CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
BOND FINANCING PROGRAM

EXECUTIVE SUMMARY

Applicant: California College of the Arts ("CCA")
Oakland, California
Alameda County

Bond Par Amount: $31,060,000
Loan Term: 30 years
Date Requested: March 30, 2005
Resolution Number: 225

Facility Type: Private College
Accreditation: Western Association of Schools and Colleges, National Association of Schools of Art and Design, and the National Architectural Accrediting Board

Project: Bond proceeds will be used to acquire and renovate several buildings at both campus locations. Proceeds will also be used to refinance the Series 1993 B, Series 1995 B and potentially the Series 1998A Authority debt.

Type of Issue: Public Offering, Fixed interest rate
Credit Enhancement: None
Expected Pool Rating: Baa3 (Moody's)
Senior Underwriter: E.J. De La Rosa & Co., Inc.
Bond Counsel: Squire, Sanders & Dempsey LLP

Financial Overview: CCA's revenues have continued to increase over our review period. CCA's balance sheet continues to grow and show a positive trend in net assets.

Sources of Revenue - FY 4/30/04:

(Unrestricted Funds)	Amount	Percent
Tuition and fees	$26,176,000	81.76%
Net assets released from restrictions	3,060,000	9.56%
Auxiliary enterprises	1,282,000	4.00%
Investment earnings	565,000	1.76%
Private gifts and bequests	576,000	1.80%
Other sources	357,000	1.12%
Total unrestricted revenue	$32,016,000	100.00%

Sources of Funds:

Par amount of CEFA bonds	$31,060,000
Total Sources:	$31,060,000

Uses of Funds:

Purchase/renovate buildings	10,000,000
Refinancing	19,684,857
Debt service reserve	860,603
Financing costs	514,540
Subtotal	$31,060,000

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 for an amount not to exceed $31,060,000 for the California College of the Arts, subject to a rating of at least a "Baa3" or "BBB-" by a nationally recognized rating agency, certain bond covenants as described in the "Financing Structure" section, and meeting the standard bond issuance provisions for Baa rated debt.

(KS)

STAFF SUMMARY AND RECOMMENDATION
California College of the Arts

March 30, 2005
Resolution Number: 225

I. PURPOSE OF FINANCING.

CCA proposes to use bond proceeds to acquire and renovate several buildings at both campus locations. CCA also proposes to refinance the Series 1993 B, Series 1995 B and the Series 1998 A bonds.

Purchase and renovate buildings ***$10,000,000***

Bond proceeds will be used to acquire and renovate several buildings at both campus locations.

Refinancing ***$19,684,857***
With the refinancing CCA will have an annual savings of nearly $70,000. However, the primary reason for refinancing the three series is to restructure CCA's aggregate debt. By refinancing CCA can achieve level aggregate debt service.

Series 1993 B – bond proceeds were originally used to renovate various buildings on the Oakland campus, to acquire and renovate a building at the San Francisco campus, to construct various facilities and to refinance the 1987 & 1990 Pooled Facilities Program bonds.

Series 1995 B – bond proceeds were originally used to renovate a newly acquired building at 480 Irwin Street, San Francisco, CA.

Series 1998 A – bond proceeds were originally used to fund a variety of renovation projects at both the Oakland and San Francisco campuses. The renovations at both campuses provided better space utilization.

Debt Service Reserve **$860,603**

Financing Costs **$514,540**

Cost of Issuance $231,590
Underwriter Discount $282,950

TOTAL USES OF FUNDS **$31,060,000**

Financing Structure:

- Public Offering, Fixed Rate.
- 30-year maturity.
- Expected credit rating of Baa3 (Moody's) or BBB- (Standard & Poor's)
- General Obligation and Gross Revenue Pledge.
- Deed of Trust to secure property.
- Debt Service Reserve Fund.
- Financial integrity covenants regarding maintenance of liquidity and debt service coverage.

II. FINANCIAL STATEMENTS AND ANALYSIS

California College of the Arts
Statement of Activities
Unrestricted

	Fiscal Year Ended April 30, 2004	2003	2002
Revenue and Support:			
Net Tuition and fees	$ 26,176,000	$ 24,199,000	$ 22,192,000
Investment earnings	565,000	271,000	418,000
Private gifts, grants and bequests	576,000	305,000	1,373,000
Auxiliary enterprises	1,282,000	1,119,000	758,000
Other sources	357,000	613,000	171,000
Total revene	28,956,000	26,507,000	24,912,000
Net assets relaeased from restrictions	3,060,000	2,636,000	2,304,000
Net revenue	32,016,000	29,143,000	27,216,000
Expenses:			
Instruction	12,381,000	11,612,000	12,848,000
Instructional services	3,088,000	3,317,000	3,412,000
Student services	3,082,000	2,857,000	3,130,000
Student aid	375,000	328,000	294,000
Auxiliary enterprises	457,000	391,000	423,000
General and administrative	9,938,000	9,479,000	5,093,000
Marketing and fundraising	1,744,000	1,681,000	1,857,000
Total expenses	31,065,000	29,665,000	27,057,000
Extraordinary loss on bond refunding			(1,495,000)
Change in Net Assets	951,000	(522,000)	(1,336,000)
Net assets - beginning of year	13,122,000	13,644,000	14,980,000
Net Assets - end of year	$ 14,073,000	$ 13,122,000	13,644,000

California College of the Arts
Statement of Financial Position

	As of April 30,		
	2004	2003	2002
Assets			
Current assets:			
Cash and equivalents	$ 3,439,000	$ 5,353,000	$ 4,536,000
Restricted cash	128,000	147,000	2,952,000
Accounts receivable, net	457,000	392,000	350,000
Grants/pledges receivable, current portion	1,976,000	2,062,000	1,083,000
Investments, current portion	1,174,000	3,039,000	1,433,000
Other current assets	348,000	396,000	524,000
Total current assets	7,522,000	11,389,000	10,878,000
Student Loans receivable, net	1,347,000	1,319,000	1,326,000
Property, plant and equipment, net	40,873,000	40,735,000	39,672,000
Grants and pledges receivable, net	3,320,000	3,220,000	45,000
Investments, net	20,816,000	15,471,000	18,645,000
Contributions receivable from irrevocable trusts	1,290,000	1,235,000	1,313,000
Other assets	488,000	449,000	472,000
Total Assets	$ 75,656,000	$ 73,818,000	$ 72,351,000
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	2,869,000	2,890,000	3,924,000
Bonds payable, current portion	744,000	713,000	679,000
Tuition deposits	676,000	726,000	611,000
Other liabilities	332,000	227,000	235,000
Total current liabilities	4,621,000	4,556,000	5,449,000
Bonds payable, net of current portion	32,070,000	32,800,000	33,500,000
Refundable loan program advances	890,000	893,000	889,000
Other long-term liabilities	1,250,000	1,538,000	1,580,000
Total liabilities	38,831,000	39,787,000	41,418,000
Net assets:			
Unrestricted	14,073,000	13,122,000	13,644,000
Temporarily restricted	8,841,000	7,035,000	8,656,000
Permanently restricted - endowment	13,911,000	13,874,000	8,633,000
Total net assets	36,825,000	34,031,000	30,933,000
Total Liabilities and Net Assets	$ 75,656,000	$ 73,818,000	$ 72,351,000

Financial Ratios:

	Proforma (a) April 30, 2004	2004	2003	2002
Debt service coverage (x)	1.41	1.70	1.15	0.81
Debt/Unrestricted net assets (x)	3.29	2.33	2.55	2.51
Margin (%)		2.97	(1.79)	0.58
Current Ratio (x)		1.63	2.5	2.00

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

Financial Discussion:

CCA's revenues have continued to increase over our review period.

CCA's total revenues increased nearly 18% over our review period, primarily due to an increase in student enrollment of approximately 9% and an increase in tuition and fees averaging 6% each fiscal year. CCA relies on student derived fees for over 80% of its operating revenue and with the increasing demand for services this should provide a steady source of revenue for CCA. CCA's investment gains have improved overall showing an increase of 35% from fiscal year 2002 to fiscal year 2004. CCA has been able to maintain expenses with the increases being reflective of increasing salaries and benefits due to the additional staff needed for the increased enrollment.

With the refinancing CCA will have an average savings of 7.25%. However, the primary reason for refunding the three series is to restructure CCA's aggregate debt. By refunding the three series, CCA can achieve level aggregate debt service for the next 30 years.

CCA's balance sheet continues to grow and show a positive trend in net assets.

CCA's total net assets have increased from $30.9 million in fiscal year 2002 to $36.8 million in fiscal year 2004, an increase of approximately 19% over our review period. CCA's debt service coverage ratio goes from 1.70x to a proforma of 1.41x. Leverage will increase substantially with a proforma debt to unrestricted net assets of 3.29x from an already high 2.33x. Even though CCA will be highly leveraged, it is anticipated that CCA will be able to repay the debt.

III. STUDENTS, COLLEGE COSTS, AND FACULTY STATISTICS.

Applications and New Enrollments

Freshman and Transfers Applicant Pool

Academic Year	Applications	Offered Admission	New Enrollments	Selectivity Ratio
2000-01	862	634	345	74%
2001-02	976	677	302	69%
2002-03	1079	818	385	76%
2003-04	1186	945	384	80%
2004-05	1229	994	418	81%

Graduate Programs*

Fall Semester	Applications	Offered Admission	New Enrollments	Selectivity Ratio
2000	400	136	60	34%
2001	393	152	67	39%
2002	521	215	93	41%
2003	584	227	97	39%
2004	726	278	172	52%

*Headcount not full time equivalent

Enrollments and Degrees

Academic Year	Undergrad FTE	Grad FTE	Total FTE	Bachelor	Graduate	Total
1999-00	978.6	66.8	1045.4	167	24	191
2000-01	1029.1	90.7	1220.4	177	26	203
2001-02	1075.3	123.2	1198.5	199	38	237
2002-03	1153.6	156.1	1309.7	188	59	247
2003-04	1214.6	165.3	1379.9	228	64	292
2004-05	1230.1	261.8	1491.9			

Tuition and Fees:

Academic Year	Undergrad Tuition & Fees	Room & Board	Undergrad Total
2000-01	$19,460	$4,200	$23,660
2001-02	20,690	4,400	25,090
2002-03	21,920	5,200	27,120
2003-04	23,250	5,600	28,850
2004-05	24,640	5,800	30,440

Faculty:

Academic Year	Tenured Full Time	Other Full Time	Part time FTE	Total FTE
2000-01	21	11	103	135
2001-02	23	11	116	150
2002-03	25	9	125	159
2003-04	25	14	129	168
2004-05	25	18	136	179

IV. BACKGROUND

CCA, founded in 1907, has been distinguished by its recognition of the craft art forms as fine arts and for its interdisciplinary approaches to the fields of art, architecture, and design. In design, "West Coast Imagery" is largely the product of designers associated with CCA for the last two decades. In architecture, CCA has created a new American architecture school, accredited by the National Architectural Accrediting Board. CCA maintains two campuses located in Oakland and San Francisco, California. The curriculum is designed to educate artists, not just to train specialists; thus, CCA also has extensive requirements in humanities and sciences.

Administration:

CCA is governed by a self-sustaining Board of Trustees, comprised of 38 leaders in business and the community. The terms of approximately one-third of the Trustees expire annually with currently no limit on the number of terms a Trustee can serve.

The Board of Trustees is responsible for the overall management of CCA, including its physical assets, development programs, academic policy, long-range planning, and financial and budgetary affairs. The Board of Trustees has seven standing committees: Academic, Advancement, Business, Executive, Committee on Trustees, Investment, and Marketing.

Accreditation and Affiliations:

CCA's latest accreditation was last October 2002 by the Western Association of Schools and Colleges (WASC). CCA is also accredited by the National Association of Schools of Art and Design (NASAD), the National Architectural Accrediting Board (NAAB), and the Foundation of Interior Design Education Research (FIDER).

Competition:

CCA's main competitors through out the United States are as follows:

Art Center College of Design, Pasadena, CA
California Institute of the Arts, Valencia, CA
Maryland Institute College of Art, Baltimore, Maryland
Otis College of Art and Design, Los Angeles, CA
Pratt Institute, New York, NY
Rhode Island School of Design, Providence, RI
School of the Art Institute of Chicago, Chicago, IL

V. OUTSTANDING DEBT.

Issue Name:	**Original Amount**	**Amount Outstanding As of 4/30/04**		**Estimated Amount Outstanding after Proposed Financing**
Existing				
CEFA Pooled Loan Program,1993B	$5,985,000	$3,705,000		$0
CEFA Pooled Loan Program,1995B	3,200,000	2,565,000		0
CEFA Pooled Loan Program,1998A	13,300,000	12,307,000		0
CEFA 2001	14,490,000	14,481,000		14,481,000
Proposed				
CEFA 2005				31,060,000
Totals		$33,058,000	*	$45,541,000

*Includes current portion but **does not** include unamortized bond discount

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 for an amount not to exceed $31,060,000 for the California College of the Arts, subject to a rating of at least "Baa3"or "BBB-" by a nationally recognized rating agency, certain bond covenants as described in the "Financing Structure" section, and meeting the standard bond issuance provisions for Baa rated debt.