

MEMORANDUM

Staff Summary No. 7

Date: November 27, 2012

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Approving the Award of Credit Enhancement Authority to Central City Value School and Downtown Value School in an Amount Not to Exceed \$1,000,000 under the Charter School Facilities Credit Enhancement Grant Program and Authorizing the Taking of Necessary Actions in Connection Therewith

The California School Finance Authority received a grant award in 2010 under the U.S. Department of Education's Credit Enhancement for Charter Schools Facilities Program (CFDA # 84.354), which, for purposes of the Authority's implementation has been entitled the "Charter School Facilities Enhancement Grant Program" (Program). This federal grant is authorized under Title V, Part B, Subpart 2 of the Elementary and Secondary Education Act, as amended by the No Child Left Behind Act of 2001. This federal grant provides \$8,300,000 for the purpose of funding primary debt service reserves for the financing of acquisition, renovation, or construction of charter school facilities, or the refinancing of existing charter school facility debt.

At its November 9, 2011 board meeting, the Authority board adopted the regulations that were drafted by staff for the program, and were subsequently approved by the Office of Administrative Law on April 19, 2012. On July 12, 2012, the Authority sent an email to all charter schools in the State notifying them of the program and the open application period. Value Schools, applying on behalf of Central City Value School and Downtown Value School, is requesting a Credit Enhancement of \$1 million. Staff has evaluated Value School's application and has determined that all program eligibility and evaluation criteria have been met.

It is anticipated that the financing for Value Schools will be structured with \$12 million in taxable and tax-exempt bond. The financing team is seeking an investment grade on the transaction. The bond proceeds will be used to refinance the campus where Downtown Value School currently resides, the purchase of the school site for the Central City campus, retire debt associated with the previous renovations completed on both sites, as well as setting aside some of the bond proceeds for future renovations and upgrades on both properties. Pursuant to the passage of SB 1016 in June of 2012, staff has been notified by legal counsel for the Attorney General's office as well at the State Treasurer's Office that the proposed structure of the deal falls under the new provisions approved under the legislation.

Staff recommends that the Board adopt Resolution No. 12-40 approving the allocation of \$1 million of Credit Enhancement allocation authority on behalf of Central City Value School and Downtown Value School located in Los Angeles, California, and to direct staff to continue working with Value Schools and their financing team to finalize the structure of the transaction for issuance and to present it to the board for approval.