

MINUTES

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
MINUTES FEBRUARY 28, 2002 –1:30 P.M.
915 CAPITOL MALL, ROOM 587
SACRAMENTO, CA 95814**

The meeting was called to order at 1:45 p.m. by Anne Stausboll, Chair.

Present: Anne Stausboll for Philip Angelides, Chair
Cindi Aronberg for Kathleen Connell, Controller
Annette Porini for Timothy Gage, Director of Finance

Absent: Odile Disch-Bhadkamkar

Staff: Jennifer DuCray-Morrill, Executive Director
Terry Partington, Deputy Executive Director
Robert Kittredge, PriceWaterhouseCoopers
Connie LeLouis, Attorney General's Office

The Chair declared a quorum present.

The minutes from the California Educational Facilities Authority's December 6, 2001 meeting were approved as submitted.

The Expenditure Report for CEFA/SLAF was presented for the months of November 2001, December 2001 and January 2002. Terry Partington reported the fund balance of \$7,258,259.71 for CEFA and \$6,297,094.59 for SLAF as of January 31, 2002. He also presented the Authority's Quarterly Comprehensive Debt List Summary of Borrowers with \$50,000,000 Outstanding CEFA Debt as of December 31, 2001 totaling \$1,856,022,850.

Item #4

Appointment of the Executive Director Resolution No. 2002-01

Anne Stausboll stated that this Resolution would approve Jennifer DuCray-Morrill to serve as Executive Director of the Authority and designate her with the appropriate powers and authority necessary to conduct the business of the Authority, including, but not limited to, the power to enter into contracts on behalf of the Authority.

Annette Porini moved for adoption of the Resolution and Cindi Aronberg seconded it. Motion adopted 3 aye.

Item #5

Southwestern University Amended Final Resolution No. 192

Kristine Scully stated that Southwestern University was requesting a ten month extension of its Final Resolution Number 192 which expires on February 28, 2002, extending the Resolution to December 31, 2002. She stated that the refunding escrow associated with the proposed bond issuance currently possesses significant negative arbitrage due to widening spreads between short-term and long-term interest rates that had occurred as a result of the Federal Reserve's numerous reduction in short-term interest rates over the past year and the events of September 11, 2001. Representing Southwestern University: Ms. Beth Drake, Chief

Financial Officer, Southwestern University; and Mr. Chris Cowen, Managing Director, Prager, McCarthy & Sealy.

Staff recommended the Authority approve an extension to Resolution Number 192 for a period of ten months, to expire on December 31, 2002, subject to all other provisions and conditions remaining unchanged and in full effect.

Cindy Aronberg moved for adoption of the Resolution and Annette Porini seconded it. Motion adopted 3 aye.

Item #6

**University of San Diego
Final Resolution No. 195**

Ray Artinian stated that the University of San Diego was requesting \$14,500,000 in bond financing to construct a parking structure and reimburse prior expenditures. Representing the University of San Diego: Mr. Paul Bissonette, Vice President for Finance & Administration, University of San Diego; Mr. Chris Cowen, Managing Director, Prager, McCarthy & Sealy; and, Mr. John Knox, Esq., Bond Counsel, Orrick, Herrington & Sutcliffe LLP.

Staff recommended the Authority approve a resolution in an amount not to exceed \$14,500,000 for the University of San Diego, subject to the bonds having at least an "A" rating by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "A" rated debt.

Annette Porini moved for adoption of the Resolution and Cindy Aronberg seconded it. Motion adopted 3 aye.

Item #7

**Pepperdine University
Final Resolution No. 196**

Kristine Scully stated that Pepperdine University was requesting \$35,000,000 in bond financing to construct student dorms and a parking structure for the Drescher Graduate Campus located adjacent to the Malibu campus. Representing Pepperdine University: Ms. Clariza Mullins, Treasurer, Pepperdine University; Mr. Chris Cowen, Managing Director, Prager, McCarthy & Sealy; and, Ms. Harriet Welch, Esq., Bond Counsel, Arter & Hadden LLP.

Staff recommended the Authority approve a resolution in an amount not to exceed \$35,000,000 for Pepperdine University, subject to the bonds having at least an "A" rating by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "A" rated debt.

Cindy Aronberg moved for adoption of the Resolution and Annette Porini seconded it. Motion adopted 3 aye.

Item #8

**CalEdge Student Loan Program
Final Resolution No. 197**

Mary Bates stated that staff was requesting approval to seek a \$30 million bond allocation from the California Debt Limit Allocation Committee (CDLAC) to finance the CalEdge program for two additional years and commit to a loan for the program in an amount of at least \$500,000, but not to exceed \$1 million from the Student Loan Authority Fund (SLAF) to finance program reserves, cash flow requirements and certain operating expenses.

Staff recommended the Authority approve a resolution authorizing staff to seek a \$30 million bond allocation from the California Debt Limit Allocation Committee (CDLAC) in April 2002 and commit for a loan of at least \$500,000 but not to exceed \$1 million from the Student Loan Authority Fund (SLAF) to finance the program reserves, cash flow requirements and certain operating costs.

Cindy Aronberg moved for adoption of the Resolution and Annette Porini seconded it. Motion adopted 3 aye.

Item #9 Financial Advisor Contract with Public
Financial Management/Interagency Agreement with CHFFA

Terry Partington stated that the winning bidder of the Request for Proposal (Bond Sale Financial Advisor), and the related Interagency Agreement between CEFA and the California Health Facilities Financing Authority (CHFFA) was Public Financial Management. The Department of General Services and all relevant parties approved the contract in December 2001. The contract is for a period of three years, not to exceed \$600,000. The Interagency Agreement provides for health facility advisory services up to a maximum amount of \$300,000, or one-half of the contract.

Item #10 Tax-Exempt Equipment Loan Financing Program

Terry Partington stated that staff was preparing to implement an equipment financing program for eligible CEFA borrowers. The program would utilize tax-exempt leases, privately placed with sophisticated investors through negotiated or competitively bid issues. He stated that during 2001, a Request for Proposal (RFP) was sent out to all investment banking firms from the State Treasurer's Office Underwriter Pool interested in CEFA financing, with the intent to obtain a broad variety of structures and formats that would meet the requirements necessary to make a new program feasible. Staff received responses from eight firms that included many types of programs. In December 2001, staff selected a proposal from Prager, McCarthy & Sealy, which included a team of the AICCU and Municipal Finance Corporation. Staff will return to the Authority with a proposal for reduced CEFA application and initial fees for participants under this program and request approval of the application and other documents.

Item #11 Tax-Exempt Commercial Paper (TECP) Financing

Terry Partington stated that staff anticipates requests from certain eligible CEFA borrowers to consider issuance of Tax-Exempt Commercial Paper rather than traditional long-term bonds to finance capital projects. Because this would differ in structure and responsibility of various parties, staff wanted to provide an overview of a TECP program to the Authority in advance of any application.

Terry discussed briefly the format of a TECP program, how the debt is issued, the credit requirements, the investors, the benefits to the borrower and the impact on CEFA staff. He stated that program documents would be specific to an individual proposal and would be reviewed by staff and legal counsel in conjunction with each application. Terry said that staff believes the availability of another financing mechanism could be very beneficial to CEFA's clients. The Authority commented that new programs like TECP and Equipment Financing are important to develop and offered support for implementation.

There being no public comment, the meeting was adjourned.

Respectfully submitted by,



Jennifer DuCray-Morrill
Executive Director