

MEMORANDUM

Date: September 26, 2012 Staff Summary No. 4
To: Members, California School Finance Authority
From: Katrina M. Johantgen, Executive Director
Re: Resolution 12-32 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 that of 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.

In 2010, the Authority adopted a formal fee schedule for conduit bond issuance for short- and long-term debt financings that was determined to be competitive with those offered by the non-governmental conduit issuers. Upon staff’s recent review of its annual administration fee for bond financings, staff concluded that revising the fee from 0.02% (or 2 basis points) on the par amount of the bonds issued to 0.015% (or 1.5 basis points) on outstanding bond amount would make this fee more consistent with non-governmental conduit issuers. This incremental reduction in fees will still provide the revenue needed to support staff’s annual administration on these financings, but translates to real savings for the borrowers. For example, on a \$10 million financing at a 5.00% interest rate over a 30-year period, under our current cost structure, the borrower would pay a total of \$60,000 over a 30-year period. Under our recommended fee structure, assuming the same structure, the borrower would pay a total of \$29,747 in administrative fees. Therefore, staff is recommending that the Authority adopt this revised annual administration fee for stand-alone or pooled financings. The Authority is proposing the following amended fee structure and would take effect immediately after Board approval:

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.

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Annual Administration Fee: The annual administration fee is the only proposed change to the fee schedule. This 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
<i>Annual Administration Fee</i>	<i>0.015% of outstanding principal, minimum \$500</i>

Staff recommends that the Board adopt Resolution No. 12-32 approving the above referenced conduit bond financing fee schedule.