

MEMORANDUM

Date: April 13, 2011

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution No. 11-20, 11-21, 11-22, and 11-23 Authorizing the Allocation of Qualified School Construction Bond Borrowing Authority to Campbell Union School District, in an amount not to exceed \$30,000,000 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 March 2011, Campbell Union School District (CUSD), on behalf of Rolling Hill Middle Charter School, Sherman Oaks Elementary Charter School, Lynhaven Elementary School, and Castlemont Elementary Charter School, submitted an application for \$6.7 million, \$7.3 million, \$6.7 million, and \$9.3 million, respectively 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, CUSD is seeking an allocation of QSCB borrowing authority, and will serve as the issuer of general obligation bonds.

CUSD was established as an elementary school district on September 7, 1921, and is located in the suburbs of Santa Clara County’s Silicon Valley. The District encompasses a 14 square mile area and serves portions of Campbell, San Jose, Los Gatos, Monte Sereno, Saratoga, Santa Clara and an unincorporated area of Santa Clara County. The District maintains one middle school, eleven charter schools, a community day school, a District Office, a Corporation Yard and three closed school sites.

The CUSD projects include a multitude of modernization and construction projects, for example: construction of new play structures, ADA compliance upgrades, re-roofing, construction of coverings for walkways/lunch structures, construction of new multi-use buildings (Castlemont and Sherman Oaks), new parking lots, upgrading and replacing landscaping, and installation/relocation of modular classrooms.

The Rolling Hill project is projected to start this summer, with the other three schools will begin in Summer 2012. All projects are projected to be finished by the end of 2013.

While analyzing information regarding CUSD, it was noted that the district has a long and positive history in issuing bonds. The previous bond issues are due to two voter approved bond authorizations. In April 1994, voters of the District approved Measure D, authorizing the District to issue up to \$42 million in general obligation bonds. The District issued these bonds in three series, with all bonds having been issued under Measure D. In March 2002, voters of the District approved Measure H, authorizing the District to issue up to \$74.9 million in general obligation bonds. The District issued these bonds in five series, with all bonds having been issued under Measure H. In addition, the District has issued refunding bonds on four occasions, which have refunded a portion of the Bonds issued under Measure D authorization and a portion of the Bonds issued under the Measure H authorization. In June 2010, voters of the District approved Measure G, authorizing the District to issue up to \$150 million in general obligation bonds. Of the \$150 million, a \$25 million bond offering took place in September 2010.

CUSD's financial performance is demonstrated by its ability to maintain positive fund balances, its current Basic Aid status, prudent management practices, and its ability to issue a wide variety of bonds, with ratings of Aa2/AA- by Moody's, and Standard and Poor's, respectively. Since 1994, the District has issued more than \$190 million in general obligation bonds and refunding bonds on twelve occasions.

Staff recommends that the Board adopt Resolutions 11-20, 11-21, 11-22, and 11-23 approving the allocation of QSCB borrowing authority to Campbell Union School District on behalf of the following charter schools: 1) Rolling Hills Middle Charter School in amount not to exceed \$6,700,000; 2) Sherman Oaks Elementary Charter school in amount not to exceed \$7,300,000; 3) Lynhaven Elementary Charter School in an amount not to exceed \$6,700,000; and 4) Castlemont Elementary Charter School in an amount not to exceed \$9,300,000.