

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

Applicant:	Claremont Graduate University (“CGU”) 150 E. 10 th Street Claremont, California Los Angeles County	Amount Requested:	\$36,000,000
		Loan Term:	36 years
		Date Requested:	April 27, 2006
Project Site:	Foothill Blvd. North end of College Avenue in Claremont, California (Los Angeles County)	Resolution Number:	F-237
Facility Type:	Private University		
Accreditations:	Western Association of Schools and Colleges (“WASC”)		

Purpose of Financing: Proceeds will be used to construct and equip housing for graduate students. In addition, CGU seeks to purchase property and obtain reimbursement for prior expenditures related to the Graduate Student Housing project.

Type of Issue:	Public offering, fixed interest rates
Credit Enhancement:	None
Expected Credit Rating:	A3 (Moody’s)
Senior Underwriter:	Prager, Sealy & Co., LLC
Bond Counsel:	Squire, Sanders and Dempsey LLP

Financial Overview: CGU has exhibited solid results supported by a steady revenue base from net tuition and fees, donations/gifts, grants/contracts and endowment payout. CGU continues to have a strong balance sheet with good liquidity.

<u>Sources of Revenue – FY 6/30/05</u>	<u>Amount</u>	<u>Percent</u>
Net tuition and fees revenue	\$25,804,451	62.2%
Endowment payout	4,216,075	10.1%
Release of temporarily restricted net assets	3,478,108	8.3%
Gifts and private contracts	2,795,657	6.7%
Federal grants and contracts	2,182,381	5.2%
Other revenues	1,634,673	3.9%
Auxiliary enterprises	1,067,128	3.0%
Other investment income	250,743	0.6%
Total revenue and release of net assets	<u>\$41,429,216</u>	<u>100%</u>

<u>Sources of Funds:</u>	<u>Amount</u>	<u>Uses of Funds:</u>	<u>Amount</u>
Bond proceeds	\$36,000,000	Construction	\$31,968,000
		Reimbursement	1,267,000
		Capitalized interest	945,000
		Furnishings/telecommunication	884,000
		Purchase property	388,000
		Financing Costs	548,000
Total Sources	<u>\$36,000,000</u>	Total Uses	<u>\$36,000,000</u>

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

Staff Recommendation: Staff recommends the Authority approve a resolution in an amount not to exceed \$36,000,000 for Claremont Graduate University, subject to a minimum “A” category rating by a nationally recognized rating agency and meeting the standard bond issuance provisions for “A” rated debt.

STAFF SUMMARY AND RECOMMENDATION

Claremont Graduate University (“CGU”)

April 27, 2006

Resolution Number: F-237

I. PURPOSE OF FINANCING:

Bond proceeds will be used to construct housing for new graduate students. Housing at CGU is in very high demand. In fiscal year 2003-04, the housing office received approximately 450 applications from students wishing to live on campus. The majority of students living on campus are international students, many of whom would not be able to attend CGU if housing was not offered.

Construction of graduate student housing..... \$31,968,000

Proceeds will be used to construct the graduate student housing. The new housing will be approximately 93,217 square feet and will consist of 62 studios, 21 one-bedroom apartments, 60 two-bedroom apartments, and 15 three-bedroom apartments for a total of 248 beds. It will replace the outdated current housing units, built in the 1950s and with only 95 beds, which is no longer suitable for student life.

Reimbursement 1,267,000

Proceeds would be used to reimburse CGU for work that has begun and any work that will be done prior to the date of the bond issue. Proceeds would also be used to reimburse CGU for any design fees and permit fees required for the graduate student housing.

Furnishings and telecommunication 884,000

CGU desires to fully furnish (bedroom and living room) the graduate student housing and wire for phones for use by the occupants.

Purchase property..... 388,000

CGU seeks to purchase vacant land located at the north end of College Avenue in Claremont, CA. The property consists of approximately 6.3 acres. CGU intends to use the site to build housing for future graduate students.

Capitalized interest..... 945,000

Financing Costs 548,000

Underwriter’s Discount \$308,000

Other Costs of Issuance 240,000

TOTAL USES OF FUNDS \$36,000,000

Financing Structure:

- General obligation pledge
- \$36,000,000 total par value
- Final maturity not to exceed March 1, 2042
- Fixed rate, negotiated public offering
- Expected Credit Rating of A3 (Moody's)

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II. FINANCIAL STATEMENTS AND ANALYSIS:

CLAREMONT GRADUATE UNIVERSITY

Statement of Activities

Unrestricted

	Fiscal Year Ended June 30,		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues and release of net assets:			
Net tuition and fees revenue	\$ 25,804,451	\$ 24,840,404	\$ 24,478,873
Gifts and private contracts	2,795,657	4,108,132	4,159,364
Federal grants and contracts	2,182,381	2,362,188	2,313,169
Endowment payout	4,216,075	4,363,452	3,877,907
Other investment income	250,743	280,497	229,937
Other revenues	1,634,673	1,377,802	700,446
Release of temporarily restricted net assets	3,478,108	4,726,812	1,949,717
Auxiliary enterprises	1,067,128	1,008,693	973,355
Total revenues and release of net assets	<u>41,429,216</u>	<u>43,067,980</u>	<u>38,682,768</u>
Expenses:			
Instruction	20,768,119	20,933,539	20,599,890
Research	5,153,941	4,887,883	4,325,764
Academic support	4,785,938	4,721,192	4,725,867
Student services	1,809,077	1,766,420	1,636,520
Institutional support	6,877,785	6,767,423	6,242,015
Student aid	549,108	843,266	805,418
Auxiliary enterprises	1,222,689	1,214,149	1,181,380
Total expenses	<u>41,166,657</u>	<u>41,133,872</u>	<u>39,516,854</u>
Other changes in net assets:			
Actuarial adjustment of life income and annuity liabilities	(57,469)	(57,469)	-
Redesignation of net assets	191,820	99,804	2,273,613
Transfers to other Claremont Colleges		-	(63,760)
Staff retirement comprehensive pension loss	(7,472)	244,452	(797,169)
Net realized and unrealized losses on investments, net	9,446,958	12,485,301	(284,765)
Total net assets	<u>9,573,837</u>	<u>12,772,088</u>	<u>1,127,919</u>
Increase in net assets	9,836,396	14,706,196	293,833
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>69,263,636</u>	<u>54,557,440</u>	<u>54,263,607</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 79,100,032</u>	<u>\$ 69,263,636</u>	<u>\$ 54,557,440</u>

CLAREMONT GRADUATE UNIVERSITY
Statement of Financial Position

	As of June 30,		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
ASSETS:			
Cash	\$ 887,694	\$ 446,139	\$ 325,682
Accounts receivable, net	1,775,214	1,908,412	2,332,600
Prepaid expenses and deposits	615,981	285,049	273,174
Contributions receivable, net	10,496,456	19,952,458	5,971,660
Notes receivable, net	3,910,613	2,340,641	1,914,099
Funds held in trust for others	374,509	325,012	303,340
Investments	156,140,805	134,899,438	106,533,795
Plant facilities, net	23,970,173	24,493,725	24,146,557
TOTAL ASSETS	\$ 198,171,445	\$ 184,650,874	\$ 141,800,907
 LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 3,248,193	\$ 2,872,443	\$ 2,999,448
Deposits and deferred revenue	3,285,224	2,337,373	3,665,038
Liability for staff retirement plan	556,575	585,956	785,312
Life income and annuities payable	4,989,783	4,390,128	4,190,355
Notes and bonds payable	8,120,248	7,776,326	8,323,840
Government advances for student loans	1,780,735	1,747,660	1,739,926
TOTAL LIABILITIES	21,980,758	19,709,886	21,703,919
 Net assets:			
Unrestricted	79,100,032	69,263,636	54,557,440
Temporarily restricted	4,628,203	4,732,583	6,100,380
Permanently restricted	92,462,452	90,944,769	59,439,168
TOTAL NET ASSETS	176,190,687	164,940,988	120,096,988
 TOTAL LIABILITIES AND NET ASSETS	 \$ 198,171,445	 \$ 184,650,874	 \$ 141,800,907

Financial Ratios:

	<u>Proforma (a)</u>			
	<u>FYE June 30, 2005</u>			
Debt service coverage (x)	3.82	22.55	29.85	2.96
Debt to expendable net assets (x)	.53	.13	.11	.14
Expendable net assets to operations (x)		2.03	1.80	1.53
Margin (%)		0.6	4.5	(2.2)

(a) Recalculates 2005 audited results to include the impact of this proposed financing.

Financial Discussion:

CGU has exhibited solid results supported by a steady revenue base from net tuition and fees, donations/gifts, grants/contract and endowment payout.

CGU continues to exhibit steady revenue growth over our review period. Revenues mainly consist of net tuition and fees, donation/gifts, grants/contracts and endowment payout, providing CGU a solid, well-diversified revenue base. CGU's academic operations remained solid during the course of the last three fiscal years. Net tuition and fee revenues for fiscal year 2005 totaled approximately \$25.8 million and have increased 5.7% from fiscal year 2003, which totaled \$24.4 million.

Expenses increased slightly in each of the three fiscal years from \$39.5 million in fiscal year 2003 to \$41.1 million in fiscal year 2005, an increase of 4.8%. The increase in total expenses is commensurate with increases in net student tuition and fees, grants/contracts, and endowment support. Expense increases are largely centered in instruction, research, academic support, student services and institutional support.

According to management, the three-year budget projections for the CGU are built on modest growth in key target areas, with solidification of programs in historically strong offerings. From a budgeting perspective, CGU has focused on the expense side of the ledger for the past few years streamlining operations where possible and building up support infrastructures. Looking forward, the emphasis for CGU is on the revenue side of the equation.

With the hiring of a President in July 2005, CGU is poised to take important steps on three fronts to propel CGU forward over the next few years. Coordinated efforts in fund raising, research funding, and managed growth in the student body will all contribute to this multi-pronged strategy for growing revenues. A planned increase in FTE from approximately 1,170 budgeted for fiscal year 2006, to 1,220 in fiscal year 2009 may be achievable through coordinated recruitment and retention strategies that are being developed and implemented during fiscal year 2006 and fiscal year 2007. The hiring for a newly created position, Vice Provost for Research, has just been completed with the program designed to begin enhanced operations in fiscal year 2007. Initial discussions and planning has begun with the Board of Trustees, the new President, and the Institutional Advancement office for campaign type fund raising activities over the next five years. These efforts will build upon an already successful fund raising operation that has produced additions to the permanent endowment of CGU of over \$30 million dollars during the past few years.

The new Graduate Student Housing will not only replace the current housing on campus but will add capacity for the growing demand from students. It is expected that revenues generated from the housing rentals will cover the debt service of the 2006 Bond Issue and therefore the new debt will have little or no impact on the operating budget.

In short, CGU is well positioned for managed revenue growth in three key areas over the next few years. The strength of CGU lies in its successful fund raising track record, combined with a new research funding activity, all supported foundationally with a great diversity of academic program offerings which isolate the market risk to CGU as demand for programs change over time.

CGU continues to have a strong balance sheet with good liquidity.

CGU's balance sheet continues to grow with positive operating results and earnings from its investment portfolio. CGU's endowment reached over \$153 million, including \$8.9 million in contributions receivable for fiscal year 2005. CGU's debt to expendable net assets remained steady and with this proposed financing it will increase slightly but is still acceptable with a proforma of approximately .53x. Debt service coverage is very strong 22.55x and with the proposed debt, the proforma debt service coverage remains strong at 3.82x indicating that CGU should be able to handle the additional debt.

III. STUDENTS, COLLEGE COSTS AND FACULTY STATISTICS:

Students:

CGU seeks to attract applicants for its student body from the highest ranks of their college graduating classes, and selects from its applicant pool those individuals who can meet the academic demands of the graduate university and also contribute to the cultural and social life of the campus. Approximately 126 of its current students are graduates from the other five undergraduate Claremont Colleges.

CLAREMONT GRADUATE UNIVERSITY Graduate Applicant Pool*

<u>Academic Year</u>	<u>Applications</u>	<u>Offered Admission</u>	<u>Selectivity Ratio</u>	<u>Enrollments</u>
2005-06	1,407	1,011	72%	336
2004-05	1,384	1,051	76%	370
2003-04	1,467	995	68%	352
2002-03	1,475	1,018	69%	366
2001-02	1,344	992	74%	334

*Students entering in the fall semester of academic year.

Enrollments and Degrees:

The following table provides student enrollment and the number of degrees conferred at CGU for each of the five most recent academic years.

CLAREMONT GRADUATE UNIVERSITY Enrollment and Degrees

<u>Academic Year</u>	<u>Full-Time Equivalent Student Enrollments*</u>	<u>Degrees Awarded</u>
2005-06	1,166**	N/A
2004-05	1,170	485
2003-04	1,182	526
2002-03	1,211	578
2001-02	1,205	564

*Based on CGU's full-time equivalent enrollment for accounting and other purposes in accordance with generally accepted practices for colleges and universities.

**Enrollments for academic year 2005-06 include an estimate of student enrollments for spring semester. The actual spring enrollments numbers are not available at this time.

Tuition and Fees:

Tuition and fees for full-time students at CGU for the 2005-06 academic year total \$28,152. A five-year summary of tuition and fees is provided below:

CLAREMONT GRADUATE UNIVERSITY

<u>Academic Year</u>	<u>Tuition & Fees</u>
2005-06	\$28,152
2004-05	\$26,466
2003-04	\$25,470
2002-03	\$24,196
2001-02	\$23,144

Tuition and fees at CGU for the academic year 2006-07 will be \$29,970. Rental housing is available but is not required for graduate students and is not included as tuition cost.

Faculty:

The current faculty at CGU numbers 94. The following table provides a breakdown of the faculty for each of the past five academic years. Figures shown in the table are compiled as of the fall semester for each year.

CLAREMONT GRADUATE UNIVERSITY

Faculty
(Full-Time Equivalent)

<u>Academic Year</u>	<u>Full Time</u>	<u>Part Time</u>	<u>FTE Total*</u>	<u>Tenured</u>
2005-06	86	4	88	58
2004-05	81	3	82.5	57
2003-04	75	7	78.5	64
2002-03	73	6	76	61
2001-02	75	5	77.5	65

*Full-time faculty members teach four courses during the academic year, while part-time faculty members teach only two. The number of part-time faculty members are divided by two and the resulting number is combined with full-time faculty members to arrive at full-time equivalent faculty.

IV. BACKGROUND:

General:

Founded in 1925, CGU is an independent institution devoted entirely to graduate study. CGU's 2,000 full-time and part-time students are enrolled in degree programs in 24 different fields of study. Students at CGU are encouraged to pursue personal academic interests and research agendas even when they transcend the traditional boundaries between individual departments.

CGU prepares a diverse group of outstanding individuals to assume leadership roles in the worldwide community through teaching, research, and practice in selected fields. Education at CGU is student-centered, characterized by personal attention and flexibility. CGU emphasizes human-scale instruction—small classrooms, accessible faculty, close faculty-student interaction, and student involvement in the design of individualized courses of study. CGU's unique status as

a comprehensive independent graduate institution enables it to provide students with a dynamic and supportive environment in which to excel.

CGU is a member of the Claremont Consortium, with undergraduate Pomona, Scripps, Claremont McKenna, Harvey Mudd, and Pitzer colleges and the Keck Graduate Institute. Located on contiguous campuses 35 miles east of Los Angeles in the city of Claremont in the foothills of the San Gabriel Mountains, the member institutions are academically independent, but share central programs and services. Thus, CGU is able to combine the intimacy of a small university with the facilities and academic breadth of a mid-sized university.

CGU offers advanced study in the humanities, fine arts, social sciences, psychology, education, management, executive management, information systems, botany, religion and mathematics. Its curriculum successfully integrates theory with practice and traditional disciplines with newer professional programs.

Administration:

CGU is governed by a self-perpetuating Board of Trustees, not to exceed 45 members including the President of CGU. Trustees are elected to three-year terms and approximately one-third of Trustees are elected annually.

The President of CGU is appointed by the Board of Trustees and, as chief executive officer, is charged with the principal responsibility for administration of CGU. All other officers of CGU are appointed by the Board of Trustees but are subject to the day-to-day direction of the President of CGU.

Accreditations:

CGU is accredited by the Accrediting Commission for Senior Colleges and Universities of the Western Association of Schools and Colleges (“WASC”), the primary accrediting body for institutions of higher education in the Western United States. The most recent WASC visit was in March 2002. The next scheduled WASC visit is in 2012, as CGU was awarded a full ten-year accreditation, the maximum allowed.

Academic Programs:

Students at CGU are encouraged to pursue personal academic interests and research agendas even when they transcend the traditional boundaries between individual academic disciplines.

Several years ago, CGU underwent a profound reorganization, in which academic units were grouped into eight schools, and responsibility center management was implemented. This reorganization was intended to facilitate coordination of curricular planning among related disciplines and specialties, while protecting the integrity of individual disciplines. In addition, it was meant to enhance the potential for curricular innovation, co-teaching, and creative experimentation by bringing faculty and students in related disciplines into closer and more systematic contact with one another.

CGU offers over 40 degrees and certificates in its School of Educational Studies, School of Organization and Behavior Sciences, School of Politics and Economics, School for the Arts and Humanities, School of Information Systems and Technology, School of Religion, School of

Mathematical Sciences and the Peter F. Drucker and Masatoshi Ito Graduate School of Management, as well as in its program in Botany, Applied Women's Studies and Africana Studies.

Competition:

CGU occupies an enviable market position in the higher education marketplace, both nationally and regionally. CGU offers rigorous course offerings in intimate learning environments leading to the master's and Ph.D. degrees in 24 academic and professional disciplines. CGU is positioned to benefit from the record number of students now enrolled in undergraduate colleges and university throughout the United States. An advanced degree is becoming an increasing important factor in professional advancement. CGU competes with the following institutions:

University of California, Los Angeles	Los Angeles, CA
University of California, Santa Barbara	Santa Barbara, CA
University of Southern California	Los Angeles, CA
University of California, Riverside	Riverside, CA
University of California, Berkeley	Berkeley, CA
California State University, Long Beach	Long Beach, CA
California State Polytechnic University	Pomona, CA
Pepperdine University	Malibu, CA
New York University	New York, NY
Columbia University	New York, NY
Boston University	Boston, MA
Yale University	New Haven, CT
Harvard University	Boston, MA

V. OUTSTANDING DEBT:

<u>Issue Name: Series</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding as of 6/30/05*</u>	<u>Estimated Amount Outstanding After Proposed Financing</u>
Existing:			
CEFA Bonds, 1999A	\$ 9,570,000	\$ 5,450,000	\$5,450,000
Proposed:			
CEFA Bonds, 2006	36,000,000		<u>36,000,000</u>
Total Debt Outstanding		<u>\$ 5,450,000</u>	<u>\$41,450,000</u>

*includes current portion

VI. RELIGIOUS AFFILIATION DUE DILIGENCE:

Staff has reviewed the Applicant's responses to the questions contained in the Religious Affiliation portion of the application. No information was disclosed in the questionnaire or discovered by staff to question the Applicant's compliance with the provisions of the Authority's Act relating to religious affiliation.

VII. LEGAL REVIEW:

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed to question the financial viability or legal integrity of this applicant.

VIII. STAFF RECOMMENDATION:

Staff recommends the Authority approve a final resolution in an amount not to exceed \$36,000,000 for Claremont Graduate University, subject to a minimum "A" category rating by a nationally recognized rating agency and meeting the standard bond issuance provisions for "A" rated debt.