

MINUTES

February 27, 2008
(Agenda Item 2)

California Debt Limit Allocation Committee
Jesse Unruh Building
915 Capitol Mall, Room 587
Sacramento, CA 95814

OPEN SESSION

Call to Order and Roll Call (Agenda Item 1)

Bettina Redway, Chairperson, called the California Debt Limit Allocation Committee (Committee) meeting to order at 1:34 p.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Vince Brown for Arnold Schwarzenegger, Governor
David O'Toole for John Chiang, State Controller

Advisory Members Present: Steve Spears, representing Theresa Parker,
California Housing Finance Agency

Elliott Mandell, representing Lynn Jacobs,
Department of Housing and Community Development (HCD)

Quorum: The Chairperson declared a quorum

Approval of the Minutes of the January 23, 2008 Meeting (Agenda Item 2) (Action Item)

Vince Brown moved approval of the minutes from the January 23, 2008 meeting. Upon a second, the minutes passed 3-0 with the following vote: Vince Brown; Aye; David O'Toole Aye; Bettina Redway: Aye.

Executive Director's Report (Agenda Item 3) (Informational Item)

Joanie Jones Kelly stated that this was a special CDLAC meeting and that there are only four items on the agenda as follows:

- The first item is the adoption of the revised CDLAC Procedures for the Student Loan Program Allocation.
- The second item is the consideration of an allocation Process Plan and the award of Allocation to the California Industrial Development Financing Advisory Commission (CIDFAC) for the Small-Issue Industrial Development Bond Program Pool.

- The third item is the consideration of an allocation Process Plan and the award of Allocation to the California Pollution Control Financing Authority (CPCFA) for the Exempt Facility Program Pool.
- The final item is consideration of an allocation Process Plan for CDLAC, for allocating the remainder of the 2008 Exempt Facility Allocation.

Consideration and Adoption of the January 23, 2008 Proposed Revisions to the Procedures of the California Debt Limit Allocation Committee (the Procedures) – The Student Loan Program (Section 22 of the Procedures) (Agenda Item 4) (Action Item)—Brady Hill

ACTION

Approve proposed Procedures for the California Debt Limit Allocation Committee (CDLAC) Student Loan Program as presented to the Committee at the January 23, 2008 meeting.

COMMENTS

In developing the proposed Student Loan Procedures staff met with both All Student Loan and EFSI and received comments and suggestions from both agencies. Both agencies supported the proposed changes in concept and provided additional comments during the 30-day public comment period.

A. EFSI Comments: Staff received comments from EFSI. EFSI wanted clarification on the Procedures. Staff clarified some ambiguity in the Procedures and addressed EFSI's concerns.

B. All Student Loan Comments: Staff received comments from All Student Loan. All Student Loan had two general comments and multiple technical comments.

All Student Loan's first general comment and staff's response:

1) All Student Loan has suggested that staff use the Federal Fiscal Year to evaluate the applicant's pro-rated portion of cap and that staff use the Academic Year to evaluate the applicant's stated financial products in the previous year's applications versus their actual products in the marketplace.

2) Staff's response: Staff agrees with the use of both the Federal Fiscal Year and the Academic Year in the analysis of Student Loan Applications. That is to say, staff agrees with the use of the Federal Fiscal Year for the evaluation of the applicant's pro-rated portion of cap. In addition, staff agrees that the Academic Year should be used to evaluate applicants' stated financial products in the previous year's applications versus their actual products in the marketplace. Staff has incorporated said changes into the Procedures.

All Student Loan's second general comment and staff's response:

1) All Student Loan has suggested that staff consider Applicant's non-loan origination activity as part of the evaluation process. All Student Loan states that they use other resources to support these students through scholarships, financial aid outreach, etc. They argue that these activities must be considered in the evaluation process if the CDLAC goal is to increase college access for students for whom the cost to attend college exceeds their ability to pay. All Student Loan suggests that the evaluation of this information is necessary for a complete evaluation of the public benefit of an Applicant's program.

2) Staff's response: While staff appreciates All Student Loan's position on the evaluation of non-loan origination activity, staff asserts that the evaluation of an applicant's "loan origination performance" captures the effectiveness of an Applicant's program. Specifically, staff asserts that the ability of an Applicant to make loans shows the effectiveness and/or ineffectiveness of their business model and all the activities thereof. In addition, staff argues that the evaluation of an Applicant's products (i.e.-their interest rate) would show quantitatively the affordability of the Applicant's loans. In sum, staff asserts that the evaluation of an Applicant's capacity to make

affordable loans is both a complete as well as a necessary analysis of an Applicant's contribution to public benefit.

Technical comments:

1) Staff also received multiple technical comments from All Student Loan. Staff appreciates the thorough treatment of the Procedures that was provided by All Student Loan. Staff has incorporated the technical changes into the Procedures that are necessary for clarification.

RECOMMENDATION: Approve the proposed Procedures as outlined and recommended by staff in this summary.

Joe Booth, ALL Student Loan, commended the Committee and staff on the Procedures stating that the process was orderly, transparent and fair. He also stated that he hoped the new Procedures will lead to an allocation process that is more predictable in the future and as we try them out in the next few years that the Committee and staff will be open if there is a need for further changes.

He asked for clarification on two of the Procedure changes. Joanie Jones Kelly responded that his interpretation was correct.

He stated that he would like the Committee to encourage the applicants to do more than student loans such as an outreach program that would help the under represented in higher education.

Joe stated that he supported the adoption of the Procedures.

Bettina Redway stated that we now have a new program now and we should see how it works but if there are opportunities in the future where other criteria should be evaluated that she would encourage the Committee and staff to consider changes.

Joanie Jones Kelly stated that this was a long process because this is a major change in how the Committee has given out allocation in the past and as with any other programs the Committee and staff will certainly be listening to our users and will certainly take their comments and suggestions into consideration.

Vince Brown moved approval of staff's recommendation. Upon a second, the motion passed 3-0 with the following votes: Vince Brown: Aye; David O'Toole: Aye; Bettina Redway: Aye.

Consideration of an Award of Allocation for the California Industrial Development Financing Advisory Commission Under the Small-Issue Industrial Development Bond Project Pool (Agenda Item 5) (Action Item)—Richard Fischer

a. Consideration of Appeals

There were no appeals.

Richard Fischer stated that at the January 23, 2008 California Debt Limit Allocation Committee (CDLAC) meeting the Committee voted to authorize CIDFAC to receive an award of Industrial Development Bond Allocation for the purpose of allocating portions of the award to Project Sponsors for the purposes of issuing bonds.

PROCESS PLAN

CDLAC has \$53 million remaining in IDB allocation based on the proposed action at the March 26, CDLAC meeting where consideration of approximately \$34,500,000 in allocation is recommended for

Industrial Development Bond projects. Staff recommends an award of Allocation for \$53 million to CIDFAC. The CIDFAC Allocation would expire on July 30, 2008, any remaining allocation will be returned to CDLAC.

CDLAC's award of Allocation to CIDFAC shall be conditioned on CIDFAC's adherence to the existing CDLAC priority and point system when awarding Allocations (CDLAC Procedures Section 20). In addition, CIDFAC will make awards according to the following conditions:

- The Industrial Development Bond Pool is oversubscribed for 2008 therefore; CDLAC staff is recommending a maximum allocation of \$20 million be awarded per CIDFAC meeting. Further, staff recommends that CIDFAC reserve the option to increase the cap available at an allocation round up to \$2 million. Provided that such amount is available in the IDB Pool, and the CIDFAC Board determines that highly competitive projects in a particular round should be awarded such additional amount.
- CIDFAC shall continue to use the CDLAC Allocation criteria and point scheme.

RECOMMENDATION: The Committee will award the California Industrial Development Financing Advisory Commission (CIDFAC) \$53 million in Industrial Development Bond Allocation for the purpose of allocating portions of the award to project Sponsors for purposes of issuing bonds.

Vince Brown moved approval of staff's recommendation. Upon a second, the item passed 3-0 with the following vote: Vince Brown: Aye; David O'Toole: Aye; Bettina Redway: Aye.

Consideration of a Process Plan and Award of Allocation for the California Pollution Control Financing Authority Under the Exempt Facility Program Pool (Agenda Item 6) (Action Item)—Joanie Jones Kelly

At the January 23, 2008 California Debt Limit Allocation Committee (CDLAC) meeting the Committee voted to authorize CPCFA to receive an award of Exempt Facility Allocation for the purpose of allocating portions of the award to Project Sponsors for purposes of issuing bonds. The Committee directed CDLAC staff to develop a "Process Plan" to detail how CPCFA will award the Exempt Facility Allocation.

CDLAC staff is recommending that the following "Process Plan" be adopted by this Committee for the award of Allocation by CPCFA to Project Sponsors for the issuance of bonds for 2008. If this Process Plan is successful it is anticipated that in 2009 CDLAC will award All the Exempt Facility Allocation to CPCFA.

CPCFA PROCESS PLAN:

Provide an Allocation award of \$200 million to CPCFA. The CPCFA Allocation would expire on July 30, 2008, any remaining allocation will be returned to CDLAC.

CDLAC's award of Allocation to CPCFA shall be conditioned on CPCFA's adherence to the existing CDLAC priority system when awarding Allocations (CDLAC Procedures Section 21(II)). In addition, CPCFA will make awards according to the following condition:

- The Exempt Facility Pool is oversubscribed for 2008 therefore; CDLAC staff is recommending a maximum allocation of \$60 million be awarded per CPCFA meeting.

RECOMMENDATION: Adopt the CDLAC proposed "CPCFA PROCESS PLAN" for the award of \$200 million in Exempt Facility Allocation to CPCFA, for the purpose of allocating portions of the award to Project Sponsors for issuing bonds.

David O'Toole moved approval of staff's recommendation. Upon a second, the motion passed 3-0, with

the following votes: David O'Toole: Aye; Vince Brown: Aye; Bettina Redway: Aye.

Consideration of the Apportionment of Unused 2008 Exempt Facility Program Pool Allocation
(Agenda Item 7) (Action Item)—Misti Armstrong

The Committee will retain approximately \$224,370,000 in Exempt Facility Allocation to be awarded by the California Debt Limit Allocation Committee (CDLAC). Exempt Facility Projects Induced by Issuers other than CPCFA prior to February 22, 2008, may apply to CDLAC directly for allocation. CDLAC will maintain an exempt Allocation of \$165,330,000 based on the proposed action at the March 26, CDLAC meeting where consideration of approximately \$59,040,000 in allocation is recommended for Exempt Facility projects.

The Exempt Facility Pool is oversubscribed for 2008 therefore; CDLAC staff is recommending:

- 1) A maximum allocation of \$80 million be awarded per CDLAC meeting beginning with the May CDLAC meeting, and
- 2) Allocation be provided to Exempt Facility First Tier projects ONLY. The Committee may adjust or waive the maximum allocation if the Committee determines that such a waiver is warranted.

RECOMMENDATION: Approve the Allocation Process as presented for the award of Exempt Facility Allocation by CDLAC.

Lawrence Tonomura, Bank of America, asked that if not enough First-Tier Issuers have applied to use up the CDLAC portion of Exempt Facilities, will it then be open for non-First-Tier projects. Joanie Jones Kelly replied that this meeting would be held in September 2008.

Vince Brown moved approval of staff's recommendation. Upon a second, the motion passed 3-0 with the following votes: Vince Brown: Aye; David O'Toole: Aye; Bettina Redway: Aye.

Public Comment (Agenda Item 8) (Action Item)

There was no public comment.

Adjournment (Agenda Item 9)

The meeting adjourned at 1:55 pm.