

.M E M O R A N D U M

Date: February 10, 2010 Staff Summary No. 8
To: Members, California School Finance Authority
From: Katrina M. Johantgen, Executive Director
Re: Resolution 10-05 Approving a Conduit Bond Financing Fee Schedule

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. This provision is similar to other authorities such as California Educational Facilities Authority, California Health Facilities Financing Authority, California Pollution Control Financing Authority, and the I-Bank. Borrowers also may issue bonds through non-governmental issuers such as California Statewide Communities Development Authority, California Municipal Finance Authority, California Communities and California Enterprise Development Authority.

The above-referenced section provides the Authority with the ability to charge and apportion costs and expenses presumably after a transaction. However, staff is recommending that the Authority adopt a formal fee schedule in advance of a transaction so borrowers can determine which conduit debt issuer to utilize. In 2010, the Authority anticipates receiving several applications for stand-alone and pooled conduit financings on behalf of charter school and school and community college district borrowers. To that end, Authority staff is proposing that the board adopt the following fee schedules: one for short-term financings such as a note or short-term cash flow financing, and the second schedule would apply to long-term debt financings.

As the following schedules were developed, Authority staff reviewed the fee structures of several governmental and non-governmental conduit issuers. The Authority’s proposed fee proposals are competitive with those offered by the non-governmental conduit issuers and account for the benefits the Authority affords borrowers, most notably, the benefit of statewide TEFRA hearings and the ability to intercept debt service payments at the state level which will reduce borrowing costs (EC Section 17199.4).

The Authority has proposed competitive fee schedules that offset the cost of staff time reviewing applications, preparing staff summaries for submission to Authority members, conducting annual review of borrowers’ financial and other information, reimbursing business expenses for the operation of the Authority as they relate to debt financings, and required contracts for outside consulting and reporting.

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The Authority has proposed fees that would apply to all participating parties for stand-alone or pooled financings. We have proposed a fee structure for short- and long-term financings. The Authority is proposing the following fees:

Application Fee: The application fee would be payable upon the submission of an application for financing through the Authority. The application fee will offset the cost of staff time reviewing the application and preparing a recommendation for board approval. This fee is nonrefundable.

Issuance Fee: This fee will be charged to a borrower based on the par amount of the debt issuance to offset the cost of staff time executing the financing. This fee will be paid out of bond proceeds at the time a financing is closed.

Annual Administration Fee: The annual administration fee is charged annually to the borrower and paid to the Authority to offset the cost of monitoring the bond financing, including the filing of required disclosure documents.

Note Financing	
Fee	Amount
Application Fee	\$1,500
Issuance Fee (new and refunding debt)	0.075% of par amount
Annual Administration Fee	Not Applicable

Bond Financing	
Fee	Amount
Application Fee	\$1,500
Initial Fee (new and refunding debt)	0.15% of par amount
Annual Administration Fee	0.02%, minimum \$500

Staff recommends that the Board adopt Resolution No. 10-05 approving the above referenced conduit bond financing fee schedule.