

MEMORANDUM

Staff Summary No. 9

Date: March 23, 2011

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution No. 11-09 Authorizing the Allocation of Qualified School Construction Bond Borrowing Authority to West Contra Costa Unified School District, in an amount not to exceed \$21,000,000 Under the Charter School QSCB Program Parameters, and Authorizing the Taking of Necessary Actions in Connection Therewith

The American Recovery and Reinvestment Act of 2009 (ARRA) provides funding for the new construction or renovation of school facilities through the use of Qualified School Construction Bonds (QSCBs).

Since 2009, California received more than \$1.42 billion in “volume cap” allocation (not including direct allocations to large local educational agencies) for the issuance of QSCBs. Of this amount, approximately \$141 million has been reserved for use by charter schools through the issuance of conduit revenue bonds by the California School Finance Authority (Authority) which will be designated as QSCBs.

At its July 14, 2010 board meeting, the Authority board adopted an open application process for its QSCB charter school bond allocation. Districts can apply for QSCB allocation from the Authority only if the QSCB allocation will be used to benefit a charter school. Therefore, in February 2011, West Contra Costa Unified School District (WCCUSD), on behalf of Leadership Public Schools – Richmond (LPS – Richmond), submitted an application for \$21 million in QSCB borrowing authority. Section 12001.6 of the Education Code states that “the California School Finance Authority, established pursuant to Section 17172, is authorized to assign and distribute the state’s 2010 federal tax credit bond volume cap for qualified school construction bonds to or for the benefit of charter schools, or to be further assigned and distributed to one or more issuers in the state for the benefit of charter schools, as determined by the authority.” In this instance, WCCUSD is seeking an allocation of QSCB borrowing authority, and will serve as the issuer of general obligation bonds.

The WCCUSD project includes the full reconstruction of facilities on the Leadership Public Schools - Richmond and Gompers (Samuel) Continuation. Only the LPS – Richmond project will be funded using the QSCB proceeds allocated by the Authority. QSCB proceeds will be used to fund all associated costs including soft costs, interim housing, demolition, site preparation, and construction costs. The reconstructed site will include three buildings on a 3.2 acre campus: a 36,087 square foot building housing Gompers Continuation High School, a 68,677 square foot building housing Leadership Public Schools Richmond, and a 21,781 square foot shared gymnasium. The LPS Richmond portion of the project includes the full reconstruction of the building designated for LPS Richmond, site preparation and interim housing costs for the LPS Richmond program, a pro-rata share of gymnasium construction costs, and pro-rata shares of soft costs, demolition, and site work.

The project is currently underway. Both schools moved to temporary housing in the fall of 2009. Demolition and site preparation are ongoing. It is tentatively expected that plans will be submitted to DSA for approval in April 2011, that the District will receive DSA approval in October, and that construction will begin in November 2011. At this point, it is planned that students from both programs will return to the reconstructed campus in the fall of 2012.

While analyzing information regarding WCCUSD, staff was concerned about the past financial difficulties that the district experienced in the early 1990's. The District (formerly the Richmond USD) experienced severe financial difficulties during the late 1980s and early 1990s, including difficulty in paying debt service associated with its certificates of participation. As a result, in 1990, the District was appointed a State Trustee to oversee operations and received loans in the form of an Emergency Apportionment to assist in turning itself around. The State Trustee's appointment coincides with the term of the District's debt payment on the Emergency Apportionment, which is due to be completed in 2018. The debt payments for the Emergency Apportionment are made from the general fund on an intercept schedule as a part of the District's regular state apportionments.

As a result of its fiscal management efforts, the District ultimately paid off its COP debt and was able to turn around its financial performance and status. One of the key roles of the current State Trustee is to stay or rescind any Board action that may have an adverse impact on the District's financial condition. The State Trustee supports the District's application for QSCB borrowing.

The District's successful turnaround of its financial performance is demonstrated by its ability to maintain unrestricted cash reserves at more than 5.7% of general fund expenditures (well in excess of the 3%-state requirement) and its ability to issue a wide variety of bonds, with ratings of Aa3/A/A+ by Moody's, Standard and Poor's, and Fitch, respectively. Since 1998, the District has issued more than \$900 million in general obligation bonds on sixteen occasions.

Staff recommends that the Board adopt Resolution 11-09 approving the allocation of \$21 million of the QSCB borrowing authority to West Contra Costa Unified School District.