

# New Jersey Institutional Investor's Forum XV October 24, 2012

**New Jersey Educational Facilities Authority**

Chris Christie  
*Governor*

Roger B. Jacobs, Esq.  
*Chairman*

Derek S. Hansel  
*Executive Director*



# NJEFA Mission



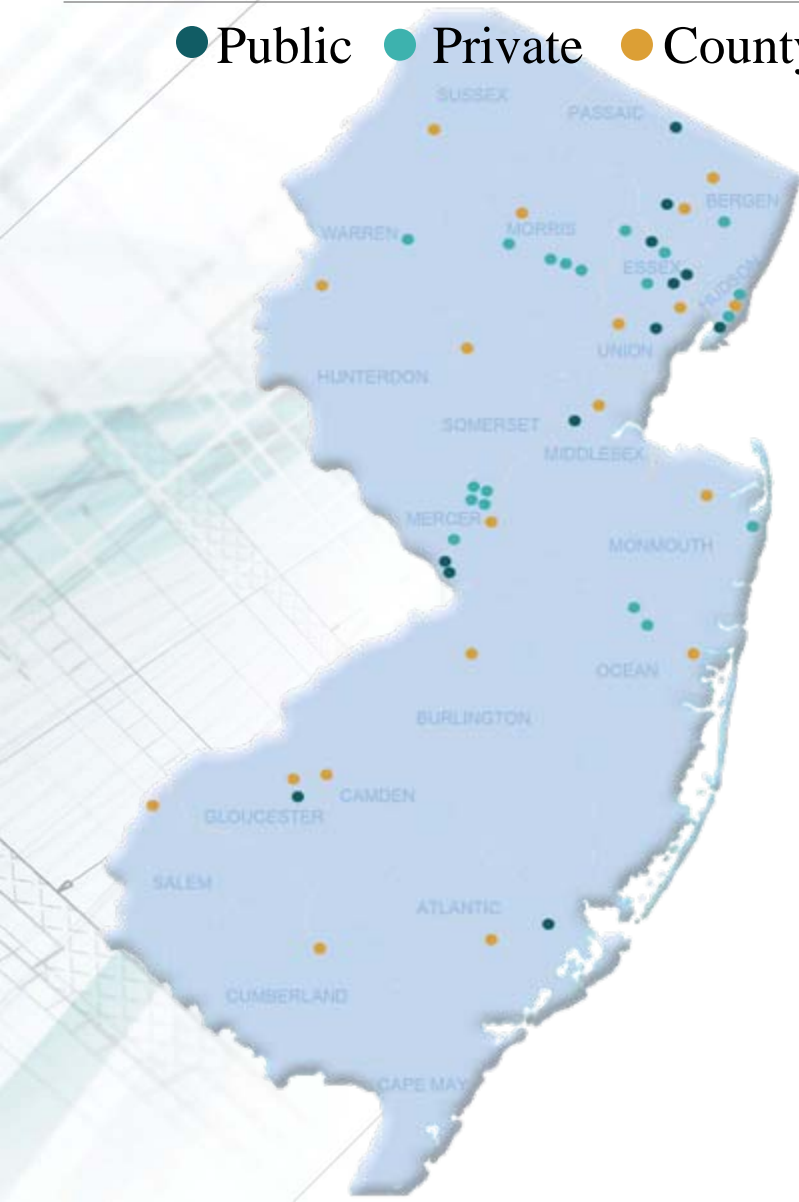
Our mission is to support world-class higher education in New Jersey.

As a public fiduciary, our business is to help our college and university clients obtain low-cost financing for the development of their facilities.

We are helping our clients invest in the treasures that are our colleges and universities, so they can provide the opportunities for our citizens that will build the future of all of New Jersey.

# NJEFA Clients

● Public ● Private ● County



## ● Public Research Universities

New Jersey Institute of Technology  
Rutgers, The State University  
University of Medicine and Dentistry  
Rowan University\*

\* Effective 7/1/2013 pursuant  
to P.L. 2012, c.45

## ● County Colleges

Atlantic Cape Community  
Bergen Community  
Brookdale Community  
Burlington County  
Camden County  
Cumberland County  
Essex County  
Gloucester County  
Hudson County Community  
Mercer County Community

## ● Independent Colleges and Universities

Beth Medrash Govoha  
Bloomfield College  
Caldwell College  
Centenary College  
College of Saint Elizabeth  
Drew University  
Fairleigh Dickinson University  
Felician College  
Georgian Court University  
Institute for Advanced Study

## ● State Colleges and Universities

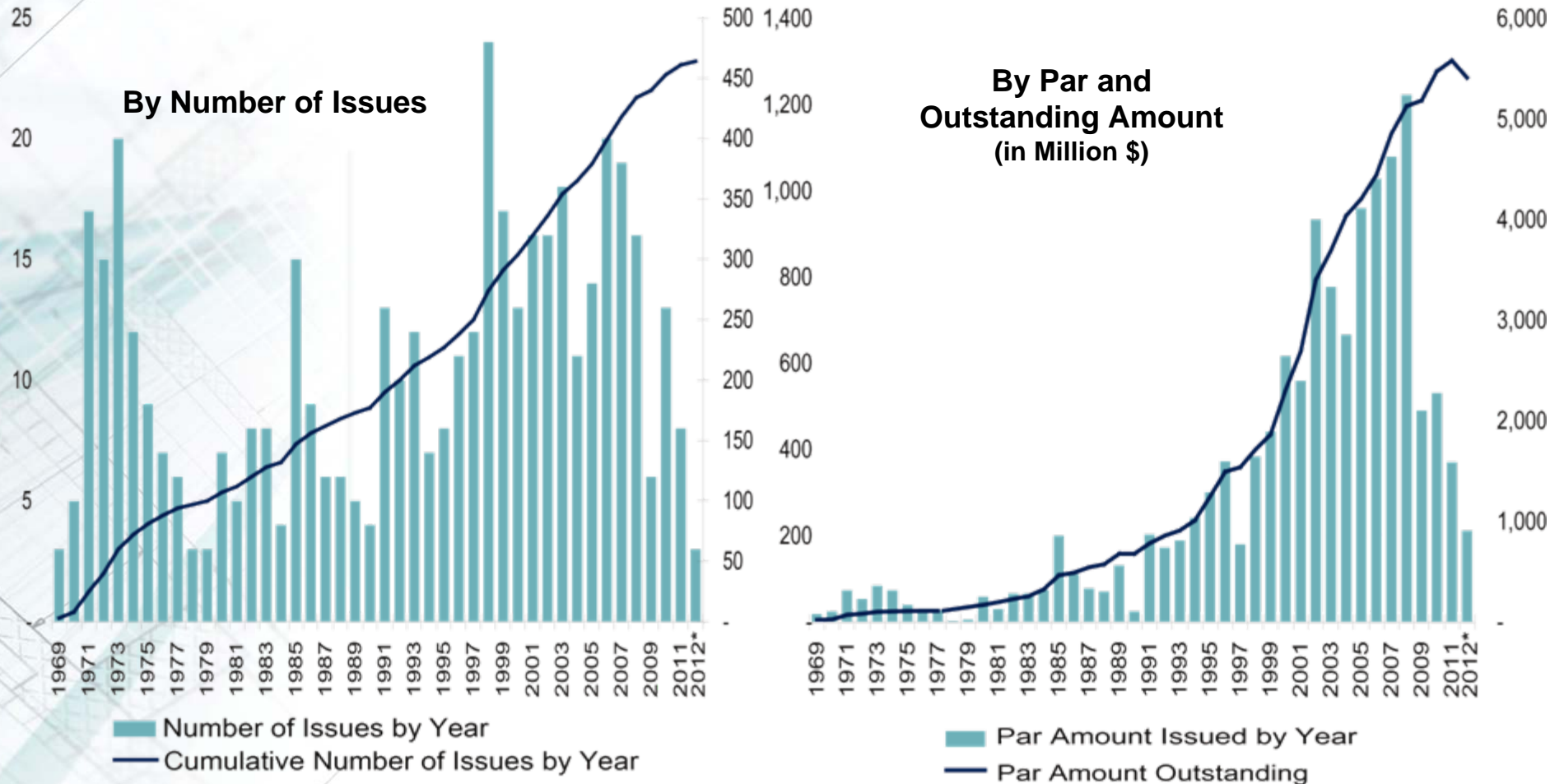
The College of New Jersey  
Kean University  
Montclair State University  
New Jersey City University  
Ramapo College of New Jersey  
The Richard Stockton College of NJ  
Thomas Edison State College  
The William Paterson University of NJ

Middlesex County  
County College of Morris  
Ocean County  
Passaic County Community  
Raritan Valley Community  
Salem County  
Sussex County  
Union County  
Warren County Community

Institute for Defense Analyses  
Monmouth University  
Princeton University  
Princeton Theological Seminary  
Rabbinical College of America  
Rider University  
Saint Peter's University  
Seton Hall University  
Stevens Institute of Technology



# NJEFA Issuance Overview



\* Includes transactions sold to date in 2012

# NJEFA Operations

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## Stand-Alone Transactions:

- Payable by colleges' general revenues; bonds are not an obligation of, and do not have guarantee of, the State
- Public colleges typically enter into lease agreements with the Authority
- Private institutions typically enter into a loan agreement and sometimes a mortgage with the Authority as security for the bonds

## State-Backed Programs:

- State pays all of the debt service under a contract with the Authority and in some programs is partially reimbursed for a piece of the debt service

# NJEFA State-Backed Programs

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- Higher Education Capital Improvement Fund
- Higher Education Facilities Trust Fund
- Higher Education Equipment Leasing Fund
- Higher Education Technology Infrastructure Fund
- County Colleges Capital Projects Fund
- Public Library Project Fund
- Dormitory Safety Trust Fund

# NJEFA as a Conduit

- NJEFA has in-house expertise in:
  - Financial markets
  - Tax and securities law
  - Post-issuance matters
- Involved in transaction through maturity of bonds
- Post-closing/Other Services:
  - Process bond fund requisitions
  - Invest bond proceeds
  - Retain arbitrage rebate service providers
  - Retain swap monitors
  - Assist with tax and securities law issues
  - Monitor continuing disclosure compliance
  - Monitor for refinancing opportunities
- 0% default rate

# NJEFA Bonds Issued by Sector (2001-2012)

<b>Public Institutions</b>	(Millions)
New Money	\$1,972
Refunding	\$2,038
<b>Total:</b>	<b>\$4,010</b>

<b>Private Institutions</b>	
New Money	\$2,108
Refunding	\$1,222
<b>Total:</b>	<b>\$3,330</b>

<b>State-Backed Programs</b>	
New Money	\$451
Refunding	\$416
<b>Total:</b>	<b>\$867</b>

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<b>Grand Total:</b>	<b>\$8,207</b>
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# 2011 Transactions

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NJEFA completed 8 financings for 7 schools totaling over **\$370 million**. More than **\$293 million** funded new projects for 6 schools, and nearly **\$77 million** was for refundings.



# 2012 Transactions

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## The College of New Jersey – Series 2012 A

- \$26,255,000
- Refunding
- \$3,649,960 NPV savings

## Rider University – 2012 Series A

- \$52,020,000
- New Money and Refunding
- \$2,797,196 NPV savings

## Ramapo College of New Jersey – Series 2012 B

- \$80,670,000
- New Money and Refunding
- \$3,156,553 NPV savings

## William Paterson University of NJ – Series 2012 C & D

- \$51,105,000
- New Money and Refunding
- \$4,582,402 NPV savings

# 2012 Construction Projects



Ramapo College of New Jersey  
Adler Center for Nursing Excellence

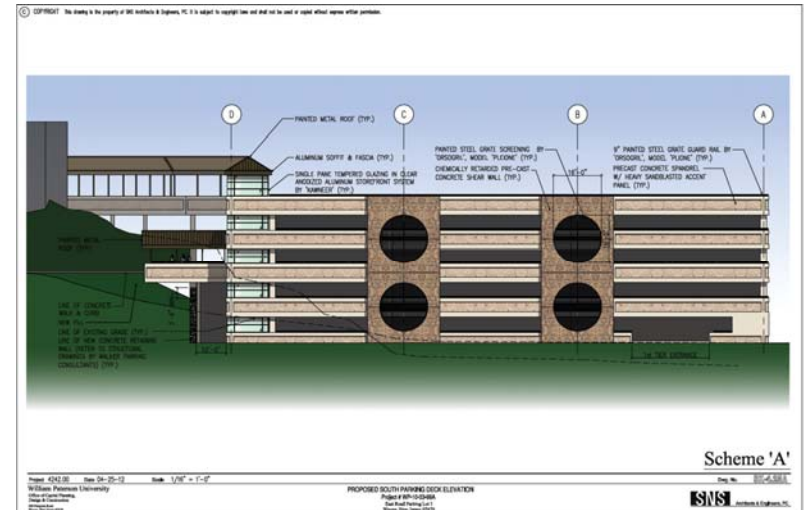
Rider University  
Tri-Generation Facility



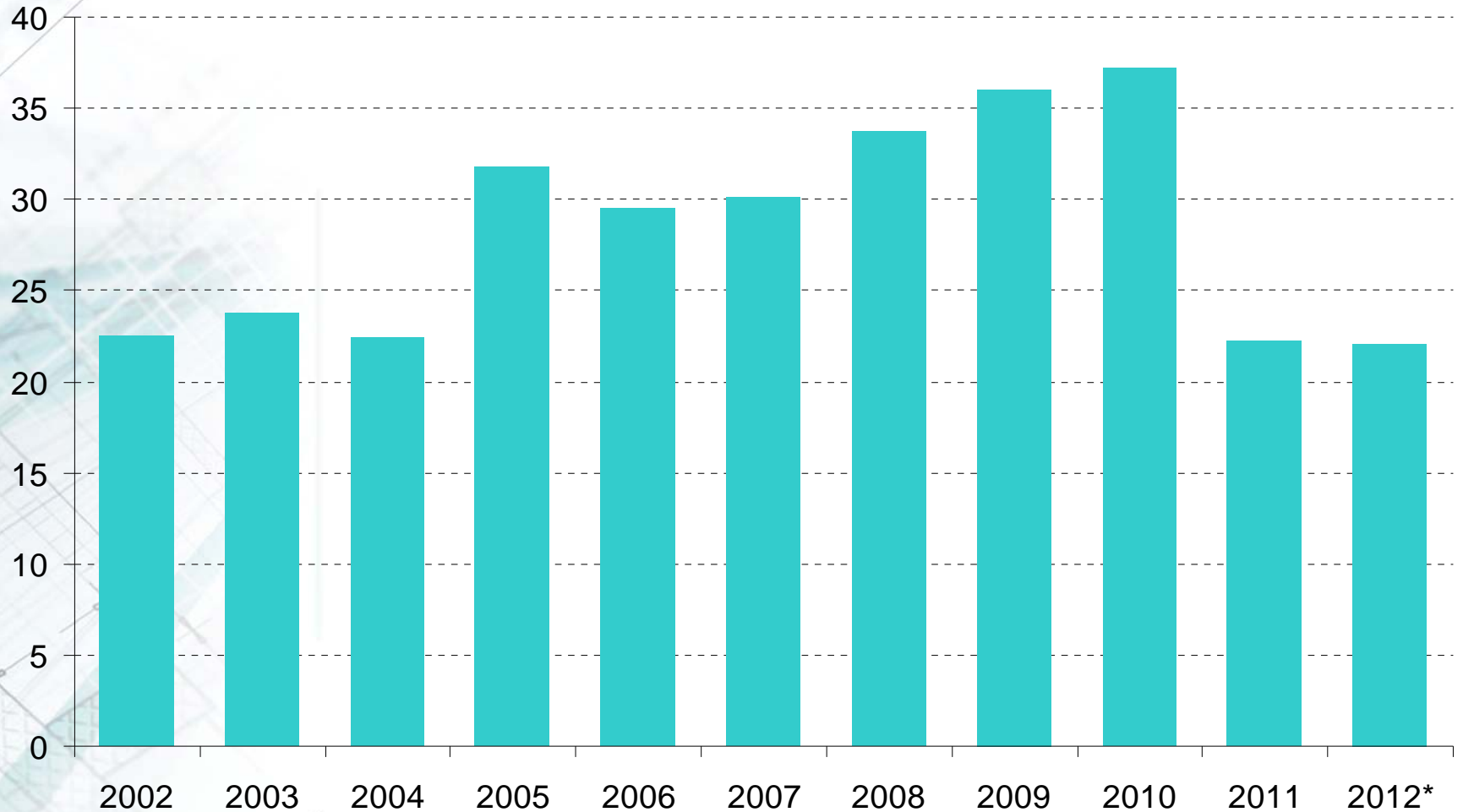
# William Paterson University of NJ

## Competitive Sale - \$51,105,000

- Series 2012 C - \$33,815,000
  - New Money
  - Current Refunding
- Series 2012 D - \$17,290,000
  - Advance Refunding
- 10 Bids received on each series
- Citigroup winning bidder on both series
  - All-in TIC – 2.955%
  - \$4.6 million net present value savings for the University



# National Higher Education Volume

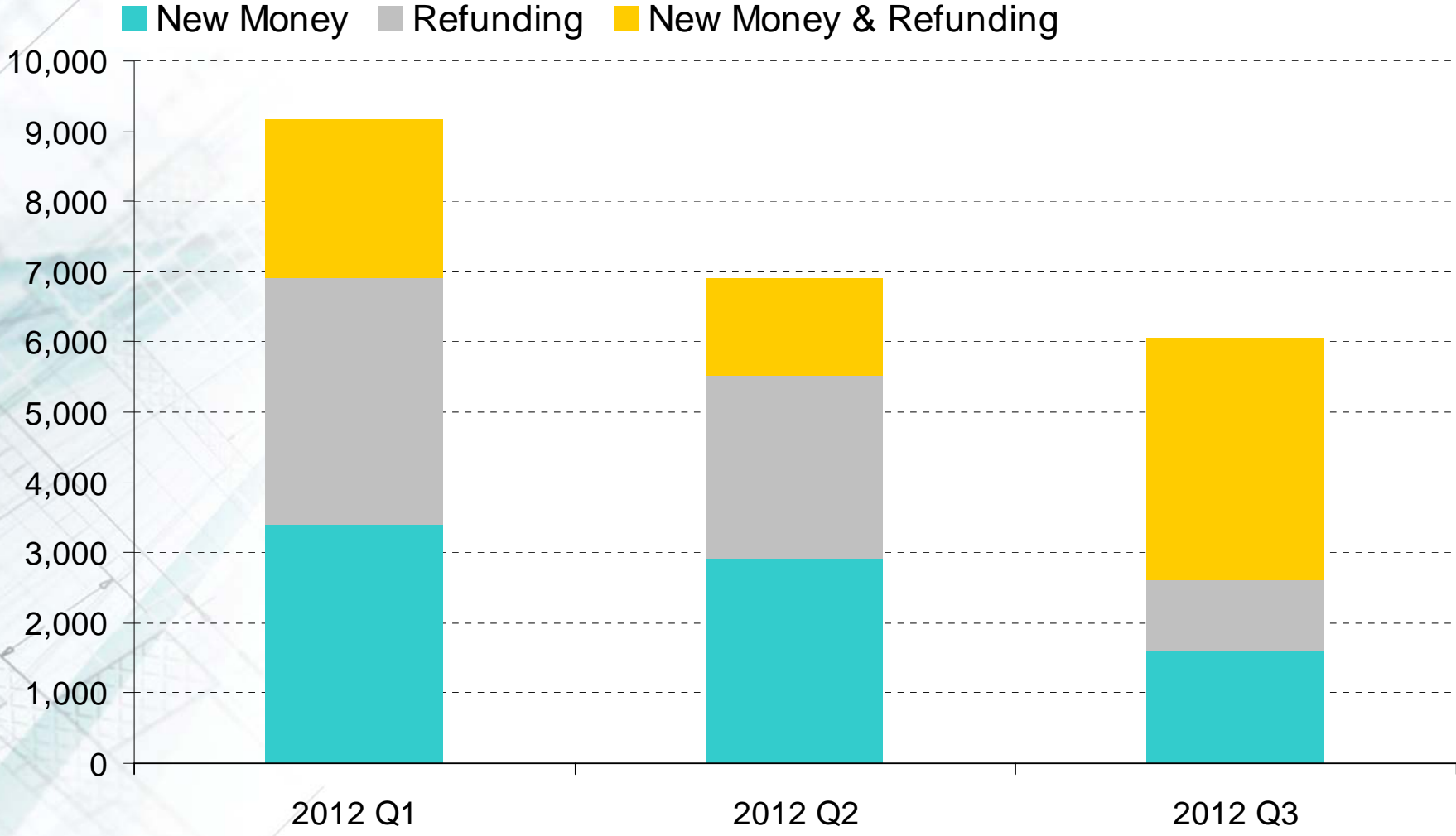


\* Data through 3Q 2012

Sources: Thomson Reuters; The Bond Buyer; Public Financial Management, Inc.



# National Higher Education Volume



Source: Thomson Reuters

# Products – New Developments

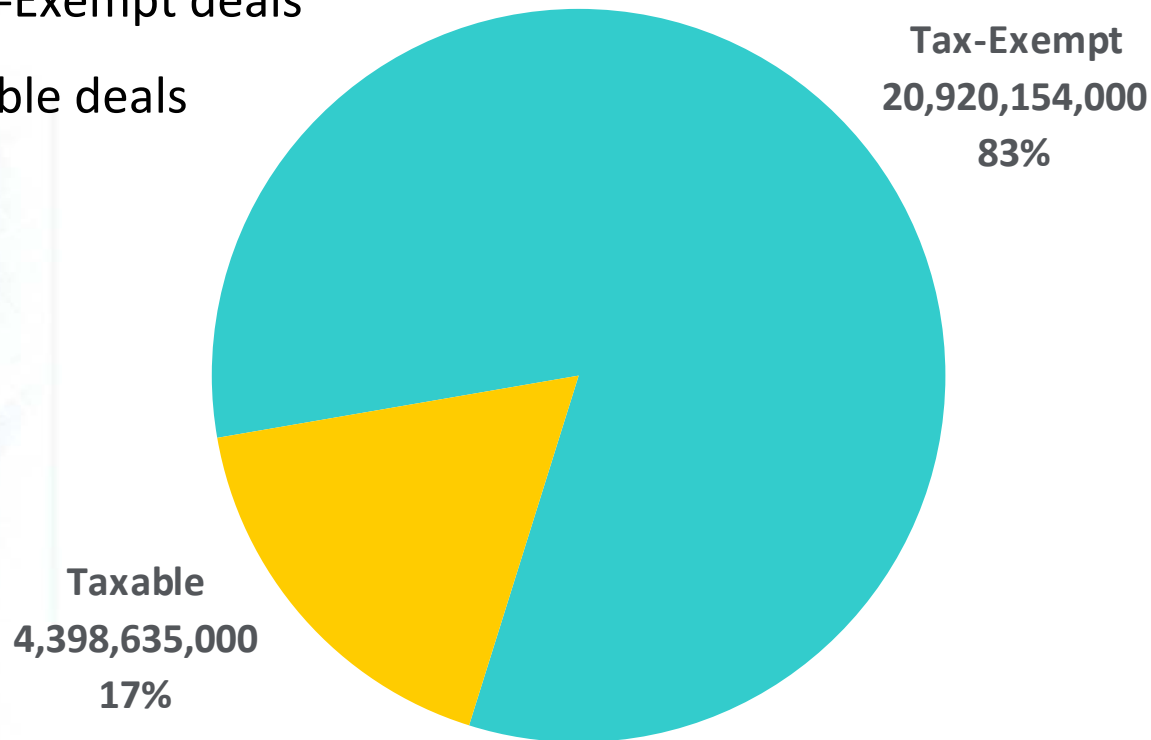
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- Direct Placements
  - Increased appetite for direct lending at commercial banks
  - Concerns with traditional VRDB structures
  - “Partner” with lender and negotiate covenant terms

# Taxable and Tax Exempt Deals

## Tax Status

- 465 Tax-Exempt deals
- 72 Taxable deals



# Equipment Leasing

- Authority exploring Master Leasing Program
  - Quick access to capital
  - Competitive rates
  - Pools of colleges with similar ratings



# NJ College and University Ratings

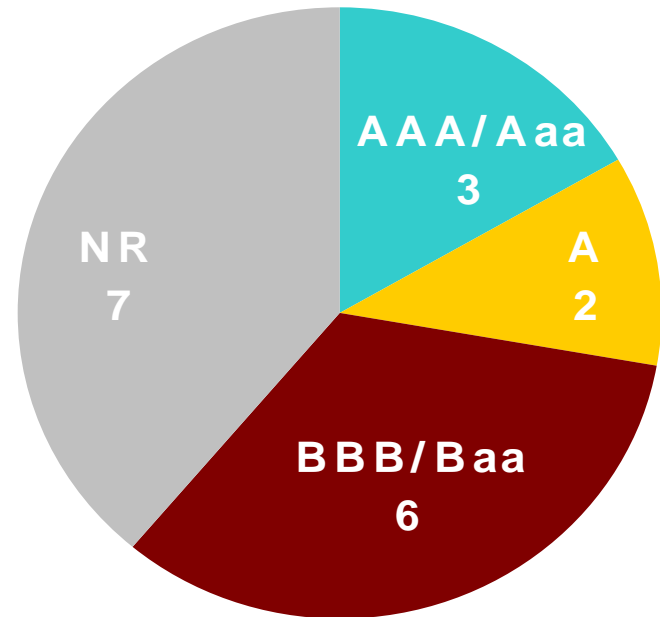
## Public Institutions

■ AA/Aa ■ A ■ NR



## Private Institutions

■ AAA/Aaa ■ A ■ BBB/Baa ■ NR



\* Institution's represented by their highest rating



# Moody's 2012 Outlook

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- Mixed outlook for higher education
  - Increasing revenue pressures
  - Heightened public scrutiny

“Despite stiffer headwinds, the large majority of rated colleges have fared well and demonstrated organizational nimbleness during the prolonged stressful economic period following the 2008-09 financial crisis.”

- Moody's Investors Service

# Moody's 2012 Mid-Year Outlook

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## Maintained Mixed Outlook

- Stable

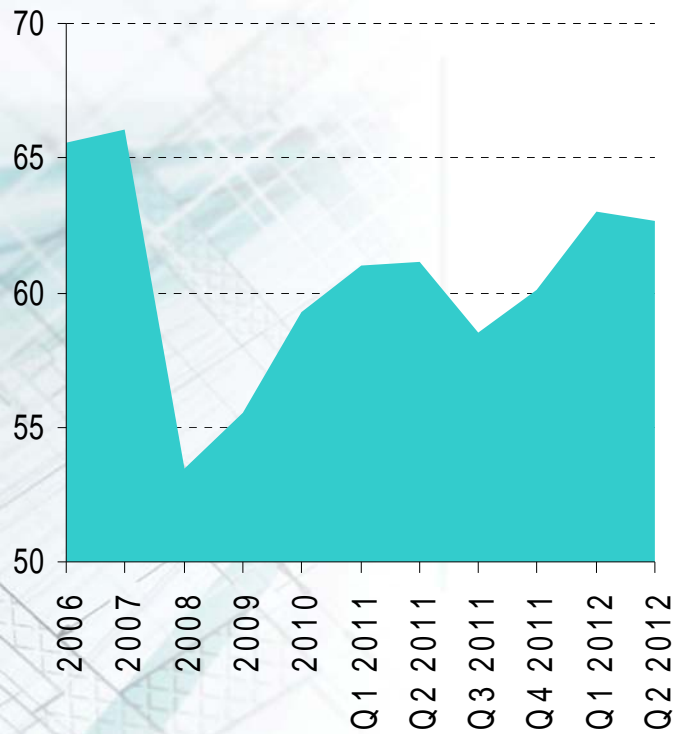
- Diversified Market Leaders  
(Typically Aaa and Aa institutions)

- Negative

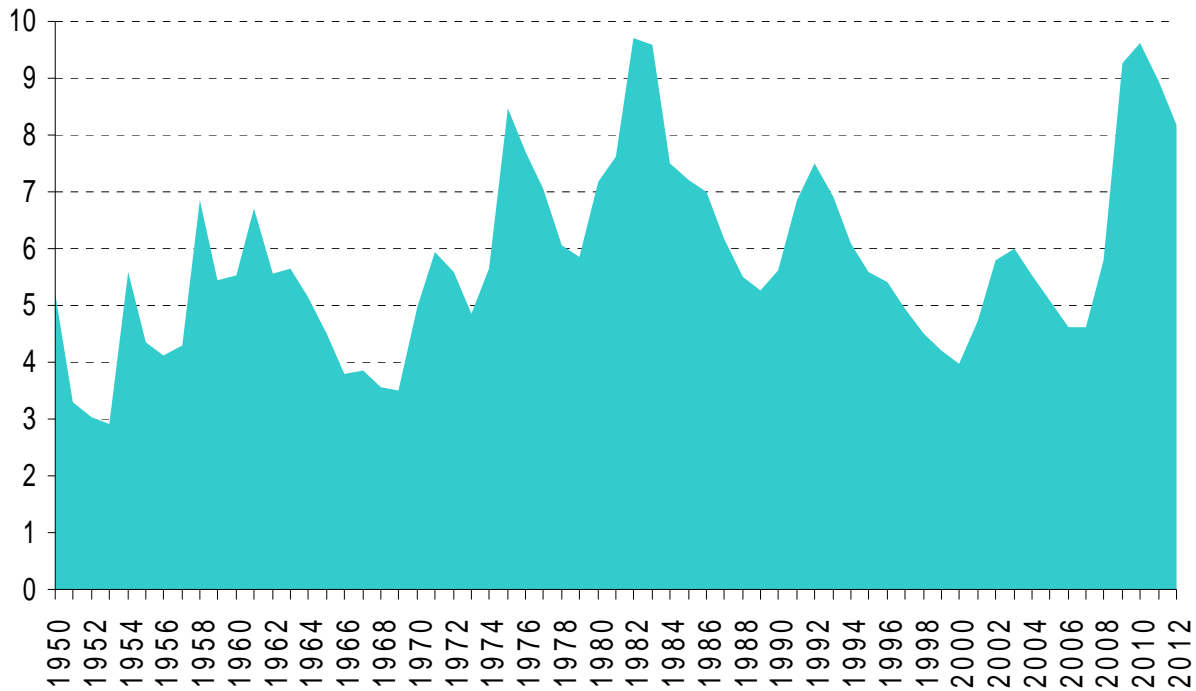
- Rest of Sector  
(Generally those more dependent on state support)

# Moody's 2012 Outlook

Net Household Worth  
(Thousands)



Unemployment Rate % (1950-2012)



Source: NJEFA; Moody's Investors Service; Federal Reserve Statistical Release, Flow of Funds Accounts of the U.S.

Source: NJEFA; Moody's Investors Service; Bureau of Labor Statistics

# Moody's 2012 Mid-Year Outlook

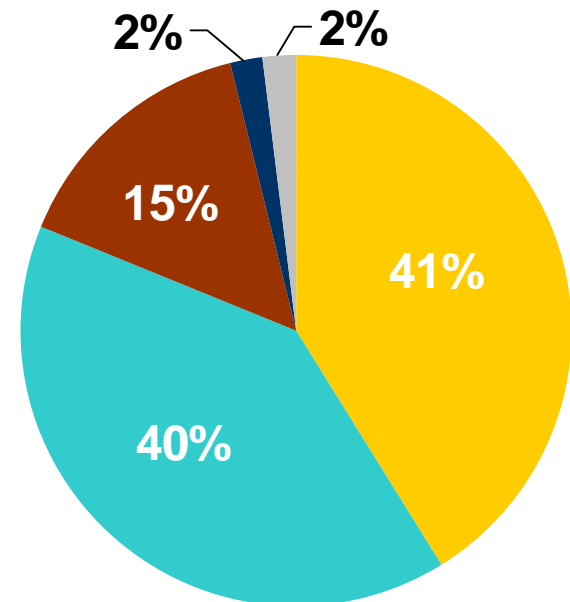
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- Key Challenges
  - Budgetary stress and revenue growth
  - Endowment/Investment performance
  - Donor support/Gifts
  - Growing backlog of capital spending

# New Jersey Enrollment

	<u>Total Enrollments</u>	<u>Total Degrees/Certificates</u>
2000	<b>335,930</b>	<b>52,579</b>
2001	<b>346,277</b>	<b>53,205</b>
2002	<b>361,757</b>	<b>55,866</b>
2003	<b>372,696</b>	<b>58,277</b>
2004	<b>379,447</b>	<b>61,428</b>
2005	<b>379,686</b>	<b>64,007</b>
2006	<b>385,612</b>	<b>65,105</b>
2007	<b>398,169</b>	<b>66,364</b>
2008	<b>410,193</b>	<b>69,357</b>
2009	<b>432,167</b>	<b>71,749</b>
2010	<b>442,790</b>	<b>75,702</b>
2011	<b>442,878</b>	<b>78,793</b>
Cumulative Increase	<b>106,948</b> <b>31.83%</b>	<b>26,214</b> <b>49.85%</b>

- Public Universities and State Colleges
- Community Colleges
- Private Institutions
- Proprietary Independents
- Religious Independents

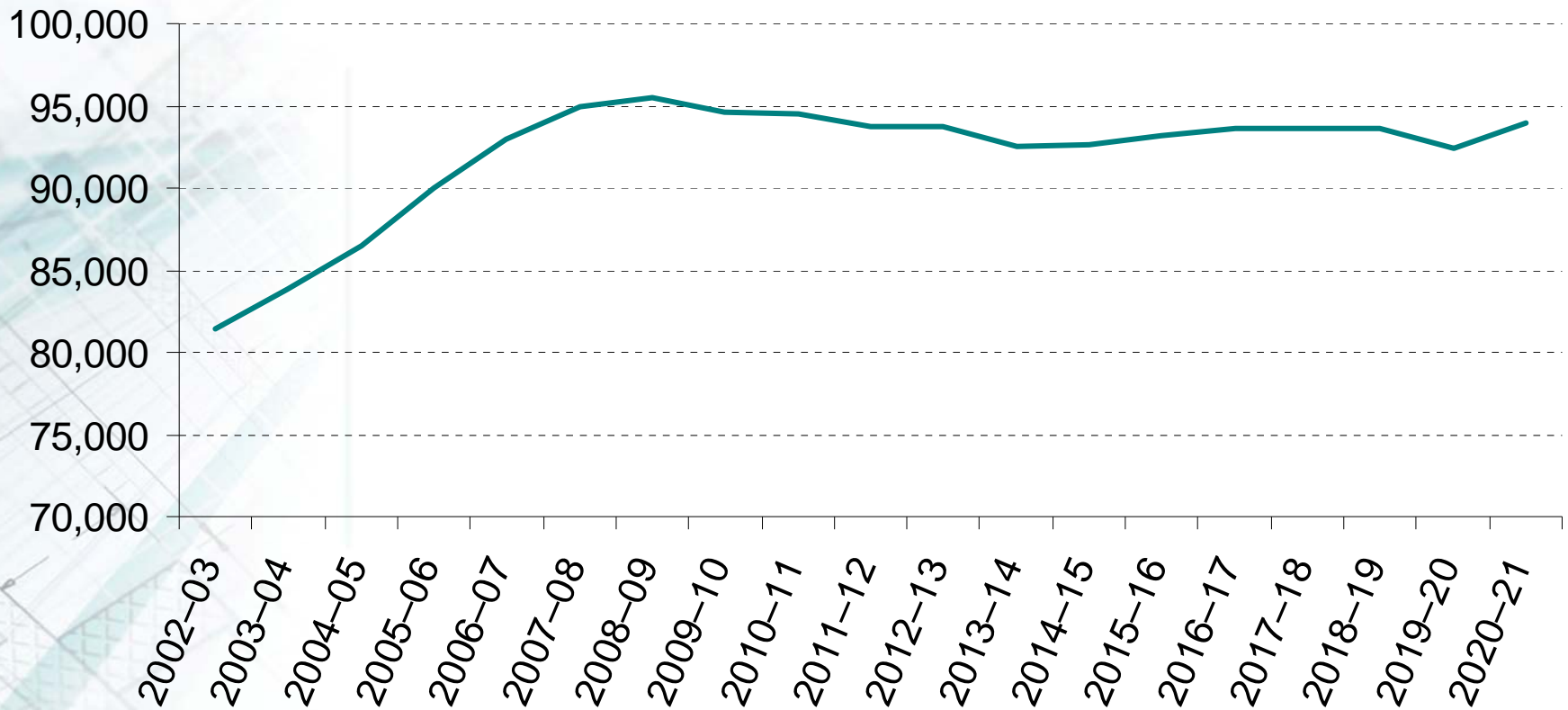




# Steady Demand for College

## Actual and Projected New Jersey High School Graduate

— NJ High School Graduates



\* Years 2002-03 through 2007-08 are actual

Source: NJEFA; NJ Association of State Colleges and Universities; National Center for Education Statistics

# New Jersey Higher Education Spending

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## FY 2013 Budget

- Total State Support -  
\$2.06 billion (4.5% increase over FY 2012)
- Operations and Employee Fringe Benefits  
at Public Institutions –  
\$1.4 billion (4.49% increase over FY 2012)

# Sequestration

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## Budget Control Act of 2011

- Federal student aid programs: 7.6% - 8.2% cut
- Pell Grants protected in 2013
- Federal research budgets: 8.2% cut
- Subsidy payments for BABs/direct payment bonds:  
7.6% cut

# Vision for the Future

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- Population served
- Programs
- Facilities
- Enrollment growth

# External Pressures

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- State budget issues
- Federal budget issues
- Tuition competitiveness
- Growth of online alternatives

# Financial Challenges

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- Decreased reliance on state appropriations
- Need for tuition discounting
- Ability to diversify revenue streams
- Deferred maintenance
- Endowment growth/performance
- Liquidity



# NJ Colleges Meeting the Challenges

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- Evolving as 21<sup>st</sup> Century leaders
- Managing enrollment growth while remaining fiscally sound in a challenging economic environment
- Debt levels, though high, are prudent
- Reasonable operating margins

# Recent Legislative Activity

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- **P.L. 2012, c. 45**
  - New Jersey Medical and Health Sciences Education Restructuring Act
- **P.L. 2012, c. 41**
  - Building Our Future Bond Act
- **P.L. 2012, c. 42**
  - Amendments to NJEFA Statute and public-private partnerships for academic facilities through NJEDA

# P.L. 2012, c. 45

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## New Jersey Medical and Health Sciences Education Restructuring Act

- Transfer of UMDNJ Newark debt and assets to Rutgers
- Transfer of School of Osteopathic Medicine debt and assets to Rowan
- University Hospital becomes a separate entity

# P.L. 2012, c. 41

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## Building Our Future Bond Act

- Authorizes the State to issue \$750 million general obligations bonds for non-auxiliary facilities
- Requires 25% match from colleges
- Requires voter approval
- Bond Act is not revolving
- NJEFA could finance colleges' match

# P.L. 2012, c.42

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## **Higher Education Capital Improvement Fund (CIF)**

- To provide grants for cost of renewal, renovation, improvement, expansion, construction and reconstruction of facilities and technology infrastructure.

## **Higher Education Facilities Trust Fund (HEFT)**

- To provide grants for construction, reconstruction, development, extension and improvement of instructional, laboratory, communication, and research facilities.

## **Higher Education Equipment Leasing Fund (ELF)**

- To finance purchase of equipment for lease to public and private institutions of higher education, including county colleges.

## **Higher Education Technology Infrastructure Fund (HETI)**

- To provide grants for technology infrastructure within and among New Jersey's institutions of higher education.

# Thank You

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Visit NJEFA at...

[www.njefa.com](http://www.njefa.com)