
Auxiliary sales/services	12,904,765	18.4%	
Investment income for operations	12,683,119	18.1%	
Private gifts, grants & contracts	3,908,262	5.6%	
Assets released for operations, net	3,195,524	4.5%	
Federal/state grants & contracts	2,838,696	4.0%	
Other	2,563,282	3.6%	
Federal grants for SFA	768,532	1.1%	
Life income/annuity contract additions	36,536	0.1%	
Total unrestricted revenue	<u>\$70,233,034</u>	<u>100.0%</u>	
<b>Sources of Funds:</b>		<b>Uses of Funds:</b>	
Par amount of CEFA bonds	\$65,000,000	Construction	\$36,168,273
		Advance Refunding	21,225,000
		Debt Service Reserve Fund	3,310,080
		Capitalized Interest	2,704,270
		Cost of Issuance	1,592,377
Total Sources	<u>\$65,000,000</u>	Total Uses	<u>\$65,000,000</u>
<b>Legal Review:</b> No information was disclosed to question the financial viability or legal integrity of the Applicant.			
<b>Staff Recommendation:</b> Staff recommends the Authority approve a resolution for an amount not to exceed \$65,000,000 for Occidental College, subject to the bonds being rated at least an “A” category or equivalent short-term rating by a nationally recognized rating agency and meeting the standard bond issuance provisions for A rated debt.			

**STAFF SUMMARY AND RECOMMENDATION**  
**Occidental College**  
 (“Occidental”)

February 24, 2005  
 Resolution Number: 222

**I. PURPOSE OF FINANCING:**

Occidental proposes to use bond proceeds to acquire, construct, install and equip a residence hall, athletic facility, administrative office buildings and related infrastructure improvements to meet the growing demand for services. Proceeds will also be used to advance refund a portion of the Series 1997 bonds.

**Construction ..... \$ 36,168,273**

Occidental is proposing to construct and equip a residence hall, athletic facility, administrative office buildings and related infrastructure. The new residence hall will provide an estimated 300 beds.

**Advance Refunding ..... 21,225,000**

Occidental is proposing to advance refund a portion of CEFA’s 1997 revenue bonds with an approximate net present value savings of \$1.2 million. The bonds were originally used to construct, renovate, acquire and equip a variety of projects on the main campus and the adjoining property.

**Debt Service Reserve Fund..... 3,310,080**

**Capitalized Interest ..... 2,704,270**

**Financing Costs..... 1,592,377**

Cost of Issuance	.....	285,000
Underwriter Discount	.....	244,900
Insurer’s Counsel	.....	30,000
Insurance Premium	.....	1,032,477

**TOTAL USES OF FUNDS..... \$65,000,000**

**Financing Structure:**

- Public Offering.
- Fixed Rate or Variable.
- MBIA Insured with Aaa/VMIG1 (Moody’s) rating.
- 31-year maturity.
- Debt Service Reserve Fund.
- Capitalized Interest Fund
- Financial integrity covenants.

## II. FINANCIAL STATEMENTS AND ANALYSIS:

Occidental College  
Statements of Activities  
(Unrestricted)

	Period Ending June 30,		
	2004	2003	2002
<b>REVENUES:</b>			
Tuition and fees, net	\$ 31,334,318	\$ 28,077,591	\$ 25,895,546
Private gifts, grants & contracts	3,908,262	3,891,831	4,157,245
Federal/state grants & contracts	2,838,696	328,704	3,677,505
Auxiliary sales and services	12,904,765	12,131,293	11,914,707
Investment income for operations	12,683,119	11,395,303	(15,770,951)
Federal grants for SFA	768,532	798,090	730,829
Life income/annuity contract additions	36,536	178,564	10,000
Other	2,563,282	2,630,529	2,377,475
Net assets released for operations	3,195,524	-	-
Total revenues	<u>70,233,034</u>	<u>59,431,905</u>	<u>32,992,356</u>
<b>EXPENSES:</b>			
Instruction	23,888,094	22,627,177	21,651,222
Research	2,094,049	1,929,452	2,107,134
Public service	2,123,961	2,084,038	1,702,079
Academic support	4,750,423	4,543,953	4,190,290
Student services	7,714,242	6,968,981	6,694,534
Institutional support	14,330,213	14,197,280	13,802,380
Auxiliary enterprises	14,373,758	13,411,018	13,286,425
Total expenses	<u>69,274,740</u>	<u>65,761,899</u>	<u>63,434,064</u>
Operating income	958,294	(6,329,994)	(30,441,708)
<b>Other Changes in Net Assets</b>			
Net assets released for capital expenditures	4,118,637	11,389,033	3,577,627
Annuity funds released	(13,933)	1,159,601	-
Present value adjustment for annuities	(136,367)	(518,765)	(242,802)
Change in fair market value of assets held in trust	-	-	-
Realized and unrealized gains (loses)	28,020,403	-	-
Redesignation	875,510	-	-
Total other changes in net assets	<u>32,864,250</u>	<u>12,029,869</u>	<u>3,334,825</u>
Changes in net assets	33,822,544	5,699,875	(27,106,883)
Net assets, beginning of the year	196,219,113	190,519,238	217,626,121
Net assets, end of year	<u>\$ 230,041,657</u>	<u>\$ 196,219,113</u>	<u>\$ 190,519,238</u>

Occidental College  
Statement of Financial Position

	As of June 30,		
	2004	2003	2002
<b>Assets</b>			
Cash and cash equivalents	\$ 4,498,569	\$ 4,228,927	\$ 3,080,532
Assets, limited use	3,254,764	2,834,451	2,807,076
Student Accounts Receivable	302,196	421,650	524,681
Contracts & grants receivable	1,197,413	1,034,283	2,588,049
Student Notes Receivable	14,603,267	14,141,432	14,843,835
Contributions receivable	1,244,509	84,535	370,099
Inventories	505,228	542,432	553,715
Trust deeds receivable	3,534,698	4,086,045	4,658,493
Investments	290,144,306	257,506,699	258,826,284
Property & equipment, net	72,040,243	70,435,101	61,137,301
Other assets	1,182,124	1,105,412	1,171,182
Deposits with bank trustees	3,043,770	2,897,371	2,732,066
Bond discounts, net	1,014,944	1,060,053	1,105,161
Assets held in trust	11,834,530	10,948,291	11,147,245
Total assets	<u>\$ 408,400,561</u>	<u>\$ 371,326,682</u>	<u>\$ 365,545,719</u>
<b>Liabilities</b>			
Accounts payable/accrued expenses	\$ 8,971,704	\$ 9,367,612	\$ 7,001,634
Student deposits and deferred revenue	4,646,215	5,056,271	3,557,460
Notes Payable	619,313	-	-
Bonds Payable	32,367,000	33,063,000	33,729,000
Government loans payable	4,052,099	3,965,498	3,965,498
Annuities payable	8,418,924	7,646,148	7,774,821
Other liabilities	-	-	647,055
Total liabilities	<u>59,075,255</u>	<u>59,098,529</u>	<u>56,675,468</u>
Net assets:			
Unrestricted	230,041,657	196,219,113	190,519,238
Temporarily restricted	11,764,547	9,788,332	14,376,361
Permanently restricted	107,519,102	106,220,708	103,974,652
	<u>349,325,306</u>	<u>312,228,153</u>	<u>308,870,251</u>
Total Assets and Liabilities	<u>\$ 408,400,561</u>	<u>\$ 371,326,682</u>	<u>\$ 365,545,719</u>

**Financial Ratios:**

	Proforma (a)			
	FYE June 30, 2004	2004	2003	2002
Debt service coverage (x)	7.38	15.76	4.51	(8.58)
Debt/Unrestricted net assets (x)	0.34	0.15	0.17	0.18
Margin (%)		32.81	7.98	(74.62)
Current Ratio (x)		1.17	0.92	1.34

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

## **Financial Discussion:**

### **Occidental has shown improving operating results during our review period.**

The financial results of Occidental continue to improve during our review period as a result of higher tuition/fee revenues, improved investment returns and control of operational expenses. Tuition and fees have increased approximately 10% annually over our review period as a result of increased student enrollment and a higher tuition/fee structure. New enrollments have climbed to an all-time high for freshman and transfer students and the College expects this trend to continue. Occidental's investment gains also improved during our review period, from a \$15 million loss in fiscal year 2002 to a gain of approximately \$13 million in fiscal year 2004. In addition, fiscal year 2004 benefited from a significant increase in federal grants and a release from net assets for operations. Expenses have remained steady, increasing only 9% from 2002 to 2004.

Occidental will be constructing a residence hall providing an estimated 300 new beds that will increase net revenues by approximately \$2.2 million, beginning in fiscal year 2007.

### **Occidental's balance sheet continues to grow with good liquidity, minimal debt, very strong debt service coverage, and significant financial resources.**

Unrestricted net assets have increased approximately 21% over our review period. Cash and cash equivalents have increased from approximately \$3 million in Fiscal Year 2002 to approximately \$4.5 million in Fiscal Year 2004. Debt service coverage is currently a very strong 15.76x and even with the proposed new debt of \$35 million, remains very good at 7.38x. Debt to unrestricted net assets ratio will increase from a .15x to .34x, still a very acceptable level. Occidental has had an increase of nearly 21% in its unrestricted net assets from 2002 to 2004 now exceeding \$230 million.

### III. STUDENTS, COLLEGE COSTS, AND FACULTY STATISTICS:

#### Freshman and Transfer

Fall Semester	# of Applicants	Offered Admission	New Enrollments
2000	3,487	1,987	552
2001	3,866	1,858	510
2002	4,427	1,889	494
2003	4,770	2,079	494
2004	5,134	2,283	546

#### Graduate Programs

Fall Semester	# of Applicants	Offered Admission	New Enrollments
2000	11 (11)=22	11 (10)=21	9 (9)=18
2001	15 (6)=21	12 (9)=21	11 (6)=17
2002	10 (6)=16	7 (8)=15	8 (5)=13
2003	16 (2)=18	13 (4)=17	10 (2)=12
2004	18 (8)=26	17 (9)=26	16 (6)=22

Numbers in parentheses ( ) are credential students who are **non-degree** seeking students.

#### Undergraduate Tuition, Fees Room & Board

Academic Year	Tuition and Fees	Room & Board	Total
2000	\$23,510	\$6,820	\$30,330
2001	24,686	7,094	31,780
2002	25,920	7,450	33,370
2003	27,734	7,830	35,564
2004	29,120	8,230	37,350

#### Degrees

Academic Year	Bachelor	Graduate	Total
2000	336	17	353
2001	380	18	398
2002	339	14	353
2003	404	8	412
2004	459	16	475

### Faculty Full-Time Equivalent (FTE)

Academic Year	Tenured Full Time	Other Full Time	Part Time FTE	Total FTE
2000	111	27	21	135
2001	92	50	21	142.3
2002	101	49	21	140.8
2003	93	49	19.67	143.8
2004	93	42	23.2	158.2

#### IV. BACKGROUND:

Founded in 1887, Occidental was originally located in the Boyle Heights area of Los Angeles. In 1896, the College's only building burned down, forcing a relocation to the city's Highland Park area. By 1910, space limitations forced a third and final move to the Eagle Rock section of northeast Los Angeles, midway between Glendale and Pasadena. The new campus, planned by noted architect Myron Hunt, was officially dedicated in 1914. The 120 acre campus has 46 major buildings. These include 11 residence halls, the Belle Wilber Thorne Hall, the Remsen Bird Hillside Theater, the Keck Theater, the Robert Freeman College Union and other classroom and administration buildings. The Mary Norton Clapp Library is one of the finest library facilities of any comparable institution. Currently, the library holds more than 900,000 books, video and microform units, and subscriptions to 900 periodicals of scholarly journals and newspapers, as well as the College's large collection of rare books.

Although founded by a group of Presbyterian ministers and laymen, Occidental has had no formal religious association since 1910. The mission of Occidental College is to provide its students with a total educational experience of the highest quality -- one that prepares them for leadership in an increasingly complex, interdependent and pluralistic world. The distinctive interdisciplinary and multicultural focus of the College's academic program seeks to foster both the fulfillment of individual aspirations and a deeply rooted commitment to the public good.

#### Administration:

Occidental is governed by a self-perpetuating Board of Trustees composed of 36 members. The Bylaws require that the Board of Trustees include the President of the College, the President of the Alumni Association Board of Governors, and eight alumni-designated Trustees. With the exception of the President of the College and the President of the Alumni Association Board of Governors, who serve by virtue of their offices, all members of the Board of Trustees are elected for four-year terms. Approximately one-fourth of the members are elected annually.

At the annual meeting, the Board of Trustees elects a Chair and one or more Vice Chairs to serve for one year. A Treasurer, a Secretary, and an Assistant Secretary, who need not be members of the Board, are also elected at that time to serve for a similar term. In addition to an Executive Committee, which acts for the Board between meetings, the Board has nine advisory committees. The full Board meets five times a year.

**Accreditation and Affiliations:**

Occidental is accredited by the Western Association of Schools and Colleges (the “WASC”) and holds membership in a number of regional and national organizations related to higher education. The most recent WASC accreditation was in 2001.

**Competition:**

The following list is based on cross-admitted student data as reported in the Admitted Student Questionnaire (ASQ) and shows Occidental’s top 8 competitors.

- University of California, San Diego
- University of California, Santa Barbara
- University of Southern California
- University of California, Los Angeles
- University of California, Davis
- University of California, Berkeley
- University of California, Santa Cruz
- Pitzer College

**V. OUTSTANDING DEBT:**

<b>Issue</b>	<b>Original Amount</b>	<b>Amount Outstanding As of 6/30/04</b>	<b>Amount Outstanding after Proposed Financing</b>
<b>Existing:</b>			
HUD 1979 Dormitory Bonds	\$ 1,159,000	\$ 317,000	\$ 317,000
CEFA Series 1997	35,000,000	31,375,000	11,867,847
<b>Proposed:</b>			
CEFA Series 2005	65,000,000	<u>0</u>	<u>65,000,000</u>
		<u>\$ 31,692,000</u>	<u>\$ 77,184,847</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 for an amount not to exceed \$65,000,000 for Occidental College subject to the bonds being rated at least “A” by a nationally recognized rating agency and meeting the standard bond issuance provisions for A rated debt.