

**MEMORANDUM**

**Date:** May 28, 2020 Staff Summary No. 4  
**To:** Members, California School Finance Authority  
**From:** Katrina M. Johantgen, Executive Director  
**Re:** Resolution 20-12 - Amending the Conduit Financing Fee Schedule

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**Background:** Section 17180(k) of the California School Finance Authority (Authority) Act states that, “the Authority is authorized to charge and equitably apportion among participating parties its administrative costs and expenses incurred pursuant to this chapter.” This self-funding structure allows the Authority to provide assistance in obtaining financing for eligible participating parties without taxing the State’s General Fund.

In 2010, the Authority adopted a formal fee schedule for conduit bond issuance for short- and long-term debt financings. The schedule adopted in 2010 was determined to be competitive with those offered by other governmental and non-governmental conduit issuers. Subsequent revisions were made to the schedule in 2012, 2015, and 2017. The Authority’s current fee structure includes: 1) an application fee; 2) an issuance fee; and 3) annual administration fee. The application fee of \$1,500 is non-refundable and covers the cost of vetting the project, financing team, financing structure, and financing application completeness. The issuance fee covers dedicated staff time to review all financing documents, participate in meetings and financing calls, prepare staff summaries for board consideration, etc. Lastly, the annual administration fee covers staff time monitoring outstanding debt and ensuring post issuance compliance and other reporting requirements. Since 2010, the Authority has issued 90 financings totaling approximately \$1.7 billion. These financings have primarily assisted non-profit borrowers to access the capital markets to finance permanent facilities as well as working capital.

Furthermore, at its March 26, 2020 meeting, the Authority adopted a new fee structure for governmental entities. Our bifurcated schedule was designed so the Authority’s fees for both non-profit and governmental borrowers remain competitive, but recognize the varying degree of resources needed to review different types of credits.

**Proposed Fee Amendment for 501(c)(3) Note Borrowers:** The COVID-19 pandemic has caused unprecedented economic hardship for all entities throughout California. This economic impact is anticipated to depress state revenues in FY 2019-20, FY 2020-21, and beyond. These revenue shortfalls will cause, by some estimates, a 7.92% per year cut to the Local Control Funding Formula (LCFF) in both FY 2019-20 and 2020-21 and will present educational entities, including charter schools, with cash flow shortfalls and future state revenue deferrals.

In light of these reductions in revenues, non-profit borrowers will likely seek working capital financing to weather the shortfalls in funding. To help lower costs for non-profit borrowers seeking working capital financing, the Authority is proposing to lower its application fee from

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\$1,500 to \$500 for all applicants, and then apply the total application fee to issuance fee paid when the transaction closes. Once approved by the board, the Authority’s fee schedule would include:

CSFA Proposed Fee Schedule			
Fee	Governmental or Governmental Sponsored	Non-Profit Borrower (Bonds)	Non-Profit Borrower (Notes)
Application Fee	\$1,500	\$1,500	\$500*
Issuance Fee	0.05% of par-amount up to \$10 Million; 0.025% of par-amount over \$10 Million	0.15% of par-amount up to \$10 Million; 0.05% of par-amount over \$10 Million	0.075% of par-amount
Annual Administration Fee	Not Applicable	0.015% of amount of bonds or loan outstanding (\$500 minimum).	Not Applicable

*\* The application fee is not refundable and is due and payable upon submission of application and will be applied to the issuance fee paid at closing*

**Recommendation:** Staff recommends board approval of Resolution 20-12 – amending the conduit financing fee schedule. The adoption of Resolution 20-12 will immediately amend the Authority’s fee schedule. The new schedule will be posted on the Authority webpage following the board meeting.