

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

March 28, 2002

Agenda Item #7

Section 94181 of the California Education Code provides that the Attorney General's Office (the "A.G.") shall be legal counsel to the California Educational Facilities Authority (the "Authority"). As such, the A.G. has historically represented the Authority on all bond issues, by reviewing eligibility of borrowers, bond documents for proposed issues and procedures required for notification and approval of applications. The A.G. also provides an opinion as to the authorization of bonds issued through the Authority as required by the Bond Purchase Contract for each transaction.

Due to an overwhelming workload at the A.G. on bond sale activity within the State Treasurer's Office, the A.G. cannot continue to provide uninterrupted counsel services to the Authority and, pursuant to Section 94181, has determined it necessary and advisable to authorize contracting with qualified outside bond counsel firms to carry out the duties and functions of the Authority.

The Authority, with assistance from the State Treasurer's Office, has entered into a contract with the Law Offices of Leslie M. Lava, for a period of six months and in an amount not to exceed \$75,000. Services as Authority counsel will be completed on all transactions where the A.G. determines that it cannot provide the representation and will be billed at \$280 per hour plus out-of-pocket expenses. Counsel will provide the same services as the A.G. on each bond issue including the opinion letter.

Since the workload of the A.G. affects numerous bond issuing Authorities, the State Treasurer's Office will be pursuing back-up contracts with other qualified bond counsel firms as well. This will prevent bond issues that are otherwise ready to move forward from being delayed unnecessarily by workload issues or any potential conflicts of counsel that may be serving in another capacity on a particular transaction.

Staff will provide further updates to the Authority on the status of counsel services by the A.G. and any other contracts that may be executed in this regard.