

Date: October 29, 2013

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Re: Resolution No. 13-45 – Delegating Certain Powers and Authorizing Certain Actions Related to Bond Financings to the Executive Director

Background: AB 1479, chaptered August 4, 2008, authorized the Authority to delegate to the Executive Director or any other official or employee of the Authority any powers and duties that the Authority deems proper.

Issue: In December 2012, the California School Finance Authority (Authority) adopted Resolution Number 12-45, authorizing the Executive Director to act on, or make decisions regarding, amendments to bond documents that normally require the Authority's consent. At this time, Authority staff is seeking a modification to the delegation resolution. This modification embedded in Resolution No. 13-45 relates to changes to bond financings that occur after the Authority board has approved the financing and before the financing has closed.

Existing delegation authority allows the Executive Director to amend Bond Documents, including, but not limited to: removing or replacing participants or agents in the transaction; the delivery of an alternate credit facility or alternate liquidity facility; the sale, encumbrance or transfer of project assets; or a merger or dissolution involving a participating educational entity or co-borrower. However, there is a gap in the delegated authority. As a result, any substantive changes that occur between Board approval and the closing of an approved transaction must come back to the Board for approval. In the interest of streamlining the borrowing processes, the Authority desires to authorize the Executive Director to consent to certain amendments without first obtaining approval of the Board. The new provisions that would allow the Executive Director to approve changes between approval and closing are similar to those that are authorized post-closing. In addition, the language is identical to the additional delegation authority the Board approved in the PUC transaction earlier this month. A couple of examples of the types of changes that the Executive Director could authorize without Board approval: (1) If the rating is obtained after board approval and it comes in at a level different than anticipated, the Executive Director could authorize changes to the bond documents reflecting the different rating, as long as those changes are consistent with the bond issuance guidelines adopted by the authority. (2) The Executive Director could approve changes to the project, as long as those changes don't alter the location of the project or jeopardize the tax-exempt status of the project.

Recommendation: Staff recommends the Authority approve Resolution No. 13-45 delegating certain powers and authorizing certain actions related to bond financings to the Executive Director.