CALIFORNIA SCHOOL FINANCE AUTHORITY
REVENUE ANTICIPATION DRAW DOWN NOTES, SERIES 2012C
EXECUTIVE SUMMARY

RESOLUTION 12-35

Applicants:	The Charter Schools listed on Exhibit A
Amount Requested:	Not to exceed $2,679,000, in the aggregate
Expected Initial Issuance:	October 17, 2012
Use of Proceeds:	Note proceeds will be loaned to California charter schools to finance the working capital shortfalls caused by deferred State aid.
Note Type:	Revenue Anticipation Notes, Series 2012C
Credit Enhancement:	None
Expected Rating(s):	Transaction will not be rated
Maturity Date:	October 15, 2013; all the Notes will have the same maturity date.
Sale Method:	Private Placement
Note Purchaser:	Citibank, NA
Purchaser's Counsel:	Fulbright and Jaworski LLP
Program Manager:	First Southwest Company
Note Counsel:	Orrick, Herrington & Sutcliffe LLP
Participant Counsel:	To be determined

I. Background

The California School Finance Authority (Authority) is a conduit debt issuer created in 1985 to provide financing for working capital and capital improvements to participating parties. A participating party may be a county office of education, school district, community college district, or charter school.

The FY 2012-13 State budget assumes the passage of Proposition 30, "The Schools and Public Safety Protection Act of 2012" by a majority of voters on November 6th. If Proposition 30 is approved, the General Purpose Block Grant (GPBG) funding rates for FY 2012-13 are expected to remain unchanged from FY 2011-12 levels, although the timing of these apportionments will be atypical due to the creation of the Education Protection Account (EPA) within the General Fund. According to the California Department of Education (CDE), with approval of Proposition 30, the June 2013 lump sum payment of EPA funds will be a reverse adjustment of 21.2004% of the GPBG withheld from the Advance Apportionment pursuant to Ed Code Section 14041(a)(9)(A).

However, should Proposition 30 not be approved, then the budget imposes automatic trigger cuts to K-14 education similar to the mechanism in the FY 2011-12 budget. These trigger cuts would go into effect on January 1, 2013, resulting in an 8.8% cut to GPBG funding rates, equivalent to an average reduction of $477 per ADA. Until the outcome of Proposition 30 is known, working capital loans are anticipated to be sized according to the State-aid portion of the funding rates presented below.

Assumed Funding Rates for FY 2012-13	K-3	4-6	7-8	9-12
General Purpose Block Grant Rate (Prop. 30 Not Approved)	$4,629	$4,700	$4,841	$5,601
Categorical Block Grant Rate (with Proration Factor)	$398	$398	$398	$398
CBG Supplement (for schools operational after FY 2007-08)	$127	$127	$127	$127
Economic Impact Aid	$325	$325	$325	$325

II. Purpose

The Citi Charter School Working Capital Program (the Program) offers California charter schools a streamlined and cost-effective method of financing the monthly cash flow deficits caused by deferrals of the State-aid portion of the General Purpose Block Grant (GPBG), Categorical Block Grant (CBG) and Economic Impact Aid (EIA) (collectively, the Deferrals). Citi makes short-term, working capital loans to approved charter schools through the purchase of revenue anticipation notes (the Notes) issued by the California School Finance Authority (CSFA).

The Program will provide charter schools listed on Exhibit A with the flexibility to finance the cash flow deficits caused by the Fall 2012 deferrals (8.38% cumulative deferred amount) and/or the Spring 2013 deferrals (36.99% cumulative deferred amount, assuming Prop. 30 is not approved) through the closing of one loan with subsequent draws as frequent as once per month. Schools would be permitted to draw for the fall 2012 deferrals with 100% loan prepayment required in January 2013. Loan draws for the spring 2013 deferrals could be permitted starting on or about March 1, 2013 following CDE's certification of attendance for the P-1 apportionment period. The spring 2013 loan draws would be repaid in July 2013 and August 2013.

At a Borrower's request, Citi and FirstSouthwest will increase the authorized Loan amount by assuming the passage of Proposition 30 -- meaning the Spring 2013 deferrals (34.20% cumulative deferred amount) plus the June 2013 EPA payment (21.20% of the GPBG) could be financed. Beginning March 1, 2013, a Borrower would be permitted to draw on its Loan up to the amount of its EPA payment subject to the following conditions being met: voter approval and implementation of Proposition 30 and the Borrower's CDE certified attendance for the P-1 apportionment period at a level not significantly below the attendance used to determine the authorized Loan amount. Any Loan draws for the EPA payment would be repaid through intercept of the Borrower's EPA payment in June 2013.

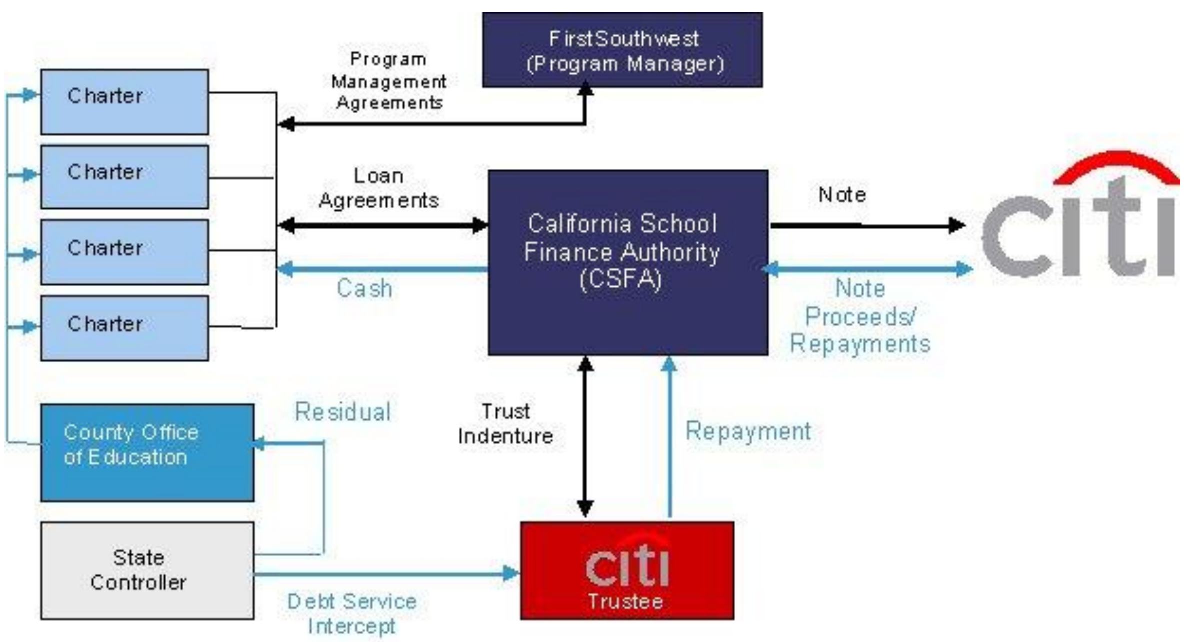
Debt service due on a Loan will be paid via the State Controller's Intercept (Ed Code Section 17199.4) of the deferred state-aid portion of a Borrower's FY 2012-13 GPBG, CBG and EIA funds in January 2013, June 2013, July 2013 and August 2013 (the "Intercepted Funds"). A Loan may be prepaid in part or in full once per month without penalty.

III. Structure

Each Participant will enter into a single loan agreement. The loan repayments of all Participants will be pledged to secure repayment of the CSFA Notes. The Notes will be sold from time to time solely to Citibank, NA (Citi). Notes issuances will correspond to Participant loan requests from time to time during the term of the Loan Agreement. The maximum aggregate principal amount of all loans and the corresponding aggregate principal amount of Notes may not exceed $2,679,000. As the purchaser of the Notes, Citi will deliver an investor letter indicating it is a Qualified Institutional Buyer pursuant to 17 CFR 230.144A (private re-sales of securities to institutions). Notes may be transferred only to Qualified Institutional Buyers. Loan sizes will be limited to the deferred state-aid portion of the Borrower's expected 2012-13 General Purpose Block Grant (GPBG), Categorical Block Grant (CBG) and Economic Impact Aid (EIA) (collectively, the Deferrals). A portion of each loan will be used to pay issuance costs and a commitment fee to Citibank at closing. Debt service due on a Participant's loan will be paid via the State Controller's Intercept Mechanism (see "Source of Repayment" below).

IV. Source of Repayment

The loan agreement will be an unsecured general obligation of each Participant. All Participants will be required to cause interception of the state-aid portion of their Deferrals in order to support debt service under the terms of their respective loan agreements. The Participants will be required by CSFA to utilize the State Controller's Intercept Mechanism (Section 17199.4, Education Code) to ensure that sufficient payments toward Note debt service corresponding to the underlying loans are paid to the Trustee directly by the State no later than the maturity date of the Notes, but expected by January 2013, June, July and August 2013. A loan may be prepaid in part or in full once per month without penalty, with a corresponding equivalent redemption of Notes resulting from the loan prepayment.



V. Expected Interest Cost and Fees

The Notes are expected to accrue interest at the fixed rate of 4.25% per annum based on the outstanding amount of the loan. In addition, Citi is seeking a commitment fee of .75% of the loan amount from each borrower. Additionally, the issuance expenses will be allocated among all Participants and paid from loan proceeds at the time of the initial borrowing.

Closing expenses for each Participant cannot exceed the lesser of 2.0% of the loan amount or $25,000. Expenses paid out of the cost of issuance fund will pay the Program Manager, Bond Counsel, Trustee, CSFA, and CSFA's Counsel and Note Purchaser's Counsel. Not included in this fee schedule is the cost of the school's legal counsel to deliver the required Participant Counsel Opinion, which has been estimated at no greater than $5,000.

VI. Preliminary Sources and Uses

Preliminary Sources and Uses	
Sources	
Note Proceeds	2,679,000.00
Total	**2,679,000.00**
Uses	
Working Capital Funds	2,593,327.50
Financing Costs	
CSFA Issuer Fee	3,509.25
AG Fees	3,500.01
PFD Agent for Sale Fee	4,000.00
CDIAC	450.00
Program Manager	16,904.47
Bond Counsel	16,904.46
Origination Fee	16,904.31
Borrower's Counsel*	12,000.00
Trustee	2,750.00
Deal Room	2,750.00
Lender's Counsel	6,000.00
Total Financing Costs	85,672.50
Total Uses	**2,679,000.00**

VII. Participant Financial Data

First Southwest reviewed up to three years of audited financial statements (2008-09 through 2010-11), the adopted budget for 2012-13 and the unaudited financial report for 2011-12 and terms of existing debt including summary of collateral pledge, financial reporting requirements and covenants for all Participants. Citi, as sole initial purchaser of the Notes, conducted its own financial review of the Participants.

VIII. Authority Due Diligence Undertaken to Date

In enacting Chapter 17199.1 (D), it was the intent of the Legislature to provide financing of working capital needed to cover temporary or cash flow deficits and needs for working capital and not long-term budget deficits or shortfalls in funding. The participating party must demonstrate to the satisfaction of the Authority that, during the term of any working capital loan received, the participating party will receive or otherwise have (without additional borrowing) sufficient funds to repay and discharge the loan. The participating party may take into account all funds received by the participating party and may base future projections upon historical experience or reasonable expectations, or a combination thereof.

Staff evaluated the cash flows. Each Participant demonstrated that it will receive sufficient state funding to repay and discharge its entire loan without additional borrowing. This assessment and our analysis assume that there are no further deferrals of such state funding.

IX. Staff Recommendation

Staff recommends the Authority approve Resolution Number 12-35.

EXHIBIT A

PARTICIPATING SCHOOLS

Listed below are the Schools, including their locations that are participating in the working capital financing program.

No.	School	CDS Code	City	Non-Profit Corporation the School Is Operated As	Not to Exceed Loan Amount
1.	Envision Academy for Arts & Technology	01100170112607	Oakland	Envision Education, Inc.	786,000
2.	Impact Academy of Arts & Technology	01611920113902	Hayward	Envision Education, Inc.	1,079,000
3.	Pathways to College	36750440112441	Hesperia	Crosswalk: Hesperia Experiential Learning Path	814,000
					$2,679,000