MINUTES

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

**Public Participation Call-In Number
(877) 810-9415
Participant Code: 6435126**

Thursday, June 29, 2017

1:30 PM

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

<u>CEFA Roll Call</u>

Members Present:	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 McGinnis
Staff Present:	Ronald L. Washington, Executive Director

Chairperson Brown declared a quorum present.

Chairperson Brown announced in an effort to promote transparency, a live, interactive, call-in number was available to the public to provide access to Authority meetings. Open meetings would be available live to all who wish to call-in to listen and participate.

<u>Approval of the Minutes from February 23, 2017 California Educational Facilities Authority Board Meeting.</u>

Chairperson Brown asked for public comment. There was none.

<u>Authority Action</u>
Motion to approve the minutes from the February 23, 2017 CEFA meeting

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

MOTION APPROVED

CEFA's Executive Director's Report

Mr. Washington presented the Executive Director's report as of May 31, 2017 that reflected total and outstanding debt and program balances. Also presented was an interim financial report which summarized the outstanding debt and program balances for the months of February, March, and April 2017. Mr. Washington stated that financial reports would be provided to board members should there be a period of more than two months between board meetings. Mr. Washington reported that the March 2017 bond issuance of Loma Linda University moved the university to number six in CEFA's list of borrowers with $100 million or more outstanding CEFA debt.

Mr. Washington presented the Delegation of Powers report regarding Art Center College of Design ("Art Center"), Series 2014A and 2014B. He reported that in July 2014, CEFA issued $66,230,000 in bonds for Art Center. In connection with the issuance, Art Center entered into a Security Agreement that included establishing investment accounts for the purpose of depositing gross revenues. In February 2017, Art Center notified CEFA of its intent to, among other things, terminate the current investment accounts with Northern Trust, N.A. and transfer the gross revenues to new investment accounts with Charles Schwab & Co. These actions modify the Security Agreement and per the Indenture, written consent of the Authority is required to amend the Security Agreement. In consultation with STO legal counsel who confirmed that the action fell within the Executive Director's delegated authority under Resolution No. 2017-01, the CEFA Executive Director executed the Consent of the Authority to amend the Security Agreement for Art Center College of Design on February 14, 2017.

Mr. Washington presented the Delegation of Powers report regarding Stanford University, Tax-Exempt Commercial Paper ("TECP") Program. From 2009 to 2014, Stanford and the Authority executed four Supplemental Tax Agreements in connection with Stanford's TECP Program. In April 2017, Stanford requested CEFA execute a Fifth Supplement to the Tax Agreement 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 the Executive Director's delegated authority under Resolution No. 2017-01, the CEFA Executive Director executed the Fifth Supplement to the Tax Agreement for Stanford University on April 11, 2017.

Mr. Washington presented the Delegation of Powers report regarding Dominican University of California, ("Dominican"), Series 2006 (the "Bonds"). He reported that in January 2006, CEFA issued $19,795,000 in revenue bonds for Dominican of which, $18,490,000 remained outstanding. Mr. Washington reported that in April 2017, Dominican delivered a notice of prepayment to CEFA indicating its intent to defease the remaining outstanding balance of the Bonds and requested CEFA acknowledge the defeasance and discharge of the Indenture with the execution of a Certificate of the Authority. In consultation with STO legal counsel who confirmed that the action fell within the Executive Director's delegated authority under Resolution No. 2017-01, the CEFA Executive Director executed the Certificate of the Authority for Dominican University of California on May 11, 2017.

Mr. Washington gave a legislative update on SB 674 and AB 490. SB 674, authored by Senate Member Ben Allen, would allow CEFA to use the remaining balance of the Student Loan fund to begin working with lending institutions to develop a student loan refinancing program. SB 674 has been held in the Senate Committee since May 25, 2017. AB 490, authored by Assembly Member Sharon Quirk-Silva, is for continuance of the College Access Tax Credit Fund Program, currently in Senate appropriations. Mr. Washington reported that AB 490 would extend the program for an additional five years.

Santa Clara University

Item # 4 Resolution No. 313

Tyler Bui, staff analyst, stated that Santa Clara University ("SCU") was seeking authority approval to issue $135 million in tax-exempt and/or taxable bonds to provide financing for the acquisition, construction, equipping and infrastructure improvements of educational facilities located at the SCU campus. In addition, SCU plans to refund all or a portion of the CEFA Series 2008, CEFA Series 2010 bonds, and/or a note with Wells Fargo. Refunding these bonds is expected to provide SCU with a net present value savings of approximately $2.2 million or 4.46%, under current market conditions.

Representing Santa Clara University: Harry Fong, Associate Vice President for Finance and Ramona Sauter, University Controller. Also present: Marc Bauer, Esq., Orrick, Herrington & Sutcliffe LLP, Bond Counsel; and Doug Brown, Director, Wells Fargo Securities, Underwriter

Chairperson Brown asked for public comment. There was none.

Authority Action
Motion to adopt Resolution No. 313 in an amount not to exceed $135,000,000 for Santa Clara University.

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

MOTION ADOPTED

Item # 5 Election of Vice Chairperson

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

Member McGinnis nominated the State Controller for Vice Chairperson.

Chairperson Brown asked for public comment. There was none.

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

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

MOTION ADOPTED

Item # 6 CEFA Financial and Issuance Activity Update

Summer Nishio, staff manager, and Mr. Washington presented an overview of CEFA's financial status and bond issuance activity.

Mr. Washington reported that CEFA is one of several conduit financing agencies in California authorized to issue tax-exempt debt for private non-profit colleges and universities ("borrowers"). Other conduit issuers include the California Public Finance Authority, the California Infrastructure and Economic Development Bank, the California Statewide Communities Development Agency, and the California Municipal Financing Authority. Mr. Washington also reported that borrowers have the option of issuing debt through any of these conduit issuers. Features and/or conditions such as fee structure, application process, existing relationships, issuer requirements, and length of sale are all borrower's considerations when selecting a conduit issuer.

Mr. Washington discussed CEFA's fee structure and how it affects CEFA's income revenue. CEFA is self-funded and does not rely on money from the State's General Fund to support its operational costs and does not pass its costs to the borrowers. Mr. Washington stated that in 2013, Public Financial Management, CEFA's financial advisor, projected CEFA's Fund Balance would fall below zero in the year 2020 and advised CEFA to revise its fee structure. The revised fee structure provides the Authority the cash flow to both maintain a fund balance while remaining competitive with other conduit issuers. Mr. Washington stated that staff revisited the 2013 fund balance projections and estimated that CEFA needs to issue at least $400 million in bonds annually to reverse the effect of years of low income and interest earnings.

Ms. Nishio stated that borrowers have several options when selecting a conduit issuer. CEFA has taken great strides in recent years to market the Authority as the most optimal choice. Ms. Nishio reported that CEFA staff regularly tracks and analyzes market trends and borrower needs in order to respond and adjust current processes to meet and exceed these trends and needs. Ms. Nishio reported on two main product trends that have affected CEFA business in the most recent 5 year period: direct/private placement loans and taxable bonds.

Mr. Washington stated that CEFA will continue to foster longstanding relationships with borrowers and their financing team and work toward building relationships with borrowers that have not historically issued through CEFA. Mr. Washington also noted that CEFA will revisit the fund balance projections every couple of years to make sure the Authority is on track and will also speak with CEFA's new financial advisor on providing support and guidance on the projections exercise.

Agenda Items #7, #8, #9 Other Business/Public Comment/Adjournment

Chairperson Brown asked for public comment. Hearing none and with no additional business, the meeting was adjourned at 2:41p.m.

Respectfully submitted,

Ronald L. Washington
Executive Director