

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 26, 2012
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
Alan Gordon for John Chiang, State Controller, Vice-Chairperson
Jennifer Rockwell for Ana Matosantos, Director, Department of Finance
Michael Jackson via teleconference

Member Absent: Sylvia Scott-Hayes

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

Chairperson Wynne declared a quorum present.

CEFA's Executive Director's Report and closed session items were moved to the next scheduled CEFA meeting.

Item #4

**California College of the Arts
Resolution No. 288**

Kenna Waddell of staff stated that the California College of the Arts (CCA) requested approval to issue bonds in an amount not to exceed \$13,000,000 to refund all or a portion of the outstanding balance of the CEFA Series 2001 bonds. Ms. Waddell reported the refunding of the CEFA Series 2001 bonds would provide CCA with a net present value savings of \$580,000 or 5.019%, under current market conditions.

Representing CCA: Mr. David Kirshman, Vice President of Finance and Administration, California College of the Arts; Ms. Jennifer R. Rodriguez, Associate, Squire Sanders LLP, Bond Counsel; and, Mr. Richard L. DeProspero, Managing Director, Wedbush Securities Inc., Underwriter.

Staff recommended the Authority approve Resolution No. 288 in an amount not to exceed \$13,000,000 for the California College of the Arts 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. Gordon moved for adoption of the Resolution and Ms. Rockwell seconded it. The motion was adopted 4-0 with a roll-call vote.

Item #5

**Pepperdine University
Resolution No. 289**

Brian Aguilar of staff stated that Pepperdine University (Pepperdine) requested approval to issue bonds in an amount not to exceed \$50,000,000 to fund a portion of the construction, renovation, and expansion of several capital improvement projects on the main campus in Malibu, CA, and to refund all or a portion of the CEFA Series 2003A bonds for a net present value savings of approximately \$10.7 million or 23.8%, under existing market conditions.

Representing Pepperdine: Mr. Paul Lassiter, Vice President and Chief Financial Officer, Pepperdine University; Ms. Sally Bednar, Managing Director, Morgan Stanley, Underwriter; and Mr. John Meyers, , Orrick, Herrington, & Sutcliffe, LLP, Bond Counsel.

Staff recommended the Authority approve Resolution No. 289 in an amount not to exceed \$50,000,000 for Pepperdine University 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.

Ms. Rockwell moved for adoption of the Resolution and Mr. Gordon seconded it. The motion was adopted 4-0 with a roll-call vote.

Item #6

**Chapman University
Resolution No. 2012-01**

Ms. Waddell stated that at the August 2011 board meeting, the Authority approved Chapman University ("Chapman") Series 2011 bond issue in an amount not to exceed \$100 million. A significant portion of the bond proceeds was intended for the Filmmakers' Village project which would have provided construction funds for a food service/restaurant; a grand living room, meeting rooms, gym, and other support services as well as the building of three dormitories. Preceding ground breaking, Chapman had to halt the project due to environmental conditions discovered on the project site.

In conjunction with filing a Voluntary Closing Agreement Program (VCAP) through the Internal Revenue Service (IRS), Ms. Waddell stated that Chapman requested authorization to reallocate approximately \$80 million of the Series 2011 bonds proceeds to redeem its CEFA Series 2008 A, B & C Bonds.. Chapman will continue to move forward on other components of the approved projects.

Representing Chapman: Mr. Harold W. Hewitt, Jr., Executive Vice President & Chief Operating Officer, Chapman University; Mr. Marc Bauer, Esq., , Orrick, Herrington & Sutcliffe LLP, Bond Counsel; and, Mr. Rick Chisholm, Managing Director, Wells Fargo Securities, Underwriter.

Staff recommended authorizing any and all actions as might be necessary in connection with the VCAP process for Chapman University.

Mr. Hewitt reported that before breaking ground on the proposed Filmmakers' Village project, Chapman evaluated environmental conditions underneath the site and testing revealed the presence of chemicals beneath one portion of the site originally planned for student housing. Mr. Hewitt reported that the chemicals appeared to be left over from previous activity at the property, where a company called Anaconda Wire & Cable operated for several decades and prior to Chapman purchasing the property. Prior to their purchase of the property, Chapman had been advised that there were no significant environmental issues present. Mr. Hewitt stated that Chapman conducted additional tests to make sure the underground conditions were not affecting the air quality in the area and the test results indicated there was no effect on campus health and safety. Mr. Hewitt reported that a significant portion of the Series 2011 bond proceeds were to be used for the Filmmakers' Village and because that project would no longer be built as originally planned, the funds would be redirected to the refunding of the CEFA Series 2008 A, B, C bonds. Mr. Hewitt stated that when a new project is identified and entitled, Chapman would then issue a similar amount of new bonds. Chapman anticipates that this decision is expected to occur over the next 2-4 years.

Mr. Chisholm stated that Chapman now has an \$80 million dollar surplus in bond proceeds without a purpose and because of TEFRA restrictions, there are no eligible projects. Mr. Chisholm stated that Chapman explored its options which ranged from calling or defeasing the bonds to repurposing the bond proceeds by requesting permission from the IRS through the VCAP process. Chapman would like to pursue the VCAP process and repurpose \$80 million to pay off the remaining balance of the CEFA Series 2008 A, B, C bonds and give Chapman the opportunity to reduce its capital structure from \$180 million to \$100 million.

Mr. Bauer explained the VCAP process and stated that Chapman would like to work with CEFA to draft a letter to the IRS requesting certain actions that would be taken in order to preserve the tax-exempt status of the bonds. Chapman would then propose a new TEFRA hearing and seek approval of the necessary amendments to the bond documents to reflect the new project. Mr. Bauer stated that Chapman would come back to the Authority to present the VCAP agreement for approval.

Mr. Gordon moved for adoption of the Resolution and Ms. Rockwell seconded it. The motion was adopted 4-0 with a roll-call vote.

The minutes from the CEFA January 26, 2012 meeting were approved. Mr. Gordon moved for approval of the minutes; Ms. Rockwell seconded the motion. The motion was adopted 4-0 with a roll-call vote.

With no public comment, the meeting was adjourned at 1:48 p.m.

Respectfully submitted,

Ronald L. Washington
Executive Director