

MINUTES

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY (CEFA)

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

Alternate Location for Teleconference Participation

University of Southern California
3601 Trousdale Parkway
Office of Vice President for Student Affairs
Student Union Building 201
Los Angeles, CA 90089-4891
(213) 740-5240

Thursday, June 25, 2009

1:30 PM

Deputy State Treasurer Patricia Wynne, serving as chair, called the meeting to order at 1:35 p.m.

Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer, Chair
John Hiber for John Chiang, State Controller, Vice-Chairperson
Miriam Ingenito for Michael C. Genest, Director, Department of Finance
Sylvia Scott Hayes
Michael Jackson via teleconference

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) March 26, 2009 meeting were approved. John Hiber moved for approval of the minutes; Miriam Ingenito seconded the motion. The motion was adopted with a 5-0 vote.

Executive Director's Report

Barbara Liebert reported that as of May 31, 2009, CEFA had issued bonds totaling approximately \$9,188,458,538 and currently had approximately \$4,447,596,054 in bonds outstanding. As of May 31, 2009, the fund balance was \$4,728,543.12, reflecting income of \$6,750.00 and expenditures of \$25,174.71.

Ms. Liebert reported that the Student Loan Program had issued approximately \$265,372,500 in bonds, with \$29,105,000 in bonds currently outstanding. As of May 31, 2009, the fund balance for the Student Loan Fund was \$7,557,931.95.

Ms. Liebert reported that staff has formed two separate working groups to look at CEFA's bond issuance guidelines and also to look at the documents that CEFA utilizes in their tax-exempt bond transactions. Ms. Liebert stated that these working groups will be composed of the Attorney General's Office (AG), STO legal counsel, bond counsel, underwriter's counsel, CEFA's financial advisors and financial analyst, and CEFA staff.

Ms. Liebert stated that one working group will be looking at the guidelines that are in place for issuing tax-exempt bonds. These are the guidelines that are utilized by staff when going through the approval process of tax-exempt bond financing, and staff then imposes these guidelines on the borrower, depending on how the borrower is rated. Ms. Liebert stated that staff is looking at these documents because of the recent turbulence in the market, and CEFA should make modification to this document as necessary to reflect current day circumstances.

Ms. Liebert reported that the second working group will be devoted to the review of the standard documents that are used in the bond transactions and will look to see if these documents can be made into templates so staff can have a consistent approach with their financings. Ms. Liebert reported that this will help alleviate the overwhelming workloads that are often imposed on the AG and the staff, and will also help with the interaction between staff and the bond financing teams.

Ms. Liebert stated that these two working groups will help identify the flexibility and policy issues and will bring recommendations to the Board in the near future. Ultimately, staff would like to have these documents posted on the CEFA website so that outside financing teams can have ready access to the types of documents and provisions that are expected by CEFA.

Item #4

**California Institute of Technology
Amendment to Resolution No. 262**

Martha Maldonado of staff stated that the California Institute of Technology (Caltech) was requesting an amendment to Resolution No. 262 to add the major utility and distribution system upgrade project to the authorized project list for the commercial paper notes. Representing the Borrower: Ms. Madeline Lee, Assistant Treasurer, (Caltech); Ms. Brooke Abola, Associate, Orrick, Herrington & Sutcliffe LLC, Bond Counsel; and Mr. Chris Cowen, Managing Director, Prager, Sealy & Co., LLC, Underwriter.

Staff recommended the Authority approve the amended resolution to include an additional project to the authorized project list, subject to all prior provisions and conditions remaining unchanged and in full effect.

Sylvia Scott-Hayes moved for adoption of the Resolution and Miriam Ingenito seconded the motion. The motion was adopted with a 5-0 vote.

Item #5

**California Institute of Technology
Resolution No. 268**

Martha Maldonado of staff stated that the California Institute of Technology (Caltech) was requesting \$195,000,000 in bond proceeds to be used to refund all or a portion of their CEFA Series 1994 and 1998 bonds and to fund various capital projects. Representing the Borrower: Ms. Madeline Lee, Assistant Treasurer, (Caltech); Ms. Brooke Abola, Associate, Orrick, Herrington & Sutcliffe LLC, Bond Counsel; and Mr. Chris Cowen, Managing Director, Prager, Sealy & Co., LLC, Underwriter.

Staff recommended the Authority approve a Resolution in an amount not to exceed \$195,000,000 for the California Institute of Technology subject to a bond rating of at least an "A" category by a nationally recognized rating agency and meeting the Authority's standard bond covenants for "A" category rated debt.

Barbara Liebert informed the Board that Caltech has experienced unrealized investment losses and has included these losses in their debt service coverage calculation. Ms. Liebert stated that these losses are not a reflection of Caltech's revenue stream or Caltech's ability to service debt and that the staff report reflects a negative proforma debt service coverage ratio.

Ms. Lee stated that Caltech has a fiscal year end of September 30 and that the market tends to shift downward during that time where Caltech's competitors with a June 30th fiscal year-end have not necessarily shown their unrealized gains or losses like Caltech showed in their September year-end. Ms. Lee stated that Caltech has a very large endowment that supplies income every year and that this year that income remained the same because Caltech budgeted that amount the summer before. Ms. Lee stated that given the market conditions and knowing this would affect Caltech's income going forward, Caltech took action to reduce their budget this year so that the impact of these losses would be minimized.

John Hiber moved for adoption of the Resolution and Sylvia Scott-Hayes seconded the motion. The motion was adopted with a 5-0 vote.

Item #6

Election of Vice-Chairperson

Barbara Liebert stated that the Authority Act requires an annual election of a vice-chairperson on or after April 30 of each year. The State Controller currently serves as the vice-chairperson. Staff recommended the Board nominate and elect a vice-chairperson.

Miriam Ingenito nominated the Controller for the vice-chairperson and Sylvia Scott-Hayes seconded it. Motion adopted with a 5-0 vote.

No public comment, the meeting was adjourned after a roll call vote at 1:47 p.m.

Respectfully submitted by,

Barbara Liebert
Executive Director