Staff Summary No. 4

Date: September 24, 2026

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Re: Resolution No. 26-22 – Updating the California School Finance Authority Sales Restrictions

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Background: The California School Finance Authority (Authority) Board previously approved debt issuance guidelines, which impose certain minimum requirements for financings that are investment grade, i.e. those rated a minimum of BBB- by S&P, Fitch, and/or KBRA, or Baa3 by Moody's, as well as for those that that fall below investment grade, i.e. those unrated or rated below BBB- by S&P, Fitch, and/or KBRA, or below Baa3 by Moody's. These requirements were designed to align risk with the sophistication of investors as well as protect the Authority. The Authority Board previously adopted sales restrictions in Resolution No. 12-37, adopted November 27, 2012 (Guidelines). Subsequent changes to the Guidelines were made since 2012 to reflect changes in investors of Authority bonds such as registered investment advisors and bondholder representatives.

The State Treasurer's Office (STO), as Agent for Sale on debt sold by the Authority, recently collaborated with all conduit authorities within the STO to develop uniform debt issuance guidelines that could be implemented across all authorities (New Debt Issuance Guidelines). The primary objectives in developing the New Debt Issuance Guidelines were to: 1) modernize the guidelines to align with current market standards; 2) establish uniformity among all STO's conduit authorities; 3) promote cohesion for STO staff, legal, financing teams, borrowers and investors; 4) provide greater flexibility for debt issuance where appropriate; and 5) impose issuance and sale limitations where appropriate. The proposed updates are generally consistent with existing guidelines imposed by other conduit issuers within the state.

The Authority's New Debt Issuance Guidelines were modified to address provisions that are unique to the Authority. Notably, the modifications include the addition of the state intercept mechanism which is authorized pursuant to Section 17199.4 of the Education Code. Attached hereto as Exhibit A is a redline showing changes from the Original Debt Issuance Guidelines to the New Debt Issuance Guidelines. The New Debt Issuance Guidelines will apply to all proposed financings approved after the adoption of Authority Board Resolution Number 26-22.

It should be emphasized that in approving the New Debt Issuance Guidelines, the Authority retains sole and absolute discretion to approve exceptions to the guidelines, require additional provisions, or both, on a case-by-case basis.

Recommendation: Staff recommends the Board adopt Resolution No. 26-22, approving the New Debt Issuance Guidelines.