

MINUTES

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
MINUTES MAY 26, 2005–1:30 P.M.
915 CAPITOL MALL, ROOM 587
SACRAMENTO, CA 95814**

Alternate Location for Teleconference Participation

**State Treasurer's Office
304 S. Broadway, Suite 550
Los Angeles, CA 90013-1224**

Ed Emerson, for Chairman Philip Angelides, called the meeting to order at 1:35 p.m.

Present: Ed Emerson for Philip Angelides, Treasurer, Chairperson
Winnie Scott for Steve Westly, Controller, Vice Chairperson
Bob Campbell for Tom Campbell, Director, Department of Finance
Michael L. Jackson via Teleconference
Sylvia Scott- Hayes via Teleconference

Staff: Frank Vega, Executive Director, via Teleconference
Gregory Rogers, Deputy Executive Director
Peggy Arrivas, PriceWaterhouseCoopers

The Chairperson declared a quorum present.

The minutes from the California Educational Facilities Authority's April 28, 2005 meeting were approved as submitted.

Frank Vega reported that as of March 31, 2005, the Authority had \$3.112 billion in outstanding bonds and bond activity for the month of April included the closing of Occidental College and Pitzer College bond issues, for a total of \$71.8 million and \$36.7 million respectively, as well as the redemption of \$33.5 million in existing bonds, bringing the total outstanding bonds of the Authority to \$3.187 billion. He also stated that the Authority had issued \$278 million in new bonds for this year, almost equal to the \$281.4 million issued in 2004, and that the Authority expected several more applications for board consideration at the June 2005 meeting.

Mr. Vega further reported that the Authority has had to utilize outside legal counsel to meet increased workload demand. The Attorney General's office, normally serving as the Authority's issuer's counsel, authorized the Authority to contract with outside counsel through June 30, 2006. The Authority amended the existing contract with Orrick, Herrington & Sutcliffe LLP and the Law Offices of Leslie M. Lava an additional \$27,000. Staff also expanded the number of firms in the Authority's issuer's counsel pool to five, by awarding \$30,000 contract to the law firms of Squire, Sanders & Dempsey LLP; Nixon Peabody LLP; and Chiu & Anderson LLP.

Mr. Vega reported the fund balance of \$6,334,412.41 for CEFA and \$6,544,055.27 for SLAF as of April 30, 2005.

Item #4

**University of La Verne
Resolution No. 228**

Martha Maldonado stated that the University of La Verne was requesting \$30,000,000 to advance refund its portion of the CEFA Pool, Series 2000B bonds, refund CEFA Series 1993 bonds, and renovate various campus facilities. Representing the University: Ms. Lori Gordien-Case, Controller, University of La Verne; Mr. Saul Rosenbaum, Managing Director, Prager, Sealy & Co., LLC; and, Ms. Harriet Welch, Esq., Squire, Sanders & Dempsey LLP, Bond Counsel.

Frank Vega stated that the night before the Board Meeting, the Authority was informed by Bond Counsel that a portion of the proposed refunding (approximately \$6,000,000) for the University of La Verne was not eligible for tax-exempt financing. The University of La Verne's original application identified approximately \$20 million to advance refund its portion of the CEFA Series 2000B, however, a portion of the proposed advance refunding had already been advanced refunded and Federal Tax Law allows tax-exempt bonds to be refunded only once. The Authority was not able to confirm the amount eligible for tax-exempt financing, therefore staff proposed that the Authority approve a resolution in an amount not to exceed \$25,000,000 for the University of La Verne, until staff could determine the final amount of the refunding portion eligible for tax-exempt financing, subject to conditional verification from Bond Counsel that the advance refunding portion of the financing is tax-exempt, and subject to a bond rating of at least a "Baa" category by a nationally recognized rating agency and the standard bond issuance guidelines.

Sylvia Scott-Hayes asked Mr. Vega why the Authority should approve the Resolution for the University of La Verne, rather than postponing approval of the Resolution to the June meeting, allowing the University to provide more accurate information to staff.

Harriet Welch from Squire, Sanders & Dempsey and Bond Counsel for the University of La Verne, responded that she had confirmed that an amount not to exceed \$25,000,000 could be issued for the University of La Verne on a tax-exempt basis and would provide to the Authority a legal opinion on the amount of bonds eligible to be advance refunded on a tax-exempt basis. It was also discussed with the University and the Underwriter that they could come back to the Authority's June meeting for approval on a taxable financing on the balance of the refunding portion and at that time, Bond Counsel would be able to provide the Authority with the background information.

Sylvia Scott-Hayes asked if holding the entire financing over to the June meeting for approval of the bonds would penalize the University?

Frank Vega responded that the long-term interest rates were quite favorable, and the University could still achieve a savings of approximately \$1.3 million over the life of the bonds. Saul Rosenbaum, Prager, Sealy & Co., Underwriter for the University of La Verne, stated that the main problem was the timing on this issue, with the problem arising the night before. The revised plan of finance that is being proposed, the taxable/tax-exempt, does not change the credit profile of the University or the proposed offering. He stated that no tax-exempt bonds would be issued prior to Bond Counsel verification of eligible status of tax-exempt financing supported by a Bond Counsel Opinion. In addition, he stated that CEFA has approved this type of financing in the past.

Martha Maldonado stated that staff recommended approval of the \$25,000,000, subject to final verification from Bond Counsel, and recommended that the University return next month with the taxable portion of the financing.

Winnie Scott asked why the Board Members weren't informed of the change to the Resolution prior to the Board Meeting.

Martha Maldonado responded that staff wasn't informed of the problem until late the night before the meeting and was working on gathering the information. She stated that Staff did not receive the revised Resolution until noon, prior to the meeting.

Frank Vega apologized for not getting the information to the Board prior to the meeting.

Lori Gordien-Case, Controller, University of La Verne apologized for this problem and stated her appreciation to the Authority. She appealed that the \$25,000,000 be approved so the University could move forward with their Chilled Water Loop project. She stated that it was imperative that the University begin that portion of the project in order to provide air conditioning for the renovation of the Athletic Pavilion, which is slated to be open in the fall. If the University wasn't able to proceed with their Chilled Water Loop, the entire project would be delayed and would not be available to the students in the fall.

Sylvia Scott-Hayes moved for adoption of the Resolution in the amount of \$25,000,000 and Bob Campbell seconded it. Motion adopted with a 5-0 vote.

Item #5

**University of San Francisco
Resolution No. 229**

Kristine Scully stated that the University of San Francisco was requesting \$65,000,000 to fund various construction, renovation, campus technology upgrades and various capital projects, as well as refinance a portion of its CEFA 1996 Series bonds and reimburse the University for prior capital expenditures. Representing the University: Mr. Charles Cross, Vice President for Business & Finance and Ms. Stacey Lewis, Assistant Treasurer, Business & Finance, both from the University of San Francisco; and, Mr. Richard Chisholm, Managing Director, Banc of America Securities LLC.

Staff recommended the Authority approve Resolution Number 229 in an amount not to exceed \$65,000,000 to issue tax exempt revenue bonds for the University of San Francisco, subject to a bond rating of at least an "A" category by a nationally recognized rating agency and the standard bond issuance guidelines.

Michael Jackson moved for adoption of the Resolution and Sylvia Scott-Hayes seconded it. Motion adopted 4 ayes, 1 abstain (Winnie Scott).

Item #6

**Request to Adopt Academic
Assistance Program Regulation
Resolution No. 2005-05**

Kristine Scully stated that in September 2002, Senate Bill 1624 was approved amending the California Educational Facilities Authority Act authorizing the Authority to provide up to \$2,000,000 in grants for private colleges and universities to provide a program of academic assistance to high school students attending a qualified school. In July of 2004 the Authority sent out approximately 80 surveys to private universities and colleges. The Authority received approximately 40 replies to the survey. After reviewing the surveys, staff selected seven schools for site visits that were geographically situated throughout the state. After surveying, gathering information, and meeting with eligible colleges, staff developed draft regulations, a draft application and draft application and overview/instructions, and will be seeking public comment on each of the documents. Ms. Scully stated that once all comments have been received from the public, in-house legal counsel, and the Attorney General's Office, a final version of the regulations would be presented to the Authority at the August 2005 meeting.

Staff recommended the Authority approve Resolution Number 2005-05 for the proposed CEFA Academic Assistance Grant Program draft regulations, draft application and draft application overview and instructions for submission to the Office of Administrative Law.

Frank Vega stated that staff did a very thorough job on the due diligence necessary to bring the draft regulations to the Board and stated that the primary consideration as the regulations were reviewed through the public comment period, was to ensure that the grant dollars are supplemented on a one-to-one match and are not used to replace existing successful academic assistance grant funds. Mr. Vega stated that some colleges have been providing academic assistance programs for some time, and that staff would also like to provide the opportunity for new and innovative ideas for academic assistance and outreach. During the public comment period, staff would also be sending the draft documents to the original colleges contacted in the survey as well as the working group for review and encouraged the Board Members to participate and identify experts that staff could work with that could help craft the regulations and ensure success with this program as well as increased access.

Ed Emerson asked what process was in place to ensure that applicants have met and satisfied the proper implementation of the Program.

Kristine Scully stated that the applicants must report to the Authority how funds were expended in each fiscal year that the grant funds were disbursed and file a final report on the status of the Program at the end of the fiscal year following the final year that grant funds were expended.

Sylvia Scott-Hayes stated that she wanted to ensure that the action the Authority takes would impact communities and increases the outreach to students who ordinarily don't receive it and that the program look for innovative approaches.

Sylvia Scott-Hayes moved for adoption of the Resolution and Bob Campbell seconded it. Motion adopted with a 5-0 vote.

Item #7

Financial Review of CEFA Borrowers

Peggy Arrivas from PricewaterhouseCoopers presented a Review on the CEFA Borrower's Financial Status.

There being no public comment, the meeting was adjourned.

Respectfully submitted by,

{Approved at the June 30, 2005 CEFA Board Meeting}

Frank Vega
Executive Director