CALIFORNIA SCHOOL FINANCE AUTHORITY
REVENUE ANTICIPATION DRAW DOWN NOTES, SERIES 2013A
EXECUTIVE SUMMARY

RESOLUTION 13-07

Applicants:	The Charter Schools listed on Exhibit A
Amount Requested:	Aggregate not to exceed of $4,092,000; $3,410,000 expected
Expected Initial Issuance:	April 25, 2013
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 2013A
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:	Musick, Peeler & Garrett LLP for Cox Academy, World Academy and ASCEND. Procopio, Cory, Hargreaves & Savitch LLP for ASA Charter School.

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 voter approved, the GPBG funding rates for FY 2012-13 are expected to 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 20.00% of the GPBG withheld from the Advance Apportionment pursuant to Ed Code Section 14041(a)(9)(A).

Consistent with past budgeting practices, the FY 2012-13 State budget authorizes both intra-year and inter-year Deferrals. For the P-1 and P-2 Apportionment periods, the cumulative deferred amounts are estimated at 33.43%. The Spring 2013 deferrals are expected to be paid 23.95% in July 2013 and 9.48% in August 2013.

II. Purpose

The Citi/FSC/LIIF 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 deferrals of the State-aid portion of the General Purpose Block Grant (GPBG), Categorical Block Grant (CBG) and Economic Impact Aid (EIA) (collectively, the Deferrals). Short-term, working capital loans are made to approved charter schools through Citi's purchase of revenue anticipation notes (the Notes) issued by the California School Finance Authority (CSFA). Through a Participation Agreement to be executed at closing, LIIF will purchase 25 percent of the Notes from Citi.

The Program will provide charter schools listed on Exhibit A with the flexibility to finance the cash flow deficits caused by the Spring 2013 deferrals through the closing of one loan with subsequent draws as frequent as once per month. Schools would be permitted to draw for the Spring 2013 deferrals with 100% loan prepayment required in July 2013, August 2013, and if necessary, September 2013. Additionally, at a school's request, the loan amount is increased by the amount of the June 2013 EPA payment, meaning the Spring 2013 deferrals and the June 2013 EPA payment would be financed. Loan draws will commence at closing on April 25, 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.

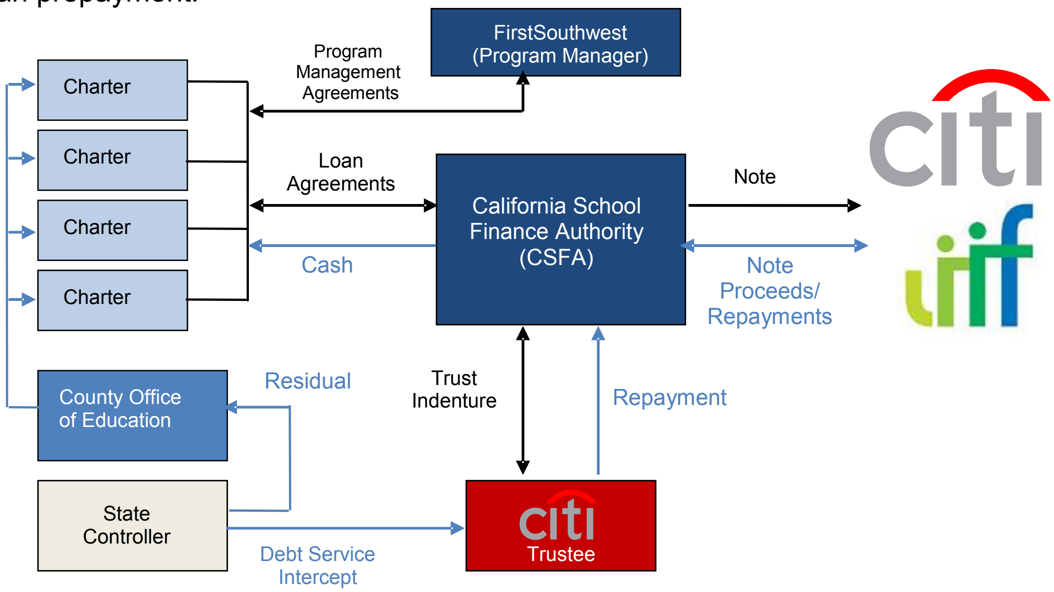
III. Structure

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 $4,092,000 (the expected aggregate principal amount is $3,410,000). 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 deferred state-aid portion of the Borrower's expected 2012-13 General Purpose Block Grant (GPBG), Categorical Block Grant (CBG) and Economic Impact Aid (EIA) (collectively, the Deferrals). 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. 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.



Expected Interest Cost and Fees

The Notes are expected to accrue interest at the fixed rate of 4.00% per annum based on the outstanding amount of the loan. In addition, Citi is seeking a commitment fee of 0.50% of the loan amount from each borrower. Additionally, Program Transaction Costs will be allocated among all Participants and paid from loan proceeds at the time of the initial borrowing. These expenses for each Participant cannot exceed the lesser of 2.0% of the loan amount and $25,000. The Program Transaction Costs include the fees paid to Program Manager, Bond Counsel, Trustee, CSFA, and CSFA's Counsel and Note Purchaser's Counsel. Not included in Program Transaction Costs is the cost of the Participant's Legal Counsel Opinion required by CSFA, which has been estimated at no greater than $5,000.

V. Preliminary Sources and Uses

SOURCES		USES	
Note Proceeds	$3,410,000.00	Working Capital Funds	$3,308,750.00
Total Sources	**$3,410,000.00**	Program Transaction Costs	
		CSFA Issuer Fee	$4,057.00
		Attorney General's Fee	1,000.00
		PFD Agent for Sale	4,000.00
		CDIAC	150.00
		Program Manager	22,716.50
		Bond Counsel	22,716.50
		Trustee	2,500.00
		Deal Room	1,500.00
		LIIF's Counsel	2,000.00

Purchaser's Counsel		7,560.00
	Total PTC	$68,200.00
Purchaser's Commitment Fee		17,050.00
Borrower's Counsel		16,000.00
	Total Uses	**$3,410,000.00**

VI. 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 the first interim budget report and terms of existing debt including summary of collateral pledge, financial reporting requirements and covenants for all Participants. Citi and LIIF conducted their own financial reviews of the Participants.

VII. 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.

VIII. Staff Recommendation

Staff recommends the Authority approve Resolution Number 13-07.

EXHIBIT A

PARTICIPATING SCHOOLS

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

No.	School	CDS Code	City	Non-Profit Corporation	Not to Exceed Loan Amount
1.	Cox Academy	01-10017-6001788	Oakland	Education for Change	$1,460,000
2.	World Academy	01-61259-0109983	Oakland	Education for Change	1,126,000
3.	ASCEND	01-61259-6118608	Oakland	Education for Change	1,132,000
4.	ASA Charter	36-67876-0107730	San Bernardino	ASA Charter School, Inc.	374,000
	TOTAL				$4,092,000