

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

<p>Applicant: Pitzer College (the “College”) Claremont, California Los Angeles County</p> <p>Facility Type: Private College</p> <p>Accreditations: Western Association of Schools and Colleges</p>	<p>Amount Requested: \$38,000,000</p> <p>Date Requested: March 30, 2005</p> <p>Requested Loan Term: Series A/30 years Series B/40 years</p> <p>Resolution Number: 223</p>																											
<p>Use of Bond Proceeds: Bond proceeds will be used to construct several new residence hall buildings and demolish an existing 40-year old dormitory. In addition, the College plans to renovate and rehabilitate various facilities throughout the campus.</p>																												
<p>Type of Issue: Negotiated public offering, fixed and variable interest rates</p> <p>Credit Enhancement: To be determined</p> <p>Expected Credit Ratings: Long-term ratings - Aaa/AAA with insurance and A3 underlying rating - (Moody’s and S&P’s) Short-term ratings - Aaa/VMIG1/P-1, AAA/A-1+ (Moody’s/S&P)</p> <p>Underwriters: E.J. De La Rosa & Co., Inc.</p> <p>Bond Counsel: Squire, Sanders & Dempsey LLP</p>																												
<p>Financial Overview: Pitzer College has experienced steady revenues over the last three years although investments fluctuated primarily due to market conditions. The current year reflects significant gains from improved investment returns. The balance sheet is healthy with sizeable net assets, good debt service coverage levels, and positive operating margins.</p>																												
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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 a resolution in an amount not to exceed \$38,000,000 to issue tax exempt revenue bonds for Pitzer College, subject to a bond rating of at least an “A” category (or equivalent short-term rating) by a nationally recognized rating agency and the standard bond issuance guidelines.</p>																												

**STAFF SUMMARY AND RECOMMENDATION
BOND FINANCING PROGRAM**

March 30, 2005

PITZER COLLEGE (the “College”)

Resolution Number: 223

I. PURPOSE AND STRUCTURE OF FINANCING:

Pitzer College is embarking on a substantial Housing Master Plan implementation for the construction of new housing on campus. The Housing Master Plan calls for the construction of seven new residence halls to replace three existing 40-year old dormitories housing 200 students each. The Housing Master Plan assumes phased construction in three stages. The College plans to use the bond proceeds to implement Phase I of the construction project. This phase consists of constructing three new residence halls and demolishing an existing dormitory. Phases II and III of the Housing Master Plan will be implemented as funds become available to move forward with the project.

Pitzer College is part of The Claremont Colleges, which is a consortium of five undergraduate and two graduate institutions. The seven institutions occupy contiguous campuses and jointly finance a central administration for the operation of shared programs and facilities and services, including a library system, a computer center, a security force, maintenance services, a chaplain’s office, professionally staffed medical and counseling centers, and the Claremont Center for the Performing Arts. Although the College is responsible for its share of payments to operate facilities, which are owned jointly by the seven institutions, it is not responsible for the indebtedness of any of the other six institutions. In addition, none of the other six Claremont institutions has any responsibility to make payments with respect to the bonds or any other indebtedness of the College.

Currently, there is an increasing number of students who desire to live on campus thus, creating a shortage of housing for students. Phase I will accommodate 318 students in three new buildings increasing the residential capacity by 118 beds or 20%. The new construction is necessary to provide students with accommodations and to create more living space for students.

The following information provides details pertaining to the projects and the financing:

Construction \$33,830,000

- Construct three new residence hall buildings providing approximately 318 beds including space for admissions, student mail services, art studios, practice and meeting space located in proximity to the Gold Student Center, 1052 North Pitzer Service Road, Claremont, California;
- Construct two residence hall buildings which will provide approximately 194 beds to be located north of the Gold Student Center, 1052 North Pitzer Service Road, Claremont, California;

- Demolition of Sanborn Residence Hall located at 1010 North Mills Avenue, Claremont, California; and
- Renovate and rehabilitate Holden Residence Hall, Mead Hall and several academic and administrative buildings located throughout the campus.

Debt Service Reserve Fund	2,800,000
Financing costs	<u>2,045,000</u>
Bond Insurance.....	\$964,000
Cost of Variable Rate Cap.....	505,000
Underwriter Expenses	330,000
Cost of Issuance.....	246,000
 Total Uses of Funds.....	 <u>\$38,675,000</u>

Financing Structure:

Series A – \$18,510,000

- Negotiated public offering
- 30 year Fixed Rate Debt
- Expected credit ratings: Aaa/AAA and underlying A3 ratings - (Moody’s and S&P’s)

Series B - \$19,490,000

- Negotiated public offering
- Variable Rate Bonds
- Maturities up to 40 years
- Expected short-term ratings: Aaa/VMIG1/P-1, AAA/A-1+ ratings - (Moody’s/S&P’s)

II. FINANCIAL STATEMENTS AND ANALYSIS:

PITZER COLLEGE
Statement of Activities
Unrestricted (000's)

	Fiscal Year Ended June 30,		
	2004	2003	2002
Revenues:			
Net student revenues	\$ 26,289	\$ 26,177	\$ 23,396
Contributions	1,155	1,138	1,037
Grants and contracts	785	822	914
Spending policy income	2,725	2,763	2,699
Other investment income	255	277	418
Summer conference revenue	742	863	883
Other revenues	223	232	1,083
Release of temporarily restricted net assets	1,515	1,409	944
Total revenues	33,689	33,681	31,374
Expenses:			
Academic program	17,233	16,506	15,864
Co-curricular program	7,461	7,110	6,812
Public service	607	660	741
Marketing	3,653	3,390	3,593
General and administrative	3,517	3,568	3,647
Total expenses	32,471	31,234	30,657
Revenue over expenses	1,218	2,447	717
Other changes in net assets:			
Realized and unrealized gains (losses), net	7,544	(3,292)	(5,151)
Transfers to other Claremont Colleges	(137)	(661)	(552)
Staff retirement plan comprehensive income	217	(725)	-
Transfers and redesignation between net asset categories	86	50	56
Total other changes in net assets	7,710	(4,628)	(5,647)
Increase (decrease) in net assets	8,928	(2,181)	(4,930)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	35,416	37,597	42,527
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 44,344	\$ 35,416	\$ 37,597

PITZER COLLEGE
Statement of Financial Position (000's)

	As of June 30,		
	2004	2003	2002
ASSETS:			
Cash	\$ 427	\$ 278	\$ 313
Short term investments	7,311	5,216	4,779
Prepaid expenses and deposits	484	489	559
Accounts receivable, net	1,656	2,030	1,333
Contributions receivable, net	7,098	4,018	5,967
Notes receivable, net	3,934	4,200	4,617
Investments	58,769	49,025	50,987
Plant facilities, net	18,973	19,497	19,145
TOTAL ASSETS	\$ 98,652	\$ 84,753	\$ 87,700
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 2,749	\$ 2,739	\$ 2,425
Liability for early retirement plan	1,565	1,494	1,316
Deposits and deferred revenues	1,215	786	1,202
Life income and annuities payable	308	282	356
Capital lease obligation	142	207	-
Bonds payable	10,822	11,332	11,819
Government advances for student loans	2,960	2,888	2,807
TOTAL LIABILITIES	19,761	19,728	19,925
Net assets:			
Unrestricted	44,344	35,416	37,597
Temporarily Restricted	8,389	4,060	4,844
Permanently Restricted	26,158	25,549	25,334
TOTAL NET ASSETS	78,891	65,025	67,775
TOTAL LIABILITIES AND NET ASSETS	\$ 98,652	\$ 84,753	\$ 87,700

Financial Ratios:

	Proforma (a) (b)			
	<u>FYE June 30, 2004</u>	<u>2004</u> (a)	<u>2003</u> (a)	<u>2002</u> (a)
Debt service coverage (x)	1.33	2.32	3.34	2.10
Debt to expendable net assets (x)	1.13	0.26	0.29	0.26
Expendable net assets to operations (x)		1.77	1.16	1.13
Margin (%)		3.6	7.3	2.3

(a) Based on operating results.

(b) Recalculates 2004 audited results to include the impact of this proposed financing.

Financial Discussion:

Pitzer College has experienced steady revenues over the last three years although investments fluctuated primarily due to market conditions. The current year reflects significant gains from improved investment returns.

The College relies on Student tuition and fees as a primary source of its revenues. In 2004, these revenues comprised 78% of total revenues. Spending policy income, contributions and the release of temporarily restricted net assets provided the remaining revenues at 16% with gifts, grants, contracts, and other sources making up the difference.

Revenues have remained steady during the past three fiscal years. In the fiscal year 2004, total revenues are at \$33.6 million, up more than 16.9% from fiscal year 2002 while expenses only increased 5.9%. Fluctuations in realized and unrealized gains and losses, net of allocation to operations reflect volatility in investment markets for 2002 and 2003 resulting in losses of \$5.1 million and \$3.2 million, respectively. The College experienced positive investment returns of over \$7.5 million in 2004 reflecting general improved market conditions.

The balance sheet is healthy with sizeable net assets, good debt service coverage levels, and positive operating margins.

There was a substantive increase in the market value of the College's long-term investments in 2004 due to improved market conditions. The value went from \$54.2 million in 2003 to \$66.0 million in 2004, an increase of \$11.8 million. A comparison of the most recent year to 2003 reflects a 21.3% increase in unrestricted net assets. The unrestricted net assets balance in fiscal year 2004 is approximately \$78.8 million with total net assets at over \$98.6 million.

During our review period, debt to expendable net assets ratios have been consistently low. However, since the College is increasing its debt by 4.4x, the proforma debt to expendable net assets ratio increases to 1.13x indicating that the College is marginally leveraged. Operating margins have varied, but is a solid 3.6% for 2004. Debt service coverage is based on operating results averaging 2.58x over the review period. The proforma debt service coverage ratio is satisfactory at 1.33x indicating that the College should comfortably manage the repayment of the proposed debt.

For academic year 2007-08, the new residence hall buildings will generate projected additional revenues of \$660,000. Management anticipates that the College will continue to generate positive operating results due to its strong student demand and increased residency.

III. STUDENTS, COLLEGE COSTS, AND FACULTY STATISTICS:

Students

The 2004-05 entering freshmen class of 220 was selected from a pool of 3,108 applicants. The fall entering freshmen class had representatives from 29 states and 2 foreign countries; 49% of the class was from outside California. The average entering GPA for the freshmen class was 3.57 with SAT composite scores of 1246. Submission of SAT scores is optional. The composite score of 1246 represents those students who chose to submit SAT scores as part of their admissions application.

Freshman Applicant Pool

Academic Year	Application	Acceptances	Matriculations*
2000-01	2,088	1,177	218
2001-02	2,282	1,228	224
2002-03	2,323	1,303	235
2003-04	2,425	1,215	229
2004-05	3,108	1,255	220

*Students entering in the fall semester of academic year.

Enrollments and Degrees

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

Academic Year	Fall Full-Time Equivalent Student Enrollments*	Degrees Awarded
2000-01	889.25	219
2001-02	894.19	190
2002-03	923.56	244
2003-04	914.00	207
2004-05	899.50	N/A

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

The College has no current plans for growth. It intends to maintain the number of its full-time equivalent enrollment students at the present levels.

Approximately 97% of College students in the 2004 graduating class graduated within five years of entering the College.

Tuition, Fees and Room and Board

Tuition, room, board and fees for full-time students at the College for the 2004-05 fiscal year total \$39,660. A five-year summary of tuition and fees and room and board is provided below:

Comprehensive Fees			
<u>Academic Year</u>	<u>Tuition and Fees</u>	<u>Room and Board*</u>	<u>Total</u>
2000-01	\$25,238	\$6,458	\$31,696
2001-02	27,030	6,900	33,930
2002-03	28,256	7,370	35,626
2003-04	29,794	7,796	37,590
2004-05	31,438	8,222	39,660

*Based on double occupancy, a 19-meal plan and including facilities fee.

Faculty

The following table reflects the number of full-time and part-time faculty appointments for the five most recent academic years, as well as, the number of full-time faculty with tenure. The data is for instructional faculty only, and excludes deans, associate deans, coaches, administrators and librarians who may hold faculty rank.

Faculty				
<u>Academic Year</u>	<u>Full Time</u>	<u>Part Time</u>	<u>FTE Total</u>	<u>Tenured</u>
2000-01	62	22	69.3	48
2001-02	62	19	68.3	47
2002-03	66	21	73.0	47
2003-04	68	20	74.7	46
2004-05	67	27	76.0	51

Of the 67 full-time faculty in 2004-05, 35 are professors, 16 are associate professors and 16 are assistant professors. Approximately 94% of the faculty have obtained a Ph.D. or other terminal degree and 75% of the faculty are tenured. The current undergraduate student/faculty ratio is 11 to 1. Approximately 40.4% of the tenured/tenure-track faculty at the College (not including Joint Science) are women and 30% of the tenured/tenure-track faculty at the College (not including Joint Science) represent minority faculty appointments.

IV. BACKGROUND:

General:

The College was founded in 1963 and is an independent coeducational, liberal arts and sciences college offering a Bachelor of Arts degree with a curricular emphasis in the social and behavioral sciences. The College's educational objectives emphasize development of critical thinking, formal analysis, effective expression and breadth and depth of knowledge. In addition, the objectives

place a major focus on development of (1) intercultural understanding, (2) interdisciplinary perspective, and (3) a concern with social responsibility and the ethical implications of knowledge and action.

Enrolling approximately 900 students, the College is part of a unique educational environment known as The Claremont Colleges—a consortium of five undergraduate colleges and two graduate institutions. All seven campuses are physically contiguous and share such facilities as a central library, bookstore and medical center. The colleges also cooperate to provide numerous joint programs including joint academic programs in science, music, drama and film, and other joint programs in sports and athletics. The College is located in the city of Claremont, a Southern California Community of some 35,000 residents, noted for its tree-lined streets and numerous parks. Situated at the southern base of the San Gabriel Mountains—with Mt. Baldy, a 10,000 foot mountain peak rising above it—Claremont is approximately an hour's drive to downtown Los Angeles, the Pacific Coast beaches, the desert highlands, and snow-capped mountain ranges.

Affiliated Institutions:

The College is part of The Claremont Colleges, a consortium of five undergraduate colleges (Pomona College, Harvey Mudd College, Claremont McKenna College, Scripps College and the College), and two graduate institutions (the Claremont Graduate University, formerly the Claremont Graduate School and Keck Graduate Institute of Applied Life Sciences). The seven Claremont institutions jointly finance a central administration for the operation of shared programs, facilities and services, including a library system (with 2.4 million bound volumes, 15,234 periodicals and 1.45 million micro texts), a computer center, a security force, maintenance services, a chaplain's office, professionally staffed medical and counseling centers, and the Claremont Center for the Performing Arts, including Bridges Auditorium, which seats 2,500.

Administration:

The College is governed by a Board of Trustees consisting of up to 45 persons, including the President of the College and the President of the Alumni Association. There are presently 31 regular trustees and 13 emeritus trustees. Emeritus trustees have no vote and are not numbered among the 45 members of the Board of Trustees. Each trustee serves on at least one Board committee and is expected to participate fully in the deliberations and work of that committee.

The Board of Trustees has legal responsibility for the management of the College, including its academic policy, land use and development, faculty and staff appointments and benefits, gift development, adoption of the College budget and supervision of financial affairs. Certain of the powers of the Board may be delegated to the Executive and other committees.

Accreditation and Affiliations:

The College is accredited by the Western Association of Schools and Colleges, of which it is a member. The most recent accreditation was received in 1999. In addition, the College is a member of the Association of American Colleges; American Association of Collegiate Registrars and Admissions Officers; American Association of University Women; American Council on Education; Association of Governing Boards of Universities and Colleges; Association of Independent California Colleges and Universities; College Entrance Examination Board; Council for the Advancement and Support of Education; National Association of College and University

Business Officers; and the Independent Colleges of Southern California. In addition, the College is a member of The Consortium for Innovative Learning and Education (CIEL), Project Pericles, and Campus Compact.

Competition:

The College is uniquely positioned among its competition because of its educational objectives. The College’s emphasis is on intercultural understanding, social responsibility, interdisciplinary learning and student autonomy. Students are required to meet a limited number of general education course requirements, allowing the student a significant amount of freedom and responsibility for choosing which courses to take, setting the College apart from its peer institutions. These educational objectives permeate what happens in and out of the classroom.

The College’s competitors are as follows:

- Occidental College
- Pomona College
- Claremont McKenna College
- Scripps College
- Lewis and Clark College
- Colorado College

V. OUTSTANDING DEBT:

<u>Issue:</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding As of 6/30/04*</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
Existing:			
CEFA 1997, Series A	\$3,535,000	\$2,130,000	\$2,130,000
CEFA 1999, Series A	10,405,000	9,025,000	9,025,000
Proposed:			
CEFA 2005, Series A and B			38,000,000
Total		<u>\$11,155,000</u>	<u>\$49,155,000</u>

**Includes unamortized discount and issuance costs.*

VI. 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 the Applicant.

VII. STAFF RECOMMENDATION:

Staff recommends the Authority approve a resolution in an amount not to exceed \$38,000,000 to issue tax exempt revenue bonds for Pitzer College, subject to a bond rating of at least an “A” category (or equivalent short-term rating) by a nationally recognized rating agency and the standard bond issuance guideline.