

M E M O R A N D U M

Date: January 28, 2021 Staff Summary No. 5
To: Members, California School Finance Authority
From: Katrina M. Johantgen, Executive Director
Re: Pooled TRANs Programs for K-12 & Community College Districts and Charter School ASAP Program (Information Item)

Background: The State's 2020-21 adopted budget includes deferrals of up to \$12.9 billion in state aid to school districts, community colleges, county offices of education and charter schools (Local Education Agencies or LEAs). These LEAs are expected to receive between 64% - 70% of their State apportionment payments for the 2020-21 school year, with deferrals starting in February 2021 through June 2021, and deferral repayment expected from July 2021 through November 2021. Unless an LEA has sufficient cash reserves it is likely to need to borrow from external sources, such as its county or access funding through the capital markets.

To assist LEAs with a cost-effective external borrowing option, the California School Finance Authority (CSFA or Authority) and the State Treasurer's Office (STO) created the Pooled TRANs Program for K-12 & Community College Districts, and the Charter School Advances on State Aid Payments Program. These Tax and Revenue Anticipation Note (TRAN) Programs were designed to help LEAs manage the financial impacts of these deferrals. Leveraging the Authority's broad statutory mandate, intercept mechanism, and other key provisions, the Authority sponsored TRAN programs are low-cost, streamlined, and secure. Working with STO's Public Finance Division colleagues, the Authority assembled a team of capital market participants to perform an array of tasks and duties to launch the two TRAN Programs. Financing Team Members are listed in Exhibit A of this staff summary.

The Governor's recent budget proposal announcement brings much needed relief from scheduled FY 2021-22 deferrals; however, many LEAs still anticipate financial hardship related to the still scheduled deferrals in FY 2020-21.

K-12 & Community College District TRAN Program (Program)

The Program began accepting applications in August 2020, since that time, Authority staff members and our capital market partners have been in close contact with Program applicants at every step; working to ensure the applicants are eligible, providing cost estimates and providing financing documents to present to their respective school boards. The following two tables illustrate the initial interest in the programs and the current applicant pool.

Original Applicant Pool:

LEA Type	#	Students Represented	Anticipated Deferrals
District	142	1,077,929	\$ 2,123,545,120
County Office of Education	3	2,278	\$ 4,518,463
Community College District	8	243,060	\$ 204,261,947
Total	153	1,323,267	\$ 2,332,325,530

To date, 73 K-14 districts have confirmed participation in the Program seeking \$1.2 billion in funding. Please note that applicants have no obligation to issue notes through the Program and the Authority believes the final number of borrowers may be less than the current number of applicants. At this time, two Authority TRAN issuances for K-14 districts are anticipated. The targeted funding date for the first K14TRAN is March 2021 and the targeted funding date for the second TRAN is April 2021. Participants in the K14 Program are listed in Exhibit B.

Current Confirmed Applicant Pool:

LEA Type	#	Students Represented	Not to Exceed Amount
District	67	553,520	\$ 1,101,292,000
County Office of Education	1	346	\$ 1,000,000
Community College District	5	135,140	\$ 114,548,690
Total	73	689,006	\$ 1,216,840,690

Charter School Advances on State Aid Payments (ASAP) Program

The ASAP Program began accepting applications in September 2020, since that time, Authority staff members and our capital market partners have been in close contact with program applicants at every step; working to ensure they are eligible, providing cost estimates and providing financing documents to present to their respective Boards.

The Governor's recent budget announcement brings much needed relief from scheduled FY 2021-22 deferrals; however, many California Charter Schools still anticipate financial hardship related to deferrals scheduled in FY 2020-21. The following two tables present the original and remaining applicant pools.

Original Applicant Pool:

Borrower Type	#	Schools	Students Represented	Anticipated Deferrals
Charter Management Organization	33	114	61,829	\$ 150,119,153
Charter School	94	94	53,898	\$ 125,474,401
Total	127	208	115,727	\$ 275,593,554

To date, 75 borrowers representing 114 charter schools have confirmed participation in the ASAP Program seeking \$165 million in funding. The Authority believes the final number of

borrowers may be less than the current number of participants. Given various credit considerations, it is contemplated that there will be at least two series of notes under the charter school program. A Series A will be enhanced by the Authority's U.S. Department of Education credit enhancement grant. The Series B notes will be enhanced by letters of credit provided by RBC and Citi, and a third series of notes may be issued for large stand-alone borrowers. The targeted funding date for the Authority's Charter School ASAP Program TRAN is March 2021. If a second issuance is warranted, the Authority and its financing team are prepared to structure a subsequent issuance. Participants in the K14 Program are listed in Exhibit C.

Current Confirmed Applicant Pool:

Borrower Type	#	Schools	Students Represented	Series Amount
Charter Management Organization	19	58	10,924	\$ 68,039,505
Charter School	56	56	40,706	\$ 96,699,552
Total	75	114	70,826	\$ 164,739,057

Program Cost: The two TRANs programs are not expected to generate surplus revenue for the Authority. To the contrary, the Authority anticipated the need for cash flow assistance, due to state budget deferrals, would be significant therefore, the Authority decided to fund certain reasonable fixed program development costs, even in the event these costs would not be recouped through Program borrowers after issuance.

The outreach and other activities have elevated the CSFA name within sectors not normally familiar with the Authority. These TRANs programs represents a powerful demonstration of CSFA's value by having the pooled financing, along with the unique intercept mechanism; to be assessed and receive the State's highest credit rating. CSFA's program offers a reliable, simplified, low-cost alternative at a time when our LEAs need it most. Competing pooled financing programs are often structured such that every individual participant's financial soundness must be evaluated by investors, resulting in the pool receiving a lower overall credit rating at significantly higher cost to borrowers.

Designing and delivering a viable solution to two groups of schools creates valuable relationships and inroads that have been slow to grow. CSFA believes the increased recognition and trust built with traditional public school and community college districts will lead to additional funding activities in the future.

Next Steps: CSFA and our capital market partners are working diligently with Program applicants to secure approval from their respective boards no later than their February 2021 meetings. The Authority intends to seek approval from CSFA Board members in February, provide offering documents to potential investors beginning in March, and seek to close on both initial TRANs issuances no later than March 31, 2021. The second TRAN issuance currently planned for the K-14 districts and ASAP will be submitted to the CSFA Board for approval in March, with an anticipated closing date no later than April 30, 2021.

California School Finance Authority

EXHIBIT A

K-12 & Community College District TRAN
Financing Team Members

Montague DeRose

Municipal Advisor

Annette Yee

Managing Director

Mike Kremer

Managing Director

RBC Capital Markets

Bookrunning Senior Manager

Greg Dawley

Managing Director

Frank Vega

Managing Director

Christen Gair

Director

Citigroup

Senior Manager

Chris Mukai

Managing Director

Victor Andrade

Director

Chris LeBrett

Director

Nixon

Disclosure Counsel

Daniel Deaton

Partner

Norton Rose Fulbright

Note Counsel

Ann La Morena Rohlin

Partner

Eide Bailly

Cash Flow Consultant

Caroline Larson

Partner

Charter School ASAP TRAN Program
Financing Team Members

Montague DeRose

Municipal Advisor

Mike Kremer

Managing Director

Annette Yee

Managing Director

RBC Capital Markets

Bookrunning Senior Manager

Greg Dawley

Managing Director

Frank Vega

Managing Director

John Solarczyk

Managing Director

Citigroup

Senior Manager

Chris Mukai

Managing Director

Victor Andrade

Director

Chris LeBrett

Director

Nixon

Disclosure Counsel

Daniel Deaton

Partner

Orrick

Note Counsel

Marc Bauer

Partner

EXHIBIT B

K-12 & Community College District Confirmed Applicants

Adelanto Elementary School District	Live Oak Unified School District
Alameda Unified School District	Livermore Valley Joint Unified School District
Albany Unified School District	Lodi Unified School District
Alpine Union Elementary School District	Loleta Union Elementary School District
Alum Rock Union Elementary School District	Lompoc Unified School District
Banta Elementary School District	Madera Unified School District
Bear Valley Unified School District	Maxwell Unified School District
Blue Lake Union Elementary School District	Meadows Union School District
Brawley Elementary School District	Millbrae Elementary School District
Buellton Union Elementary School District	Monroe Elementary School District
Calexico Unified School District	Montague Elementary School District
Calipatria Unified School District	Needles Unified School District
Central Union High School District	New Jerusalem Elementary School District
Ceres Unified School District	Oakland Unified School District
Chaffey Community College District	Ontario-Montclair School District
Colton Joint Unified School District	Pacifica School District
Cotati-Rohnert Park Unified School District	Parlier Unified School District
Del Norte County Office of Education	Pasadena Area Community College District
Del Norte County Unified School District	Peralta Community College District
Delhi Unified School District	Rialto Unified School District
Dixon Unified School District	Sacramento City Unified School District
Dos Palos Oro Loma Joint Unified School District	San Lorenzo Unified School District
Dunsmuir Elementary School District	Santa Monica Community College District
El Centro Elementary School District	Seeley Union Elementary School District
Enterprise Elementary School District	Simi Valley Unified School District
Fillmore Unified School District	Snowline Joint Unified School District
Fortuna Union High School District	Soulsbyville Elementary School District
Freshwater Elementary School District	Sweetwater Union High School District
Galt Joint Union Elementary School District	Tehachapi Unified School District
Galt Joint Union High School District	Upland Unified School District
Golden Plains Unified School District	Vallejo City Unified School District
Happy Valley Union Elementary School District	Ventura County Community College District
Hayward Unified School District	Ventura Unified School District
Hueneme Elementary School District	Waterford Unified School District
Imperial Unified School District	Willits Unified School District
Inglewood Unified School District	Yreka Union Elementary School District
	Yucaipa-Calimesa Joint Unified School District

California School Finance Authority

EXHIBIT C

Charter School ASAP Confirmed Applicants

Agape, Inc.	John Adams Academies, Inc.
Amethod Public Schools	Kepler Education Inc
Architecture, Construction & Engineering	LA Promise Fund
Charter High School	Ladera Education Institute
ARISE High School	Learning by Design
ASA Charter Inc.	Learning for Life Charter School
Audeo Charter School	Los Angeles College Prep Academy
Calaveras County Office of Education	Manzanita Public Charter Inc.
Caliber Public Schools	Mirus Education
California Virtual Academy at San Joaquin	Nevada City School of the Arts
California Virtual Academy at San Diego	North Valley Military Institute College
California Virtual Academy at Sutter	Preparatory Academy
California Virtual Academy at Fresno	Northern United Charter Schools
California Virtual Academy at Maricopa	NSSF
California Virtual Academy at Sonoma	OFL-Baldwin Park, Inc.
California Virtual Academy at San Mateo	Options For Youth - Duarte, Inc
California Virtual Academy at Los Angeles	Options For Youth - San Bernardino, Inc.
Charter High School of Arts Association	Options For Youth - San Gabriel, Inc.
Collegiate Charter High School of Los Angeles	Pacific View Charter School
CORE Butte, Inc.	Partnership Schools of the Central Coast
Cottonwood Charter School	Perseverance Preparatory, Inc.
Crete Academy	Real Journey Academies, Inc
Education for Change Public Schools	Rex and Margaret Fortune School of Education
Element Education, Inc.	Rising Sun Montessori School
Ezequiel Tafoya Alvarado Academy	River Charter Schools
Farmworker Institute of Education and Leadership Development	River Valley Charter School
Five Keys Schools and Programs	Ross Valley Charter School
Granada Hills Charter	Santa Clarita Valley International
Harvest Ridge Cooperative Charter School	Savant Preparatory Academy of Business
Humphrey's College Academy of Business, Law and Education	Scholarship Prep
iLEAD California Charters 1	Sparrow Academy
iLEAD Charter Schools (iLEAD Lancaster)	Student Success Programs
Imagine Schools Riverside County	Temecula International Academy, Inc.
Insight at San Diego	Unity Middle College High School
Insight at San Joaquin	Vista Charter Public Schools
Insight School of California	Vista Oaks Charter School
International School for Science and Culture	Voices College-Bound Language Academies
iQ Academy California - Los Angeles	Volunteers of America Comm. Education and Development Corp.
	Western Center Academy