

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

BOND FINANCING PROGRAM

EXECUTIVE SUMMARY

<p>Applicant: Occidental College (the "College") 1600 Campus Road Los Angeles, CA 90041 Los Angeles County</p> <p>Facility Type: Private University</p> <p>Project Location: 1600 Campus Road, Los Angeles, California 90041, Los Angeles County</p> <p>Accreditation: Western Association of Schools and Colleges (WASC)</p>	<p>Amount Requested: \$20,000,000</p> <p>Date Requested: January 31, 2008</p> <p>Resolution Number: 251</p>														
<p>Use of Proceeds: Bond proceeds will be used to complete the student housing renovations of the Erdman Hall, Wylie Hall and Bell-Young Hall dormitories and related parking and infrastructure improvements. These projects address the life safety, exiting and ADA compliance requirements.</p>															
<p>Type of Issue: Negotiated public offering, fixed rates</p> <p>Credit Enhancement: Bond insurance if economically feasible</p> <p>Expected Rating: Underlying Rating: Aa3 (Moody's) Credit Rating with enhancement: Aaa (Moody's)</p> <p>Underwriter: Bank of America Securities LLC</p> <p>Bond Counsel: Orrick, Herrington and Sutcliffe</p>															
<p>Financial Status: The College continues to post positive operating results supported by growth in tuition revenue over the review period. The College's balance sheet continues to grow with good liquidity, minimal debt and a solid debt service coverage.</p>															
<p>Sources of funds:</p> <table><tr><td>Par Amount of Bonds</td><td>\$20,000,000</td></tr><tr><td>Net premium</td><td>399,000</td></tr><tr><td>Total Sources</td><td><u>\$20,399,000</u></td></tr></table>	Par Amount of Bonds	\$20,000,000	Net premium	399,000	Total Sources	<u>\$20,399,000</u>	<p>Uses of funds:</p> <table><tr><td>Renovations</td><td>\$18,400,000</td></tr><tr><td>Capitalized Interest</td><td>1,466,000</td></tr><tr><td>Financing Costs</td><td><u>533,000</u></td></tr><tr><td>Total Uses</td><td><u>\$20,399,000</u></td></tr></table>	Renovations	\$18,400,000	Capitalized Interest	1,466,000	Financing Costs	<u>533,000</u>	Total Uses	<u>\$20,399,000</u>
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Net premium	399,000														
Total Sources	<u>\$20,399,000</u>														
Renovations	\$18,400,000														
Capitalized Interest	1,466,000														
Financing Costs	<u>533,000</u>														
Total Uses	<u>\$20,399,000</u>														
<p>Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.</p>															
<p>Staff Recommendation: Staff recommends the Authority approve a Resolution in an amount not to exceed \$20,000,000 for Occidental College subject to a bond rating of at least an "A" by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "A" rated debt.</p>															

STAFF SUMMARY AND RECOMMENDATION

Occidental College (“The College”)

January 31, 2008

Resolution Number: 251

I. PURPOSE OF FINANCING: The College seeks to upgrade and renovate three dormitories on campus. These projects address the life safety, exiting and ADA compliance requirements.

Renovations of Dormitories..... \$18,400,000

Erdman Hall Dormitory Project..... \$6,150,000

Renovation of Erdman Hall Dormitory will include new ADA accessible parking features, building systems services, reinstallation of the existing flooring, fully remodeled restrooms, four additional dorm rooms, ADA accessible restroom with shower, ADA accessible laundry room space, ADA accessible pantry space, and other dormitory necessities for student occupancy. Currently, Erdman Hall has 48 rooms, including 26 singles and 21 doubles that accommodate 70 students.

Wylie Hall Dormitory Project..... 6,100,000

The renovation to the Wylie Hall Dormitory will also include new accessible parking features building systems services, reinstallation of the existing flooring, fully remodeled restrooms, three additional dorm rooms, ADA accessible restroom with shower, ADA accessible laundry room space, ADA accessible living room space and other dormitory necessities for student occupancy. At the present time, Wylie Hall features 38 extra-large sleeping rooms consisting of 26 singles, two doubles and 10 triples that accommodate 51 students.

Bell-Young Hall Dormitory Project..... 6,150,000

The renovation to the Bell-Young Hall Dormitory will also include new ADA accessible parking features, building systems services reinstallation of the existing flooring, fully remodeled restrooms, six additional dorm rooms, ADA accessible R.A apartment, unisex restroom, ADA accessible laundry room space, wheelchair lift to the lower level of the lounge and other dormitory necessities for student occupancy. Presently, Bell-Young Hall provides housing for up to 110 guests, with 53 double occupancy rooms, and four single occupancy rooms.

Capitalized Interest Fund..... \$1,466,000

Financing costs..... \$533,000

Costs of Issuance \$360,000

Insurance Premium 173,000

TOTAL USES OF FUNDS \$20,399,000

Financing Structure:

- Negotiated public offering
- General obligation pledge
- Fixed rate
- 32-year term, final maturity 2040
- Expected rating: Moody's underlying rating (Aa3)/Aaa with bond insurance

II. FINANCIAL ANALYSIS:

Occidental College
Statement of Activities
Unrestricted

	Fiscal Year Ended June 30,		
	2007	2006	2005
Operating:			
Revenues:			
Tuition revenue, net	\$ 50,451,031	\$ 46,841,651	\$ 34,733,755
Private gifts, grants and contracts	10,139,775	10,756,854	10,662,986
Federal and state grants and contracts	2,543,305	2,537,275	2,646,503
Auxiliary sales and services	-	-	13,295,930
Investment income designated for operations	14,141,594	13,101,322	12,765,225
Other	4,676,517	4,515,034	1,283,506
Net assets released for operations	245,530	-	38,959
	<u>82,197,752</u>	<u>77,752,136</u>	<u>75,426,864</u>
Expenses:			
Academic programs	39,703,891	38,146,800	32,210,982
Co-curricular program	19,910,834	18,437,221	15,875,844
Public service	3,979,675	4,686,525	2,919,778
Marketing	8,693,895	8,408,625	7,882,012
Institutional support	6,452,139	7,110,381	12,264,815
Total expenses	<u>78,740,434</u>	<u>76,789,552</u>	<u>71,153,431</u>
Total operating income	3,457,318	962,584	4,273,433
Other changes in net assets			
Net assets released for capital expenditures	1,573,038	1,482,606	1,101,979
Annuity funds released	-	-	207,649
Present value adjustment for annuities	(152,249)	(571,394)	(206,177)
Realized and unrealized gains, net	48,435,226	30,037,665	21,751,510
Decreased in student loan reserve	-	-	608,157
Redesignation of net assets	(93,099)	(174,646)	186,298
Total other changes in net assets	<u>49,762,916</u>	<u>30,774,231</u>	<u>23,649,416</u>
Cumululative effect of change in accounting principle	-	(2,711,835)	-
Change in net assets	53,220,234	29,024,980	27,922,849
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>286,989,486</u>	<u>257,964,506</u>	<u>230,041,657</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 340,209,720</u>	<u>\$ 286,989,486</u>	<u>\$ 257,964,506</u>

Occidental College
Statement of Financial Position

	As of June 30,		
	2007	2006	2005
ASSETS:			
Cash and cash equivalents	\$ 4,382,491	\$ 1,742,722	\$ 8,913,115
Assets whose use is limited	20,645,531	42,686,769	42,724,008
Student account receivable, net	366,603	288,120	443,954
Contracts and grants receivable	1,305,298	726,885	862,393
Student notes receivable, net	15,930,593	16,050,105	16,113,999
Contributions receivable, net	2,165,421	2,133,754	2,291,675
Inventories	536,731	523,412	501,685
Trust deeds receivable	2,785,875	2,924,394	3,154,609
Investments	434,191,714	365,347,669	322,245,836
Property and equipment, net	105,677,645	82,138,879	77,530,350
Other assets	1,378,779	2,366,436	600,594
Deposits with bank trustees	150,221	137,852	194,130
Bond issuance costs	1,265,670	1,312,546	1,359,423
Assets held in trust by others	14,920,526	12,588,806	12,656,070
Total assets	\$ 605,703,098	\$ 530,968,349	\$ 489,591,841
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts payable and accrued expenses	\$ 12,098,372	\$ 9,481,910	\$ 9,977,132
Student deposits and deferred revenue	4,578,339	3,255,067	3,919,142
Notes payable	-	-	282,432
Bonds payable	70,531,000	70,543,000	70,600,000
Bond premium, net	1,971,464	2,044,481	2,117,498
Government loans payable	4,167,567	4,167,567	4,167,567
Annuities payable	15,372,650	12,188,077	11,133,803
Other liabilities	2,629,194	2,711,835	-
Total liabilities	111,348,586	104,391,937	102,197,574
Net assets:			
Unrestricted	340,209,720	286,989,486	257,964,506
Temporarily restricted	20,700,288	20,192,207	16,349,732
Permanently restricted	133,444,504	119,394,719	113,080,029
TOTAL NET ASSETS	494,354,512	426,576,412	387,394,267
TOTAL LIABILITIES AND NET ASSETS	\$ 605,703,098	\$ 530,968,349	\$ 489,591,841

Financial Ratios

	Proforma (a)			
	<u>FYE 6/30/07</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Debt service coverage (x)	13.97	19.74	12.12	17.43
Debt to expendable net assets (x)	0.25	0.20	0.23	0.26
Expendable net assets to operations (x)		4.70	3.90	3.86
Margin (%)		1.2	4.2	5.5

(a) Recalculates 2007 results to include the impact of this proposed financing .

Financial Discussion:

The College continues to post positive operating results supported by growth in tuition revenue over the review period.

The College relies on tuition as a primary source of its revenue. In FY 2007, tuition revenue accounted for 61.4% of total revenues. Other revenue sources include investment income, and private gifts, grants and contracts, providing the College with a well-diversified revenue base. Net tuition for FY 2007 totaled approximately \$50.4 million and has increased approximately 45% from FY 2005. Private gifts, grants and contracts as well as federal/state grants and contracts have remained steady over the review period.

Operating expenses totaled \$78.7 million in FY 2007, increasing by \$2 million or 2.5% as compared to the prior fiscal year. Keeping their expenses in line has allowed the College to post operating results of approximately \$3.4 million in FY 2007.

The College's balance sheet continues to grow with good liquidity, minimal debt and a solid debt service coverage.

Unrestricted net assets have increased approximately 32% over the review period. Cash and cash equivalents have decreased from approximately \$8.9 million in FY 2005 to approximately \$4.3 million in FY 2007 due to the use of cash for construction and timing of reimbursement. Debt service coverage is currently a very strong 19.74x and with the proposed new debt of \$20 million, remains solid at 13.97x. Debt to expendable net assets ratio will increase slightly from a 0.20x to 0.25x remaining an acceptable level.

III. BACKGROUND:

General:

Founded in 1887, the College 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.

Administration:

The College 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.

Accreditations and Affiliations:

The College is accredited by the Western Association of Schools and Colleges. In addition, the College holds membership in a number of regional and national organizations related to higher education. The Delta of California Chapter of Phi Beta Kappa was established at the College in 1926. The most recent WASC accreditation was in 2001.

Academic Programs:

The College offers undergraduate and graduate degrees in a wide range of disciplines including interdisciplinary study, community-based learning, overseas studies, and one of the country's best undergraduate research programs. The College's students have been admitted to top graduate programs, and it ranks among the top 10 percent of liberal arts colleges whose graduates have earned Ph.D.s. Twice during the past four years, *Newsweek* named the college as one of the nation's best colleges in recognition of the core values that define the College. Since winning its first Rhodes Scholarship in 1907, the College has consistently won national and international recognition for academic achievement, *U.S. News and World Report* has ranked the College in the top tier of liberal arts colleges since 1991.

IV. OUTSTANDING DEBT:

Issue	Original Amount	Amount Outstanding As of 6/30/07*	Amount Outstanding after Proposed Financing
Existing:			
1979 HUD Dormitory Bonds, Series D	\$419,000	\$196,000	\$196,000
CEFA Revenue Bonds, Series 2005A and 2005B	70,335,000	70,335,000	70,335,000
Proposed:			
CEFA Revenue Bonds, Series 2008		_____	<u>20,000,000</u>
Total		<u>\$70,531,000</u>	<u>\$90,754,000</u>

*Includes current portion.

V. DUE DILIGENCE:

Due diligence has been completed with regard to the following items:

- Religious Due Diligence
- Legal Review
- Compliance with AB 1341 – California Environmental Quality Act

VI. STAFF RECOMMENDATION:

Staff recommends the Authority approve a Resolution in an amount not to exceed \$20,000,000 for Occidental College subject to a bond rating of at least an “A” by a nationally recognized rating agency and meeting the standard bond issuance guidelines for “A” rated debt.