

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
BOND FINANCING PROGRAM
EXECUTIVE SUMMARY**

<p>Applicant: Claremont University Consortium ("CUC") 101 S. Mills Avenue Claremont, CA Los Angeles County</p> <p>Facility Type: Nonprofit Affiliate of Private Colleges</p> <p>Project Sites: N/A</p>	<p>Amount Requested: \$9,220,000</p> <p>Date Requested: June 28, 2012</p> <p>Resolution Number: 290</p>																
<p>Use of Proceeds: Bond proceeds will be used to current refund all or a portion of the California Infrastructure and Economic Development Bank Series 2003 bonds. The current refunding of these bonds is expected to provide CUC with a net present value savings of approximately \$1,652,124 or 17.9% over the life of the bonds, under current market conditions.</p>																	
<p>Type of Issue: Negotiated public offering, fixed rates, \$5,000 minimum denominations</p> <p>Credit Enhancement: None</p> <p>Expected Credit Rating: Aa3 (Moody's)</p> <p>Financing Team: <i>Please see Exhibit 1 to identify possible conflicts of interest</i></p>																	
<p>Environmental Benefits: Because this is a refunding of existing debt, environmental benefits are not applicable to this financing.</p>																	
<p>Financial Overview: Despite fluctuations in revenues and expenses, CUC continues to post positive operating results over the review period. CUC's balance sheet shows steady growth and its financial strength appears strong with approximately \$57.6 million in total net assets.</p>																	
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: left;"><u>Sources of Funds:</u></th> <th colspan="2" style="text-align: left;"><u>Uses of funds:</u></th> </tr> </thead> <tbody> <tr> <td style="width: 30%;">Par Amount of Bonds</td> <td style="width: 20%; text-align: right;">\$9,220,000</td> <td style="width: 30%;">Refunding</td> <td style="width: 20%; text-align: right;">\$9,032,047</td> </tr> <tr> <td>Equity Contribution</td> <td style="text-align: right;"><u>115,600</u></td> <td>Financing Costs</td> <td style="text-align: right;"><u>303,553</u></td> </tr> <tr> <td>Total Sources</td> <td style="text-align: right;"><u>\$9,335,600</u></td> <td>Total Uses</td> <td style="text-align: right;"><u>\$9,335,600</u></td> </tr> </tbody> </table>		<u>Sources of Funds:</u>		<u>Uses of funds:</u>		Par Amount of Bonds	\$9,220,000	Refunding	\$9,032,047	Equity Contribution	<u>115,600</u>	Financing Costs	<u>303,553</u>	Total Sources	<u>\$9,335,600</u>	Total Uses	<u>\$9,335,600</u>
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<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 Resolution No. 290 in an amount not to exceed \$9,220,000 for the Claremont University Consortium subject to a bond rating of at least investment grade by a nationally recognized rating agency. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management, the Authority's financial advisor, concur with the Authority's staff recommendations.</p>																	

STAFF SUMMARY AND RECOMMENDATION

Claremont University Consortium (“CUC”)

June 28, 2012

Resolution Number: 290

I. PURPOSE OF FINANCING: CUC intends to use bond proceeds to finance all or a portion of the current refunding of the California Infrastructure and Economic Development Bank, Series 2003 bonds, (“CIEDB Series 2003 bonds”) providing an estimated net present value savings of approximately \$1,652,124 or 17.9% over the life of the bonds, under current market conditions.

Refunding.....**\$9,032,047**

CUC intends to refund all or a portion of the outstanding balance of the CIEDB Series 2003 bonds, of which \$8,805,000 is currently outstanding.

CIEDB Series 2003 bonds were originally issued in April 2003 in the amount of \$10,220,000. Bond proceeds were used to finance some or all of the acquisition, construction, expansion, rehabilitation, remodeling, renovation and equipping of CUC’s Wellness Center, Bridges Auditorium, Chicano/Latino Student Center, the Former Faculty House, the Huntley Bookstore, Office of Black Student Affairs, Pendleton Administrative Building, and the Honnold/Mudd Library. CUC’s Wellness Center is now referred to as the Student Services Center, housing medical offices, health outreach, counseling services, and Chicano Student Affairs.

Financing costs.....**303,553**

Cost of Issuance \$153,533
Underwriter’s Discount..... 150,000

TOTAL USES OF FUNDS.....**\$9,335,600**

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 CUC'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 CUC, 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 CUC's prior bond transactions and CUC'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 Revenues¹ 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.*
- ✓ **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.*

Staff has reviewed the entirety of this financing package and finds it to be acceptable.

¹Capitalized terms are defined in the Indenture.

III. FINANCIAL ANALYSIS:

Claremont University Consortium

Statement of Activities

Unrestricted

	Year Ended June 30,		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues:			
Sales and services	34,303,529	34,017,080	36,115,690
Gifts	90,269	98,138	122,906
Interest and dividends on separate investments	245,456	226,477	487,629
Endowment income appropriated for operations	897,428	935,380	940,655
Other revenues	225,683	284,649	269,723
Release and reclassifications of restricted net assets	130,209	77,550	171,615
Total revenues	<u>35,892,574</u>	<u>35,639,274</u>	<u>38,108,218</u>
Expenses:			
Academic support services	11,044,962	10,965,531	12,919,645
Student services	3,761,769	3,705,526	3,480,208
Institutional support services	14,473,752	13,999,471	15,923,784
Administration and general	5,214,999	4,513,574	5,647,533
Total expenses	<u>34,495,482</u>	<u>33,184,102</u>	<u>37,971,170</u>
Change in net assets from operations	1,397,092	2,455,172	137,048
Other changes in net assets:			
Investment return on pooled assets	995,191	1,016,709	(7,498,377)
Endowment income appropriated for operations	(897,428)	(935,380)	(940,655)
Realized and unrealized (loss) gain on separate investments	166,562	362,456	(223,505)
UPMIFA reclassification	-	-	(8,238,113)
Redesignated net assets	-	(362,035)	-
Net gain (loss) on bond refinance	(196,111)	-	-
Net gain (loss) on disposal of fixed assets	-	-	395,078
Comprehensive pension expense	1,430,049	(968,763)	(2,207,122)
Transfers to other Claremont Colleges	-	-	(338,886)
Total other changes in net assets	<u>1,498,263</u>	<u>(887,013)</u>	<u>(19,051,580)</u>
Change in net assets	2,895,355	1,568,159	(18,914,532)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>26,234,228</u>	<u>24,666,069</u>	<u>43,580,601</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 29,129,583</u>	<u>\$ 26,234,228</u>	<u>\$ 24,666,069</u>

Claremont University Consortium
Statement of Financial Position

	As of June 30,		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
ASSETS:			
Cash	\$ 190,942	\$ 146,763	\$ 186,210
Accounts receivables	3,099,114	2,524,158	2,384,070
Student loans receivable	1,108,370	615,552	-
Prepaid expenses, deposits and other	1,699,055	1,209,244	1,243,076
Inventory	375,521	387,411	417,216
Beneficial interest in trusts	63,258	1,370,032	1,202,798
Assets whose use is limited	3	3,092,985	3,928,621
Investments	40,436,520	36,777,088	35,040,863
Plant facilities, net	40,534,884	30,655,127	28,545,742
Total assets	\$ 87,507,667	\$ 76,778,360	\$ 72,948,596
LIABILITIES AND NET ASSETS:			
Accounts payable, accrued liabilities and other	\$ 6,591,501	\$ 4,115,222	\$ 6,754,710
Defined benefit plan payable	2,846,800	4,027,054	3,004,989
Financing for student loans	1,126,214	584,821	-
Bonds and notes payable	18,041,144	15,142,966	15,231,442
Funds held in trust for others	1,056,248	1,807,070	836,749
Asset retirement obligation	212,798	203,472	193,061
Total liabilities	29,874,705	25,880,605	26,020,951
Net assets:			
Unrestricted	29,129,583	26,234,228	24,666,069
Temporarily restricted	15,832,683	12,612,091	10,379,660
Permanently restricted	12,670,696	12,051,436	11,881,916
TOTAL NET ASSETS	57,632,962	50,897,755	46,927,645
TOTAL LIABILITIES AND NET ASSETS	\$ 87,507,667	\$ 76,778,360	\$ 72,948,596

Financial Ratios

	Proforma			
	<u>FYE 6/30/11 (a)</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Debt service coverage (x)	4.15	3.38	4.02	1.85
Debt to expendable net assets (x)	0.41	0.40	0.39	0.43
Expendable net assets to operations (x)		1.30	1.17	0.92
Margin		4%	7%	0%

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

Financial Discussion:

Despite fluctuations in revenue and expenses, CUC continues to post positive operating results over the review period.

In the three-year review period, CUC's total unrestricted revenues decreased from \$38.1 million in FY 2009 to approximately \$35.6 million in FY 2010, with a marginal increase in FY 2011 to approximately \$35.9 million. CUC attributes this fluctuation to a slight decrease in revenue from sales and services, which accounts for nearly 95% of CUC's total unrestricted revenues in FY 2011. CUC manages a number of centralized programs and services for the benefit of each of the Claremont Colleges, of which the costs are shared.

CUC's operating expenses have also fluctuated over the review period, decreasing from approximately \$38.0 million in FY 2009, to approximately \$33.2 million in FY 2010, rising slightly in FY 2011 to approximately \$34.5 million. CUC reports the fluctuation was the result of reducing staff and implementing an early retirement program in FY 2010 as well as adding new services in FY 2011 that included a Graphic Design Center, Emergency Preparedness program, expanded catering services on campus, as well as engaging with consultants to assist with strategic planning and technology initiatives. Despite the fluctuations, CUC continues to show positive operating results, posting operating results of approximately \$1.4 million in FY 2011.

CUC's balance sheet shows steady growth and its financial strength appears strong with approximately \$57.6 million in total net assets.

CUC's balance sheet shows steady growth, and its financial strength appears strong. Total net assets increased approximately 23% over the review period, increasing from approximately \$46.9 million in FY 2009 to approximately \$57.6 million in FY 2011. CUC attributes this increase to significant gains in investments as well as the construction of CUC's Administrative Campus Center, partially funded from the CEFA Series 2011 bond proceeds. Beneficial interest in trust dropped from approximately \$1.3 million in FY 2010 to approximately \$63,258 in FY 2011, which CUC reports is from the distribution of a trust. Additionally, assets whose use is limited dropped from approximately \$3.9 million in FY 2009 to \$3 (three dollars) in FY 2011, reflecting the expenditure of all of the CIEDB Series 2003 bond proceeds.

New line items reflected in CUC's balance sheet are "student loans receivable" and "financing for student loans". In FY 2010, CUC entered into an agreement with a private lender to administer loans to international students attending the Keck Graduate Institute of Applied Life Sciences ("KGI"), allowing CUC to borrow up to \$2 million to issue said loans which are to be repaid by the student borrower over eight years commencing 30 months after the initial loan. KGI has guaranteed the loans by granting CUC an interest in its endowment funds of up to \$750,000.

CUC's debt service coverage ratio is currently a strong 3.38x for FY 2011 and with the proposed financing, proforma debt service coverage will remain strong at 4.15x. In addition, CUC's debt to expendable net assets ratio will increase slightly from a 0.40x to 0.41x.

IV. BACKGROUND:

General:

CUC is the central coordinating institution of The Claremont Colleges, a group of five undergraduate colleges and two graduate institutions with a combined enrollment of over 6,000 students. The members include, Pomona College, Claremont Graduate University, Scripps College, Claremont McKenna College, Harvey Mudd College, Pitzer College and the Keck Graduate Institute of Applied Life Sciences (collectively, “The Claremont Colleges”). Each of The Claremont Colleges and CUC are separate corporate entities. As the central coordinating institution, CUC is responsible for advancing The Claremont Colleges, founding new institutions, promoting cooperation among member institutions, acquiring, holding and managing land for future institutions, and providing central support programs and services as well as central facilities operated on behalf of The Claremont Colleges.

Administration:

CUC is currently governed by a 26-person self-perpetuating Board of Overseers, each of whom is a voting member. The Chair of the Board of Trustees and the President of each of The Claremont Colleges, a total of 14 persons, are automatic members of the Board of Overseers by virtue of their leadership positions within The Claremont Colleges. There are between seven and 11 at-large members of the Board of Overseers, each of whom serves for a three-year term and is elected by the Board of Overseers. In addition, the Chief Executive Officer of CUC is a member of the Board of Overseers.

Accreditations:

Although CUC is not accredited by any association of schools and colleges, each of the Claremont Colleges is accredited by the Western Association of Schools and Colleges, of which each is a member.

V. OUTSTANDING DEBT:

<u>Issue:</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding as of 06/30/11</u>	<u>Estimated Amount Outstanding After Proposed Financing**</u>
Existing Debt:			
CIEDB Series 2003*	\$10,220,000	\$9,010,000	\$0
CEFA Series 2011	9,000,000	9,000,000	8,645,000 ***
Proposed:			
CEFA, Series 2012			\$ 9,220,000
Total		\$ 18,010,000	\$ 17,865,000

* CIEDB = California Infrastructure and Economic Development Bank

** Includes debt as of May 31, 2012

*** Current outstanding as of May 31, 2012 (reflects principal payment made October 1, 2011)

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
- Iran Contracting Act

VII. STAFF RECOMMENDATION:

Staff recommends the Authority approve Resolution No. 290 in an amount not to exceed \$9,220,000 for the Claremont University Consortium subject to a bond rating of at least investment grade by a nationally recognized rating agency. Macias Gini & O’Connell, LLP, the Authority’s financial analyst, and Public Financial Management, the Authority’s financial advisor, concur with the Authority’s staff recommendations.

EXHIBIT 1

Financing Team Claremont University Consortium

Borrower:	Claremont University Consortium
Agent for Sale:	State Treasurer's Office, Public Finance Division
Issuer's Counsel:	Attorney General's Office
Issuer's Financial Advisor:	Public Financial Management, Inc.
Bond Counsel:	Squire Sanders (US) LLP
Underwriter:	Prager & Co., LLC
Underwriters Counsel:	TBD
Borrower's Counsel:	Law Office of Rossi Russell
Borrower's Auditor:	Moss Adams LLP
Trustee/Escrow Bank:	Union Bank N.A.
Trustee Counsel:	Union Bank N.A.
Rating Agency:	Moody's Investors Service
Verification Agent:	The Arbitrage Group
OS/Printer:	TBD

RESOLUTION NO. 290

RESOLUTION OF THE CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY AUTHORIZING THE ISSUANCE OF REFUNDING REVENUE BONDS TO REFINANCE EDUCATIONAL FACILITIES FOR CLAREMONT UNIVERSITY CONSORTIUM

WHEREAS, the California Educational Facilities Authority (the “Authority”), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Educational Facilities Authority Act (the “Act”) to issue revenue bonds to finance and refinance the acquisition, construction, improvement, installation, renovation, rehabilitation, furnishing and equipping of educational facilities by participating private colleges and universities located in the State of California;

WHEREAS, Claremont University Consortium (the “Borrower”) has requested that the Authority issue its revenue bonds in one or more series (the “Bonds”) and loan the proceeds to the Borrower for the purpose of (1) refinancing certain educational facilities of the Borrower by refunding all or a portion of the California Infrastructure and Economic Development Bank Revenue Bonds, Series 2003 (Claremont University Consortium) (the “Prior Bonds”) previously issued for the purposes described in Exhibit A (the “Project”) which description is hereby incorporated by reference; and (2) paying costs incurred in connection with the issuance of the Bonds; and

WHEREAS, to the extent required by subdivision (b) of Section 94212 of the Education Code, the Borrower has provided documentation to the Authority demonstrating, to the extent applicable, that the Project has complied with Division 13 (commencing with Section 21000) of the Public Resources Code, or is not a “project” under that division.

NOW, THEREFORE, BE IT RESOLVED by the California Educational Facilities Authority as follows:

Section 1. Pursuant to the Act, revenue bonds of the Authority designated as “California Educational Facilities Authority Refunding Revenue Bonds (Claremont University Consortium) Series 2012”, in the total aggregate principal amount not to exceed \$9,220,000 are hereby authorized to be issued from time to time, in one or more series, with such other name or names with respect to a series as may be designated in the indenture pursuant to which the Bonds shall be issued. The proceeds of the Bonds shall be used for any or all of the purposes set forth in the second WHEREAS paragraph above.

Section 2. The Treasurer of the State of California (the “Treasurer”) is hereby authorized to enter into agreements to sell the Bonds in one or more series, on one or more sale dates, at any time within twelve months of the date of the adoption of this Resolution, at negotiated sale, in such aggregate principal amounts (not to exceed the aggregate principal amount set forth in Section 1) and in such series, at such prices and at such interest rate or rates and upon such other terms and conditions as the Treasurer, with the advice and consent of the Borrower, may determine. The Bonds shall, at issuance, be rated at investment grade by an active nationally recognized rating agency. The Bonds or any series of them may, at the sole option of the Borrower, be secured or supported by a reserve fund, bond insurance, credit facility

and/or liquidity facility satisfying the terms of the indenture pursuant to which such Bonds will be issued.

Section 3. The following documents:

(i) the Loan Agreement relating to the Bonds (the “Loan Agreement”), between the Authority and the Borrower;

(ii) the Indenture relating to the Bonds (the “Indenture”), between the Authority and Union Bank, National Association, a national bank organized under the laws of the United States of America, or another bond trustee to be selected by the Borrower from among bond trustees previously approved by the Authority in other Authority transactions or any successor bond trustee thereto (the “Trustee”);

(iii) the Bond Purchase Contract, including the appendices thereto, relating to the Bonds (the “Bond Purchase Contract”), among Prager & Co., LLC (the “Underwriter”), the Treasurer and the Authority and approved by the Borrower; and

(iv) the preliminary official statement relating to the Bonds (the “Preliminary Official Statement”)

are hereby approved in substantially the respective forms currently on file with the Authority, in each case with such insertions and changes therein consistent with the stated terms of this Resolution (including without limitation changes with respect to covenants) as the signatory executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The dated dates, maturity dates (not exceeding 50 years from the respective date of issue), interest rates, methods of determining the interest rate from time to time, interest payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of tender or purchase, terms of redemption, provisions governing transfer and other terms of the Bonds, including provisions for a reserve fund, bond insurance, credit facility and/or a liquidity facility, as applicable from time to time, shall be as provided in the Indenture, as finally executed.

Section 5. The Underwriter is hereby authorized to distribute the Preliminary Official Statement in paper and/or electronic form, for each issue or series of the Bonds to persons who may be interested in the purchase of the Bonds. The Underwriter is hereby directed to deliver the final Official Statement (the “Official Statement”) to all actual purchasers of the Bonds.

Section 6. The Bonds, when executed, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee’s Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or upon direction of the Underwriter, in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Said instructions shall provide for the delivery of the Bonds to or upon direction of the Underwriter, in accordance with the Bond Purchase Contract upon payment of the purchase price specified therein.

Section 7. Each officer of the Authority is hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution and the Indenture, the Loan Agreement, the Bond Purchase Contract and the Official Statement. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) a tax agreement and any certificates related thereto; (b) certifications; and (c) any agreement or commitment letter with respect to the provisions of bond insurance, a letter of credit, a surety bond, a credit facility and/or a liquidity facility for the Bonds.

Section 8. The provisions of the Authority's Resolution No. 2011-03 apply to the documents and actions approved in this Resolution.

Section 9. The Authority hereby approves and ratifies each and every action taken by its officers, agents and employees prior to the date hereof in furtherance of the purposes of this Resolution.

Section 10. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: _____

EXHIBIT A TO RESOLUTION NO. 290

Description of the Project

The term “Project” means the refunding of the previously issued and outstanding California Infrastructure and Economic Development Bank Revenue Bonds, Series 2003 (Claremont University Consortium) (the “Prior Bonds”), the proceeds of which were used to finance some or all of the acquisition, construction, expansion, rehabilitation, remodeling, renovation and equipping of all or a portion of the following educational facilities, in each case with related and appurtenant facilities on property located at 101 South Mills Avenue, Claremont, California, unless otherwise noted below:

1. a new 30,000 square foot Wellness Center, generally located at the corner of College Way and Eighth Street;
2. Bridges Auditorium, an existing facility of approximately 61,670 square feet located at 701 N. College Way;
3. Chicano/Latino Student Center, an existing facility of approximately 1,669 square feet located at 655 N. Dartmouth Avenue;
4. the former Faculty House, an existing facility of approximately 9,490 square feet located at 701 N. College Way;
5. Honnold/Mudd Library, an existing facility of approximately 181,912 square feet located at 800 Dartmouth Avenue;
6. Huntley Bookstore, an existing facility of approximately 20, 480 square feet located at 175 East Eighth Street;
7. Office of Black Student Affairs, an existing facility of approximately 2,828 square feet located at 139 Seventh Street;
8. Pendleton Administrative Building, an existing facility of approximately 19,729 square feet located at 747 N. Dartmouth Avenue; and
9. Physical plant building, an existing facility of approximately 46,105 square feet, located at 101 S. Mills Avenue.