

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
BOND FINANCING PROGRAM**

EXECUTIVE SUMMARY

<p>Applicant: Pomona College ("The College") Claremont, CA Los Angeles County</p> <p>Facility Type: Private University</p> <p>Project Location: 550 North College Ave, Claremont, CA 91711</p> <p>Accreditation: Western Association of Schools and Colleges</p>	<p>Amount Requested: \$100,000,000</p> <p>Date Requested: May 29, 2008</p> <p>Resolution Number: 252</p>																
<p>Use of Proceeds: Bond proceeds will be used to finance the construction of two residence halls, several parking structures and a variety of renovation projects.</p>																	
<p style="text-align: center;">Type of Issue: Negotiated public offering, fixed and variable rates</p> <p>Security Loan Provisions: General obligation pledge</p> <p>Credit Enhancement: None</p> <p>Expected Credit Rating: Long-term – AAA (S&P)/ AAA (Fitch)/ Aaa (Moody's) Short-term – A-1+ (S&P)/ F-1+ (Fitch)/ P-1 (Moody's)</p> <p>Senior Manager: Wedbush Morgan Securities</p> <p>Co-Manager: De La Rosa & Co.</p> <p>Bond Counsel: Squire, Sanders & Dempsey LLP</p>																	
<p>Environmental Benefits: The design of the new residence halls and parking structures will incorporate a large number of sustainable design principles. The new residence halls will seek Gold LEED certification.</p>																	
<p>Financial Overview: The College's seemingly solid growth in its revenue base appears to have contributed to the consistent generation of operating surpluses. The College's financial strength appears to be excellent with approximately \$2.1 billion in total net assets.</p>																	
<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="border-bottom: 1px solid black;">Sources of funds:</td> <td colspan="2" style="border-bottom: 1px solid black;">Uses of funds:</td> </tr> <tr> <td style="width: 30%;">Par Amount of Bonds</td> <td style="width: 20%; text-align: right;">\$100,000,000</td> <td style="width: 30%;">Project Fund</td> <td style="width: 20%; text-align: right;">\$98,957,750</td> </tr> <tr> <td></td> <td></td> <td style="border-bottom: 1px solid black;">Financing Costs</td> <td style="text-align: right; border-bottom: 1px solid black;">1,042,250</td> </tr> <tr> <td>Total Sources</td> <td style="text-align: right; border-bottom: 3px double black;">\$100,000,000</td> <td>Total Uses</td> <td style="text-align: right; border-bottom: 3px double black;">\$100,000,000</td> </tr> </table>		Sources of funds:		Uses of funds:		Par Amount of Bonds	\$100,000,000	Project Fund	\$98,957,750			Financing Costs	1,042,250	Total Sources	\$100,000,000	Total Uses	\$100,000,000
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Total Sources	\$100,000,000	Total Uses	\$100,000,000														
<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 \$100,000,000 for Pomona College subject to a bond rating of at least an "A" category by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "A" category rated debt.</p>																	

STAFF SUMMARY AND RECOMMENDATION

Pomona College (“The College”)

May 29, 2008

Resolution Number: 252

I. **PURPOSE OF FINANCING:** The University plans to construct two new residence halls, several parking structures and a variety of renovation projects.

Projects \$98,957,750

Residence Halls – The construction of two new residence halls will result in an increase of approximately 150 beds which are necessary due to the increasingly high demand for on-campus student housing.

- Environmental benefits: The design of the new residence halls will incorporate a large number of sustainable design principles, including maximizing use of natural lighting and climate control. Gold LEED certification will be sought.

Parking structures – The construction of parking structures will be built on top of an existing parking lot. To replace those parking spaces, the College plans to construct a subterranean parking structure and an above ground parking deck. The new parking structures will generate roughly 300 new parking spaces. An entrance road will also be paved to connect two main streets and will allow an entrance/exit for the parking structures as well as a pedestrian walkway.

- Environmental benefits: The design of the parking structures will incorporate a large number of sustainable design principles. The construction is intended not only to make the core campus pedestrian-friendly, but also to encourage faculty, staff and students to park their cars and then walk, which will improve air quality and reduce the College’s carbon footprint over time.

Renovations – The College is planning renovation projects on several campus buildings including: Norton-Clark III, Walker Hall, Seeley Mudd Library, Bridges Auditorium and Oldenborg Hall. Improvements to existing athletic fields will also take place. Renovations will include the renovation of an auditorium to accommodate the College’s expanding Arts Program, the reconfiguration of a dormitory to make the space more operational, and the general renovation of dormitories.

Financing costs..... 1,042,250

Underwriter Fee and Expenses\$667,750

Costs of Issuance..... 374,500

TOTAL USES OF FUNDS \$100,000,000

Financing Structure:

Series A - \$62,000,000

- Negotiated public offering
- 10-year (bullet) Fixed Rate Bonds
- Expected long-term rating: AAA (Fitch)/ Aaa (Moody's)/ AAA (S&P)
- No credit enhancement

Series B - \$38,000,000

- Negotiated public offering
- 48-year Variable Rate Bonds
- Expected short-term rating: F-1+ (Fitch)/ P-1 (Moody's)/ A-1+ (S&P)
- Liquidity provider – Bank of America

II. FINANCIAL ANALYSIS:

Pomona College
Statement of Activities (\$000's)
 Unrestricted

	Fiscal Year Ended June 30,		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating activities:			
Revenues:			
Tuition and fees, net	\$ 45,287	\$ 42,915	\$ 41,429
Federal grants & contracts	1,759	1,615	1,459
Private gifts & grants	7,361	8,661	8,116
Private contracts	438	441	438
Investment income	18,904	16,811	16,266
Net realized & unrealized gains, appropriated	34,717	34,694	32,139
Sales & services of educational departments	251	269	261
Other sources	834	4,078	580
Total revenues	<u>109,551</u>	<u>109,484</u>	<u>100,688</u>
Expenses:			
Instruction	44,361	41,056	37,833
Research	2,833	2,593	2,216
Public service	544	585	573
Academic support	12,794	11,633	9,765
Student services	12,834	11,982	11,204
Institutional support	18,103	15,956	15,979
Auxiliary enterprises	16,416	14,118	12,956
Loss on retirement of debt	-	-	1,682
Total expenses	<u>107,885</u>	<u>97,923</u>	<u>92,208</u>
Increase in net assets from operating activities	1,666	11,561	8,480
Nonoperating:			
Net realized & unrealized gains, unappropriated	292,226	147,530	97,525
Adjustment of actuarial liabilities	9,233	5,067	3,427
Comprehensive gain/loss on staff retirement plan	(159)	1,019	(70)
Annuity & life income funds released	1,458	564	453
Net assets released from restrictions	12,794	1,696	12,611
Change in designation of donor contributions	-	-	(557)
Change in net assets from nonoperating activities	<u>315,552</u>	<u>155,876</u>	<u>113,389</u>
Change in net assets before cumulative effect of change in accounting principle	317,218	167,437	-
Change in accounting principle	-	(5,168)	-
Change in unrestricted net assets	<u>317,218</u>	<u>162,269</u>	<u>121,869</u>
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>1,440,420</u>	<u>1,278,151</u>	<u>1,156,282</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u><u>\$ 1,757,638</u></u>	<u><u>\$ 1,440,420</u></u>	<u><u>\$ 1,278,151</u></u>

Pomona College
Statement of Financial Position (\$000's)

	Fiscal Year Ended June 30,		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
ASSETS:			
Cash	\$ 1,765	\$ 1,613	\$ 3,011
Collateral held for loaned securities	68,050	61,731	-
Accounts receivable, net	3,113	2,152	2,561
Prepaid expenses and deposits	1,315	672	610
Short-term investments	51,188	52,162	28,165
Contributions receivable	24,475	20,935	20,726
Notes receivable, net	18,067	17,573	17,111
Long-term investments:	-	-	-
Pooled	1,833,499	1,516,545	1,344,296
Separately invested	104,517	110,221	202,540
Assets restricted to investment in property & equipment	19,378	29,304	46,363
Plant facilities, net of accumulated depreciation	234,153	206,935	179,288
Total assets	\$ 2,359,520	\$ 2,019,843	\$ 1,844,671
LIABILITIES AND NET ASSETS:			
Accounts payable	\$ 14,465	\$ 12,978	\$ 8,683
Accrued payroll & other liabilities	14,145	13,059	6,186
Securities lending obligation	68,050	61,731	76,408
Life income & annuities obligation	60,847	59,267	49,164
CEFA bonds payable	94,190	96,132	97,999
Government advances for student loans	4,906	4,912	4,897
Funds held in trust for others	26,780	24,474	23,693
Total liabilities	283,383	272,553	267,030
Net assets:			
Unrestricted	1,757,638	1,440,420	1,278,151
Temporarily restricted	45,401	48,938	46,900
Permanently restricted	273,098	257,932	252,590
TOTAL NET ASSETS	2,076,137	1,747,290	1,577,641
TOTAL LIABILITIES AND NET ASSETS	\$ 2,359,520	\$ 2,019,843	\$ 1,844,671

Financial Ratios

	Proforma (a)			
	<u>FYE 6/30/07</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Debt service coverage (x)	54.67	68.46	36.86	30.56
Debt to expendable net assets (x)	0.11	0.05	0.06	0.07
Expendable net assets to operations (x)		16.71	15.21	14.37
Margin (%)		2	11	8

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

Financial Discussion:

The College's seemingly solid growth in its revenue base appears to have contributed to the consistent generation of operating surpluses.

The College appears to continue to generate consistent operating and non-operating results over the three-year review period. Total revenues have grown from \$100.6 million in FY 2005 to \$109.6 million in FY 2007, a 9% increase. The College attributes this increase to steady increases in net tuition and fees, federal grants and contracts, and investment income.

Non-operating activities gained considerable increases in FY 2007 with net realized and unrealized investment gains of \$292.2 million, up nearly 200% from \$97.5 million in FY 2005. Additionally, \$12.8 million of net assets were released from restriction in FY 2007.

The College's financial strength appears to be excellent with approximately \$2.1 billion in total net assets.

Total net assets appear to have grown substantially over the review period, from \$1.5 billion in FY 2005 to nearly \$2.1 billion in FY 2007. Contributing to this growth was a 25% increase in long-term investments as well as an 82% increase in short-term investments.

Over the review period, the College appears to have effectively managed its long-term debt as exhibited by their impressive debt service coverage levels, averaging 45x. Although the College is requesting a substantial increase in long-term debt (nearly double the current amount of long-term debt), with relatively minimal additional annual debt service payments of approximately \$1.2 million and a 48-year maturity, this financing appears that it will not be detrimental to the College's financial strength. The proforma debt service ratio coverage remains strong at nearly 55x, indicating that the College appears to be well-positioned to continue meeting its additional debt obligations.

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III. BACKGROUND:

General:

The College is one of the oldest institutions of higher learning in California. The College is a private, nonprofit, nonsectarian Liberal Arts College located in the city of Claremont, CA. The College was established in 1887-88 under the sponsorship of persons affiliated with the Congregational Churches, ties to which were severed in 1909.

The College is part of the Claremont Colleges, which is a consortium of five undergraduate and two graduate institutions. The seven institutions occupy contiguous campuses and jointly finance a central administration for the operation of shared programs and facilities and services. Although the College is responsible for its share of payments to operate facilities, which are owned jointly by the seven institutions, it is not responsible for the indebtedness of any of the other six institutions. In addition, none of the other six Claremont institutions has any responsibility to make payments with respect to the bonds or any other indebtedness of the College.

Administration:

The College is governed by a self-perpetuating Board of Trustees, which consists of up to 42 members, including the President of the College. The Board of Trustees has legal responsibility for the management of the College, including its academic policy, land use and development, faculty and staff appointments and benefits, gift development, adoption of the College budget and supervision of financial affairs.

Accreditations and Affiliations:

The College is fully accredited by the Western Association of Schools and Colleges, of which it is a member. This accreditation was originally granted in 1949 and was last reaffirmed in 2002. Additionally, the College is a member of the Association of American Colleges; American Association of Collegiate Registrars and Admissions Officers; American Council on Education; American Council of Learned Sciences; Association of Governing Boards of Universities and Colleges; Association of Independent California Colleges and Universities; College Entrance Examination Board; Council for the Advancement and Support of Education; National Association of College and University Business Officers; Independent Colleges of Southern California; and the Consortium on the Financing of Higher Education.

Academic Programs:

The College offers 45 majors in the natural sciences, humanities, social sciences and fine arts. Students may also take courses at any of the other Claremont Colleges.

IV. OUTSTANDING DEBT:

<u>Issue:</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding as of 06/30/07</u>	<u>Estimated Amount Outstanding After Proposed Financing</u>
Existing Debt:			
CEFA, Series 1999A	\$ 17,885,000	\$ 12,805,000	\$ 12,805,000
CEFA, Series 2001	15,220,000	11,820,000	11,820,000
CEFA, Series 2005A	41,879,739	41,879,739	41,879,739
CEFA, Series 2005B	27,040,000	27,040,000	27,040,000
 <i>Proposed:</i>			
CEFA, Series 2008			100,000,000
 Total		\$ 93,544,739	\$ 193,544,739

V. 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

VI. STAFF RECOMMENDATION:

Staff recommends the Authority approve a Resolution in an amount not to exceed \$100,000,000 for Pomona College subject to a bond rating of at least an “A” category by a nationally recognized rating agency and meeting the standard bond issuance guidelines for “A” category rated debt.