

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
BOND FINANCING PROGRAM**

EXECUTIVE SUMMARY

<p>Applicant: Loyola Marymount University (“LMU”) One LMU Drive Los Angeles, CA 90045-2659 Los Angeles County</p> <p>Facility Type: Private University</p> <p>Project Location: Los Angeles, CA</p> <p>Accreditations: Western Association of Schools and Colleges</p>	<p>Amount Requested: \$40,000,000</p> <p>Date Requested: February 28, 2013</p> <p>Resolution Number: 294</p>												
<p>Use of Proceeds: Proceeds will be used to finance new capital projects including a new parking garage, fire/life safety projects, and up to three residential homes.</p>													
<p>Type of Issue: Negotiated public offering, fixed rates, \$5,000 minimum denominations, taxable (Series 2013A) and/or tax-exempt (Series 2013B)</p> <p>Credit Enhancement: None</p> <p>Expected Credit Rating: A2 (Moody’s)</p> <p>Financing Team: <i>Please see Exhibit 1 to identify possible conflicts of interest</i></p>													
<p>Environmental Benefits: The project will be LEED certified seeking a minimum Silver Rating. The design of the structure optimizes energy efficiency and sustainable principles, and the University anticipates applying similar principles in the daily maintenance and operation of these new projects.</p>													
<p>Financial Overview: A steady revenue base supported by investment returns and a growing student body has helped LMU to post consistent and solid operating results over the past three years. Additionally, generous debt service coverage and stable liability and net assets continue to provide LMU with sound fiscal strength as demonstrated over the review period.</p>													
<p>Sources of Funds:</p> <table> <tr> <td>Par Amount of Bonds</td> <td align="right">\$40,000,000</td> </tr> <tr> <td>Premium</td> <td align="right">3,546,984</td> </tr> <tr> <td>Total Sources</td> <td align="right"><u>\$43,546,984</u></td> </tr> </table>	Par Amount of Bonds	\$40,000,000	Premium	3,546,984	Total Sources	<u>\$43,546,984</u>	<p>Uses of Funds:</p> <table> <tr> <td>Project Fund</td> <td align="right">\$43,017,626</td> </tr> <tr> <td>Financing Costs</td> <td align="right">529,358</td> </tr> <tr> <td>Total Uses</td> <td align="right"><u>\$43,546,984</u></td> </tr> </table>	Project Fund	\$43,017,626	Financing Costs	529,358	Total Uses	<u>\$43,546,984</u>
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Project Fund	\$43,017,626												
Financing Costs	529,358												
Total Uses	<u>\$43,546,984</u>												
<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. 294 in an amount not to exceed \$40,000,000 for Loyola Marymount University 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 Fieldman, Rolapp & Associates, Inc., the Authority’s financial advisor, concur with the Authority’s staff recommendations.</p>													

STAFF SUMMARY AND RECOMMENDATION

Loyola Marymount University (“LMU”)

February 28, 2013

Resolution No. 294

I. PURPOSE OF FINANCING: LMU plans to use the Series 2013A and Series 2013B bond proceeds to finance new capital projects on campus. LMU anticipates issuing tax-exempt bonds for approximately \$23 million of projects and issuing taxable bonds for the remaining \$17 million of projects. However, LMU reserves the privilege of issuing all bonds for those projects as taxable bonds.

Project Fund \$43,017,626

LMU is addressing several campus infrastructure needs through the proposed project fund. The projects consist of the following:

- Construction of a new underground parking garage and underground utility loop: The construction of the underground parking garage will be located under the new Life Sciences building, while a new utility loop will support the parking structure, and support HVAC chilled/hot water capacity and redundancy, domestic water and fiber for telecom for the Life Sciences building ;
- Upgrade of the Fire/Life/Safety systems across all buildings on campus: LMU seeks to improve and standardize systems campus wide, to include upgrading the following in each building – automatic sprinklers, fire alarms, fire alarm monitoring, addressable detection devices, notification appliances access control, emergency power, and communication systems; and
- Construction of three residential homes in support of the faculty housing program: LMU intends to build homes in support of its overall faculty housing program, to be rented out to eligible faculty, on residential land owned by LMU.

Environmental Benefits:

LMU anticipates the parking structure will be constructed according to the best environmental standards, to include optimizing energy efficiency and sustainable principles throughout architectural features, mechanical, electrical and plumbing systems. The project will be LEED certified and will be seeking Silver Rating at a minimum. LMU will also apply principles of sustainability and related practices in its daily maintenance and operation of its facilities including the new proposed projects.

Financing Costs \$529,358

Cost of Issuance \$350,000

Underwriter’s Discount 179,358

TOTAL USES OF FUNDS..... \$43,546,984

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

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

Additionally, the forms of the bond documents for this financing do not conform to the template bond documents as this application and financing package was submitted and reviewed prior to the public posting of template bond documents by the Authority.

¹Capitalized terms are defined in the Indenture.

III. FINANCIAL ANALYSIS:

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

	Fiscal Year Ended May 31,		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating activities:			
Revenues:			
Net tuition and fees	\$ 236,484	\$ 223,243	\$ 214,016
Investment returns designated for operations	10,710	10,085	8,512
Contributions and pledges	10,525	11,975	5,829
Grants	7,143	9,228	8,687
Auxiliary enterprise revenue	35,811	34,484	33,152
Other revenue	7,173	6,426	5,738
Net assets released from restrictions	8,798	7,743	7,045
Total revenues	<u>316,644</u>	<u>303,184</u>	<u>282,979</u>
Expenses:			
Instruction	\$ 121,794	116,936	112,435
Research	5,401	4,191	3,992
Academic support	29,303	28,555	23,946
Library	12,669	12,055	12,757
Student services	54,712	50,059	47,882
Institutional support	55,183	52,002	48,020
Auxiliary enterprises	25,099	26,514	26,219
Total expenses	<u>304,161</u>	<u>290,312</u>	<u>275,251</u>
Increase in net assets from operating activities	12,483	12,872	7,728
Other changes in net assets:			
Contributions for non-operating purposes	67	48	529
Contributions for acquisition of capital assets	656	5,201	6,552
Investment (losses) returns after amounts designated for current operations	(19,050)	27,894	14,528
Loss on early extinguishment of debt	(1,034)	-	(1,126)
Net realized and unrealized losses on interest rate swap	(4,640)	(1,447)	(1,362)
Other non-operating (expenses) income	(284)	212	(2,514)
Net assets released from restriction	1,513	1,935	40,174
Donor redesignations	693	(187)	(434)
	<u>(22,079)</u>	<u>33,656</u>	<u>56,347</u>
Change in unrestricted net assets	(9,596)	46,528	64,075
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>545,948</u>	<u>499,420</u>	<u>435,345</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 536,352</u>	<u>\$ 545,948</u>	<u>\$ 499,420</u>

Loyola Marymount University
Statement of Financial Position (\$000s)

	As of May 31,		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
ASSETS:			
Cash and cash equivalents	\$ 12,061	\$ 15,359	\$ 27,642
Accounts receivable	4,318	4,197	7,868
Other	27,621	28,120	23,761
Pledges receivable, net	23,488	21,007	23,119
Notes receivable	40,041	39,319	38,311
Investments	404,181	427,017	371,832
Prepaid expenses, deferred charges and other assets	8,539	8,096	7,038
Plant properties, net	545,330	542,674	517,175
Total assets	\$ 1,065,579	\$ 1,085,789	\$ 1,016,746
LIABILITIES AND NET ASSETS:			
Accrued payroll expense	\$ 9,303	\$ 11,920	10,897
Accounts payable and accrued liabilities	31,872	32,474	34,090
Accrued interest expense	34,360	30,453	26,717
Deferred revenues and deposits	15,190	14,432	20,209
Debt outstanding, net	168,139	172,846	181,023
Loan funds returnable to donor	1,152	1,152	1,152
US government grants refundable	10,785	10,884	10,986
Annuity liabilities and assets held for others	4,081	4,634	4,378
Total liabilities	274,882	278,795	289,452
Net assets:			
Unrestricted	536,352	545,948	499,420
Temporarily restricted	89,110	101,113	73,440
Permanently restricted	165,195	159,933	154,434
TOTAL NET ASSETS	790,657	806,994	727,294
TOTAL LIABILITIES AND NET ASSETS	\$ 1,065,539	\$ 1,085,789	\$ 1,016,746

Financial Ratios

	Proforma			
	FYE 5/31/12 (a)	2012	2011	2010
Debt service coverage (x)	2.65	3.18	3.27	3.61
Debt to expendable net assets (x)	0.29	0.27	0.27	0.27
Expendable net assets to operations (x)		2.06	2.23	2.08
Margin		3%	4%	4%

(a) Recalculates 2012 results to include the impact of this proposed financing.

Financial Discussion:

A steady revenue base supported by investment returns and a growing student body has helped LMU to post consistent and solid operating results over the past three years.

LMU continues to post positive operating results over the three year review period. Total unrestricted revenues have increased from approximately \$282.9 million in FY 2010 to approximately \$316.6 million in FY 2012, an increase of 12%. This revenue growth is the result of consistent tuition revenues, solid investment returns, and steady auxiliary enterprise revenue. Together these sources represent 89% of LMU's total unrestricted revenues, and continue to provide LMU with a consistent and steady revenue base.

Operating expenses for LMU totaled just over \$304.1 million in FY 2012, a 10% increase over the review period (FY 2010 - \$275.2 million). LMU attributes the increases to planned increases in compensation and related benefits for its staff. LMU has continued to accrue very manageable and stable expenses in all reported categories over the review period.

Consistent debt service coverage and stable liability and net assets provide LMU with sound fiscal strength over the past three years.

LMU's total net asset levels have increased by approximately 8% over the review period, from \$727.2 million in FY 2010 to \$790.6 million in FY 2012. This modest increase, reflected in cumulative increases in unrestricted, temporarily restricted, and permanently restricted net assets, has allowed LMU to maintain a very stable asset base.

Cash and cash equivalents experienced a second consecutive year of decline, from \$27.6 million in 2010 to \$12 million in 2012. From time to time, LMU will invest excess cash into liquid short term investments, which may not be considered cash equivalent. Investment assets increased by 8% over the review period (\$371.8 million in FY 2010 to \$404.1 million in FY 2012) while other asset categories improved modestly from the prior year to include notes receivable, net pledges receivable, and net plant properties.

LMU has experienced a decrease in total liabilities over the review period. LMU's successful Capital Campaign has allowed the University the flexibility to fund capital projects with contributions or debt issuance. The decrease in total liabilities coupled with the health of the total assets has pushed LMU's total liability and net assets from \$1.0 billion to approximately \$1.1 billion over the 3 year review period.

Debt to expendable net assets ratio has remained at a three year average of just over 0.29x during the review period. LMU's debt service coverage ratio was at a solid 3.18x for FY 2012. With the addition of the proposed Series 2013 bonds, the debt service coverage ratio drops slightly to an acceptable 2.65x, indicating LMU's continued ability to support the additional debt.

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. The official founding of LMU as an institution took place in 1911. 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. 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 School. 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.

IV. OUTSTANDING DEBT :

Issue:	Original Issue Amount	Amount Outstanding as of 5/31/2012	Estimated Amount Outstanding After Proposed Financing*
Existing Debt:			
CEFA, Series 2001A	75,449,126	40,234,126	40,234,126
CEFA, Series 2010A	65,185,000	60,530,000	58,090,000
CEFA, Series 2010B	38,500,000	34,875,000	33,175,000
CEFA, Series 2011	22,105,000	22,105,000	17,540,000
Proposed:			
CEFA, Series A & B 2013		40,000,000	40,000,000
 Total		\$157,744,126	\$189,039,126

*Utilizes amounts outstanding as of 1/31/2013

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
- Iran Contracting Act Certificate

VI. STAFF RECOMMENDATION:

Staff recommends the Authority approve Resolution No. 294 in amount not to exceed \$40,000,000 for Loyola Marymount University 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 Fieldman, Rolapp & Associates, Inc., the Authority’s financial advisor, concur with the Authority’s staff recommendations.

EXHIBIT 1

Financing Team Loyola Marymount University

Borrower:	Loyola Marymount University
Agent for Sale:	State Treasurer's Office, Public Finance Division
Issuer's Counsel:	Attorney General's Office
Issuer's Financial Advisor:	Fieldman, Rolapp & Associates, Inc.
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Borrower's Financial Advisor	Public Financial Management
Underwriter:	Morgan Stanley & Co. LLC
Underwriter's Counsel:	Hawkins, Delafield & Wood LLP
Borrower's Counsel:	Bridges & Bridges
Trustee/Escrow Bank:	U.S. Bank, N.A.
Trustee Counsel:	Dorsey & Whitney, LLP
Rating Agency:	Moody's Investors Service
Auditor to the University:	PricewaterhouseCoopers

RESOLUTION NO. 294

**RESOLUTION OF THE
CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
AUTHORIZING THE ISSUANCE OF REVENUE BONDS TO FINANCE
PROJECTS AT THE EDUCATIONAL FACILITIES OF
LOYOLA MARYMOUNT UNIVERSITY**

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 and loan the proceeds thereof to participating private colleges (as defined in the Act) for the acquisition or construction of projects (as defined in the Act);

WHEREAS, Loyola Marymount University (the “Borrower”) has requested that the Authority issue its revenue bonds in one or more series in an aggregate principal amount not to exceed \$40,000,000 (a) to make one or more loans of the proceeds of the Bonds (as defined below) to the Borrower to acquire and construct projects (as defined in the Act), as more particularly described under the caption “The Project” in Exhibit A hereto (the “Project”) and (b) to pay costs related to the sale and issuance of the Bonds;

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 such division; and

WHEREAS, approval of the terms of issuance and sale of such revenue bonds and various related matters is now sought;

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

Section 1. Pursuant to the Act, revenue bonds of the Authority, to be designated generally as “California Educational Facilities Authority Revenue Bonds (Loyola Marymount University) Series 2013” (the “Bonds”) in a total aggregate principal amount not to exceed \$40,000,000, are hereby authorized to be issued from time to time in one or more series, with such other name or names of the Bonds or series thereof as may be designated in the Indenture hereinafter mentioned in Section 3. The proceeds of the Bonds shall be used for any or all the purposes set forth in the second WHEREAS clause above.

Section 2. The Treasurer of the State of California (the “State 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 one year of the date of adoption of this Resolution, at public or private sale, in such aggregate principal amount (not to exceed the aggregate principal amount set forth in Section 1) and in such series, at such prices, at such interest rate or rates, with such maturity date or dates and upon such other terms and conditions as the State Treasurer, with the

advice and consent of the Borrower, may determine. The Bonds, at issuance, shall be rated at investment grade by an active nationally recognized rating agency.

Section 3. The following documents:

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

(b) the Indenture relating to the Bonds (the “Indenture”), between the Authority and U.S. Bank National Association, a national banking association, as trustee (the “Trustee”),

(c) the Purchase Contract relating to the Bonds (the “Purchase Contract”), among Morgan Stanley & Co. LLC (the “Underwriter”), the State Treasurer and the Authority and approved by the Borrower, and

(d) 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 with such insertions and changes therein consistent with the stated terms of this Resolution (including without limitation changes with respect to covenants) as the officer(s) executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof in the case of the Loan Agreement, the Indenture and the Purchase Contract, and by delivery thereof in the case of the Preliminary Official Statement. The Executive Director shall seek the advice of bond counsel and counsel to the Authority with respect to any such insertions, deletions or changes therein.

Section 4. The dated date, maturity date or dates, interest payment dates, interest rate or rates, denominations, forms, registration privileges, manner of execution, place or places of payment, terms of redemption and other terms of the Bonds shall be as provided in the Indenture provided that the maximum maturity for any Bond shall be no greater than 45 years from the date of issuance of such Bond.

Section 5. The Underwriter is hereby authorized to distribute (in paper and/or electronic form) the Preliminary Official Statement to persons who may be interested in the purchase of the Bonds. The Underwriter will agree in the Purchase Contract to deliver a final Official Statement for the Bonds (the “Official Statement”) to all actual purchasers of the Bonds.

Section 6. The Bonds, when executed in accordance with the Indenture, shall be delivered to the Trustee for authentication under the Indenture. 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 the Underwriter in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Such instructions shall provide for the delivery of the Bonds to the Underwriter in accordance with the Purchase Contract upon payment of the purchase price specified thereof.

Section 7. Each officer of the Authority, acting alone, is hereby authorized and directed to do any and all things which he or she 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, the Indenture, the Loan Agreement, the 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 tax agreement and any certificates related thereto.

Section 8. The provisions of the Authority's Resolution No. 2013-01 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

THE PROJECT

The “Project” consists of:

- (1) the construction, improvement, installation, renovation, and equipping of an underground parking garage with approximately 370 parking spaces and adjacent utility loop facilities located on the University’s Westchester Campus at One LMU Drive, Los Angeles, California 90045, generally bounded by McConnell Avenue to the East, 78th and 80th Streets to the South, Lincoln Boulevard to the West and West Bluff Creek Drive to the North (the “Westchester Campus”);
- (2) the acquisition, construction, improvement, installation, renovation, and equipping of fire and life safety projects throughout the Westchester Campus, including, but not limited to, security access controls, emergency power and communication systems, automatic sprinklers, fire alarms, fire alarm monitoring, addressable detection devices and notification appliances; and
- (3) the demolition, removal, construction, improvement, installation, renovation, and equipping of residential homes located at 7911 Fordham Road and 7958 Belton Drive in Los Angeles, California.