

## MEMORANDUM

Staff Summary Item No. 5

**Date:** December 6, 2019

**To:** Members of the California School Finance Authority

**From:** Katrina Johantgen, Executive Director

**RE:** Resolution No. 19-36 Delegating Certain Powers and Authorizing Certain Actions Related to the Remarketing of its Charter School Revenue Bonds (Alliance Margaret M. Bloomfield Technology Academy High School Project) Series 2013 (Taxable Qualified School Construction Bonds - Direct Subsidy)

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Resolution 19-36 authorizes the execution and delivery of a First Supplemental Indenture, to, among other things, revise the existing Debt Service Reserve Fund Requirement for the Series 2013 Bonds, change the Conversion Date with respect to the Series 2013 Bonds, waive notice provisions and certain requirements in connection with the remarketing of the Series 2013 Bonds, and appoint Robert W. Baird & Co. Incorporated and GVC Capital, LLC, as co-remarketing agents for the Series 2013 Bonds.

**Background:** In response to changes in California law affecting charter schools and entities that operate charter schools, changes which will become effective January 1, 2020, Alliance, and the 25 California nonprofit public benefit corporations affiliated with Alliance that operate public charter schools (including Alliance Margaret M. Bloomfield Technology Academy High School) propose to merge, effective January 1, 2020, into a single California 501(c)(3) nonprofit public benefit corporation to be known as Alliance College-Ready Public Schools.

An approval from the California School Finance Authority (CSFA) Board will not be necessary for the merger-related bond document changes that are governed by CSFA's Resolution No. 18-25, which delegates authority over certain matters to the Executive Director. However, certain modifications to the bond documents for two Alliance transactions, including the bond financings for Alliance Margaret M. Bloomfield Technology Academy High School (Alliance Bloomfield), do not fall under this general delegation resolution, as these modifications are separate from the above-described merger and the changes to the financing are occurring earlier than anticipated in the original bond documents. As these proposed amendments to the transaction structure modify the configuration contemplated in the original documents, these requested documents were not previously approved by the CSFA Board, and therefore require Board approval as matters of first impression.

In 2013, Alliance Bloomfield borrowed \$10,750,000 of direct-pay Qualified School Construction Bond (QSCBs) through CSFA. The proceeds of these QSCBs were used to fund construction of Alliance Margaret M. Bloomfield Technology Academy High School. The QSCB financing was stand-alone and not combined with any other subsidy. The QSCBs are presently outstanding at a 6.5% rate. Three lenders purchased these QSCBs;

Local Initiative Support Corporation (LISC); Non-profit Finance Fund (NFF); and Genesis LA (GLA) on parity. The direct-pay subsidy on this financing is 5.28% (less any sequestration). The subsidy for Alliance Bloomfield remains in effect until the QSCB's maturity in 2034 unless QSCBs are redeemed or refinanced prior to that date. CSFA provided a \$662,202 Debt Service Reserve Fund Credit Enhancement which would stay in place through the 2034 maturity of the Bonds.

Alliance would like to remarket the QSCBs to their maturity, 2034, prior to the first optional remarketing date of September 15, 2020. Alliance has Bond Holder consent to do so. This early remarketing has been reviewed by Tax Counsel, Ballard Spahr, and they have determined that it would not cause or constitute a reissuance for tax purposes. Ballard Spahr was tax counsel on the previous remarketing of the Alliance Broadway QSCBs purchased by Community Development Trust (CDT), which closed approximately one year ago. LISC would retain their portion of the outstanding QSCBs to maturity, CDT would purchase the QSCBs held by NFF and by Genesis LA.

Alliance will need the CSFA Board to execute amendments to the Indenture and the Loan Agreement and consent to amendments to the Lease Agreements, including any required changes for SB 126. Additionally, CSFA will need to execute various closing certificates and tax certificates.

The Alliance Board, at their October 17, 2019 meeting, authorized the Finance and Facilities Committee to approve refinancing transactions for Alliance Bloomfield and Alliance Baxter. The Committee has reviewed and is in support of both transactions. RW Baird will serve as co-remarketing agent with GVC Capital, LLC.

**Recommendation:** Staff recommends members of the California School Finance Authority Board adopt Resolution 19-36 delegating certain powers and authorizing certain actions related to the remarketing of its Charter School Revenue Bonds (Alliance Margaret M. Bloomfield Technology Academy High School Project) Series 2013 (Taxable Qualified School Construction Bonds - Direct Subsidy).