

MINUTES

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

Thursday, December 2, 2010

1:30 PM

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
Miriam Ingenito 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 October 28, 2010 meeting were approved. Dr. Jackson moved for approval of the minutes; Ms. Scott-Hayes seconded the motion. The motion was adopted with a 5-0 roll call vote.

CEFA's Executive Director's Report

Mr. Washington reported as of October 31, 2010, total debt issued for CEFA was approximately \$9,978,253,538 and total debt outstanding was \$4,747,713,441 and the CEFA fund balance reflected \$4,607,498. Mr. Washington reported that as of October 31, 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 \$8,263,863. Mr. Washington concluded his report by referring to the Comprehensive Debt List which was included as the final page of the Executive Director's Report.

Mr. Washington reported that the CEFA annual audit was complete and a copy would be delivered to each Board member by the end of the month.

Item #4 **Delegation of Powers, Charles Drew University (CDU)**

Mr. Washington reported the Delegation of Powers action taken for Charles Drew University. Mr. Washington stated that the Authority executed a waiver of the 60-day deadline for delivery of the prior written notice requirement as described in the Loan Agreement. The waiver allows CDU and UC Regents to expedite their request to enter into a lease and operating agreement. Mr. Washington reported that staff had received opinions from both bond counsel and the Attorney General's Office.

**Approval of the Tentative Meeting
Schedule for 2011**

Item #5

Mr. Washington reported that CEFA's regulations reflect that meetings of the Authority will be held on the fourth Thursday of each month unless otherwise ordered by the Authority. Mr. Washington mentioned that because there are a few months each year that have five weeks including Thursday, and because it has been the practice of the Authority to meet on the last Thursday of each month, the Authority must vote on a tentative meeting schedule in order to accommodate the longer months.

Chairperson Wynne asked if there were any additional questions from the board members or any public comments. Dr. Jackson inquired about the November 2011 meeting. Chairperson Wynne clarified that CEFA does not have a November meeting; however, the Authority provides an early December meeting.

Ms. Scott-Hayes moved for adoption of the motion to approve the tentative dates and Mr. O'Toole seconded the motion. The motion was adopted with a 5-0 roll call vote.

**Resolution of the California Educational
Facilities Authority delegating certain powers and
authorizing certain actions related to bond financings**

Item #6

Resolution No. 2010-05

Mr. Washington stated that Resolution 2010-05 was a re-adoption of the master delegation resolution approved in December 2009. Pointing out several of the changes, Mr. Washington said language was amended to include redemptions, pre-payments and defeasance of bonds and allows the Executive Director or the Deputy Executive Director to respond to audits or investigations and the removal or replacement of participants or agents in a transaction. Mr. Washington stated certain language changes were made to the legal documents in order to provide the Authority with flexibility to consult with STO staff counsel and if necessary, seek an opinion from the Attorney General's Office.

Mr. O'Toole moved for adoption of the Resolution No. 2010-05, and Ms. Scott-Hayes seconded the motion. The resolution was adopted with a 5-0 roll call vote.

University of San Diego (USD)

Item #7

Resolution No. 279

Kenna Waddell stated USD was requesting bond proceeds in an amount not to exceed \$40 million. Bond proceeds will be used to refund the outstanding CEFA Series 1998 Bonds and a portion of the CEFA Series 1999 Bonds.

Kenna Waddell introduced Ms. Erin Jow-Brown, Assistant Director, Budget & Treasury of USD; Ms. Alexandra E. Iseman, Vice President, George K. Baum & Company; and via teleconference Mr. Kevin Hale, Bond Counsel, Orrick, Herrington & Sutcliffe LLP.

Staff recommended the Authority approve a resolution in an amount not to exceed \$40 million for USD, 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. O'Toole inquired about the Additional Debt Limitations covenant requirement. Mr. Hale clarified that the covenant was included for purposes of conforming this transaction to previous USD financings which included similar covenants for limitation on additional debt.

Mr. Washington stated that staff would work on including language that would explain why the selected covenants are sufficient. As a result of this refunding, the combined net present value savings is approximately \$2.1 million.

Ms. Scott-Hayes moved for adoption of Resolution No. 279 and Mr. O'Toole seconded it. The motion was adopted with a 5-0 roll call vote.

Item #8

Resolution No. 280

Martha Maldonado stated CMC was requesting bond proceeds in the amount not to exceed \$6 million. Bond proceeds will be used to refund the outstanding CEFA Series 1999 Bonds. As a result of this refunding, the net present value savings is expected to be \$430,000 based on the current interest rate.

Martha Maldonado introduced Mr. Saul Rosenbaum, Managing Director, Prager, Sealy & Co., LLP; and via teleconference Mr. James J. Floyd, Assistant Vice President, Investments of CMC and Mr. Kevin Hale, Bond Counsel, Orrick, Herrington & Sutcliffe LLP.

Staff recommended the Authority approve a resolution in an amount not to exceed \$6 million for CMC 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. Rosenbaum thanked the Board for considering this transaction. Mr. Floyd concurred with the sentiment.

Mr. O'Toole moved for the adoption of Resolution No. 280 and Dr. Jackson seconded it. The motion was adopted with a 5-0 roll call vote.

Claremont University Consortium (CUC)

Item #9

Resolution No. 281

Summer Nishio stated CUC was requesting bond proceeds in an amount not to exceed \$10 million. Bond proceeds will be used for the renovation of existing facilities and to refund a bank loan. In addition, CUC plans to refund the outstanding CEFA Series 1999B Bonds. As a result of the refunding of the CEFA Series 1999B Bonds, the net present value savings is approximately \$279,000.

Summer Nishio introduced Mr. Kenneth L. Pifer, Vice President & Treasurer and Mr. Adele Vuong, Business Manager & Budget Administrator both of CUC; Mr. Saul Rosenbaum, Managing Director, Prager, Sealy & Co., LLP; and via teleconference Ms. Laurie Millar Altschul, Bond Counsel, Squire Sanders & Dempsey.

Staff recommended the Authority approve a resolution in an amount not to exceed \$10 million for CUC 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.

Chairperson Wynne asked the CUC representatives for any additional comments. Mr. Pifer thanked the Board for including their organization on the December agenda. Mr. Washington mentioned that CUC had not come before the Authority since 1999 and he further asked Mr. Pifer to speak to the relationship and any distinctions between CUC and the Claremont Colleges.

Mr. Pifer provided a brief description of CUC detailing its unique relationship with the five undergraduate and two graduate institutions. He also stated that CUC provides services to the members of the Claremont Colleges. One of the unique elements to its role is its mission-to-fund additional education institutions in the Claremont Group. CUC holds land-in-trust for future institutions, as well as, for future uses for its Claremont Colleges. CUC supplies academic services, such as a library system and a bookstore. In addition, CUC administers student services, health and counseling, and ethnic student services. It's administrative and facilities services range from financial services to mail services. The new money component of this project is to consolidate some of the services and free up some existing property for academic and student services in the core of the campus.

Ms. Millar Altschul provided an explanation surrounding the "proposed covenants, security and disclosures". Ms. Millar Altschul described this refunding as "typical" and the underwriters have determined that the market is likely to be receptive to this bond deal.

Mr. O'Toole moved for the adoption of Resolution No. 281 and Ms. Scott-Hayes seconded it. The motion was adopted with a 5-0 roll call vote.

**Resolution Authorizing Amendments to
Program Documents Regarding the Collection and
Enforcement of Delinquent and Defaulted Student Loans**

Item #10

Resolution No. 2010-05

Ms. Brewer of staff stated ALL Student Loan is the Administrator of the Cal Loan Program, a student loan program that was financed with the Series 1997A and the 2001A Bonds. Ms. Brewer introduced Mr. Joseph Booth, Managing Director, ALL Management Corporation; Mr. Brian Cooney, Director, MBIA, Inc.; and, Mr. Mark J. Weadick, Managing Director, Student Loan Capital Strategies.

Ms. Brewer shared that the Cal Loan Program currently has 1,256 borrowers, of which 511 loans are either delinquent or in default status and that the current collection procedures are lacking common collection features and are otherwise insufficient in the current market. Staff recommended the Authority approve Resolution No. 2010-05 to enhance collection procedures in order to provide ALL Student Loan with additional program options for the purpose of increasing the repayment on delinquent and defaulted loans. In addition, staff recommended a six-month trial period to evaluate the success of the additional collection tools. If proven successful, staff may suggest a permanently adopted resolution.

Chairperson Wynne thanked staff for taking the time and effort to provide flexibility for the Cal Loan Program.

Chairperson Wynne asked the Board members if a six-month time period was appropriate given this information. The Board engaged in discussion, with Dr. Jackson and Ms. Scott-Hayes inquiring about the average size of the defaulted loan. Dr. Jackson was concerned that the amount of debt per borrower may not be enough of an incentive for such borrower to return to current status or to arrange for a settlement. Mr. Booth stated that the average outstanding loan is approximately \$10,000 per borrower. Ms. Ingenito asked whether or not ALL's estimate of sixty-six defaulted borrowers comes from their analysis, a six-month duration or some other source. Mr. Booth explained the success of this program is fluid until the collection agencies can begin to implement the proposed changes. After discussion, the Board decided a nine-month time period was more appropriate.

Chairperson Wynne asked if there were any additional questions from the Board members or any public comments on this matter. Hearing none, Ms. Scott-Hayes moved for the adoption of Resolution No. 2010-05, as amended with a nine-month duration including monthly reporting, and Ms. Ingenito seconded it. The motion was adopted with a 5-0 roll call vote.

With no public comment for the CEFA meeting Chairperson Wynne adjourned the meeting at 2:15 p.m.

Respectfully submitted,

Ronald L. Washington
Executive Director