

MEMORANDUM

Staff Summary No. 5

Date: February 8, 2012

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution No. 12-04 of the California School Finance Authority Approving the allocation of Qualified School Construction Bond (QSCB) Borrowing Authority to Livermore Valley Charter School and Livermore Valley Charter Preparatory (Tri-Valley Learning Corporation) (Livermore, California) in an Amount Not to Exceed \$15,000,000 under the Charter School QSCB Program 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. At the August 11, 2010 CSFA Board Meeting, the board allocated \$7 million to Livermore Valley Charter School and Livermore Valley Charter Preparatory (Tri-Valley Learning Corporation) (Tri-Valley) to finance the construction of two school sites. The QSCB allocation granted at the August 2010 board meeting expired on December 31, 2010, due to issues related to the negotiations for the purchase of land and buildings. Tri-Valley then requested an extension to June 30, 2011, and a new QSCB allocation for the amount of \$13 million; the increase due to higher projected construction costs. This allocation was subsequently extended from the original deadline date of September 30, 2011, per the request of Tri-Valley. However, this extension expired on the deadline date of December 31, 2011.

Tri-Valley is now requesting an allocation of \$15 million in QSCB's. The scope of the project also has changed since the original allocation, and now includes purchasing a site with 14 units, converting the units to classrooms, and also purchasing an empty lot next to the facility to allow sports fields and possible parking. The current proposal for the QSCB's consists of a private placement, with an additional sale of approximately \$15 million in tax-exempt bonds to be rated by a credit rating agency and be publicly offered. Since its original application for QSCB allocation, Tri-Valley's underwriter and placement agent has been replaced by the firm of Westhoff, Cone & Holmsted. The firm is on the STO's list of approved vendors. Orrick Herrington and Sutcliffe continues to serve as Tri-Valley's bond counsel.

Staff recommends that the Board adopt Resolution 12-04 approving the allocation of Qualified School Construction Bond (QSCB) borrowing authority to Livermore Valley Charter School and Livermore Valley Charter Preparatory (Tri-Valley Learning Corporation) (Livermore, California) in an Amount Not to Exceed \$15,000,000 under the Charter School QSCB Program. Staff will continue to work with representatives from the schools and their financing team to develop a bond financing plan which will include a rating strategy and bond sale timing.