

**CALIFORNIA EDUCATIONAL
FACILITIES AUTHORITY (CEFA)**

5th Floor Conference Room
915 Capitol Mall, Room 587
Sacramento, California 95814

Thursday, July 31, 2008

1:30 PM

Deputy State Treasurer Patricia Wynne, serving as chair, called the meeting to order at 1:30 p.m.

Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer, Chair
Cindy Aronberg for John Chiang, State Controller, Vice Chair
Michael C. Genest, Director, Department of Finance
Sylvia Scott-Hayes

Member Absent: Michael Jackson

Staff Present: Barbara J. Liebert, Executive Director
Ronald Washington, Deputy Executive Director

The Chair declared a quorum present.

Approval of Minutes

The minutes from the California Educational Facilities Authority's (CEFA) June 26, 2008 and the July 10, 2008 meetings were approved. Sylvia Scott-Hayes moved for approval of the minutes, Cindy Aronberg seconded the motion. The motion was adopted with a 4-0 vote.

Executive Director's Report

Barbara Liebert stated that the fund balance information was limited due to the fiscal year end reporting process and would be presented to the Board at the next meeting. Barbara Liebert reported that as of June 30, 2008, CEFA had issued total bonds of approximately \$8,326,243,538 and currently had \$3,835,828,229 in bonds outstanding and the Student Loan Program had issued approximately \$265,372,500 in bonds, with \$31,435,000 in bonds currently outstanding.

Item #4

**Claremont Graduate University
Resolution No. 260**

Summer Nishio of staff introduced Ms. Jennifer Stockton, Associate Treasurer and Mr. Steven Garcia, Senior VP/Treasurer, Claremont Graduate University; Mr. Richard DeProspero, Managing Director, Wedbush Morgan Securities LLC, Underwriter; and, Ms. Harriet Welch, Esq., Squire Sanders & Dempsey LLP, Bond Counsel.

Barbara Liebert stated that Claremont Graduate University (CGU) was requesting \$15,000,000 to finance the renovation and upgrade to several facilities throughout campus, purchase land for a new academic department and refinance variable rate bonds to fixed rate bonds. CGU plans to incorporate several energy-efficient and environmentally beneficial designs and materials into their projects. Staff recommended approval in an amount not to exceed \$15,000,000 for Claremont Graduate University, subject to a bond rating of at least an "A" by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "A" rated debt.

Mr. Garcia stated that the buildings to be renovated are old facilities and need to be brought up to code, including electrical, HVAC systems, and ADA requirements. At the same time, the University will be installing energy efficient systems.

Sylvia Scott-Hayes asked if the University was seeking LEED Certification.

Mr. Garcia stated that the main facility addressed with this project is an existing facility and is being upgraded and brought up to code. The University is still in the planning stages of another building that may be able to achieve LEED Certification in the future.

Cindy Aronberg moved for adoption of the Resolution and Sylvia Scott-Hayes seconded the motion. The motion was adopted with a 4-0 vote.

Item #5

**Student Loan Fund
Resolution No. 2008-04**

Barbara Liebert introduced Mr. Quentin Wilson, President/CEO and Mr. Joe Booth, Managing Director, Public Affairs with ALL Student Loan; Ms. Diane Potter, Orrick, Herrington & Sutcliffe, Bond Counsel; and Ms. Sara Hollenbeck, Public Financial Management, Financial Advisor to the Authority.

Ms. Liebert stated that ALL Student Loan is seeking \$6.75 million of the Student Loan Fund to be used as a mechanism for credit enhancement, enabling ALL Student Loan to go out in the market for a much larger sum of \$225 million in tax-exempt bonds. Barbara Liebert stated that ALL Student loan would be investing \$2 million in the transaction, and their debt would be subordinate to the funds provided by CEFA. College Access Foundation of California was also expected to contribute \$5 million in this proposal and their debt would also be subordinate to CEFA's investment. Ms. Liebert explained that subordinate bonds were necessary to increase the senior bonds parity ratio to 105% and to satisfy the demand of the anticipated Letter of Credit provider.

Ms. Liebert stated that ALL Student Loan has reported that the credit crisis has severely impacted the market for student loan revenue bonds, making financing of these bonds nearly impossible without considerable credit enhancement. These cumulative actions will allow ALL Student Loan to restructure their debt and participate in the Federal Student Loan Facility (created by the US Department of Education), ultimately enabling them to make potentially more than \$500 million available in student loan funding for California students.

On July 16, 2008, ALL Student Loan was granted \$225 million in allocation by CDLAC. Ms. Liebert stated that the interest rate on the Authority's investment is to be set at a three month commercial paper rate plus 200 basis points and the Resolution conditions ALL Student Loan to come back to the Authority for formal approval once the Letter of Credit and the bond documents are in place. Staff recommended approval of this Resolution

Mr. Wilson stated that this has been a challenging time in the student loan industry and wanted to thank staff for the hard work involved with this transaction. Mr. Wilson stated that ALL Student Loan was still working through details at the federal level with the federal program, but that this particular transaction could go forward and he was confident that ALL Student Loan would be able to meet the needs in the student loan gap with this restructuring.

Michael Genest asked what was behind the logic of using a short-term interest rater for a long term debt. (three month commercial paper rate with a term of 35 years) and how that rate compares to the Authority's cost of the money.

Barbara Liebert stated that staff relied on recommendations from the Authority's Financial Advisor.

Sarah Hollenbeck stated that the Authority is looking at this transaction as an investment and would be looking for some form of return. The source of the money was raised through bonds issued by the state at a rate of approximately 5%. The three month commercial paper rate plus 200 basis points would be in excess of the 5% fiscal long term rate.

Michael Genest asked for clarification of the coverage ratio of 105% and the purchase of the credit enhancement insurance.

Mr. Wilson stated that up until the recent credit crisis, ALL Student Loan was able finance student loans at below par because they were 97 percent guaranteed by the federal government and a collateral ratio wasn't required, but based on the current financial market requirements, to get the "AAA" rating on the senior debt, you have to over collateralize. Mr. Wilson explained that there is a cost for the Letter of Credit and that they are currently in negotiations at this time.

Patricia Wynne expressed her support of the opportunity to leverage the Student Loan Fund towards helping another student loan organization provide student loans to California students.

Sylvia Scott-Hayes moved for adoption of the Resolution and Cindy Aronberg seconded the motion. The motion was adopted with a 4-0 vote.

No public comment, the meeting was adjourned at 1:55 p.m.

Respectfully submitted by,

Barbara Liebert
Executive Director