

## COPY CERTIFICATION BY DOCUMENT CUSTODIAN

State of California  
County of Los Angeles } ss.

I, Jefferson Crain, hereby declare that the attached reproduction of Board of Education  
Report No. 93 – 09/10, Certificates of Participation (COPs) 2009 Series A  
is a true, correct and complete photocopy of a document in my possession or control.



(seal)

A handwritten signature, likely of Jefferson Crain, is written over a horizontal line. The signature is stylized with long, sweeping strokes.

Signature of Affiant

Subscribed and sworn to (or affirmed) before me  
on this 23<sup>rd</sup> day of September, 2009  
, by Jefferson Crain,  
proved to me on the basis of satisfactory evidence  
to be the person who appeared before me.

A handwritten signature, likely of the Notary, is written over a horizontal line. The signature is very stylized and cursive.

Signature of Notary

### OPTIONAL INFORMATION

Date of Document September 22, 2009

Type or Title of Document Board of Education Report No. 93 – 09/10 – COPs 2009 Series A

Number of Pages in Document 5

Document in a Foreign Language \_\_\_\_\_

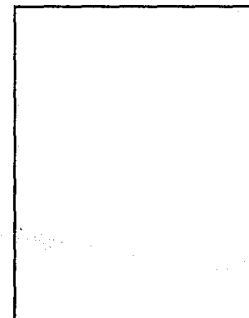
#### Type of Satisfactory Evidence:

- ☐ Personally Known with Paper Identification  
☒ Paper Identification  
☐ Credible Witness(es)

#### Capacity of Signer:

- ☐ Trustee  
☐ Power of Attorney  
☐ CEO / CFO / COO  
☐ President / Vice-President / Secretary / Treasurer  
☒ Other: Executive Officer of the Board

Thumbprint of Signer



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thumbprint or fingerprint  
is available.

Other Information: Certified 5 Copies



# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Board of Education Report

<b>Report Number:</b>	93-09/10
<b>Date:</b>	September 22, 2009
<b>Subject:</b>	CERTIFICATES OF PARTICIPATION (COPs) 2009 SERIES A
<b>Responsible Staff:</b>	
Name	Timothy S. Rosnick
Office/Division	Controller
Telephone No.	(213) 241-7990

### A. EXECUTIVE SUMMARY

**Action Proposed:** The Board is requested to (1) approve the attached Resolution (Attachment A) and forms of legal documents regarding the issuance of up to \$41.5 million of Certificates of Participation 2009 Series A to fund Food Services Projects; (2) authorize the sale of the COPs by private placement with Bank of America N.A. or any of its affiliates (Purchaser); (3) direct the Chief Financial Officer and other Officers of the District to assemble the financing team; and (4) authorize the Budget Services and Financial Planning Division to make the necessary budget adjustments to reflect the anticipated COPs receipts.

**Staff Recommendation and Rationale:** Staff recommends that the Board approve the actions proposed in connection with the issuance of the Certificates of Participation 2009 Series A. The proceeds will fund the implementation of the Cafeteria Management System (CMS) and the purchase of new equipment at the Newman Nutrition Center (NNC). These projects will enhance the efficiency of various Food Services processes and increase revenues to the cafeteria fund.

**Background:** CMS will provide the needed controls and tools to manage each of the following areas:

- Point of Service
- Inventory
- Food Production
- Food Ordering
- Menu Planning
- Nutritional Analysis
- Financial Management

The COPs will finance the purchase of hardware, software, infrastructure, connectivity and the implementation of this project, including training. This project is expected to pay for itself in four years



## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Board of Education Report

through increased meal participation, increased efficiencies and improved internal controls.

Newman Nutrition Center line upgrades were approved by the Board and implemented in 2008. These upgrades replaced food production equipment that was 27 years old, and required two full time mechanics to maintain. Replacement equipment includes computerized controls and state-of-the-art packaging machinery, which has significantly improved the facility's operational efficiency.

**Policy Implications:** The issuance of these COPs is in compliance with the District's Debt Management Policy.

**Budget Impact:** The debt service payments on these COPs will be secured and paid for by the District's General Fund, which will be reimbursed by the Cafeteria Fund. There is no current direct impact to the District's General Fund. However, if the Cafeteria Fund is unable to pay the debt service on these COPs, the District's General Fund will be liable to the Purchaser.

It is expected that the savings realized from the implementation of the new system will exceed the cost of the project by fiscal year 2011-12.

**Issues/Considerations:** The current system for accounting for meals served by the Food Services Branch is over 20 years old. CMS will greatly improve the services to students and provide stronger internal control measures for the collection and accounting process.

**Effect of "yes" vote:** CMS will be implemented at a faster pace (by 2012), thereby improving services to students and increasing efficiencies that will result in savings for the Cafeteria Fund.

**Effect of "no" vote:** CMS will be implemented at a much slower pace and the savings will not be realized until substantial implementation of the system. There is also an increasing risk that the current system will not be able to meet the demands of the Food Services Branch's day to day operations. Extra costs will be incurred as the result of maintaining multiple, concurrent systems operational for a much longer period of time.



## LOS ANGELES UNIFIED SCHOOL DISTRICT Board of Education Report

### B. BOARD REPORT

- Action Proposed:** The Board is requested to (1) approve the attached Resolution (Attachment A) and forms of legal documents regarding the issuance of up to \$41.5 million of Certificates of Participation 2009 Series A to fund Food Services Projects; (2) authorize the sale of the COPs by private placement with Bank of America N.A. or any of its affiliates (Purchaser); (3) direct the Chief Financial Officer and other Officers of the District to assemble the financing team; and (4) authorize the Budget Services and Financial Planning Division to make the necessary budget adjustments to reflect the anticipated COPs receipts.
- Expected Outcomes:** The COPs proceeds will enable the Food Services Branch to complete the implementation of CMS by fiscal year 2012-13. It is also expected that the savings realized from the implementation of the new system will exceed the cost of the project by fiscal year 2011-12.
- Board Options and Consequences:** If the Board does not approve the issuance of the COPs, CMS will be implemented at a much slower pace, depending on availability of Cafeteria Fund moneys. Food Services will be unable to strengthen internal controls in relation to accounting for meals served and may not be maximizing revenues from various sources, specifically from the National School Lunch Program. The ability to successfully pass the upcoming CRE audit is also at risk.
- Policy Implications:** The issuance of these COPs is in compliance with the District's Debt Management Policy.
- Budget Impact:** The debt service payments on these COPs will be secured and paid for by the District's General Fund, which will be reimbursed by the Cafeteria Fund. There is no current direct impact to the District's General Fund. However, if the Cafeteria Fund is unable to pay the debt service on these COPs, the District's General Fund will be liable to the Purchaser.

It is expected that the savings realized from the implementation of the new system will exceed the cost of the project by fiscal year 2011-12.



## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Board of Education Report

**Issues and Analysis:** The Board previously approved the master agreement related to the implementation services for cafeteria management on April 8, 2008.

☐ **No legal issues** However, the subsequent economic downturn negatively impacted the District's ability to issue COPs. At this time, the market is showing signs of recovery and the District will be able to finance the project through a private placement at a reasonable cost. Given the risk that the District takes in continuing with the current system, it would be in the District's best interests to finance these projects at this time and to continue with the faster implementation of the CMS and acquisition of equipment for the NNC.

☐ **Legal informative attached**

In a 2007 review conducted by the California Department of Education, numerous errors in the District's counting of meals and subsequent reimbursement were identified. The District's response to the CDE cited the intent of acquiring a cafeteria management system to address their concerns.

The Food Services Branch is subject to a comprehensive audit of its operations by the California Department of Education's Nutrition Services Division on a triennial basis. This audit, referred to as the Comprehensive Review Effort, or CRE, is scheduled for early in 2010. Without material progress in obtaining the CMS the District will be required to demonstrate that alternative controls are in place or risk the loss of federal and state funding of District meal programs.

Although financing routine capital expenditures with COPs is not advisable, both the CMS and the NNC projects are non routine capital expenditures with a positive expected return on investment. With the large budget cuts passed in the most recent State Budget, the District does not currently have the resources to fund the project on a pay as you go basis.

**Committee Information:** No Committee Information

**Reporting Requirements and Benchmarks:** None.

**Accountable Staff:** Chief Financial Officer

**Applicable Board Delegations:** N.A.



**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Board of Education Report**

**Superintendent's**      None.  
**Comments:**

**Miscellaneous Issues**      None.  
**and Matters:**

☐ **Desegregation**  
**Impact Statement**  
**attached**

☐ **Division of**  
**Accountability and**  
**Systemwide**  
**Performance**

☐ **Informative**

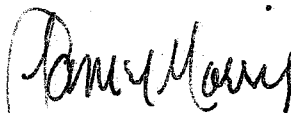
Respectfully submitted,

RAMON C. CORTINES  
Superintendent of School

APPROVED &  
PRESENTED BY:

  
Megan K. Reilly  
Chief Financial Officer

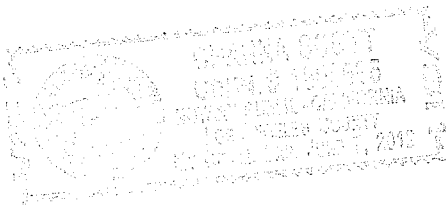
APPROVED BY:

  
JAMES MORRIS  
Chief of Staff

**COPY CERTIFICATION BY DOCUMENT CUSTODIAN**

State of California  
County of Los Angeles } ss.

I, Jefferson Crain, hereby declare that the attached reproduction of Resolution of the Board of Education Authorizing the Preparation, Sale, Execution and Delivery of Not to Exceed \$41,500,000 of Certificates of Participation, 2009 Series A (Food Services Project), and the Preparation, Execution and Delivery of Documents Relating Thereto, Including a Lease Agreement, a Site Lease, a Letter Agreement for Purchase and a Fiscal Agent Agreement, and Authorizing and Directing Certain Actions in Connection Therewith is a true, correct and complete photocopy of a document in my possession or control.



(seal)

A handwritten signature in dark ink, appearing to be "Jefferson Crain", is written over a horizontal line.

Signature of Affiant

Subscribed and sworn to (or affirmed) before me  
on this 15<sup>th</sup> day of October, 2008,  
by Jefferson Crain, proved  
to me on the basis of satisfactory evidence to be  
the person who appeared before me.

A large, stylized handwritten signature in dark ink is written over a horizontal line.

Signature of Notary

----- OPTIONAL INFORMATION -----

Date of Document October 14, 2008

Thumbprint of Signer

Type or Title of Document Reso of the BOE Authorizing the Preparation, Sale, Execution & Delivery of Not to Exceed \$14.5M of COPs, 2009 Series A (Food Svcs Proj) and the Preparation, Execution & Delivery of Docs Relating Thereto, Incl a Lease Agreement, a Site Lease, a Letter Agreement for Purchase & a Fiscal Agent Agreement, and Authorizing & Directing Certain Actions in Connection Therewith

Number of Pages in Document 4.

Document in a Foreign Language \_\_\_\_\_

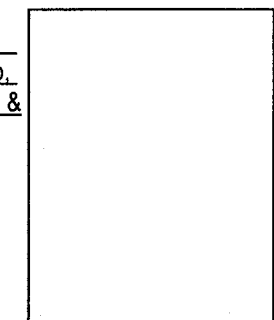
Type of Satisfactory Evidence:

- ☐ Personally Known with Paper Identification  
☒ Paper Identification  
☐ Credible Witness(es)

Capacity of Signer:

- ☐ Trustee  
☐ Power of Attorney  
☐ CEO / CFO / COO  
☐ President / Vice-President / Secretary / Treasurer  
☒ Other: Executive Officer of the Board

Other Information: Certified 5 Copies



\_\_\_\_ Check here if no  
thumbprint or fingerprint  
is available.

RESOLUTION

RESOLUTION OF THE BOARD OF EDUCATION  
AUTHORIZING THE PREPARATION, SALE, EXECUTION  
AND DELIVERY OF NOT TO EXCEED \$41,500,000 OF  
CERTIFICATES OF PARTICIPATION, 2009 SERIES A (FOOD  
SERVICES PROJECT), AND THE PREPARATION,  
EXECUTION AND DELIVERY OF DOCUMENTS RELATING  
THERE TO, INCLUDING A LEASE AGREEMENT, A SITE  
LEASE, A LETTER AGREEMENT FOR PURCHASE AND AN  
FISCAL AGENT AGREEMENT, AND AUTHORIZING AND  
DIRECTING CERTAIN ACTIONS IN CONNECTION  
THEREWITH

WHEREAS, the Los Angeles Unified School District (the "District") is a school district organized and existing under and pursuant to the Constitution and laws of the State of California (the "State"); and

WHEREAS, the District wishes to authorize the sale of Certificates of Participation, 2009 Series A (Food Services Project) (the "Certificates"), which Certificates shall evidence proportionate interests in the Lease Payments (as defined in the herein described Lease Agreement) and prepayments to be made by the District under the herein described Lease Agreement to finance certain equipment and capital improvements (collectively, the "Project"); and

WHEREAS, the District proposes to utilize the assistance of the LAUSD Financing Corporation, a nonprofit public benefit corporation duly organized and existing under the laws of the State (the "Corporation"), including, without limitation, the Nonprofit Public Benefit Corporation Law (Sections 5110 *et. seq.* of the State Corporations Code); and

WHEREAS, the District and the Corporation desire to facilitate the financing of the Project by entering into a Site Lease by and between the District and Corporation (the "Site Lease") pursuant to which the District will lease to the Corporation certain real property described in the Site Lease, together with the facilities and improvements thereon (collectively, the "Property"); and

WHEREAS, the District and the Corporation propose to enter into a Lease Agreement by and between the District and the Corporation (the "Lease Agreement") pursuant to which the Corporation will sublease the Property to the District and the District will pay Lease Payments to be evidenced and represented by the Certificates; and

WHEREAS, the Corporation proposes to assign without recourse certain of its rights under the Site Lease and the Lease Agreement, including all of its rights to receive the Lease Payments scheduled to be paid by the District pursuant to the Lease Agreement, to the herein



referenced Purchaser of the Certificates pursuant to an Assignment Agreement by and between the Corporation and the Purchaser (the "Assignment Agreement"); and

WHEREAS, the District proposes to sell the Certificates by negotiated sale pursuant to the terms of a Letter Agreement for Purchase (the "Purchase Agreement") by and between the District and Bank of America, N.A. or any of its affiliates (the "Purchaser"); and

WHEREAS, the District proposes to provide for the disposition of the proceeds of the sale of the Certificates pursuant to a Fiscal Agent Agreement, by and among the District, the Purchaser and a banking institution to be named therein; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State to exist, to have happened and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, it is resolved by the Board of Education of the Los Angeles Unified School District (the "Board") as follows:

Section 1.     Findings. The Board hereby specifically finds and declares that the above recitals are true and correct, that the actions authorized hereby the public affairs of the District, and that the statements, findings and determinations of the District set forth in the preambles of the documents approved herein are true and correct. The Board hereby declares its intention of entering into the Lease Agreement, the Site Lease, the Purchaser Agreement and the Fiscal Agent Agreement.

Section 2.     Authorization of Certificates. The Board hereby expresses its intention to cause the preparation, sale, execution and delivery of the Certificates, with a fixed interest rate in accordance with Section 6 hereof, in an amount not to exceed \$41,500,000, the proceeds of which will be used (i) to fund the Project and (ii) to pay the costs of issuance associated with delivery of the Certificates. The Certificates shall be designated as "Certificates of Participation, 2009 Series A (Food Services Project)," together with such other or additional designations as may be approved in accordance with Section 10 of this Resolution.

Section 3.     Site Lease. The form of the Site Lease presented to this meeting and on file with the Executive Officer of the Board (the "Executive Officer") is hereby approved. Each of the Chief Financial Officer and the Controller of the District and the authorized designees of such officers (collectively, the "Authorized Officers"), acting singly, is hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver to the Corporation said Site Lease in substantially said form, with such changes therein as such Authorized Officers may require or approve (including, but not limited to the designation of the Property to be subject to the Site Lease), such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4.     Lease Agreement. The form of the Lease Agreement presented to this meeting and on file with the Executive Officer is hereby approved. Each of the Authorized

Officers, acting singly, is hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver to the Corporation said Lease Agreement in substantially said form, with such changes therein as such Authorized Officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. Assignment Agreement. The Board hereby consents to the assignment by the Corporation of its rights, title, and interest under the Site Lease and the Lease Agreement, including the right to receive Lease Payments to be made by the District pursuant to the Lease Agreement, to the Purchaser pursuant to the Assignment Agreement.

Section 6. Purchase Agreement. The form of Purchase Agreement presented to this meeting and on file with the Executive Officer is hereby approved. In connection with the execution, sale and delivery of the Certificates, each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver to the Purchaser the Purchase Agreement in substantially said form as such Authorized Officer may require or approve (including, but not limited to, preparation of separate contracts of purchase for each series of Certificates), such approval to be conclusively evidenced by the execution and delivery thereof, *provided, however*, that (i) the maximum interest rate with respect to the Certificates shall not be in excess of 6.25% per annum, except that any Lease Payment installment that is not paid when due may bear interest at a maximum interest rate not to exceed 12.00% or such lesser maximum rate required by law, (ii) the costs of issuance associated with delivery of the Certificates does not exceed \$500,000 and (iii) the aggregate principal amount of the Certificates does not exceed \$41,500,000.

Section 7. Fiscal Agent Agreement. The form of the Fiscal Agent Agreement presented to this meeting and on file with the Executive Officer is hereby approved. Each of the Authorized Officers, acting singly, is hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver to the Corporation said Fiscal Agent Agreement in substantially said form, with such changes therein as such Authorized Officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 8. Attestations. The Executive Officer or persons as may have been designated by the Chief Financial Officer are hereby authorized and directed to attest to the signatures of the Authorized Officers, and to affix and attest to the seal of the District, as may be required or appropriate in connection with the execution and delivery of the Certificates, the Lease Agreement, the Site Lease, and the Purchase Agreement.

Section 9. Notice to California Debt and Investment Advisory Commission. This Board of Education hereby authorizes and directs the Authorized Officers to cause notices of the proposed sale and final sale and itemized costs of issuance of the Certificates to be filed in a timely manner with the California Debt and Investment Advisory Commission pursuant to California Government Code Section 8855.

Section 10. Other Actions. The Authorized Officers are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents that they may deem necessary or advisable (including, but not limited to the pledge of additional assets of the District to secure lease payments and the purchase of title insurance) in

order to consummate the sale, execution and delivery of the Certificates and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution and the Certificates, the Lease Agreement, the Site Lease, the Purchase Agreement and the Fiscal Agent Agreement, including but not limited to any certifications. All actions heretofore taken by such Authorized Officers and all other officers and agents of the Board with respect to the Certificates are hereby ratified, confirmed and approved.

Section 11. Effect. This Resolution shall take effect immediately upon its adoption.

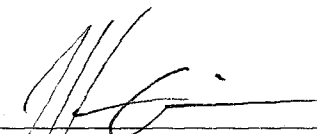
PASSED AND ADOPTED this 22<sup>nd</sup> day of September 2009 by the following vote:

AYES: 6

NOES:

ABSTENTIONS:

ABSENT: 1

  
\_\_\_\_\_  
Executive Officer of the Board of Education  
of the Los Angeles Unified School District