

MINUTES

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

Alternate Location for CEFA 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, April 28, 2011

1:30 PM

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

CEFA Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer, Chairperson
John Hiber for John Chiang, State Controller, Vice-Chairperson
Jennifer Rockwell for Ana Matosantos, Director, Department of Finance
Sylvia Scott-Hayes
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 January 27, 2011 meeting were approved. Chairperson Wynne acknowledged Dr. Jackson's move for approval of the minutes; Mr. Hiber 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 January 31, 2011, the CEFA fund had approximately \$9,978,253,538 in total debt issued. Total debt outstanding was \$4,653,954,362 and the CEFA fund balance reflected \$4,292,441. As of January 31, 2011, the Student Loan Program's outstanding debt and bonds outstanding were \$265,372,500 and \$11,000,000, respectively. The fund balance for the Student Loan Program was \$8,261,336.

Mr. Washington reported as of February 28, 2011, total debt issued for CEFA was approximately \$10,058,023,538 and total debt outstanding was \$4,721,067,684 and the CEFA fund balance reflected \$4,310,844. As of February 28, 2011, the Student Loan Program's outstanding debt and bonds outstanding were \$265,372,500 and \$11,000,000, respectively. The fund balance for the Student Loan Program was \$8,261,336.

Mr. Washington reported as of March 31, 2011, total debt issued for CEFA was approximately \$10,076,663,538 and total debt outstanding was \$4,647,690,935 and the CEFA fund balance reflected \$4,294,058. As of March 31, 2011, the Student Loan Program's outstanding debt and bonds outstanding were \$265,372,500 and \$11,000,000, respectively. The fund balance for the Student Loan Program was \$8,256,661.

As Mr. Washington concluded his report, he informed the board there would be adjustments to fund balances in relation to transfers of money from the Student Loan Fund to the CEFA fund; explaining that historically, services performed by the Attorney General's office (AG) had been charged to the CEFA fund rather than the Student Loan Program fund. It was more appropriate that the Student Loan Program fund be charged because this work was specific to the Student Loan Program. CEFA contacted the AG's Legal and Accounting divisions requesting that services related to the Student Loan Programs, beginning with January 2010 through the present, be re-billed to the Student Loan Program fund. STO Accounting and the AG's Office Accounting division agreed and are currently working together to credit the charges back to the CEFA fund and debit the Student loan fund for these same charges which is estimated to be approximately \$30,000.

Dr. Jackson asked for clarification regarding the spending for the external fund category, and if there would be more expenses such as financial advisors and issuer's counsel fees for the rest of the fiscal year. Mr. Washington stated that CEFA does anticipate additional expenses before the end of the fiscal year since the Authority had four bond issues that closed this calendar year. Some of those expenditures have been captured while others are not yet reflected in the reports. Ms. Scott-Hayes inquired as to whether the balance is carried forward annually or if it is similar to the state budget whereby the amount is allocated for one year then reevaluated each fiscal year. Mr. Washington replied the allocation is not carried forward but is instead budgeted each fiscal year. The Authority then augments or adjusts accordingly.

Ms. Brewer reported on the National Association of Health and Educational Facilities Finance Authority's (NAHEFFA) conference held April 13-15, 2011 in Charleston, South Carolina. This semi-annual conference is a national conference and provides issuers the opportunity to communicate and exchange the latest information on tax compliance, SEC rule changes, EMMA system updates, along with industry speakers and other financing news. The CEFA and CHFFA will host the Fall 2011 NAHEFFA conference in San Diego from October 3-5, 2011. Ms. Brewer extended an invitation to board members.

Mr. Washington concluded his report by referring to the Comprehensive Debt List Summary which was included in the Executive Director's reports.

Item #4

Delegation of Powers, Stanford University

Mr. Washington reported the Delegation of Powers action taken for Stanford University (Stanford). Stanford requested the Authority appoint The Bank of New York Mellon Trust Company, N.A. as successor Trustee. Mr. Washington reported that upon receiving direction from Staff Counsel, the Authority executed an Agreement of Resignation, Appointment and Acceptance and a Certificate of the Authority on behalf of Stanford pursuant to the Indentures for each series of bonds.

Mr. Washington mentioned Stanford desired to use The Bank of New York Mellon Trust Company, N.A. because they provide a particular service that US Bank (previous Trustee) was unable to provide. The transfer of Trustee will allow the remaining 17 series of bonds to be held under one Trustee.

Item #5**Legislation – AB 1163 (Brownley)**

Mr. Washington reported on the proposed statute amendment sponsored by the State Treasurer's Office, AB 1163. Mr. Washington stated that AB 1163 would recast the definition of a "private college" or "private participating college" to mean a private college that does not restrict the admission of a student based on his or her race or ethnicity, provided that the financing does not violate specified constitutional provisions.

Mr. Washington stated that AB 1163 would allow the Authority to issue to certain borrowers historically identified as pervasively sectarian institutions. Mr. Washington recognized letters of support from the State Controller's Office, the Association of Independent California Colleges and Universities and a number of private institutions. Mr. Washington provided additional reference materials, including a letter of support from Treasurer Bill Lockyer and court case proceedings on this matter. Mr. Washington stated CSCDA collects information to determine potential institutions criteria following a four-part test, which the Authority currently administers to its borrowers.

Chairperson Wynne noted that Pepperdine University was recently deemed ineligible due to the Authority's current statute although Pepperdine University is one of CEFA's top ten borrowers. Mr. Washington stated AB 1163 passed with an 8-0 vote at the Assembly of Higher Education earlier this month and was scheduled for consideration at the Assembly Fiscal Committee in the coming weeks. The bill will then be sent to the Senate for consideration. Ms. Scott-Hayes inquired whether Pepperdine University was the only affected borrower and if CEFA was losing other business. Mr. Washington identified Pepperdine University as one of the Authority's top ten borrowers having issued approximately 13 series of bonds and yet they are currently ineligible for financing. Mr. Washington explained that this amendment would have no fiscal impact to CEFA.

**Harvey Mudd College
Resolution No. 283****Item #7**

Kenna Waddell stated Harvey Mudd College (Harvey Mudd) was requesting bond proceeds in an amount not to exceed \$25 million. Bond proceeds will be used to finance the acquisition, construction, expansion, rehabilitation, remodeling, renovation, equipping and improvement of educational facilities located throughout the main campus. Representing Harvey Mudd: Mr. Bryant Yu, Associate, Prager, Sealy & Co., LLC, underwriter; Ms. Harriett Welch, Partner, Squire, Sanders & Dempsey, LLP, Bond Counsel; Mr. Andrew Dorantes, Vice President for Administration and Finance of Harvey Mudd College and Mr. Scott Martin, Associate Vice President for Business Affairs of Harvey Mudd College attended at the alternate location via teleconference.

Staff recommended the Authority approve a resolution in an amount not to exceed \$25 million for Harvey Mudd, 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, concurred with the Authority's staff recommendation.

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 adoption of Resolution No. 283 and Ms. Rockwell seconded it. The motion was adopted with a 5-0 roll call vote.

With no public comment, Chairperson Wynne adjourned the meeting at 1:57 p.m.

Respectfully submitted,

Ronald L. Washington
Executive Director