

**CALIFORNIA SCHOOL FINANCE AUTHORITY
REVENUE ANTICIPATION DRAW DOWN NOTES, SERIES 2012D
EXECUTIVE SUMMARY**

RESOLUTION 12-50

Applicants:	The Charter Schools listed on Exhibit A
Amount Requested:	Not to exceed \$6,613,000, in the aggregate
Expected Initial Issuance:	December 20, 2012
Use of Proceeds:	Note proceeds will be loaned to California charter schools to finance the working capital shortfalls caused by deferred State aid.
Note Type:	Revenue Anticipation Notes, Series 2012D
Credit Enhancement:	None
Expected Rating(s):	Transaction will not be rated
Maturity Date:	October 15, 2013; all the Notes will have the same maturity date.
Sale Method:	Private Placement
Note Purchaser:	Citibank, NA
Purchaser's Counsel:	Fulbright and Jaworski LLP
Program Manager:	First Southwest Company
Note Counsel:	Orrick, Herrington & Sutcliffe LLP
Participant Counsel:	To be determined

I. Background

The California School Finance Authority (Authority) is a conduit debt issuer created in 1985 to provide financing for working capital and capital improvements to participating parties. A participating party may be a county office of education, school district, community college district, or charter school.

The FY 2012-13 State budget assumed the passage of Proposition 30, "The Schools and Public Safety Protection Act of 2012" by a majority of voters on November 6th. As Proposition 30 was approved by voters, the General Purpose Block Grant (GPBG) funding rates for FY 2012-13 will remain unchanged from FY 2011-12 levels, although the timing of these apportionments will be atypical due to the creation of the Education Protection Account (EPA) within the General Fund. According to the California Department of Education (CDE), with approval of Proposition 30, the June 2013 lump sum payment of EPA funds will be a reverse adjustment of 21.2004% of the GPBG withheld from the Advance Apportionment pursuant to Ed Code Section 14041(a)(9)(A).

The FY 2012-13 State budget authorizes both intra-year and inter-year deferrals of the State-aid portion of the GPBG, Categorical Block Grant (CBG) and In Lieu Economic Impact Aid

(EIA) (collectively, the Deferrals). For the P-1 and P-2 Apportionment periods, the Spring 2013 Deferrals are estimated at 34.20%. The P-1 and P-2 apportionment deferrals are expected to be paid in July 2013 and August 2013.

II. Purpose

The Citi Charter School Working Capital Program (the Program) offers California charter schools a streamlined and cost-effective method of financing the monthly cash flow deficits caused by the Deferrals. Citi makes short-term, working capital loans to approved charter schools through the purchase of revenue anticipation notes (the Notes) issued by the Authority.

The Program provides the charter schools listed on Exhibit A with the flexibility to finance the cash flow deficits caused by the Spring 2013 Deferrals and the June 2013 EPA payment through the closing of one loan with subsequent draws as frequent as once per month. Loan draws for the Spring 2013 Deferrals could be permitted starting on or about March 15, 2013 following CDE's certification of attendance for the P-1 apportionment period. The Spring 2013 loan draws would be repaid in July 2013 and August 2013. Loan draws for the June 2013 EPA payment could commence at closing and would be repaid in June 2013.

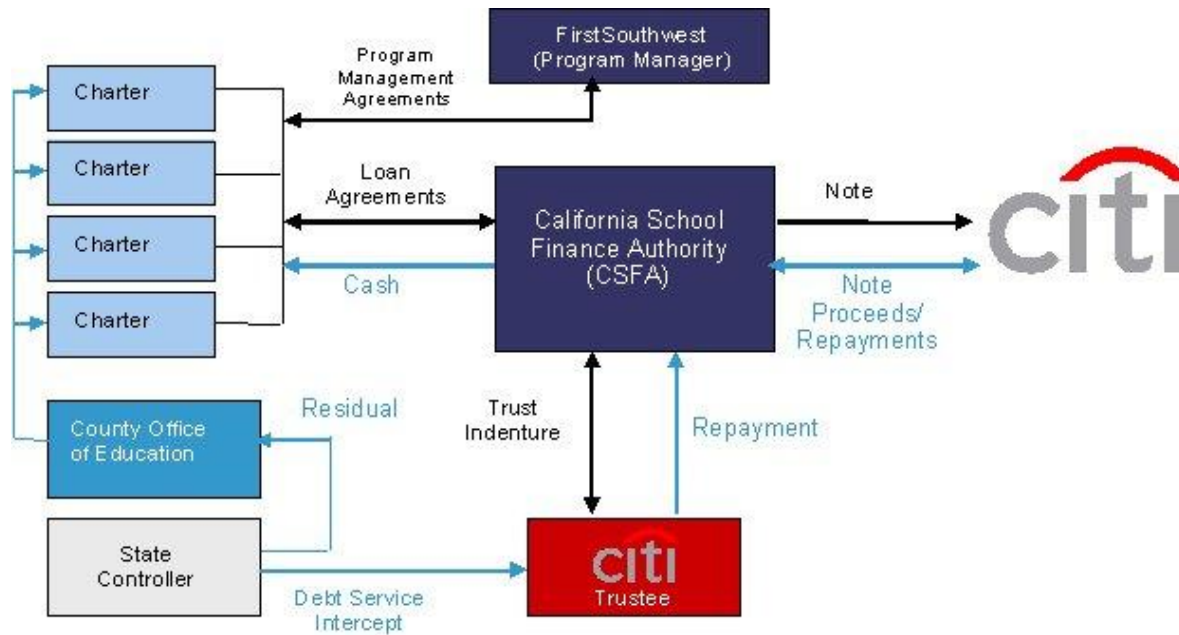
Debt service due on a Loan will be paid via the State Controller's Intercept (Ed Code Section 17199.4) of the deferred state-aid portion of a Borrower's FY 2012-13 GPBG, CBG and EIA funds in June 2013, July 2013 and August 2013 (the "Intercepted Funds"). A Loan may be prepaid in part or in full once per month without penalty.

III. Structure

Each Participant will enter into a single loan agreement. The loan repayments of all Participants will be pledged to secure repayment of the CSFA Notes. The Notes will be sold from time to time solely to Citibank, NA (Citi). Notes issuances will correspond to Participant loan requests from time to time during the term of the Loan Agreement. The maximum aggregate principal amount of all loans and the corresponding aggregate principal amount of Notes may not exceed \$6,613,000. As the purchaser of the Notes, Citi will deliver an investor letter indicating it is a Qualified Institutional Buyer pursuant to 17 CFR 230.144A (private re-sales of securities to institutions). Notes may be transferred only to Qualified Institutional Buyers. Loan sizes will be limited to the Spring 2013 Deferrals and the June 2013 EPA Payment. A portion of each loan will be used to pay issuance costs and a commitment fee to Citibank at closing. Debt service due on a Participant's loan will be paid via the State Controller's Intercept Mechanism (see "Source of Repayment" below).

IV. Source of Repayment

The loan agreement will be an unsecured general obligation of each Participant. All Participants will be required to cause interception of the state-aid portion of their Deferrals in order to support debt service under the terms of their respective loan agreements. The Participants will be required by CSFA to utilize the State Controller's Intercept Mechanism (Section 17199.4, Education Code) to ensure that sufficient payments toward Note debt service corresponding to the underlying loans are paid to the Trustee directly by the State no later than the maturity date of the Notes, but expected by June, July and August 2013. A loan may be prepaid in part or in full once per month without penalty, with a corresponding equivalent redemption of Notes resulting from the loan prepayment.



V. Expected Interest Cost and Fees

Citi’s charges include a 4.00% fixed interest rate on the drawn Loan Amount (no undrawn interest rate) and an Origination Fee equal to 0.50% of the Loan Amount. Staff notes that both the fixed interest rate and Origination Fee have been reduced from previous levels of 4.25% and 0.75%, respectively.

Program Transaction Costs are limited to the lesser of \$25,000 and 2.0% of a Borrower’s Loan Amount, and are applied to the fees and expenses of CSFA, Bond Counsel, Program Manager, Trustee, Purchaser’s Counsel and an Electronic Document Management System. Program Transaction Costs do not include the Origination Fee nor the school’s cost for its legal counsel (Borrower’s Counsel) to provide a Borrower’s Counsel Opinion deemed satisfactory by CSFA (estimated at \$3,500-\$5,000).

VI. Preliminary Sources and Uses

Citi Charter School Working Capital Program (FY 2012-13)	
CSFA Revenue Anticipation Draw Down Notes, Series 2012D	
Preliminary Sources	
Par Amount of Notes	\$ 5,511,000.00
Total	\$ 5,511,000.00
Preliminary Uses	
Working Capital Funds	\$ 5,349,606.00
Financing Costs	
CSFA Issuer Fee	5,634.00
Attorney General's Fee	4,000.00
PFD Agent for Sale	6,000.00
CDIAC	300.00
Program Manager	32,153.36
Bond Counsel	32,153.31
Purchaser	32,153.33
Borrower's Counsel	28,000.00
Trustee	4,000.00
Deal Room	3,000.00
Purchaser's Counsel	14,000.00
Total Financing Costs	\$ 161,394.00
Total	\$ 5,511,000.00

VII. Participant Financial Data

FirstSouthwest reviewed up to three years of audited financial statements (2009-10 through 2011-12), the adopted budget for 2012-13 and terms of existing debt including summary of collateral pledge, financial reporting requirements and covenants for all Participants. Citi, as sole initial purchaser of the Notes, conducted its own financial review of the Participants.

VIII. Authority Due Diligence Undertaken to Date

In enacting Chapter 17199.1 (D), it was the intent of the Legislature to provide financing of working capital needed to cover temporary or cash flow deficits and needs for working capital and not long-term budget deficits or shortfalls in funding. The participating party must demonstrate to the satisfaction of the Authority that, during the term of any working capital loan received, the participating party will receive or otherwise have (without additional borrowing) sufficient funds to repay and discharge the loan. The participating party may take into account all funds received by the participating party and may base future projections upon historical experience or reasonable expectations, or a combination thereof.

Staff evaluated the cash flows. Each Participant demonstrated that it will receive sufficient state funding to repay and discharge its entire loan without additional borrowing. This

assessment and our analysis assume that there are no further deferrals of such state funding.

IX. Staff Recommendation

Staff recommends the Authority approve Resolution Number 12-50.

EXHIBIT A

PARTICIPATING SCHOOLS

Listed below are the Schools, including their locations that are participating in the working capital financing program.

No.	School	City	Non-Profit Corporation	Not to Exceed Loan Amount
1.	Casa Ramona Academy for Technology, Community, and Education	San Bernardino	Casa Ramona Academy for Technology, Community, and Education	\$1,763,000
2.	Los Angeles International Charter High School	Los Angeles	Los Angeles International Charter High School	841,000
3.	NOVA Academy	Santa Ana	Nova Academy	1,278,000
4.	NOVA Academy - Coachella	Coachella	Nova Academy	582,000
5.	REALM Charter High	Berkeley	REALM Charter Schools	610,000
6.	REALM Charter Middle	Berkeley	REALM Charter Schools	487,000
7.	TEAM Charter	Stockton	Transformational Education, Inc.	1,052,000
				\$6,613,000