

## MINUTES

CALIFORNIA EDUCATIONAL  
FACILITIES AUTHORITY (CEFA)  
**5th Floor Conference Room**  
**915 Capitol Mall, Room 587**  
**Sacramento, California 95814**

**A PORTION OF THIS MEETING  
WAS BE HELD JOINTLY WITH THE  
CALIFORNIA HEALTH FACILITIES FINANCING  
AUTHORITY (CHFFA)**

Thursday June 24, 2010

1:15PM

Deputy Treasurer Patricia Wynne, serving as Chairperson, called the CEFA meeting to order at 1:20 p.m.

### **CEFA Roll Call**

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer, Chairperson  
John Hiber for John Chiang, State Controller, Vice-Chairperson  
Cynthia Bryant for Ana Matosantos, Director, Department of Finance  
Sylvia Scott-Hayes

Member Absent: Michael Jackson

Staff Present: Ronald Washington, Executive Director  
Rosalind Brewer, Deputy Executive Director

Chairperson Wynne declared a quorum present.

The minutes from the California Educational Facilities Authority's ("CEFA") May 27, 2010 meeting were approved. Cynthia Bryant moved for approval of the minutes; John Hiber seconded the motion. The motion was adopted 4-0.

### **CEFA's Executive Director's Report**

Mr. Washington reported the Executive Director's report for May 31, 2010 noting the following: As of May 31, 2010, total debt issued for CEFA was approximately \$9,928,128,538, total debt outstanding was \$4,709,663,806, the CEFA fund balance reflected \$4,747,966; and the top borrowers remained unchanged. As of May 31, 2010, the Student Loan Program had issued \$265,372,500 in bonds; total debt outstanding was \$17,035,000; and the fund balance reflected \$7,599,184.

### **Item #4**

### **Delegation of Powers, Pepperdine**

Mr. Washington reported the Delegation of Powers action taken for Pepperdine University. Mr. Washington stated that the Authority executed a letter of consent to the Bank of New York Mellon Trust Company, N.A., as successor trustee to U.S. Trust Company, N.A., authorizing the redemption of the 1999 Series A bonds on April 28, 2010. Mr. Washington reported that after an Opinion of Counsel was delivered to the Authority, the documents were executed and the bonds were redeemed April 28, 2010.

### **Item #5**

### **Delegation of Powers, American Film Institute**

Mr. Washington reported the Delegation of Powers action taken for American Film Institute. Mr. Washington stated that the Authority executed a letter of consent to U.S. Bank National Association, authorizing the discharge of the Indenture and reconveyance of the Deed of Trust. Mr. Washington

reported that after an Opinion of counsel was delivered to the Authority, the documents were executed on May 28, 2010

**Item #6, Removed from the Agenda**

**CHFFA Roll Call, Item #7**

Deputy State Treasurer Patricia Wynne, serving as chairperson, called the CHFFA meeting to order at 1:45 p.m. and declared a quorum present after the secretary called the roll.

**Working Group Update: Proposed Guideline Recommendations  
For CHFFA/CEFA Tax Exempt Bond Programs**

**Item #8**

Chair Wynne stated the first item of business for CHFFA and the last item for the CEFA board is to discuss the Authorities' guidelines with their working group providing an update. The Chair thanked staff for accommodating a joint meeting of both the CEFA and CHFFA boards.

Ms. Liebert began the presentation by introducing members of the working group: Diane Potter, Orrick, Herrington & Sutcliffe and Robin Helmlinger, Healthcare Public Finance, Partner, Sidley Austin and John Bonow, Public Finance Management. Ms. Liebert commented the report circulated to Board members pertains solely to CHFFA as an initial effort for purposes of generating a discussion relevant to both boards. Ms. Liebert noted that existing guidelines for CHFFA and CEFA have a few distinct differences, but that in reality, the Authorities share much in common making a joint presentation of a proposed new methodology for reviewing bond transactions most appropriate and efficient.

Ms. Liebert stated that the presentation would address proposed bond review methodology for only investment grade rated bonds and not those bonds below investment grade. Bonds with these ratings would be addressed at a later meeting.

After initial comments by Ms. Potter, Ms. Helmlinger and Mr. Bonow, Chair Wynne opened up the discussion to Board members regarding the proposed new methodology for evaluating bond transactions. Using Exhibits 1 and 2 of the report provided to Board members to guide the discussion, Chair Wynne asked the working group which rating would be used in the case where an applicant had more than one rating. Ms. Potter replied that it is relatively uncommon for prospective borrowers to have split ratings, but that the customary practice in such occasions for bond insurers is to utilize the higher of the split rating.

Mr. Hiber commented on the need to balance the Authorities customer service approach with the need of both Authorities to meet their fiduciary responsibility in the review of its applications.

Several members expressed concerns regarding the proposed line of demarcation between investment and non-investment grade of BBB-. A discussion amongst all members, the guests and select members of CHFFA/CEFA staff ensued.

After a series of questions and answers between the Board and the working group regarding the new proposed bond review methodology, Ms. Liebert reassured the board that staff would continue to provide their existing analysis on all bond applications, as they have in the past, but that they would also be augmenting their analysis to provide a more comprehensive analysis of the covenants, security and disclosures applicable to each transaction. Additionally, Ms. Liebert underscored the intention to involve the Authority's financial advisor, PFM, at the outset of each transaction to work closely with staff and provide guidance concerning the proposed covenants, security and disclosures.

Mr. Washington added that qualifications of a borrower can change over time and that no two transactions are identical. Mr. Washington echoed that there have been applications that were never presented to the Board as a result of Staff's review and recommendation.

Chair Wynne brought this portion of the meeting to a close by asking board members to spend time reviewing the proposed new methodology and addressing any of their questions to Ms. Liebert. Chair Wynne directed staff to continue the discussion with the board via another agenda item at the next meeting. Specifically, Chair Wynne directed staff to provide a template staff report to best illustrate the proposed methodology for evaluating bond transactions.

Before completing this item, Ms. Sousa suggested to Mr. Bonow that he provide the board with information to help with their evaluation of the proposed methodology and to increase their knowledge of the public finance market in general, including what is standard, what is not standard, what some of the other conduit issuers do, the realities of the marketplace, the risks inherent to non-profit conduit transactions, the types of investors who typically buy these bonds, what investors tend to care about, what concerns investors have, median ratios, etc. Mr. Bonow replied that he would be happy to supply this information in advance of the Authorities' next meeting.

Chair Wynne asked for public comment for CEFA. Hearing none, Chair Wynne adjourned the CEFA meeting at 2:56 p.m.

Respectfully submitted,



Ronald L. Washington  
Executive Director