

MINUTES

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

Thursday October 28, 2010

1:30PM

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

CEFA Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer, Chairperson
Dave O'Toole for John Chiang, State Controller, Vice-Chairperson
Cynthia Bryant for Ana Matosantos, Director, Department of Finance
Sylvia Scott-Hayes via teleconference
Michael Jackson via teleconference

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

Chairperson Wynne declared a quorum present.

The minutes from CEFA's September 30, 2010 meeting were approved. Michael Jackson moved for approval of the minutes; Sylvia Scott Hayes seconded the motion. The motion was adopted 5-0.

CEFA's Executive Director's Report

Mr. Washington reported as of September 30, 2010, total debt issued for CEFA was approximately \$9,978,253,538 and total debt outstanding was \$4,767,819,115 and the CEFA fund balance reflected \$4,695,962. Mr. Washington reported that as of September 30, 2010, the Student Loan Program had issued \$265,372,500 in bonds with \$11,000,000 bond currently outstanding and a Student Loan Fund balance of \$8,267,669.

Mr. Washington concluded his report by mentioning that fund balance and budget information will resume being reflected in the Executive Director's Report at the December 2nd meeting.

Item #4

**University of San Francisco (USF)
Resolution No. 277**

Ms. Waddell of staff stated that USF was requesting \$90,000,000 in bond proceeds to be used to support various planned capital expenditures and improvements at Phelan Hall and reimbursement for renovation projects at the University Center. In addition, USF seeks to purchase and retire all or a portion of its CEFA Series 2005A and Series 2006 auction rate bonds.

Representing USF: Mr. Charles Cross, Vice President/CFO, of Business and Finance; Ms. Stacy Lewis, Assistant Treasurer, Business and Finance; Ms. Jan Hanson, Advisor, Office of Business and Finance; and Ms. Michele Dulik, Sidley Austin LLP, Bond Counsel; Mr. Michael Moss, Director, Bank of America Merrill Lynch, Underwriter.

Staff recommends the Authority approve Resolution Number 277 in an amount not to exceed \$90,000,000 for the University of San Francisco, subject to a bond rating of at least investment grade by a nationally recognized rating agency and meeting the standard bond issuance guidelines. The Authority's financial advisor, Public Financial Management, and Macias Gini & O'Connell, LLP, the Authority's financial analyst, concurred with the Authority's staff recommendations.

Mr. Cross added that USF has experienced strong and stable growth over the last number of years, modest but strong, with continued increased demand.

Chairperson Wynne asked Mr. Cross to elaborate on the refinancing portion of the auction rate bonds. Specifically, how much money does USF expect to save by refinancing given the current market climate? Mr. Cross conveyed that savings were not expected in the short term; however, the goal is to eliminate the volatility in their debt structure, converting from variable rate debt fixed rate debt.

Mr. Washington informed the board of a revision to the "proposed covenants, security and disclosures" guideline. On page four, the current listing "Security Interest in Designated Property/Deed of Trust" has been replaced with "Pledge of Gross Revenues".

Mr. Washington shared that CEFA received email correspondence from Mr. Richard Rabbitt. The email correspondence involved two major concerns; the first concern was the California Environmental Quality Act (CEQA) requirement. Mr. Washington responded to the concern by explaining the transaction was a refunding and therefore exempt from the CEQA process. The second concern involved the legal status questionnaire in which borrowers are required to complete as part of their application. Mr. Rabbitt provided documentation that was effectively a complaint from a former USF employee. Mr. Washington indicated that this complaint was unrelated to this financing and Mr. Washington communicated to Mr. Rabbitt that staff would share his concerns with the CEFA Board.

Chairperson Wynne asked the representatives to speak to the covenant change and to address the public comments.

Mr. Cross responded to Mr. Rabbitt's first concern which specifically involved construction of a science center. Mr. Rabbitt was displeased with the permission granted by City Planning Commission to proceed in construction. Mr. Cross also shared that CEFA funds are not involved in financing the science center. In addressing Mr. Rabbitt's second concern, Mr. Cross stated that this involved a USF employee who was terminated in 2008 and filed suit for wrongful termination and retaliation. The allegations were disproven in the audit and USF was found to be in full compliance with Generally Accepted Accounting Principles (GAAP).

Ms. Hanson spoke to the covenant change. Currently USF has a complicated three-tier trustee structure, giving credit enhancers and bond holders' security in the form of trustees on the real estate comprising the University's main campus. Ms. Hanson considered this an opportune time to release most of those trustees and give comparable and comfortable security to the credit enhancers and bond holders, so that USF's structure becomes less encumbered going forward.

Ms. Dulik added that the covenant change is also more indicative of current market conditions.

Mr. Moss supported the group responses by adding the goal of the security package was to give the University the most flexibility without sacrificing pricing on the bonds.

Mr. Jackson moved for the adoption of Resolution No. 277 and Ms. Scott-Hayes seconded it. The motion was adopted 5-0 with a roll call vote.

Summer Nishio of staff stated that UOP was requesting \$24,000,000 in bond proceeds to be used to refund all or portion of outstanding CEFA series 1997A, 1998, and 2000 bonds. Representing UOP; Mr. Jol Manilay, Associate Director of Investments; Mr. Larry Brehm, President of Business and Finance; Mr. Saul Rosenbaum, Managing Director, Prager Sealy & Co. LLC, Underwriter; and Ms. Jenna Magan, Orrick, Herrington & Sutcliffe, Bond Counsel.

Staff recommended the Authority approve a resolution in an amount not to exceed \$24,000,000 for UOP, subject to a bond rating of at least investment grade by a nationally recognized rating agency and meeting the standard bond issuance guidelines. Macias Gini & O'Connell, the Authority's financial analyst, and Public Financial Management, the Authority's financial advisor, concurs with the authority's staff recommendation.

Mr. Brehm thanked the Board for welcoming their organization and shared that their A2 stable rating was reaffirmed by Moody's.

Chairperson Wynne asked Mr. Washington to elaborate on the "proposed covenants, security and disclosures" guideline, although unrelated to the transaction, an explanation to the board surrounding the significant differences between the last agenda item given their similar ratings.

Mr. Washington first addressed a change on the "proposed covenants, security and disclosures" requirements for UOP on page three; he asked the organization to speak to the issue regarding the number of covenants that are now being required for this transaction and those that are non-applicable.

Ms. Magan explained that UOP made a simple error in omitting a covenant in the existing package.

Mr. Washington indicated that CEFA is comfortable with the new requirements and believes they will be very helpful to both staff and the Board going forward.

Ms. Scott Hayes moved for the adoption of Resolution No. 278 and Mr. O'Toole seconded it. The motion was adopted 5-0 with a roll call vote.

With no public comment for the CEFA meeting Chairperson Wynne adjourned the meeting at 2:00 p.m.

Respectfully submitted,

Ronald L. Washington
Executive Director