CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
BOND FINANCING PROGRAM

EXECUTIVE SUMMARY

Applicant:	Loyola Marymount University (“LMU”) 1 LMU Drive Los Angeles, CA 90045-2659 Los Angeles County	**Amount Requested:**	$25,000,000
		Date Requested:	October 27, 2011
		Resolution Number:	285
Facility Type:	Private University		
Project Location:	Los Angeles, CA		
Accreditation:	Western Association of Schools and Colleges		
Prior Borrower:	Yes		

Use of Proceeds: Proceeds will be used to refund all or a portion of the CEFA Series 2001A bonds. The refunding of these bonds is expected to provide LMU with a present value savings of approximately $1.5 million or 6.82%.

Type of Issue:	Negotiated public offering, fixed rates, $5,000 minimum denominations.
Credit Enhancement:	None
Expected Credit Rating:	A2 (Moody’s)
Underwriter:	J.P. Morgan Securities LLC
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP

Environmental Benefits: Because this is a refunding of existing debt, environmental benefits are not applicable to this financing.

Financial Overview: LMU has exhibited strong operating results over the review period, supported by steady growth in tuition revenue and successful fundraising efforts. LMU’s balance sheet remains sound with approximately $807 million in total net assets.

Sources of funds:		**Uses of funds:**	
Par Amount of Bonds	$25,000,000	Refunding	$23,239,635
Net Original Issue Discount	(1,294,569)	Financing Costs	465,796
Total Sources	$23,705,431	Total Uses	$23,705,431

Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.

Staff Recommendation: Staff recommends the Authority approve Resolution No. 285 in an amount not to exceed $25,000,000 for Loyola Marymount University subject to a bond rating of at least investment grade by a nationally recognized rating agency and meeting the standard bond issuance guidelines. Macias, Gini & O’Connell, LLP, the Authority’s financial analyst, and Fieldman, Rolapp & Associates, the Authority’s financial advisor, concur with the Authority’s staff recommendations.

(KW)

STAFF SUMMARY AND RECOMMENDATION

Loyola Marymount University ("LMU")
October 27, 2011
Resolution No. 285

I. PURPOSE OF FINANCING: LMU plans to use bond proceeds to refund the Current Interest Bonds[1] portion of the Series 2001A Bonds with lower cost 2011 Series Bonds. LMU anticipates annual debt service savings over the next 13 years to achieve present value savings of approximately $1.5 million.

Refunding		**$23,239,635**

LMU is seeking to refund the Current Interest Bond portion of Series 2001A Bonds. The remaining Capital Appreciation Bonds[2] portion of the Series 2001A will not be refunded.

The CEFA Series 2001A Bonds were used to advance refund certain maturities of LMU's Series 1994 Bonds, Series 1996 Bonds, and Series 1999 Bonds. The Series 1994 Bonds financed, among other things, construction of the Hannon Apartments, renovation of the library on the Westchester Campus, construction of the Loyola Law School Parking Garage, construction of a three-story dormitory building, an underground parking garage, and other renovation projects. The Series 1996 Bonds financed, among other things, the construction of a 300-bed residence hall on LMU's Westchester Campus as well as improvements to various academic and administrative buildings. The Series 1999 Bonds financed, among other things, the acquisition, construction, demolition, improvement, installation, renovation, and equipping of a University Hall, a new library facility, the alumni gymnasium, a new recreation and health facility, and a 170-bed student residence facility.

Financing Costs		**$465,796**
Underwriter's Discount	$114,737	
Cost of Issuance	351,059	
TOTAL USES OF FUNDS		***$23,705,431***

[1] Current Interest Bonds (CIB): A bond on which interest payments are made to the holders on a periodic basis.

[2] Capital Appreciation Bonds (CAB): A municipal security on which the investment return on an initial principal amount is reinvested at a stated compounded rate until maturity, at which time the investor receives a single payment (the "maturity value") representing both the initial principal amount and the total investment return.

II. PROPOSED COVENANTS, SECURITY AND DISCLOSURES:

Executive summary and recommendations include minimum requirements. Additional or more stringent covenants or disclosures may be added following consultation with Authority staff but without further notification to the Authority's Board. These covenants cannot be diluted or removed without subsequent review. If there have been modifications to the covenant proposal following the preparation of this executive summary, staff will report such changes at the meeting.

After reviewing LMU's credit profile, including its current financial profile, prior bond transactions and considering what the market will support, the financing team has concluded that the covenants listed below align the interests of LMU, the Authority, and the investors and therefore are appropriate to this transaction. The financing team notes that these covenants contain necessary tax and legal covenants that are consistent with those that have applied to LMU's prior bond transactions and LMU's current financial situation does not suggest that additional covenants should be required.

- ✓ **Unconditional Promise to Pay.** *Borrower agrees to pay Trustee all amounts required for principal and interest and other payments and expenses designated in the Loan Agreement. All Revenues*[3] *and any other amounts held in a designated fund or account under the Bond Indenture are pledged to secure the full payment of the bonds.*

- ✓ **Disposition of Cash and Property Limitations.** *Borrower agrees not to sell, lease or dispose of substantially all assets unless authorized by the Loan Agreement.*

- ✓ **Limited Permitted Encumbrances.** *Borrower is subject to a restrictive set of allowable encumbrances it may incur pursuant to the Loan Agreement.*

- ✓ **Comply with SEC Rule 15c2-12.** *The rule prohibits underwriters from underwriting municipal bond deals unless the issuer or borrower contractually agrees to disclose designated financial and operating information to the marketplace during the life of the bonds and to report designated "material events" such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.*

[3]Capitalized terms are defined in the Indenture.

III. FINANCIAL ANALYSIS:

Loyola Marymount University
Statement of Activities
Unrestricted ($000's)

	Year Ended May 31, 2011	2010	2009
Revenues:			
Net tuition and fees	$ 223,243	$ 214,016	$ 207,734
Investment returns designated for operations	10,085	8,512	8,570
Contributions and pledges	11,975	5,829	6,276
Grants	9,228	8,687	9,103
Auxiliary enterprise revenue	34,484	33,152	32,274
Other revenue	6,426	5,738	5,164
Net assets released from restriction	7,743	7,045	6,866
Total operating revenues	303,184	282,979	275,987
Expenses:			
Instruction	116,936	112,435	109,788
Research	4,191	3,992	3,514
Academic support	28,555	23,946	22,554
Library	12,055	12,757	11,082
Student services	50,059	47,882	44,941
Institutional support	52,002	48,020	49,679
Auxiliary enterprises	26,514	26,219	26,479
Total operating expenses	290,312	275,251	268,037
Increase in operating net assets	12,872	7,728	7,950
Non-operating Revenues and Expenses:			
Contributions for non-operating purposes	48	529	400
Contributions for acquisition of capital assets	5,201	6,552	2,119
Investment returns after amounts designated for current operations	27,894	14,528	(65,849)
Early extinguishment of debt	-	(1,126)	(1,887)
Net realized and unrealized losses on interest rate swap	(1,447)	(1,362)	(3,072)
Other non-operating expenses (income)	212	(2,514)	-
Net assets released from restriction	1,935	40,174	629
Donor redesignations	(187)	(434)	(24,380)
Increase (decrease) in non-operating revenues and expenses	33,656	56,347	(92,040)
Effect of change in accounting principles	-	-	(63,502)
Increase (decrease) in net assets	46,528	64,075	(147,592)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	499,420	435,345	582,937
UNRESTRICTED NET ASSETS, END OF YEAR	$ 545,948	$ 499,420	$ 435,345

Loyola Marymount University

Statement of Financial Position ($000's)

	As of May 31,		
	2011	2010	2009
ASSETS:			
Cash and cash equivalents	$ 15,359	$ 27,642	$ 14,469
Accounts receivable, tuition and fees	4,197	7,868	2,602
Other accounts receivable	28,120	23,761	27,787
Pledges receivable, net	21,007	23,119	22,702
Notes receivable	39,319	38,311	35,261
Investments	427,017	371,832	326,815
Prepaid expenses, deferred charges and other assets	8,096	7,038	5,948
Plant properties, net	542,674	517,175	507,309
Total assets	1,085,789	1,016,746	942,893
LIABILITIES AND NET ASSETS:			
Accrued payroll expense	11,920	10,897	10,276
Accounts payable and accrued expenses	32,474	34,090	37,286
Accrued interest expense	30,453	26,717	24,356
Deferred revenue and deposits	14,432	20,209	11,579
Debt outstanding	172,846	181,023	161,822
Loan funds returnable to donor	1,152	1,152	1,152
U.S. government grants refundable	10,884	10,986	11,090
Annuity liabilities and assets held for others	4,634	4,378	4,340
Total liabilities	278,795	289,452	261,901
Net assets:			
Unrestricted	545,948	499,420	435,345
Temporarily restricted	101,113	73,440	100,711
Permanently restricted	159,933	154,434	144,936
TOTAL NET ASSETS	806,994	727,294	680,992
TOTAL LIABILITIES AND NET ASSETS	$ 1,085,789	$ 1,016,746	$ 942,893

Financial Ratios

	Proforma FYE 5/31/11	2011	2010	2009
Debt service coverage (x)	2.77 (a)	3.27	3.61	2.44
Debt to expendable net assets (x)	0.27	0.27	0.32	0.31
Expendable net assets to operations (x)		2.23	2.08	1.93
Margin		4%	3%	3%

(a) Recalculates FY 2011 results to include the impact of this proposed financing

Financial Discussion:

LMU has exhibited strong operating results over the review period, supported by steady growth in tuition revenue and successful fundraising efforts.

LMU continues to post positive operating results over the review period. In the three-year review period, total unrestricted revenues have increased from approximately $276 million in FY 2009 to approximately $303.2 million in FY 2011, approximately a 10% increase. A major factor contributing to this revenue increase includes the consistent growth of net tuition and successful fundraising efforts. Net tuition accounts for approximately 73% of LMU's total unrestricted revenues which has grown nearly 7% over the review period, from approximately $207.7 million in FY 2009 to approximately $223.2 million in FY 2011. Other operating revenues have increased during the same review period primarily due to increases in investment and auxiliary revenues.

LMU's operating expenses totaled approximately $290.3 million in FY 2011, increasing from $268 million in FY 2009 or by 8.3% over the review period. LMU attributes the increase primarily to new construction on campus and a reshuffling of various departments which caused increases in certain allocations that were based on square footage. Another contributing factor was the need for additional academic support for the growth of full-time enrollment.

LMU's financial strength appears strong with a solid debt service coverage ratio.

LMU's balance sheet appears strong and its total net asset levels have maintained steady growth over the review period, increasing approximately 18% from nearly $681 million in FY 2009 to nearly $807 million in FY 2011. Over the review period, investments rose approximately 31% from $326.8 million in FY 2009 to $427 million in FY 2011. LMU accredits that the growth was largely driven by unrealized gains on investments of approximately 24%, which accounts for 77% of the total growth.

In FY 2011 cash and cash equivalents fell to approximately $15.4 million from the previous fiscal year which was largely driven by $13.7 million in operating investment purchases. LMU invested operating cash in short term, liquid securities during the fiscal year in order to garner interest income. Accounts receivable fluctuated over the review period from $2.6 million in FY 2009, $7.8 million in FY 2010, to $4.2 million in FY 2011 which LMU relates to a change in accounting practice.

Over the review period, debt to expendable net assets ratio has remained historically low with a three-year average of 0.30x. The debt service coverage ratio is currently 3.27x and with the proposed financing, the proforma debt service coverage ratio will change slightly to 2.77x.

In FY 2009, LMU implemented a new accounting principle (FSP FAS 117-1)[4], which resulted in reclassifying approximately $63.5 million from unrestricted net assets to temporarily restricted net assets and refined their definition of endowment net assets for FY 2008, adjusting pledges receivable, annuities and life income funds, plant assets, and other designated funds which were previously included in endowment net assets.

[4] FSP FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act and requires additional disclosure about an organization's endowment funds.

IV. BACKGROUND:

General:

Loyola Marymount University (LMU) is a nonprofit, coeducational, privately endowed university emphasizing undergraduate liberal arts as well as a professional and graduate education. LMU is the successor to St. Vincent's College, which was founded in 1865. In 1918, the institution was incorporated as Loyola College of Los Angeles by the members of the Society of Jesus and gained university status in 1930. The Marymount College for Women, founded in 1933, was consolidated with Loyola University in 1973 to become Loyola Marymount University. LMU has two major campuses: the 142-acre Westchester campus and the Loyola Law School campus.

Administration:

A self-perpetuating Board of Trustees comprised of 50 members serving three-year terms governs LMU. There are presently four (4) vacancies on the Board. The terms of approximately one-third of the members expire each year, and all officers of the Board are elected annually.

Accreditation and Affiliations:

LMU is accredited by the Western Association of Schools and Colleges. It also has professional accreditation or approval from the following organizations: Accreditation Board for Engineering and Technology, Inc. (undergraduate); American Art Therapy Association; American Assembly of Collegiate Schools of Business; American Bar Association; American Chemical Society; Association of American Law Schools; California State Board of Education; the Committee of Bar Examiners of the State of California; International Association of Counseling Services; National Association of Schools of Art and Design Commission on Accreditation; National Association of Schools of Dance; National Association of Schools of Theatre; National Council for Accreditation of Teacher Education; and the State Commission on Teacher Credentialing.

Academic Programs:

LMU's educational program is organized into four undergraduate Colleges, two Schools, the Graduate Division and the Law Schools. The colleges and schools of Liberal Arts, Communication and Fine Arts, Business Administration, Science and Engineering, the School of Education and the School of Film and Television comprise the undergraduate division of the University.

Graduate degrees are awarded in the Law School and in selected majors in each of the Colleges and in the School of Education and Film and Television. LMU offers 60 baccalaureate programs; 38 Master's programs; 2 doctoral degrees – in educational leadership and social justice and the other a juris doctorate; more than a dozen primary and secondary education credential programs, and an aerospace studies program leading to a commission in the United States Air Force. LMU also offers continuing education and summer session courses.

V. OUTSTANDING DEBT :

Issue:	Original Issue Amount	Amount Outstanding as of 05/31/11	Estimated Amount Outstanding After Proposed Financing*
Existing Debt:			
CEFA, Series 2001A	75,449,126	67,144,126	40,234,126
CEFA, Series 2010A	65,185,000	63,120,000	60,530,000
CEFA, Series 2010B	38,500,000	36,500,000	34,875,000
California Energy Loan		479,000	- **
Proposed:			
CEFA, Series 2011		**-**	**25,000,000**
Total		$ 167,243,126	$ 160,639,126

* Includes debt as of October 1, 2011 and proposed debt

** As of October 18, 2011, LMU paid off the California Energy Loan. Current balance is zero.

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 is not applicable in this transaction

VII. STAFF RECOMMENDATION:

Staff recommends the Authority approve Resolution No. 285 in amount not to exceed $25,000,000 for Loyola Marymount University subject to a bond rating of at least investment grade by a nationally recognized rating agency and meeting the standard bond issuance guidelines. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Fieldman, Rolapp & Associates, the Authority's financial advisor, concur with the Authority's staff recommendations.