MINUTES

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

Thursday, February 25, 2016

1:30 PM

Deputy Treasurer Vincent P. Brown, serving as Chairperson, called the CEFA meeting to order at 1:30 p.m.

CEFA Roll Call

Vincent P. Brown for John Chiang, State Treasurer, Chairperson
Alan LoFaso for Betty T. Yee, State Controller, Vice-Chairperson
Eraina Ortega for Michael Cohen, Director, Department of Finance
Stacy Lewis Daher
William G. McGinnis

Staff Present: Ronald L. Washington, Executive Director

Chairperson Brown declared a quorum present.

<u>Approval of the Minutes from October 29, 2015 California Educational Facilities Authority Board</u> <u>Meeting.</u>

Chairperson Brown asked for public comment. There was none.

<u>Authority Action</u> Motion to approve the minutes from the October 29, 2015 CEFA meeting

MOTION: Member LoFaso SECONDED: Member Ortega AYES:.....Members McGinnis, Lewis Daher, Ortega, LoFaso, Brown NOES:.....None ABSTAIN:.....None RECUSE:.....None

MOTION ADOPTED

CEFA's Executive Director's Report

Mr. Washington presented the CEFA Fund Balances reports as of October 31, 2015, November 30, 2015, December 31, 2015, and January 31, 2016 that reflected total and outstanding debt and program balances and also noted that the top ten borrowers remained relatively unchanged.

Mr. Washington presented the Summary of Delegation Actions from January 1, 2015 to December 31, 2015.

Mr. Washington reported on College and University site visits to Biola University, Whittier College, Art Center College of Design, and California Institute of Technology.

<u>Item # 4</u>

Tyler Bui, staff analyst, stated that Pepperdine University ("Pepperdine") was seeking Authority approval to issue bonds in an amount not to exceed \$100 million to refund all or a portion of the outstanding I-Bank Series 2010 bonds. Mr. Bui reported the refunding of these bonds is expected to provide Pepperdine with a net present value savings of approximately \$1.6 million or 10.5%, under current market conditions. The bond proceeds will also be used to fund capital improvements on the Malibu campus and pay the cost of issuance for the Series 2016 bonds.

Representing Pepperdine University: Brian Thomason, Controller. Also present: John Knox, Partner, Orrick, Herrington & Sutcliffe LLP, Bond Counsel; and Daniel Kurz, Vice President, Morgan Stanley & Co. LLC, Underwriter

Chairperson Brown asked for public comment. There was none.

<u>Authority Action</u>

Motion to adopt Resolution No. 308 in an amount not to exceed \$100,000,000 for Pepperdine University.

MOTION: Member Ortega SECONDED: Member McGinnis AYES:.....Members McGinnis, Lewis Daher, Ortega, LoFaso, Brown NOES:.....None ABSTAIN:.....None RECUSE:.....None

MOTION ADOPTED

Item # 5

University of Redlands Resolution No. 309

Kenna Waddell, staff analyst, stated that the University of Redlands ("Redlands") was seeking Authority approval to issue bonds in an amount not to exceed \$45 million to refund all or a portion of the CEFA 2005 Series A bonds, advance refund all or a portion of the CEFA 2008 Series A bonds, fund capital improvements on campus, and pay the cost of issuance for the 2016 bonds. Ms. Waddell reported the refunding of these bonds is expected to provide Redlands with a net present value savings of approximately \$2.93 million or 9.44%, under current market conditions.

Representing the University of Redlands: Cory Nomura, Vice President, Finance and Administration and Chief Financial Officer (via telephone). Also present: Nathan Treu, Principal, Squire Patton Boggs (US) LLP, Bond Counsel; and Doug Brown, Director, Wells Fargo Securities, Underwriter

Chairperson Brown asked for public comment. There was none.

<u>Authority Action</u>

Motion to adopt Resolution No. 309 in an amount not to exceed \$45,000,000 for the University of Redlands.

MOTION: Member Ortega SECONDED: Member LoFaso AYES:......Members McGinnis, Lewis Daher, Ortega, LoFaso, Brown NOES:.....None ABSTAIN:.....None RECUSE:.....None

MOTION ADOPTED

<u>Item # 6</u>

Claremont Graduate University Resolution No. 310

Tyler Bui, staff analyst, stated that Claremont Graduate University ("CGU") was seeking Authority approval to issue bonds in an amount not to exceed \$60,250,000 to refund all or a portion of the outstanding CEFA Series 2007 and Series 2008 bonds. Mr. Bui reported the refunding of these bonds is expected to provide CGU with a net present value savings of approximately \$9.2 million or 18.35%, under current market conditions. The bond proceeds will also be used to fund capital improvements, fund a debt service reserve fund, and pay the cost of issuance for the Series 2016 bonds. The Series 2016 bonds will be an unrated, direct bank placement with Umpqua Bank and Deutsche Bank.

CGU spoke of their financial and recruiting plans and projections for the University. After some discussion, it was noted that additional covenants, security and disclosures were added to this financing (as outlined in the staff report) given the higher risk typically perceived to be associated with unrated debt.

Representing Claremont Graduate University: Alita Watkins, Senior Accountant (via telephone). Also present: Todd Smith, Managing Director, Hilltop Securities Inc., Placement Agent; Danny Kim, Partner, Norton Rose Fulbright US LLP, Bond Counsel; and Greta MacDonald, Manager, Macias Gini & O'Connell LLP, CEFA's Financial Analyst

Chairperson Brown asked for public comment. There was none.

<u>Authority Action</u>

Motion to adopt Resolution No. 310 in an amount not to exceed \$60,250,000 for Claremont Graduate University.

MOTION: Member Ortega SECONDED: Member LoFaso AYES:.....Members McGinnis, Lewis Daher, Ortega, LoFaso, Brown NOES:.....None ABSTAIN:.....None RECUSE:.....None

MOTION ADOPTED

Item # 7

Update on Bond Program Fee Restructure

Mr. Washington stated that in July and December of 2013, the Authority approved changes to the CEFA Bond Financing fee structure that had been in place since 1997. With the approval of the fee structure, staff was directed to revisit the fee schedule in one year and annually thereafter to evaluate the impact of the changes.

Mr. Washington presented an overview of the revenues and expenses of CEFA for the past three years and stated that the restructuring of the fees has shown a modest increase to the Annual Administrative fees and going forward would provide a substantial part of CEFA's operating income as new bond financings fall under the new fee structure. Mr. Washington stated that staff asked their financial advisor, Public Financial Management ("PFM") to revisit their projections of CEFA's revenues and expenditures and provide an analysis of the CEFA Fund Balance going forward. PFM outlined fund projections and answered questions from the Authority.

Representing CEFA's Financial Advisor: Nick Jones, Senior Managing Consultant, Public Financial Management Inc.

Chairperson Brown asked for public comment. There was none.

Item # 8

College Access Tax Credit Program – 2015 Taxable Year Update

Summer Nishio stated that the College Access Tax Credit Fund ("CATCF") 2015 taxable year ended with 328 taxpayers certified for approximately \$8.2 million in tax credits, which was almost doubled from the \$3.7 million in tax credits issued in the 2014 taxable year. Ms. Nishio stated that some of this increase could be attributed to the availability of the automatic clearing house (ACH) payment option on the CEFA website that was added in December 2015 for on line payments. Ms. Nishio stated that staff was preparing for the 2016 taxable year which is set to begin on March 2, 2016 and that nearly \$1.5 billion in tax credits would be available.

Board members suggested staff convene a panel of representatives of the program at a future date for further discussion.

Chairperson Brown asked for public comment. There was none.

Agenda Items #9, #10, #11Other Business/Public Comment/AdjournmentChairperson Brown asked for public comment.Hearing none and with no additional business, the
meeting was adjourned at 2:27p.m.

Respectfully submitted,

Ronald L. Washington Executive Director