

## MEMORANDUM

**Date:** June 14, 2017

Staff Summary No. 6

**To:** Members, California School Finance Authority

**From:** Katrina M. Johantgen, Executive Director

**Re:** Resolution 17-19 Authorizing the Issuance of School Facility Revenue Bonds in an Amount Not to Exceed \$25,000,000 to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and /or Equipping of Educational Facilities Located in Santa Clara County, California for Escuela Popular Del Pueblo

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**Background:** At its May 9, 2017 meeting, the Board approved Resolution 17-12 Authorizing the Issuance of School Facility Revenue Bonds in an Amount Not to Exceed \$25,000,000 to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and /or Equipping of Educational Facilities Located in Santa Clara County, California for Escuela Popular Del Pueblo.

After approval of Resolution 17-12, Escuela Popular del Pueblo was engaged by an investor who was represented by Hamlin Capital Management, LLC and Orix, each, a “Bondholders’ Representative” and together, the “Bondholders’ Representatives” for purposes of directly purchasing the bonds, necessitating a change to the bond sales restrictions to those set forth below. The Bonds are expected to have a final maturity of not later than July 1, 2047 for the Series 2017A (Tax-Exempt) bonds at an initial fixed interest rate of 5.95%. Subject to final pricing, the interest rate on the bonds may reset on July 1, 2026 to a spread of 365 basis points over the then 20 year MMD spot rate, subject to an absolute rate ceiling of 7.25% and a floor of 6.00%.

### **Bond Sales Restrictions**

Furthermore, based on the above referenced negotiated terms, the following bond sales restrictions will apply to this financing:

1. Bonds will be in minimum denominations of \$100,000;
2. Bonds will be privately placed or publicly offered initially to QIBs and AIs;
3. Initial bond purchasers (or the bondholder representative, if applicable) will be required to execute an Investor Letter;
4. Subsequent transfers of bonds will be limited to QIBs and AIs;
5. Sales restrictions described in detail in offering materials, if any, as well as in the bond documents;
6. Bond payments will be made via the intercept mechanism outlined in Section 17199.4 of the Education Code

### **Preliminary Sources and Uses/Cost of Issuance**

Below are the preliminary sources and uses, and detailed information about the costs of issuance for board consideration. Please note that these figures are subject to change between the time of board packets being distributed and the time of the board meeting and subject to revision based on final structure and pricing – members will be provided updated figures should they change before the board meeting date.

### Sources and Uses

<b>Sources of Funds:</b>	
Series 2017A Par Amount	\$24,070,000
School Equity or Taxable	
Bonds	\$546,646
<b>Total Sources of Funds</b>	<b>\$24,616,646</b>
<b>Uses of Funds:</b>	
Project Fund	\$21,022,984
Debt Service Reserve Fund	\$1,788,730
Capitalized Interest	\$772,464
Costs of Issuance*	\$1,028,046
Additional Proceeds	\$4,422
<b>Total Uses of Funds</b>	<b>\$24,616,646</b>

### Cost of Issuance

Expense Category	Amount
Underwriter's Discount	\$481,400
Bond Counsel	\$165,000
Borrower Counsel	\$80,000
Underwriter Counsel	\$75,000
Issuer Fee	\$22,035
Issuer Counsel	\$10,000
Issuer Agent for Sale	\$6,000
Issuer Admin Fee	\$3,611
Investor Legal (if applicable)	\$135,000
Trustee	\$10,000
Title	\$20,000
Miscellaneous	\$ 20,000
<b>Total</b>	<b>\$1,028,046</b>

**Recommendation:** Staff recommends CSFA approve Resolution No. 17-19 Authorizing the Issuance of School Facility Revenue Bonds in an Amount Not to Exceed \$25,000,000 to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and /or Equipping of Educational Facilities Located in Santa Clara County, California for Escuela Popular Del Pueblo.