

MEMORANDUM

Date: November 8, 2017 Staff Summary No. 4
To: Members, California School Finance Authority
From: Katrina M. Johantgen, Executive Director
Re: Resolution 17-28 Amending the Conduit Bond Financing Fee Schedule

Background: Section 17180(k) of the California School Finance Authority (Authority) Act states that, “the Authority is authorized to charge and equitably apportion among participating parties its administrative costs and expenses incurred pursuant to this chapter.” This self-funding structure allows the Authority to provide assistance in obtaining financing for eligible participating parties without taxing the State’s General Fund. In 2010, the Authority adopted a formal fee schedule for conduit bond issuance for short- and long-term debt financings that was determined to be competitive with those offered by the non-governmental conduit issuers. In 2012 and 2015, the Authority’s schedule was further refined so that its annual administration and issuance fees for bond financings was aligned with non-governmental conduit issuers. The fee structure includes: 1) an application fee; 2) an issuance fee; and 3) annual administration fee.

Since 2010, the Authority has served as conduit issuer on 65 financings totaling \$1,081,278,959. Prior to bonds or notes being publicly offered or privately placed, financing teams seek Authority board approval authorizing the issuance of bonds to finance (or refinance) permanent school facilities. Resolutions authorizing the issuance of debt are typically in place for one year following the date of board approval. In recent years, the Authority has approved a number of financings that have languished after board approval and well outside the dates set forth in the financing timelines submitted to Authority staff. In several instances, financings have been delayed beyond the one-year approval; necessitating a return to the board for a subsequent approval. Deals have been delayed due to local permitting issues, interest rate fluctuations, and real estate delays, etc. Recognizing that bond financings are complex and time consuming, staff also recognizes the value of deals being “ready” to come to the Authority board for approval at the time of application submission.

Recommendation: Given the number and volume of financings completed by the Authority in recent years, and the desire to prevent financings from lingering post board approval, the Authority is proposing an amendment to its conduit bond financing fee schedule, which would take effect immediately after Board approval.

Staff is proposing that all borrowers that are unable to price within the one-year period stipulated in the approving resolution will need to reapply for bond issuance authorization and reimburse the Authority for any administrative and/or staffing costs incurred prior to reapplying for bond issuance authorization. Other costs incurred, such as Attorney General and Public Finance Division Agent-for-Sale fees would be paid by the borrower as well.

California School Finance Authority

Furthermore, should the borrower wish to move forward with the bond financing, the new application fee will need to be submitted with an updated bond issuance application.

The proposed amendment to the conduit bond financing fee schedule is outlined below. Staff recommends that the Board adopt Resolution No. 17-28 approving the above referenced amendment to the conduit bond financing fee schedule.

Note Financing	
Fee	Amount
Application Fee	\$1,500
Issuance Fee*	0.075% of par amount
Annual Administration Fee	Not Applicable

Bond Financing**	
Fee	Amount
Application Fee	\$1,500
Initial Issuance Fee*	
0.15% of par amount of bonds issued up to \$10,000,000 0.05% on amounts above \$10,000,000 Maximum Fee of \$75,000 per transaction	
Annual Administration Fee	0.015% of outstanding principal, minimum \$500

**New Money and Refunding Debt*

***Borrowers that do not complete a bond transaction by pricing within the one-year period stipulated in the approving resolution will need to reapply for bond issuance authorization and reimburse the Authority for any administrative and/or staffing costs incurred prior to reapplying for bond issuance authorization. Furthermore, a new application payment will need to be submitted upon reapplying for bond issuance authorization.*