

**CALIFORNIA EDUCATIONAL FACILITIES FINANCING AUTHORITY (CEFA)
REFINANCING SUMMARY**

Applicant:	Saint Mary's College of California ("Saint Mary's")	Amount Requested:	\$71,100,000
Project site:	1928 Saint Mary's Road, Moraga, CA 94556	Principal Outstanding:	\$70,275,000
Date Requested:	July 10, 2008	Resolution Number:	259

Background: Many college borrowers are facing unanticipated and staggering financial burdens, associated with significant interest rate increases, due to recent dramatic changes in the auction and variable rate bond markets. Consequently, borrowers (including Saint Mary's) are seeking to quickly refund their debt to extricate themselves from untenable debt service obligations, to position themselves into more affordable and stable rates and, in some cases, to get out from under a downgraded insurer.

Purpose: Bond proceeds will be used to refund previously issued auction rate bonds. The 2007 bonds were used to : (i) finance capital improvement to Oliver Hall, the main dining hall at Saint Mary's, (ii) finance two phases of capital improvements to Saint Mary's Residence Halls, and (iii) refund the CEFA Series 2001A, 2001B and 2003 bonds.

Financial Overview: Based on staff's review of Saint Mary's most recent audited financial statements, Saint Mary's income statement and balance sheet appear solid. Additionally, Saint Mary's appears to meet CEFA's minimum requirements for debt service coverage as set forth within CEFA's Bond Issuance Guidelines. This refunding is expected to lower Saint Mary's interest costs for the refunded bonds.

Most Recent Underlying Bond Rating: A3 (Moody's)

Sources and Uses/Cost of Issuance/Cost Savings: Within 90 days of board approval, bond proceeds will be used to redeem designated prior bonds, and in some cases, to cover cost of issuance or debt service reserves, if needed, on the refunding bonds. There may also be a relatively small equity contribution from the borrower to cover cost of issuance. The borrower expects the refunding to provide more stable and lower interest rates, as well as an improved opportunity for debt management.

Due Diligence: Due diligence of the following items has been completed or will be completed prior to closing:

- **Religious Due Diligence**
- **Legal Review**
- **CEQA (not required because borrower is refunding their bonds)**

Staff Recommendation: Staff recommends the Authority approve a Resolution in an amount not to exceed \$71,100,000 for Saint Mary's College of California subject to financing terms acceptable to the Authority and that the Authority consider an appropriate fee reduction for this borrower as the circumstances may warrant.