CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

BOND FINANCING PROGRAM

EXECUTIVE SUMMARY

Applicant:	Pitzer College (the "College") 1050 N. Mills Ave. Claremont, CA 91784 Los Angeles County	**Amount Requested:** **Date Requested:** **Resolution Number:**	$73,500,000 October 8, 2009 270
Facility Type:	Private University		
Project Location:	Claremont, CA		
Accreditation:	Western Association of Schools and Colleges		

Use of Proceeds: Bond proceeds will be used to refund all or a portion of the CEFA Series 1999A and 2005B bonds. In addition, the College plans to use bond proceeds for the construction of residence halls and the acquisition of land adjacent to the main campus.

Type of Issue:	Negotiated public offering, fixed rates, 30-year term
Credit Enhancement:	None
Expected Rating:	A (Fitch) / A2 (Moody's)
Underwriter:	Wedbush Morgan Securities
Bond Counsel:	Squire, Sanders and Dempsey

Environmental Benefits: The College has expressed a goal of actively pursuing and fostering an environmentally sensitive design strategy for its campus and its projects. The College plans to seek Gold LEED Certification for the construction projects.

Financial Status: The College continues to post positive operating results supported by growth in tuition revenue over the review period. The College's financial strength appears to be solid with approximately $134.7 million in total net assets.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Par Amount of Bonds	$73,500,000	Project Fund	$40,000,000
Original Issue Discount	(8,337,292)	Deposit for Refunding	26,054,985
Transfer of Reserve Fund	1,788,375	Cost of Issuance	896,098
Total Sources	$66,951,083	Total Uses	$66,951,083

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 $73,500,000 for Pitzer College subject to a bond rating of at least in the "A" category by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "A" category rated debt.

STAFF SUMMARY AND RECOMMENDATION

Pitzer College (the "College")

October 8, 2009

Resolution Number: 270

I. PURPOSE OF FINANCING: Pitzer College is in the process of implementing its Housing Master Plan 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 has completed Phase I and will be using these bond proceeds to implement Phase II of the project. Phase II consists of constructing two new residence halls and demolishing a portion of an existing residence hall. Phase III of the Housing Master Plan will be implemented as funds become available.

The College also plans to use bond proceeds to purchase land adjacent to campus as well as to refund the CEFA Series 1999A and 2005B bonds.

Projects..$40,000,000

- In accordance with the Phase II portion of their Housing Master Plan, the College intends to construct two new residence halls. These new residence halls will house approximately 130-150 beds and will include space for admissions, student mail services, art studios and meeting spaces.
- Additionally, the College plans to demolish a portion of an existing residence hall to provide more space for the new residence halls.
- The College is negotiating with the Claremont University Consortium to purchase approximately 16 acres of land directly east of the College's campus. The College intends to use a portion of the bond proceeds solely for the acquisition of the land. In the future, it is the College's intention to use this land for parking and athletic fields and facilities.
- The College may use proceeds for infrastructure improvements and the renovation of various academic and administrative buildings and residence halls.

Environmental Benefits:
It is the College's goal to actively pursue and foster an environmentally sensitive design strategy for its campus and its construction projects. The College plans to seek Gold LEED Certification for its construction projects in the Master Housing Plan.

Some of the sustainability features incorporated into the Master Housing Plan includes:

- Using operable windows and promoting natural ventilation as a first choice in creating and maintaining thermal comfort
- Integral daylighting and line-of-sight to the exterior in all student accommodations and community spaces
- Utilize finish materials that consist of recycled, reclaimed or reused materials
- Utilize finish materials from rapidly renewing resources, such as bamboo flooring

- Providing dedicated program and site space for the collection, storage and removal of recycled materials

Refunding 26,054,985

The College plans to refund all or a portion of the CEFA Series 1999A and 2005B bonds. The outstanding balances of these bonds are approximately $7,494,985 and $18,560,000, respectively.

The refunding of the CEFA Pool Series 1999A bonds will provide the College with a net present savings of approximately 5.45% or $401,140, over the life of the bonds. The bonds were originally issued to refund the CEFA Pool Series 1992A bonds and to renovate campus buildings.

The CEFA Series 2005B bonds are variable rate bonds backed by a Letter of Credit. However, the Letter of Credit will be expiring in 2010 and the College's Board of Directors deemed that it is in the best interest of the College to refund the remaining portion of these bonds in order to limit their variable rate exposure.

Financing costs 896,098

Costs of Issuance $287,535
Underwriter Fees and Expenses 608,563

TOTAL USES OF FUNDS $66,951,083

II. FINANCIAL ANALYSIS:

Pitzer College
Statement of Activities
Unrestricted

	Year Ended June 30, 2008	2007	2006
Revenues:			
Net student revenues	$ 36,581,305	$ 32,937,211	$ 31,093,303
Contributions	1,997,557	3,123,272	4,975,168
Grants and contracts	590,951	844,911	902,001
Spending policy income	4,249,670	3,223,355	2,820,175
Other investment income	1,461,194	2,908,193	2,003,072
Summer conference revenue	1,038,309	959,200	983,993
Other revenues	253,078	211,561	170,348
Release of temporarily restricted net assets and reclassifications	2,153,011	3,279,551	2,523,469
Total revenues	48,325,075	47,487,254	45,471,529
Expenses:			
Academic program	20,076,387	18,487,015	18,388,503
Co-curricular program	10,886,338	9,707,902	9,364,082
Public service	824,577	807,509	922,576
Marketing	4,963,489	4,171,343	4,008,656
General and administrative	4,656,946	3,957,178	3,636,510
Total expenses	41,407,737	37,130,947	36,320,327
Change in net assets from operations	6,917,338	10,356,307	9,151,202
Other changes:			
Realized and unrealized gains, net of spending allocation	(12,095,688)	14,678,256	10,380,270
Gain on settlement of asset retirement obligation	72,931	-	8,038,000
Matured annuity and life income agreements			
Comprehensive loss on defined benefit plans	(1,125,527)	(130,435)	275,223
Change in net assets before cumulative effect of change in accounting principle	-	-	27,844,695
Cumulative effect of change in accounting principle	-	-	(880,407)
Change in net assets	(6,230,946)	24,904,128	26,964,288
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	105,277,336	80,373,208	53,408,920
UNRESTRICTED NET ASSETS, END OF YEAR	$ 99,046,390	$ 105,277,336	$ 80,373,208

Pitzer College

Statement of Financial Position

	As of June 30,		
	2008	2007	2006
ASSETS:			
Cash and cash equivalents	$ 269,214	$ 522,629	$ 1,200,621
Short term investments	13,055,104	10,486,957	9,150,770
Prepaid expenses and deposits	1,624,327	1,394,705	1,336,587
Accounts receivable, net	1,361,878	1,769,460	2,274,348
Notes receivable, net	4,342,092	3,874,146	3,811,425
Contributions receivable	5,965,875	4,729,940	5,968,013
Beneficial interest in trusts	2,125,704	2,277,456	2,182,758
Investments	118,541,146	133,410,351	122,963,328
Plant facilities, net	46,985,536	40,891,750	25,919,256
Total assets	$ 194,270,876	$ 199,357,394	$ 174,807,106
LIABILITIES AND NET ASSETS:			
Accounts payable and accrued liabilities	$ 5,978,054	$ 8,258,890	$ 4,678,270
Liability for early retirement plan	2,415,312	1,487,692	1,676,927
Deposits and deferred revenues	1,968,879	1,577,226	1,834,398
Life income and annuities payable	261,683	299,391	286,166
Capital lease obligation	210,531	318,975	82,973
Bonds payable	44,588,375	45,216,869	46,830,928
Government advances for student loans	3,164,970	3,130,849	3,100,333
Asset retirement obligation	916,220	1,051,164	1,004,839
Total liabilities	59,504,024	61,341,056	59,494,834
Net assets:			
Unrestricted	99,046,390	105,277,336	80,373,208
Temporarily restricted	8,203,166	5,430,778	8,159,370
Permanently restricted	27,517,296	27,308,224	26,779,694
TOTAL NET ASSETS	134,766,852	138,016,338	115,312,272
TOTAL LIABILITIES AND NET ASSETS	$ 194,270,876	$ 199,357,394	$ 174,807,106

Financial Ratios

	Proforma FYE 6/30/08	2008	2007	2006
Debt service coverage (x)	(0.35) (a) (b)	(0.99) (c)	11.11	13.00
Debt to expendable net assets (x)	0.85	0.42	0.41	0.53
Expendable net assets to operations (x)		2.59	2.98	2.44
Margin		14%	22%	20%

(a) Recalculates FY 2008 results to include the impact of this proposed financing

(b) Calculating the proforma debt service coverage ratio using only operating results equals 1.46x

(c) Calculating the FY 2008 debt service coverage ratio using only operating results equals 4.11x

Financial Discussion:

The College continues to post positive operating results supported by growth in tuition revenue over the review period.

The College continues to generate positive operating results over the review period. In the three-year review period, total unrestricted revenues have increased from $45.4 million in FY 2006 to $48.3 million in FY 2008, a 6% increase. Key factors accounting for this revenue growth include the consistent growth of net tuition and income from spending policy.

The College reports that it relies on tuition as a primary source of its revenue. According to the College's FY 2008 audited financials provided, tuition revenue accounted for 76% of total revenues. A combination of fee increases and higher enrollment due to strong recruitment of new students and improved retention can be attributed for $36.5 million in net tuition and fees in FY 2008, up 17% from $31.0 million in FY 2006.

The College's moderate operating gains were offset by $12.1 million in unrestricted non-operating losses from realized and unrealized investment gains and losses, net of spending allocation. The unrealized losses on investments are a result of fluctuations in market value.

Total expenses increased 14% over the review period, which were due to adding additional faculty to maintain and reduce the student-to-faculty ratio, enhancing the competitiveness of faculty salaries, funding high priority academic initiatives and increased depreciation expense for the Phase I residence halls.

The College's financial strength appears to be solid with approximately $134.7 million in total net assets.

Despite the investment losses, the College has generally been able to maintain its total net asset levels from FY 2006 to FY 2008. In FY 2006, total net assets were $115.3 million and increased 20% to $138.0 million in FY 2007. Total net assets in FY 2008 dipped a mere 2% to $134.7 million, primarily due to investment losses.

Investment losses also impact the calculation of the debt service coverage ratio for FY 2008 and the proforma debt service coverage ratio, which are negative 0.99x and negative 0.35x, respectively. It should be considered that these losses are non-cash charges and are not due to operations. Taking this into account, when the debt service coverage ratios are calculated using operational-only results the FY 2008 debt service coverage ratio improves to a solid 4.11x and the proforma debt service coverage ratio also improves to an acceptable 1.46x, indicating the College's likely ability to manage the additional debt.

III. BACKGROUND:

General:

The College was founded in 1963 is located in Claremont, CA. The College 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 1,000 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.

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. 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.

Accreditations and Affiliations:

The College is fully accredited by the Western Association of Schools and Colleges (WASC). In 2009, WASC reaffirmed accreditation of the Art Center following a comprehensive review. 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. It also has professional accreditation from the National Association of Schools of Art and Design. In addition, it has affiliations with several other professional organizations.

Academic Programs:

The College offers 41 majors in the natural sciences, humanities, social sciences and fine arts. Students may also take courses at any of the other Claremont Colleges.

IV. OUTSTANDING DEBT (000's):

Issue:	Original Issue Amount	Amount Outstanding as of 06/30/08	Estimated Amount Outstanding After Proposed Financing
Existing Debt:			
CEFA Pool, Series 1997A	$ 3,535,000	$ 1,095,000	$ 1,095,000
CEFA Pool, Series 1999A	10,405,000	7,715,000	-
CEFA, Series 2005A	16,085,000	16,085,000	16,085,000
CEFA, Series 2005B	20,575,000	19,565,000	-
Proposed:			
CEFA, Series 2009			**73,500,000**
Total		$ 44,460,000	$ 90,680,000

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

VI. STAFF RECOMMENDATION:

Staff recommends the Authority approve a Resolution in an amount not to exceed $73,500,000 for Pitzer College subject to a bond rating of at least in the "A" category by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "A" category rated debt.