

MINUTES

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY (“CEFA”)

5th Floor Conference Room
915 Capitol Mall, Room 587
Sacramento, California 95814

Wednesday, July 25, 2012

10:30 AM

Deputy Treasurer Patricia Wynne, serving as Chairperson, called the CEFA meeting to order at 10:32 a.m.

CEFA Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer, Chairperson
Julio Martinez for John Chiang, State Controller, Vice-Chairperson
Pedro Reyes for Ana Matosantos, Director, Department of Finance
William McGinnis

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

Chairperson Wynne declared a quorum present.

The minutes from the CEFA June 28, 2012 meeting were approved. Pedro Reyes moved for approval of the minutes; William McGinnis seconded the motion. Motion adopted 4-0.

CEFA’s Executive Director’s Report

Ronald Washington gave the Executive Director’s report for May 31, 2012, which reflected total and outstanding debt and program balances for the month of May 2012 and noted that the top ten borrowers remained unchanged. Mr. Washington reported the June 2012 numbers were not finalized yet and would be presented to the Board at the next meeting.

Mr. Washington presented the Delegation of Powers regarding the University of San Diego (“USD”). Mr. Washington stated USD notified the Authority in June 2012 of its intention to refund the Series 2002A bonds through the California Municipal Finance Authority (“CMFA”) and also requested CEFA acknowledge an escrow agreement between USD and the Bank of New York Mellon Trust Company, N.A. Under direction from STO General Counsel, the CEFA Executive Director executed the Acknowledgement of the Escrow Agreement and a Certificate and Request as to the defeasance of the CEFA Series 2002A Bonds.

Mr. Washington presented the Delegation of Powers regarding Charles Drew University of Medicine and Science (the “University”). He stated the University notified the Authority in June 2012 of its intent to exercise its option to execute an optional redemption in the amount of \$1,750,000 for their CEFA Series 2007 bonds and requested CEFA to direct the Trustee to redeem the bonds on August 1, 2012 and waive the 45 day notice requirement. Under direction from the Attorney General’s Office, as Issuer’s Counsel, the CEFA Executive Director executed a Notice of Redemption for the CEFA Series 2007 Bonds.

Ms. Wynne stated that due to a potential conflict of interest, she would recuse herself from participation in all decisions relating to Item #4, University of Southern California (“USC”) and that this item would be presided over by Mr. Martinez, as Vice-Chairperson. Ms. Wynne stated that the Treasurer serves as Lecturer at USC. As a result, USC is a source of income to the Treasurer and he has and will continue to recuse himself from any and all participation in matters relating to the USC financing. Ms. Wynne left the meeting.

Item # 4

**University of Southern California
Resolution No. 291**

Brian Aguilar of staff stated the University of Southern California (“USC”) requested approval for a five-year Resolution to finance all or a portion of the refunding of the CEFA Series 2003A, Series 2005, Series 2007A, Series 2009A, and the Series 2009B bonds. Mr. Aguilar reported that this approval would provide USC the latitude and flexibility for future financing and would provide a net present value savings of approximately \$142,116,848 or 18.4% over the life of the bonds, under current market conditions.

Representing USC: Ms. Alysa Gerlach, Assistant Vice President of Treasury Services and Mr. Arturo Aguayo, Director of Liquidity/Financing; Mr. John Badwick, Associate, Morgan Stanley, Underwriter; Mr. Russell Miller, Tax Counsel, Hawkins, Delafield & Wood.

Mr. Badwick provided a brief overview of USC’s plan of finance. He noted that in 2007, the Authority passed a resolution to give USC the flexibility to enter capital markets quickly over a five year span and that USC issued bonds in 2007 and 2009 utilizing this resolution. USD is requesting another five year resolution to allow flexibility to refund bonds. During this period, the Series 2003A, Series 2005 and Series 2007A bonds will become currently callable and the Series 2009A and Series 2009B bonds will become eligible within two years of their call date by 2017 and if they are at or near the call date for this series of bonds, they could be refunded at significant savings at current rate levels. The size of the request for authorization reflects the significant capital investments that USC has made over the past 10 years financed through the Authority. The first Series to be refunded under this proposed Resolution would be to refund approximately \$50 million of the Series 2003A bonds, which is estimated to price in August 2012, producing an estimated savings of \$10 million dollars, or roughly 20% of par value. The timing of other refunding’s would depend on the market conditions, given that USC has the flexibility going forward to access the capital markets over the next five years.

Staff recommended the Authority approve Resolution No. 291 in an amount not to exceed \$975,355,000 for the University of Southern California subject to a bond rating of at least investment grade by a nationally recognized rating agency. Macias Gini & O’Connell, LLP, the Authority’s financial analyst, and Public Financial Management, the Authority’s financial advisor, concurred with the Authority’s staff recommendations.

Mr. Reyes moved for adoption of the Resolution and Mr. McGinnis seconded it. Motion adopted 3-0, 1 recusal (Wynne), by roll call vote.

Ms. Wynne re-entered the Board Room and resumed as Chair.

With no public comment, the CEFA meeting was adjourned at 10:44 a.m.

Respectfully submitted,

Ronald L. Washington
Executive Director