

CEFA's Executive Director's Report

Mr. Washington presented the Executive Director's report from February 28, 2018 through May 31, 2018 that reflected total and outstanding debt and program balances.

Mr. Washington presented the Delegation of Powers report regarding Stanford University, Tax-Exempt Commercial Paper ("TECP") Program. He reported that in June 2018, Stanford informed CEFA staff of its intent to issue \$50 million in TECP which required CEFA's Acting Executive Director to execute a Note Order in connection with the issuance of a new tranche of TECP. In consultation with the Attorney General's Office who confirmed the action fell within CEFA's Acting Executive Director's delegated authority under Resolution No. 2017-01, the CEFA Acting Executive Director executed a Note Order for Stanford University on July 3, 2018.

Art Center College of Design Resolution No. 318

Item # 4

Crystal Wong, staff analyst, stated that Art Center College of Design ("Art Center") was seeking authority approval to issue \$100 million in tax-exempt bonds that would provide funding to be used for capital improvements, construction, and equipment for two campus locations. In addition, Art Center plans to refund all or a portion of outstanding CEFA Series 2014A and 2014B.

Richard Haluschak gave an overview of the University.

Mr. LoFaso inquired about the demand for Art Center's programs in the age of STEM and STEAM.

Mr. Haluschak responded that there is tremendous demand.

Mr. McGinnis inquired about student debt upon graduation.

Mr. Haluschak responded that most students graduating with a bachelor's degree will have approximately \$100,000 in debt.

Mr. McGinnis also inquired if Art Center is a member of the Association of Independent Colleges and Universities (AICCU), and if so, if Art Center will be participating in the new transfer pathways program for community college students.

Mr. Haluschak stated that Art Center is a member of that organization and that he was not aware of the new program, but that his school does rely heavily on transfer students for enrollment and partners with community colleges.

Representing Art Center College of Design: Richard M. Haluschak, Senior Vice President and Chief Financial and Administrative Officer. Also present: Nathan Treu, Esquire, Partner, Squire Patton Boggs (US) LLP, Bond Counsel and Doug Brown, Director, Wells Bank, N.A., Underwriter.

Chairperson Chiang asked for public comment. There was none.

Authority Action

Motion to adopt Resolution No. 318 in an amount not to exceed \$100,000,000 for Art Center College of Design.

MOTION: Member Wong-Hernandez SECONDED: Member LoFaso

AYES: Members McGinnis, Lewis Daher, Wong-Hernandez, LoFaso, Chiang

NOES: None

ABSTAIN: None

RECUSE: None

MOTION ADOPTED

Mount Saint Mary's University

Item # 5

Resolution No. 319

Ms. Wong stated Mount Saint Mary's University (the "University") was seeking authority approval to issue \$50 million in tax exempt and taxable bonds that would provide financing for the acquisition, construction, and renovation of educational facilities located at the University campus. Ms. Wong reported the bond proceeds would also be used to acquire information technology equipment, facility equipment and furnishings. In addition, the University would use bond proceeds to pay capitalized interest on the bonds, cost of issuance, and would provide for a debt service reserve fund for the Series 2018A and Series 2018B bonds.

Debra Martin gave an overview of the University.

Mr. McGinnis inquired about the financial aid available to students, and if that aid is in the form of grants or debt.

Ms. Martin stated that the University's discount rate for traditional undergraduate programs is about 47% and about 60% of students are eligible for Pell grants.

Mr. McGinnis also asked about the debt of graduating students. Ms. Martin stated that she was not certain, but believed it to be under \$100,000.

Additionally, Mr. McGinnis stated that there is a concern that small, private colleges will experience increasing closure rates and asked if the University is strong enough to not be one of those.

Ms. Martin stated several factors as to why the University would not be one of those schools, and also that the University does not fit the demographic of a traditional small, private school but rather functions more as a medium-sized school.

Ms. Lewis Daher inquired about the tuition discount rate over the past five years.

Ms. Martin stated that the discount rate was initially in line with the market, but that now the University plans to thoughtfully reduce the discount rate while still providing opportunities to its student body.

Representing Mount Saint Mary's University: Debra Martin, Vice President for Administration and Finance. Also present: Marc Bauer, Esquire, Senior Associate, Orrick, Herrington Sutcliffe LLP, Bond Counsel and Doug Brown, Director, Wells Fargo Bank, N.A., Underwriter.

Chairperson Chiang asked for public comment. There was none.

Authority Action

Motion to adopt Resolution No. 319 in an amount not to exceed \$50,000,000 for Mount Saint Mary's University.

MOTION: Member Wong-Hernandez SECONDED: Member LoFaso

AYES: Members McGinnis, Lewis Daher, Wong-Hernandez, LoFaso, Chiang

NOES: None

ABSTAIN: None

RECUSE: None

MOTION ADOPTED

Item # 6 **Election of Vice Chairperson**

Martha Maldonado stated the CEFA Statute, Section 94120(e) of the Education Code, requires an annual election of a vice Chairperson.

Member Wong-Hernandez nominated the State Controller for Vice Chairperson.

Chairperson Chiang asked for public comment. There was none.

Authority Action

Motion to elect the State Controller as Vice Chairperson of CEFA.

MOTION: Member Wong-Hernandez SECONDED: Member McGinnis

AYES: Members McGinnis, Lewis Daher, Wong-Hernandez, LoFaso, Chiang

NOES: None

ABSTAIN: Member LoFaso

RECUSE: None

MOTION ADOPTED

Item # 7 **CEFA Financial and Issuance Activity Update**

Ms. Maldonado and Melissa Shick presented an overview of CEFA's financial status and bond issuance activity.

Ms. Maldonado reported that since 2002, CEFA had issued an annual average of \$496 million in bonds as seen in GRAPH 1. The volume of CEFA bond issuances can be affected by many factors, including but not limited to, market opportunities, legislation, product trends, and issuer competition. Ms. Maldonado reported that in June 2017, product trends such as private placements and an increase in taxable bond issuances impacted CEFA's issuance from 2012-2017. Ms. Maldonado stated that 2018 issuance volume has been a challenge to CEFA, in part because of the Tax Cuts and Jobs Act of 2017 (the "2017 Act"). The 2017 Act, passed by Congress and signed into law in December 2017, amended the Internal Revenue Code of 1986 which among other things, eliminated tax-exempt advance refunding with respect to municipal bonds after December 31, 2017. Ms. Maldonado reported Advance refunding had been a valuable refinancing tool for borrowers. Advance refunding allowed the borrowers to obtain the benefit of lower interest rates ahead of the bonds' call date. Ms. Maldonado stated approximately 50% of CEFA bonds issued in the last five years were for the purpose of advance refunding.

Mr. McGinnis asked if GRAPH 1 "CEFA Annual Trends – Revenues, Expenditures, and Issuance Volume" included the information from the 2016/2017 Annual audit.

Ms. Shick responded the audit information was in GRAPH 2 "Total Bonds Issued as of 6/30/2018".

The 2017 Act was effective in January 2018 and the market experienced a flood of late 2017 issuances for the purpose of issuing advance refunding bonds. Ms. Maldonado reported bond issuance across all issuers have, in many cases come to a near halt. GRAPH 2 reflected the FY 2018 volume of bond issuances for CEFA and other California issuers.

Ms. Maldonado stated there were many factors that would affect the balance of the Fund, the majority of which are outside of CEFA staff's control. CEFA staff would continue to monitor and analyze the fluctuations on the Fund and report its findings to the Authority. As always, CEFA staff would continue to foster longstanding relationships with existing borrowers and work toward building relationships with new borrowers.

Attending: Melissa Shick, Director, KNN Public Finance, LLC, Financial Advisor

Chairperson Chiang asked for public comment. There was none.

Agenda Items #8, #9, #10

Other Business/Public Comment/Adjournment

Chairperson Chiang asked for public comment. Hearing none and with no additional business, the meeting was adjourned at 2:27p.m.

Respectfully submitted,

Ronald L. Washington
Acting Executive Director