

MINUTES

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

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

Thursday September 30, 2010

1:15PM

Deputy Treasurer Patricia Wynne, serving as Chairperson, called the CEFA meeting to order at 1:22 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

Michael Jackson, via teleconference (arrived following the Executive Directors Report)

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

Chairperson Wynne declared a quorum present.

The minutes from the CEFA July 29, 2010 and the revised August 26, 2010 meetings were both approved. Ms. Scott-Hayes moved for approval of the July minutes; Ms. Bryant seconded the motion. Ms. Bryant moved for approval of the revised August minutes; Mr. Hiber seconded the motion. Both motions were adopted 4-0.

CEFA's Executive Director's Report

Mr. Washington reported as of July 31, 2010, CEFA has approximately \$9,928,128,538 in total debt issued; total debt outstanding was \$4,750,328,816; the CEFA fund balance reflected \$4,660,177. For the Student Loan Program fund for July, the amount issued was \$265,372,500; debt outstanding was \$17,035,000; the Student Loan Program fund balance was \$7,609,765.

Mr. Washington reported as of August 31, 2010, the CEFA fund had approximately \$9,928,128,538 in total debt issued; total debt outstanding was \$4,739,272,560; the CEFA fund balance reflected \$4,611,234. As of August 31, 2010, the Student Loan Program's outstanding debt and bonds outstanding were unchanged with outstanding debt issued at \$265,372,500 and bonds outstanding at \$17,035,000. The fund balance for the Student Loan Program was \$8,267,434.

In response to Chairperson Wynne's observation that the Student Loan Program fund balance had increased significantly from July, Mr. Washington explained that the Student Loan fund balance reflected reimbursement of \$657,669 previously advanced by CEFA as a portion of the startup cost for the CalEdge loan program.

Michael L. Jackson joined the meeting via teleconference prior to beginning Item #4.

Item #4

Delegation of Powers, CalEdge

Mr. Washington reported the Delegation of Powers action taken for CalEdge. Mr. Washington stated that the Authority executed the Joint Order to Redeem. The CalEdge bonds were fully defeased effective August 30, 2010 and CEFA has been reimbursed for the amount previously advanced for the CalEdge loan program. The bonds were redeemed on September 29, 2010. Mr. Washington reported that staff had received opinion from both bond counsel and the Attorney General's Office.

CHFFA Roll Call, Item #5

Chairperson Wynne called for a brief intermission at 1:34 p.m. The meeting reconvened bringing CHFFA meeting to order at 1:45 p.m. and declared a quorum present after the secretary called the roll.

Resolution approving the adoption of revised Bond Issuance Guidelines for investment grade public offerings rated no less than Baa3 by Moody's or BBB- by Fitch and S&, Resolution No. 2010-04

Item #6

Ms. Liebert, Executive Director, California Health Facilities Financing Authority (CHFFA), introduced John Bonow of Public Financial Management and Diane Potter of Orrick, Herrington & Sutcliffe. Ms. Liebert began the discussion by mentioning for the record that the agenda had been re-published to clarify the rating classifications for the three different rating agencies because the original agenda incorrectly attributed rating classifications to some of the rating agencies.

Ms. Liebert reminded the board that staff's recommendation pertains only to investment grade transactions and that the working group would next turn to non-investment grade transactions, equipment financings and a continued effort to produce template bond documents with standard provisions.

Ms. Liebert then noted that one of the Board members pointed out that the proposed resolution, in the 6th "Whereas" clause, contained an error in that it omitted the term "Review" from the last sentence. It should read "...as more fully set forth in the Investment Grade Public Offerings Revenue Bond Application Review Process..." Ms. Liebert indicated a correction would be made to the resolution assuming the resolution is passed.

Ms. Liebert advised the board that the new process (if approved by the respective boards) would be incorporated into the respective websites for CEFA and CHFFA. Mr. Washington concurred with Ms. Liebert's overview.

CHFFA Board member, Mr. Jack Buckhorn asked Mr. Bonow to expand on how PFM's role would change as a result of the guideline change given PFM's anticipated involvement earlier rather than later in the transaction process. Mr. Bonow replied that historically, PFM's involvement has been limited to the end of the bond transaction process – the pricing. With this new process, PFM will be involved from the beginning of the process, beginning their involvement upon submission of a borrower's application and then proceeding to the evaluation of their proposed covenant and security package and overall financing structure.

Mr. Buckhorn inquired with Ms. Liebert if there would be a requirement for regulations with these new guidelines. Ms. Liebert called upon staff counsel Kristin Smith to comment and then briefly summarized that she believed the AG's office was of the opinion that regulations would not be required unless the guidelines were very specific. Ms. Liebert indicated she would check with the Attorney General's Office and provide a definitive response to the Board.

Chairperson Wynne asked Mr. Washington or Ms. Liebert to elaborate on the collaborative relationship between PFM, Macias and Authority staff. Mr. Washington replied by describing the previous application process in regards to the various roles and then describing the newly revised process.

John Hiber wanted to note for the record that the State Controller's Office has expressed some concerns in the past with regard to these new guidelines and that he would like to impart, in general, the SCO's belief that with greater flexibility potentially comes greater risk. Mr. Hiber stated that to mitigate some of these concerns, he would like each of the Authorities to routinely prepare a report outlining each of the transactions approved by the Authorities, noting the financing approved, the underlying credit of each of the financings and any financings that may not have actually made it to the board because staff determined the transactions were too risky. Mr. Hiber stated that the whole point of this would be to evaluate if there is any shift in the risk as we transition to this new process.

Chairperson Wynne thanked Mr. Hiber for his comments and offered some elaboration on the concept proposed by Mr. Hiber. Chairperson Wynne suggested that the Executive Directors for each authority bi-annually prepare (beginning two years from now), a compare and contrast study of the credit worthiness of the Authorities' borrowers up to this point (preferably two years back) and the credit worthiness of the borrowers under the new guidelines. CHFFA Board member Ms. Ruth Holton-Hodson added the board would like to get a sense of whether the board is approving riskier borrowers as the new process is assimilated into practice. After additional comments from Michael Jackson and Sylvia Scott Hayes, as well as comments from CHFFA Board members Mr. Ronald Joseph and Mr. Buckhorn, Chairperson Wynne summarized that passage of the proposed resolution should not be contingent upon preparation of a bi-annual report, but that the board clearly desires routine reporting concerning the implementation of the new process so the board may evaluate the impact of the changes. Chairperson Wynne noted the board can request a report at any given time (in addition to a bi-annual report) and that staff should work with the board to determine the desired content for reporting.

Following this discussion, Chairperson Wynne asked if there were any additional questions from the board members. Hearing none, Mr. Jackson moved for the adoption of Resolution No. 2010-04, as amended, and Ms. Scott-Hayes seconded it. The motion was adopted 5-0 with a roll call vote.

Chairperson Wynne asked for public comments. Hearing none, Chairperson Wynne adjourned the CEFA meeting at 2:13 p.m.

Respectfully submitted,

Ronald L. Washington
Executive Director