

MINUTES

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

Thursday, April 25, 2013

1:00 PM

Deputy Treasurer Michael Paparian, serving as Chairperson, called the CEFA meeting to order at 1:04 p.m.

CEFA Roll Call

Members Present: Michael Paparian for Bill Lockyer, State Treasurer, Chairperson
Alan Gordon for John Chiang, State Controller, Vice-Chairperson
Jennifer Rockwell for Ana Matosantos, Director, Department of Finance
William G. McGinnis

Member Absent: Stacy Lewis Daher

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

Chairperson Paparian declared a quorum present.

The minutes from the CEFA February 28, 2013 meeting were approved. Mr. Gordon moved for approval of the minutes; Ms. Rockwell seconded it. Motion adopted 4-0.

CEFA’s Executive Director’s Report

Mr. Washington presented the Executive Director’s report for the months of March and February, 2013 that reflected total debt outstanding and ending fund balances for the months of March 31, 2013 and February 28, 2013. Mr. Washington also shared that the top ten borrowers remained unchanged.

The Board of Trustees of the Leland Stanford Junior University

Item # 4 **First Amendment to Resolution No. 273**

Kenna Waddell reported The Board of Trustees of the Leland Stanford Junior University (“Stanford”) was seeking Authority approval to amend Resolution No. 273 to increase the prior authorized amount, add projects to the authorized project list, extend the bond sale expiration date, update the list of potential underwriters for the bonds, and add reference to CEFA’s current delegation resolution.

Representing Stanford: Ms. Odile Disch-Bhadkamkar, Treasurer; and Ms. Brooke D. Abola, Esq., Partner for Orrick, Herrington & Sutcliffe LLP, Bond Counsel.

Staff recommended the Authority approve the First Amendment to Resolution No. 273, subject to all prior provisions and conditions remaining unchanged and in full effect.

Ms. Disch-Bhadkamkar thanked the Authority and provided an overview of the projects to be financed through the sale of tax-exempt and taxable bonds. Ms. Disch-Bhadkamkar also reported on the structure of the bonds and explained why certain projects will be issued with the taxable bonds and other will be issued with tax exempt bonds.

Mr. Gordon moved for adoption of the Resolution and Ms. Rockwell seconded it. Motion adopted 4-0.

The Board of Trustees of the Leland Stanford Junior University

Item # 5 **Second Amendment to Resolution No. 255**

Ms. Waddell reported The Board of Trustees of the Leland Stanford Junior University (“Stanford”) was seeking Authority approval of a second amendment to Resolution No. 255 to add additional projects to the authorized project list.

Representing Stanford: Ms. Odile Disch-Bhadkamkar, Treasurer; and Ms. Brooke D. Abola, Esq., Partner for Orrick, Herrington & Sutcliffe LLP, Bond Counsel.

Staff recommended the Authority approve the Second Amendment to Resolution No. 255, subject to all prior provisions and conditions remaining unchanged and in full effect.

Ms. Disch-Bhadkamkar stated that this revised project list was essentially the same as the project list from Resolution No. 273. It would give Stanford the ability to utilize bridge financing while using tax-exempt commercial paper.

Mr. Gordon moved for adoption of the Resolution and Ms. Rockwell seconded it. Motion adopted 4-0.

**Occidental College
Resolution No. 295**

Item # 6

Brian Aguilar reported Occidental College (“Occidental”) was seeking Authority approval to refund a portion of the CEFA Series 2005A bonds for a net present value savings of approximately \$2 million or 5.8% over the life of the bonds under existing market conditions and to finance the cost of several new capital projects including a major renovation of the library, renovations to undergraduate teaching facilities, and residence hall upgrades.

Representing Occidental: Mr. Amos Himmelstein, Vice President for Finance & Planning, Mr. Douglas Brown, Director of Wells Fargo Securities, Underwriter, and Marc Bauer, Esq., Managing Associate of Orrick, Herrington & Sutcliffe LLP, Bond Counsel.

Staff recommended that the Authority approve Resolution No. 295 in an amount not to exceed \$55,000,000 for Occidental College, 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, Inc., the Authority’s financial advisor, concurred with the Authority’s staff recommendations.

Mr. Himmelstein thanked the Authority for this opportunity to work with the Authority and also added that Occidental is in the process of obtaining LEED certification for all projects.

Mr. Gordon moved for adoption of the Resolution and Ms. Rockwell seconded it. Motion adopted 4-0.

Item # 7 **Presentation by Macias Gini & O’Connell, LLP**

Macias Gini & O’Connell LLP (“Macias”) presented their findings from the CEFA/Cal Loan Student Loan Program (“Cal Loan Program”) reconciliation engagement.

Representing Macias: Greg Matayoshi and Don Hunts, Consultants.

Mr. Matayoshi began by disclosing that the work performed by Macias was not an audit or an exercise stemming from exiting procedures; but was an account reconciliation exercise.

Mr. Hunts stated that the Authority monitors the Cal Loan Program through monthly Trustee Statements provided by the Trustee, the Bank of New York Mellon, Quarterly Financial Reports received from the Cal Loan Program Administrator, ALL Student Loan Resources Corporation (“ALL”), and the Authority’s Annual Audit Report. Macias spent several months reviewing the detail and reconciled the financial information from these source documents. Macias noted that discrepancies between the reports can be, in part, attributed to the differences in accounting conventions. ALL’s audited financial statements utilize an accrual basis accounting, which is required by the Internal Revenue Service and is consistent with generally accepted accounting principles, whereas the Trustee Statements record transaction activity on a cash basis. This difference in accounting conventions can generate inconsistencies and a lack of transparency. Macias’ recommendations to the Authority are suggested as an effort to provide clarity and transparency to the financial reporting data.

Macias provided the following list of recommendations:

1. Request ALL to include a reconciliation of cash receipts and expenditures to accrual basis revenue and expenses, with significant differences highlighted;
2. Request ALL to report increases in loan loss provisions that are not reflected in the Quarterly Reports;
3. Redeem bonds early to reduce annual bond interest expense; and
4. Implement more aggressive collection strategies for non-performing loans.

After some discussion of Macias’ recommendations, Chairperson Paparian directed staff to determine the risks, responsibilities and obligations of pre-paying the bonds. Ms. Rockwell also recommended that staff work with Bond Counsel to discuss what, if any, obligations the Authority may have in notifying interested parties about a potential future bond default.

Additionally, Ms. Rockwell asked staff to update the Board on ALL’s progress to engage the new collection agent at the next board meeting.

With no public comment, the Authority meeting was adjourned at 2:01 p.m.

Respectfully submitted,

Ronald L. Washington
Executive Director