

LOS ANGELES UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION REVISED REPORT NO. 65-05/06

Facilities Services Division
for presentation to the Board of Education on September 27, 2005
via Facilities Committee

SUBJECT: 2004 – 2005 QUALIFIED ZONE ACADEMY BONDS (QZAB 2005)

A. PROPOSAL

It is proposed that the Board of Education adopt the attached Resolution (Attachment A):

- i. authorizing the issuance of up to \$10 million in 2004– 2005 zero interest Qualified Zone Academy Bonds (QZAB) in the form of Certificates of Participation in one or more series;
- ii. authorizing the Chief Financial Officer to approve and execute the necessary financing documents and to enter into agreements with Bond Counsel, Financial Advisors, Placement Agent, Trustees, and other financial financing team members;
- iii. approving the forms of such documents; and
- iv. authorizing and directing certain other actions in connection therewith.

B. BACKGROUND

The QZAB program was enacted as part of the Federal Taxpayer Relief Act of 1997. The program is designed to encourage the formation of partnerships between public schools and local businesses by authorizing the issuance of tax credit bonds. The bonds must be repaid within the time period specified by the U.S. Treasury Department at the time of the issuance of the bonds (currently 16 years). The intent of the program is to enhance the academic curriculum and increase graduation and employment rates.

In December of 2004, Facilities Support Services conducted a formal solicitation process that afforded all eligible District Senior High Schools and Charter Schools the opportunity to apply for zero interest QZAB funded projects. Of 79 Notices of Interest received by the District from 33 different schools, 39 formal proposals were submitted to Facilities Grants Procurement Research and Analysis totaling \$77.4 million dollars. These proposals were reviewed and rated by a Steering Committee consisting of representatives from Facilities Grants and Funding, the Information Technology Branch, the Career Development Unit and representatives from the Local Districts and Existing Facilities. Nine school academy project applications were selected by the Committee and submitted to the California Department of Education.

On April 28, 2005, the State of California officially authorized the Los Angeles Unified School District to issue \$10,000,000 worth of tax credit bonds for the purpose of modernizing areas of the nine schools to accommodate existing or planned academy programs that address student career pathway/higher education interests.

C. POLICY IMPLICATIONS

No State or District policy changes will be made by this action.

D. BUDGET IMPLICATIONS

These projects will be funded by zero interest tax credit bonds that must be issued by October 28, 2005. The Debt Service on zero interest QZABs must be repaid within the time period specified by the U.S. Treasury Department at the time of the issuance of the bonds (currently 16 years). State Modernization funds will be used to finance the payments by deposits made into a sinking fund and using the interest earned over the period of time the QZABs are outstanding to pay the zero interest QZAB debt. These requirements have been included in the anticipated revenue of the District's Budget. No general fund monies will be used to service or pay the debt.

E. DESEGREGATION IMPACT STATEMENT

This action does not require a desegregation impact statement.

F. FACILITIES COMMITTEE RECOMMENDATIONS

The Facilities Committee at its September 15, 2005 meeting recommended approval of the above action(s) and the placement of this report on the receipt calendar of the Order of Business for the September 27, 2005 Board Meeting.

	AYES	NOES	ABSTAIN	ABSENT
Mike Lansing	X			
Jose Huizar				X
Marguerite P. LaMotte				X
David Tokofsky				X
TOTAL	1			3

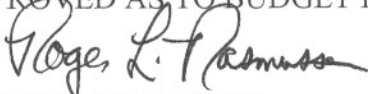
G. RECOMMENDATION

It is recommended that the Board of Education adopt the attached Resolution:

- i. authorizing the execution and delivery of certain transaction documents relating to the issuance of up to \$10 million in 2004– 2005 zero interest Qualified Zone Academy Bonds (QZAB) in the form of Certificates of Participation in one or more series to be repaid by State Facilities program funding, and interest generated from investment of these funds into a sinking fund;
- ii. authorizing the Chief Financial Officer to approve and execute the necessary financing documents and to enter into agreements with Bond Counsel, Financial Advisors, Placement Agent, Trustees, and other financial financing team members; and,
- iii. approving the forms of such documents; and
- iv. authorizing and directing certain other actions in connection therewith.

Respectfully submitted,
ROY ROMER
Superintendent of Schools


APPROVED AS TO BUDGET IMPLICATIONS:


ROGER RASMUSSEN
Budget Director

PREPARED BY:

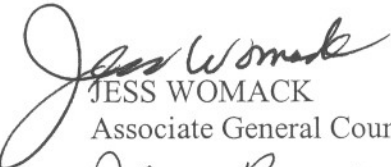

JENA GLYMPH-WILLIAMS
Administrative Analyst


APPROVED BY:

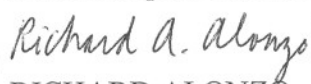

GARY RAINWATER
Director, Facilities Support Services

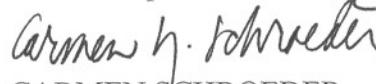

BRUCE KENDALL
Deputy Chief Facilities Executive,
Existing Facilities

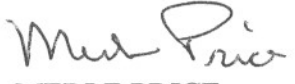
APPROVED BY:

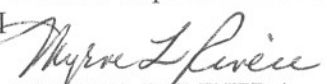

JESS WOMACK
Associate General Counsel II

JEAN BROWN
District Superintendent #1


SUE SHANNON
District Superintendent #2

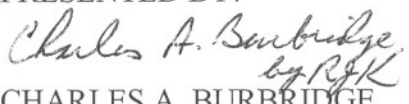

RICHARD ALONZO
District Superintendent #4


CARMEN SCHROEDER
District Superintendent #5


MERLE PRICE
District Superintendent #6


MYRNA L. RIVERA
District Superintendent #8

PRESENTED BY:


CHARLES A. BURBRIDGE
Chief Financial Officer


JAMES MC CONNELL
Chief Facilities Executive

ATTACHMENT A

RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS RELATING TO THE SALE AND DELIVERY OF NOT TO EXCEED \$10,000,000 OF 2005 CERTIFICATES OF PARTICIPATION (2004-05 QUALIFIED ZONE ACADEMY BONDS PROJECT) 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 has been granted authorization from the State of California Superintendent of Public Instruction to issue securities in an aggregate principal amount not to exceed \$10,000,000 in accordance with the qualified zone academy bonds tax credit program found in Section 1397E of the Internal Revenue Code of 1986, as amended (the "QZAB Program"), and the State regulations to finance certain projects at qualified zone academies within the District;

WHEREAS, the District is an eligible "local education agency" within the meaning of the QZAB Program;

WHEREAS, pursuant to the QZAB Program, the District intends to designate the schools listed in Exhibit A hereto, as "qualified zone academies" within the meaning of the QZAB Program;

WHEREAS, pursuant to the QZAB Program, the District has received sponsorship commitment letters from various private business entities pursuant to which said private business entities will agree to contribute goods and/or in kind services to the District's Academies (described below);

WHEREAS, the District and the LAUSD Financing Corporation (the "Corporation") desire to facilitate the financing of projects qualified under the QZAB Program by entering into a Site Lease (as described below), pursuant to which the District will lease to the Corporation real property (as described in the Site Lease), together with the facilities and improvements thereon (the "Property");

WHEREAS, the Corporation and District propose to enter into a Lease Agreement (as described below), 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 (defined below);

WHEREAS, it is contemplated that certificates of participation to be designated "2005 Certificates of Participation (2004-05 Qualified Zone Academy Bonds Project)" (the "Certificates") evidencing proportionate undivided interests of the owners thereof in the lease

payments (to be made on either a semi-annual or an annual basis) due under the Lease Agreement will be executed and delivered pursuant to a Trust Agreement (as described below);

WHEREAS, in connection with the execution and delivery of the Certificates, the Board of Education (the "Board") desires to place the District's lease payment obligations with respect to the Certificates on a cash-flow basis that will reduce the amount of payment by the District and result in a lower cost of borrowing to the District and, therefore, desires to enter into one or more investment contracts to accomplish such purpose;

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 as follows:

SECTION 1. Findings. The Board hereby specifically finds and declares that the actions authorized hereby constitute and are true and correct with respect to 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, and the Board hereby declares its intention of entering into the Lease Agreement described in Section 4 hereof.

SECTION 2. Authorization and Designation of Certificates. The Board hereby expresses its intention to cause the preparation, sale and delivery to a purchaser (the "Purchaser") to be designated by the Authorized Officers (as described below) of Certificates in an amount not to exceed \$10,000,000, the net proceeds of which will be used for projects approved under the QZAB Program. The Board hereby designates the Certificates as "Qualified Zone Academy Bonds" within the meaning of the QZAB Program.

SECTION 3. Designation of Academies. The Board hereby authorizes either of the Chief Financial Officer of the District, or his or her designee, or the Controller of the District, or his or her designee (each individually, an "Authorized Officer" and, together, the "Authorized Officers") to designate the schools listed in Exhibit A hereto as a "qualified zone academy" within the meaning of Section 1379E of the Internal Revenue Code of 1986, as amended (each, an "Academy" and, together, the "Academies").

In this regard, the Board has determined that:

- (a) each Academy (or program within an Academy) is located within the jurisdiction of the District and is operated under the supervision of the Board to provide education and training below the post-secondary level;
- (b) each Academy (or program within an Academy) has been and will be designed in cooperation with business to enhance the academic curriculum, increase

graduation and employment rates, and better prepare students for the rigors of college and the increasingly complex workforce;

- (c) the students in each Academy (or program within an Academy) will be subject to the same academic standards and assessments as other students educated by the District;
- (d) the comprehensive education plan for each Academy (or program within an Academy) has been approved by the Board; and
- (e) the District reasonably expects that, on the reasonably expected date of issuance of the Certificates, at least 35% of the students attending each Academy (or participating in a program within an Academy) will be eligible for free or reduced-cost lunches under the District's school lunch program established under the National School Lunch Act.

SECTION 4. Lease Agreement. The form of the Lease Agreement (the "Lease Agreement"), presented to this meeting and on file with the Executive Officer of the Board (the "Executive Officer") is hereby approved. Either of the Authorized Officers 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 Officers may require or approve (including, but not limited to the designation of the Property to be subject to the Lease Agreement), such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 5. Trust Agreement. The form of the Trust Agreement (the "Trust Agreement"), among the District, the Corporation and the trustee named in the Trust Agreement (the "Trustee"), presented to this meeting and on file with the Executive Officer, is hereby approved, including specifically the investment of monies in Permitted Investments as described therein. Either of the Authorized Officers is hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver to the Corporation and the Trustee said Trust 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. The Trustee is requested to execute and deliver Certificates in the form attached to the Trust Agreement, which Certificates may be interest bearing or non-interest bearing.

SECTION 6. Site Lease. The form of the Site and Facilities Lease (the "Site Lease"), between the Corporation and the District, presented to this meeting and on file with the Executive Officer, is hereby approved. Either of the Authorized Officers is hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver to the District said Site Lease 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 7. Assignment. The Board hereby consents to the assignment by the Corporation of its rights, title, and interest under the Lease Agreement, including the right to

receive lease payments to be made by the District, to the Trustee for the benefit of the owners of the Certificates.

SECTION 8. Placement Memorandum. The Authorized Officers are hereby authorized and directed to prepare or cause to be prepared a placement memorandum describing the Certificates (the "Placement Memorandum"), it being understood that the Certificates may be sold without a Placement Memorandum, at the discretion of the District's financial advisor and with the consent of an Authorized Officer. If a Placement Memorandum is prepared, the District's financial advisor is hereby directed to deliver copies of the Placement Memorandum to all actual purchasers of the Certificates.

SECTION 9. Certificate Purchase Agreement. The form of the Certificate Purchase Agreement (the "Certificate Purchase Agreement"), among the District, the Corporation and the Purchaser, presented to this meeting and on file with the Executive Officer, is hereby approved. Either of the Authorized Officers is hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver to the District said Certificate Purchase 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 10. Qualified Contributions to the Academies; Delegation of Authority. The Authorized Officers are hereby authorized and directed, jointly and severally, to specify and approve on behalf of the Board private business contributions made by private business entities with respect to the Academies as "Qualified Contributions" within the meaning of Section 1397E(d)(2) of the Internal Revenue Code of 1986, as amended.

SECTION 11. Findings Relating to Investment Contracts. Pursuant to Section 5922(a), the Board hereby finds that, in connection with the District's lease payment obligations with respect to the Certificates:

(a) it is necessary from time to time to enter into contracts to place the District's lease payment obligations with respect to the Certificates on a cash-flow basis that will reduce the amount of payment by the District; and

(b) entering into an investment contract, which will take the form of a forward supply agreement, with respect to the District's existing funds that are intended to be used for payment of the District's lease payments is designed to reduce the amount of lease payments due by the District under the Lease Agreement and, thereby, result in a lower cost of borrowing to the District.

SECTION 12. Authorization of Investment Contracts. The Board hereby authorizes the Authorized Officers to enter into, extend, renew or terminate from time to time investment contracts containing such payment, security, default, remedy and other terms and conditions as such Authorized Officers, acting jointly, shall approve and as shall be consistent with this Resolution, provided that the provider of any such investment contract shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating agency.

SECTION 13. 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 Trust Agreement and the Site Lease.

SECTION 14. 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 Trust Agreement and the Site Lease, including but not limited to: (a) any certifications and (b) any investment agreements. Such actions heretofore taken by such Authorized Officers are hereby ratified, confirmed and approved.

SECTION 15. Effect. This Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED this _____ day of _____, 2005 by the following
vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

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

EXHIBIT A

Qualified Zone Academies

Banning Senior High School – Banning Academy of Hospitality and Culinary Arts
Belmont Senior High School – Academy of Multimedia
Fairfax Senior High School – Health and Sports Sciences Career Academy
Francis Polytechnic Senior High School – Fine Arts, Media and Entertainment Academy
Hollywood Senior High School – Culinary Arts Academy
Huntington Park Senior High School – Law Enforcement Career Academy
Monroe Senior High School – Media and Performing Arts Academy
Van Nuys Senior High School – Manufacturing Academy-CA Partnership Academy
Wilson Senior High School – Transportation Career Academy