

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

TAX-EXEMPT COMMERCIAL PAPER

EXECUTIVE SUMMARY

<p>Applicant: Stanford University (the "University") Stanford, California Santa Clara County</p> <p>Facility Type: Private University Accreditation: Western Association of Schools and Colleges</p>	<p>Amount Requested: \$300,000,000 Date Requested: April 24, 2008 Requested Loan Term: 30 years Resolution Number: 255</p>																
<p>Use of Note Proceeds: Tax-exempt commercial paper notes will be issued to support various planned capital expenditures and improvements within the University as part of its on-going capital plan.</p>																	
<p align="center">Type of Issue: Tax-exempt commercial paper issue Negotiated public offering, variable interest rates 30-year maturity with final maturity in 2038</p> <p>Credit Enhancement: None</p> <p>Expected Credit Rating: P-1/A-1+/F1+ – (Moody's/S & P/Fitch) based on University credit</p> <p>Senior Remarketing Agent: Goldman, Sachs & Co.</p> <p>Co-Remarketing Agent: Morgan Stanley & Co. Incorporated</p> <p>Bond Counsel: Orrick, Herrington & Sutcliffe</p>																	
<p>Financial Overview: Stanford University appears strong. The balance sheet appears solid with substantial liquidity including impressive fundraising results.</p>																	
<table border="0" style="width: 100%;"> <tr> <td colspan="2"><u>Estimated Sources of Funds (\$000):</u></td> <td colspan="2"><u>Estimated Uses of Funds (\$000):</u></td> </tr> <tr> <td>Note Proceeds</td> <td align="right">\$300,000</td> <td>Capital projects</td> <td align="right">\$299,960</td> </tr> <tr> <td></td> <td></td> <td>Financing Costs</td> <td align="right">40</td> </tr> <tr> <td>Total Sources</td> <td align="right"><u>\$300,000</u></td> <td>Total Uses</td> <td align="right"><u>\$300,000</u></td> </tr> </table>		<u>Estimated Sources of Funds (\$000):</u>		<u>Estimated Uses of Funds (\$000):</u>		Note Proceeds	\$300,000	Capital projects	\$299,960			Financing Costs	40	Total Sources	<u>\$300,000</u>	Total Uses	<u>\$300,000</u>
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<p>Legal Review: No information was disclosed to question the financial viability or legal integrity of this applicant.</p>																	
<p>Staff Recommendation: Staff recommends the Authority approve a resolution in an amount not to exceed \$300,000,000 to issue tax-exempt commercial paper for Stanford University, subject to the notes meeting the minimum TECP program requirements, specified in Resolution Number 2002-02.</p>																	

**STAFF SUMMARY AND RECOMMENDATION
TAX EXEMPT COMMERCIAL PAPER PROGRAM (“TECP”)**

April 24, 2008
Resolution Number: 255

STANFORD UNIVERSITY (the “University”)

I. PURPOSE OF FINANCING: The University is in the midst of a significant multi-year capital improvement plan and is pursuing this TECP financing to issue notes for projects to be completed over the next 30 years. The Authority approved Resolution No. 2002-02 at the March 28, 2002 meeting, permitting the issuance of tax-exempt commercial paper notes to fund the financing needs of eligible projects.

Uses of Funds:

Construction/Renovation..... \$299,960,000

Student Housing – Stanford University currently houses approximately 4,249 graduate students on campus. The existing graduate housing system is full, and the off-campus housing market is not a viable option for many students because it is expensive and has a low vacancy rate. To help meet the student housing shortage, the new Munger Graduate Residence will provide 600 new beds of premium quality graduate student housing. The entire new complex encompasses five buildings (between four and six stories in height), the Student Services Building Haas Center, Lane A, the Law School, Stern Hall, and Arguello Way. The project will also construct a 31,000 gsf Common Program featuring a great hall, food service, convenience store, conference and meeting rooms and administrative space. In addition, Stanford’s Residential and Dining Enterprises has an ongoing capital improvement program to maintain, upgrade and renovate facilities.

Academic Facilities and Infrastructure – New buildings and renovations of existing facilities are planned including: completion of seismic retrofitting and systems updating to academic and support buildings; and systems upgrades of existing classrooms, libraries, laboratories, and student activity facilities. Additional projects involve internal utility systems, parking structures and campus transportation programs, as well as the construction and renovation of several major new academic and research facilities (including the Knight Management Center, Stanford Institutes of Medicine, the Nano Technology Center, the Biology, Environmental and Energy, and the Learning and Knowledge Center.

Environmental Benefit: Stanford aspires to be a leader in sustainable education and practice. There are many initiatives underway at the University to address this important issue. The Environmental benefits include, but are not limited to:

- Focusing on extending the life-cycle of existing facilities to conserve resources, retain cultural resources, reduce waste and minimize the environmental impacts of new construction,

- Implementing new water saving technologies include plumbing retrofits, replacement of once-through cooling systems in laboratories with re-circulating systems and water reclamation for irrigation and flushing toilets,
- Recycling and/or salvage demolition of construction waste whenever possible to divert waste from landfills, and
- Purchasing and use of Energy Star appliances and water-efficient fixtures.

Financing Costs	<u>40,000</u>
Total Uses of Funds	<u>\$300,000,000</u>

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II. FINANCIAL STATEMENTS AND ANALYSIS:

STANFORD UNIVERSITY

Consolidated Statement of Activities Unrestricted (000's)

	Fiscal Year Ended August 31,		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:			
Student Income	\$ 394,062	\$ 376,161	\$ 355,919
Sponsored research support	1,058,158	994,114	973,379
Expendable gifts in support of operations	198,454	167,700	144,331
Investment income	709,549	608,883	514,274
Health Care Services	1,999,437	1,851,156	1,699,172
Other income	422,510	396,358	350,087
Net assets released from restrictions	122,433	117,044	103,430
Total revenues	<u>4,904,603</u>	<u>4,511,416</u>	<u>4,140,592</u>
Expenses:			
Salaries and benefits	2,628,720	2,459,438	2,209,224
Depreciation	266,211	254,334	243,782
Other operating expenses	1,625,310	1,498,751	1,388,476
Total expenses	<u>4,520,241</u>	<u>4,212,523</u>	<u>3,841,482</u>
Excess of revenues over expenses	384,362	298,893	299,110
Other changes in unrestricted net assets			
Current year gifts not included in operations	38,365	3,215	5,512
Investments gains not included in operations	2,868,521	1,861,724	2,123,657
Capital and other gifts released from restrictions	142,828	61,412	37,946
Capital gifts released from University	2,547	764	6,580
Decrease in minimum pension liability	3,593	46,611	(26,774)
Transfer to permanently restricted net assets	(40,676)	(30,917)	(13,128)
Transfer to temporarily restricted net assets	(14,598)	(6,726)	(14,503)
Swap interest and unrestricted losses	(1,824)	(12,965)	(11,019)
Cumulative effect of change in accounting principle	(82,232)	(17,897)	-
Other	(9,879)	(4,241)	(39,931)
Net change in unrestricted net assets	<u>3,291,007</u>	<u>2,199,873</u>	<u>2,367,450</u>
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>14,623,263</u>	<u>12,423,390</u>	<u>10,055,940</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 17,914,270</u>	<u>\$ 14,623,263</u>	<u>\$ 12,423,390</u>

STANFORD UNIVERSITY
Consolidated Statement of Financial Position (000's)

	As of August 31		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
ASSETS:			
Cash and cash equivalent	\$ 646,620	\$ 579,084	\$ 629,215
Accounts receivable, net	656,896	566,716	466,849
Prepaid expenses and other assets	237,661	162,931	110,933
Pledges receivable, net	757,631	618,805	506,872
Student loans receivable, net	65,626	63,374	63,148
Faculty and staff mortgages and other loans receivable, net	334,268	297,956	268,928
Investment at fair value	23,118,655	19,263,211	16,351,384
Plant facilities, net	3,472,369	3,163,930	2,800,418
TOTAL ASSETS	\$ 29,289,726	\$ 24,716,007	\$ 21,197,747
 LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts payable and accrued expenses	\$ 916,772	\$ 856,230	\$ 942,353
Accrued post retirement benefit costs	277,273	135,980	-
Pending trades	141,838	105,796	183,870
Liabilities under security agreements	648,723	658,196	631,955
Deferred rental income	392,999	367,565	362,164
Income beneficiary share of split interest agreements	413,403	344,921	301,896
Notes and bonds payable	2,508,507	2,314,764	1,848,892
U.S. government refundable loan funds	52,685	52,394	54,005
TOTAL LIABILITIES	5,352,200	4,835,846	4,325,135
 NET ASSETS:			
Unrestricted	17,914,270	14,623,263	12,423,390
Temporarily Restricted	1,348,491	1,115,216	653,899
Permanently Restricted	4,674,765	4,141,682	3,795,323
TOTAL NET ASSETS	\$ 23,937,526	\$ 19,880,161	16,872,612
 TOTAL LIABILITIES AND NET ASSETS	 \$ 29,289,726	 \$ 24,716,007	 \$ 21,197,747

Financial Ratios:

	Proforma			
	YE Aug 31, 2007	<u>2007</u>	<u>2006</u>	<u>2005</u>
Debt service coverage (x)	14.27	19.50	20.90	21.03
Debt to expendable net assets (x)	0.15	0.14	0.15	0.13
Expendable net assets to operations (x)		4.26	3.74	3.40
Margin (%)		7.8	6.6	7.7

Financial Discussion:

Stanford University appears strong.

Stanford University reports that it continues to hold a leading market position nationwide with exceptional student demand. According to the University, it is among the nation's leading research universities, continuing to post healthy revenue growth rising from \$4.1 billion in FY 2005 to \$4.9 billion in FY 2007, an increase of 19.5%. The University reports that its revenue stream is highly diversified with its academic operations generating a strong margin averaging close to 7.4% over the last three years.

The income statement reflects a 44% increase in unrestricted net assets of \$12.4 billion in FY 2005 to an increase of nearly \$17.9 billion in FY 2007. This increase appears to have resulted primarily from significant increases in the value of the University's investments and new gifts and pledges.

The balance sheet appears solid with substantial liquidity including impressive fundraising results.

The University maintains significant cash and cash equivalents of \$647 million in FY 2007, an increase of nearly 11.7% from the prior fiscal year. Debt service coverage is based on operating results and remains solid with a pro forma ratio of 14.27x.

The balance sheet is bolstered further by the University's impressive fundraising results. In FY 2007, the University received over 109,000 gifts from 69,000 donors totaling \$853 million. The majority of these gifts and pledges counted towards The Stanford Challenge which was launched in October 2006 with a goal of raising \$4.3 billion over five years. At the end of FY 2007, the campaign total stood at \$2.9 billion from nearly 300,000 gifts.

IV. BACKGROUND:

General:

Founded in 1885, Stanford University is one of a select group of American universities that has achieved eminence in both undergraduate and graduate education and in a broad range of academic disciplines. It is internationally recognized for the quality of its teaching and research, its distinguished faculty and its outstanding student body. Situated on 8,200 acres near Palo Alto in Santa Clara County, the University is 35 miles southeast of San Francisco and 20 miles northwest of San Jose. The program of instruction at the University is organized around seven schools: Business, Earth Sciences, Education, Engineering, Humanities and Sciences, Law and Medicine.

Administration:

The University is governed by a Board of Trustees consisting of a minimum of 25 and a maximum of 35 members, including the President of the University. The Board is responsible for determining policies for operation and control of the University including, among other things, the adoption of the University budget, establishment of schools and departments, investment and accounting policies, debt policy and land use and development. The Board conducts its business through standing committees, including the Committees on Finance, Development, Audit and Compliance, Academic Policy, Land and Buildings, Alumni and External Affairs and the Medical Center. The Board nominates and selects its successors, eight of whom are required to be alumni Trustees.

The Stanford Management Company (“SMC”) was established in 1991 to manage all financial and real estate investment assets of the University. SMC is a division of the University with oversight by an Advisory Board appointed by the University Board of Trustees. SMC oversees approximately \$21.6 billion of endowment and trust assets, including temporarily invested expendable funds and commercial real estate investments.

Accreditation and Affiliations:

The University is fully 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. The last WASC accreditation was in year 2000.

The University also has professional accreditation from the Accreditation Board for Engineering and Technology using criteria and standards developed and accepted by United States engineering communities. The following undergraduate curricula are accredited at the University: Chemical Engineering, Civil Engineering, Electrical Engineering, Industrial Engineering and Mechanical Engineering.

Academic Programs:

Stanford is a major research and teaching university offering a wide range of undergraduate, graduate and professional degree programs. The Schools of Earth Sciences, Engineering and Humanities and Sciences (which includes the arts, humanities, sciences and social sciences) offer both undergraduate and graduate degree programs. The Schools of Business, Education, Law and Medicine offer graduate and professional degree programs. Undergraduate students are admitted to the University and have access to any undergraduate major and to classes and research opportunities

in all seven schools. Degree programs are offered by departments and through interdepartmental programs involving faculty from multiple departments in one or more Schools. The University, its Schools and its academic programs hold all appropriate accreditations.

Stanford's research enterprise extends throughout the University. In addition to research conducted in the Schools, Stanford has a number of interdisciplinary research institutes and centers, which bring together faculty and students from throughout the University to collaborate on research topics that cross traditional boundaries. A representative sample includes the Stanford Linear Accelerator Center, the Hansen Experimental Physics Laboratory, the Woods Institute for the Environment, the Freeman Spogli Institute for International Studies, the Global Climate and Energy Project, the Precourt center for Energy Efficiency, the Stanford Humanities Center, the Center for Computer Research in Music and Acoustics, the Center for Integrated Systems, the Center for Economic Policy Research, and the five Institutes of Medicine. Extensive library and archival resources are available through the Stanford University Libraries and the Hoover Institution on War, Revolution and Peace.

V. CONSOLIDATED OUTSTANDING DEBT (\$000's):

Issue:	Original Issue Amount	Amount Outstanding As of 8/31/07*	Estimated Amount Outstanding after Proposed Financing
Existing:			
CEFA Revenue Bonds			
Series L 1-8, M, N, O, P, Q, R, S, T-1	\$1,048,053	\$ 998,553	\$ 998,553
CEFA Commercial Paper	150,000	24,751	-0-
Stanford University Bonds – Taxable	150,000	150,000	150,000
Medium Term Notes – Taxable	150,000	150,000	150,000
Stanford University Bonds PARS – Taxable		50,000	50,000
Commercial Paper – Taxable		98,200	98,200
Other		8,925	8,925
Subtotal University Notes and Bonds		1,480,429	1,455,678
CHFFA Hospital Bonds	987,395	960,585	960,585
Certificates of Participation	N/A	32,400	32,400
Promissory Note	N/A	1,132	1,132
Capital Lease Obligation	N/A	16,016	16,016
Subtotal Hospital Notes and Bonds		1,010,133	1,010,133
Proposed:			
<i>CEFA Tax-Exempt Commercial Paper-2008 (maximum amount)</i>			<u>300,000</u>
Total		<u>\$2,490,562</u>	<u>\$2,756,886</u>

* Includes current portion.

N/A – Not applicable.

VI. DUE DILIGENCE:

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

- Religious Due Diligence
- Legal Review
- Compliance with Section 94212(b) of the Education Code – California Environmental Quality Act

VII. STAFF RECOMMENDATION:

Staff recommends the Authority approve a resolution in an amount not to exceed \$300,000,000 to issue tax-exempt commercial paper for Stanford University, subject to the notes meeting the minimum TECP program requirements, specified in Resolution Number 2002-02.