

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

Resolution No. 2002-06

December 5, 2002

This resolution would authorize the waiver of the Authority's bond issuance fee for the recent Western University of Health Science 2002 Series A bond issue.

As you are aware, CEFA charges colleges and universities certain fees for the issuance of bonds through the Authority: An application fee of \$1,000; an initial fee of .15% and annual administration fees of \$500 for the first 5 years and \$250 thereafter while bonds are outstanding. The Authority completed a small \$5,000,000 issue for Western University of Health Science on October 24, 2002. The application fee was paid and the initial fee of \$7,500 is now due.

Western University was part of the substantial bondholder consent process that the Authority approved at the June 27, 2002 meeting. This consent was determined necessary in order to correct drafting errors within a significant number of standard loan agreements that created ambiguity regarding gross revenue pledges and other security provisions and the ability of certain colleges to issue additional debt. Western University was the first of a number of colleges to complete another bond issue in the midst of amending the prior documents and obtaining bondholder consent and incurred substantial legal fees that were well above the normal bond issuance costs.

Staff is currently working with the necessary parties to obtain bondholder consent on the bond document amendments for all of the other colleges and universities and believes the process will be smoother and the costs lower because of the effort spent on the Western University issue. Staff therefore is requesting Authority approval to waive the \$7,500 initial fee due from Western University as a small offset of the overall costs incurred on the new bond issue and the associated corrections on past documents.

Staff would like to point out, however, that CEFA absorbs the costs of our financial advisors, counsel and the State Treasurer's Office (as agent of sale) from initial fees paid by participating colleges. On small bond issues, like that for Western University, the initial fee does not usually cover all of these costs, but they are recouped by the fees on larger issues. For Western University, the legal fees for Authority counsel amounted to approximately \$20,000, well above the average of about \$8,000. Advisor fees were minimal.

Staff recommends approval of Resolution No. 2002-06.