



## **CSDA Finance Corporation - Frequently Asked Questions**

### ***What is the CSDA Finance Corporation?***

The CSDA Finance Corporation is a non-profit public benefit corporation formed by the California Special District Association (CSDA) to provide its members with affordable, tax-exempt financing for purchases and projects essential to district operations.

### ***Why should we choose the CSDA Finance Corporation over other companies?***

For more than 20 years, the CSDA Finance Corporation has been dedicated to serving the public financing interests of special districts. Our board of directors is composed of managers and directors of special districts representing each of the six California regions served by CSDA. Our experienced financial and legal consultants are specialists in special district financing, having facilitated the funding of more than \$750 million in capital projects and equipment for nearly 100 special districts. We understand special districts, and being responsive to your needs and concerns is our top priority.

### ***What are the advantages of tax-exempt financing?***

Tax-exempt financing represents one of the lowest-cost funding alternatives available to special districts. Because of the tax-exempt status of special districts, their interest payments related to the financing obligations of eligible projects are exempt from State and Federal income taxes. The result is that investors (lenders) are willing to accept a lower return on their capital since their interest receipts are not subject to State and Federal income taxes. This results in lower interest rates to CSDA's members.

In addition to being more cost-effective, tax-exempt financing allows your district to:

- Retain district reserves for other purposes
- Avoid a "phased" approach to constructing projects, as often dictated by pay-as-you-go alternative
- Leverage future revenues to fund current capital costs
- Preserve balance sheet liquidity and possibly even improve the district's credit profile

### ***What kind of financing programs does the CSDA Finance Corporation offer?***

Lease/purchase financing for equipment, refinancing of existing loans, and capital projects

- Extremely well recognized funding alternative (last year more than \$5 billion of these loans were originated in California)
- Ability to fund very large projects
- Low transaction costs and all costs can be funded from loan proceeds
- Simplified documentation
- Prompt delivery of funds
- Minimal requirement of district staff resources
- Customized financing plans
- Expert execution

### ***What kind of projects can tax-exempt financing be used for?***

Over the years, the CSDA Finance Corporation has financed a wide variety of equipment purchases, loan refinancing, property acquisitions, and capital improvement projects. Some of these include:

- Upgrades to water treatment and distribution systems
- Land acquisitions for parks, cemeteries, and many other types of districts
- Construction of district headquarters and other facilities
- Installation of solar power systems
- Purchases of fire engines, ambulances, trucks, and other specialized vehicles
- Refinancing of prior debt

Tax-exempt financing cannot be used to cover operating expenses.

***What size financings are available, and what terms?***

There are no limits to the amount of financing available through the CSDA Finance Corporation. In general, the amount is limited by the district's budgetary ability to afford the resulting debt service. The length of each loan is dependent upon the "life span" of the asset(s) being financed. Financing terms range from five to thirty years.

***What fees or transaction costs are involved?***

Fees are generally quoted in terms of a percentage of the requested loan amount and range from 1.00% to 3.00% depending upon the particular features and circumstances of each loan.

***How quickly will the funds become available?***

For districts that have been strategically positioning themselves in anticipation of the financing process, funds can become available within 60-90 days. In some circumstances financings have closed in less than 45 days.

***What can we do to position our district for financing?***

In the current economic environment, lenders focus on the underlying financial strength of the district more than ever before in recent history. When a district applies for financing through the CSDA Finance Corporation, it will need to supply its last three years of audited financial statements (as well as any existing interim financials) and its current year budget.

Lenders look for the following traits, characteristics, and patterns in determining whether a district is credit-worthy:

- Strong management and leadership, particularly as demonstrated by a proven willingness to methodically: increase rates and charges in anticipation of funding mission-critical capital improvements; and, fund depreciation/ renewal & replacement
- History of managing balanced financial operations and avoiding year-over-year structural deficits
- Ability to increase rates & charges
- Balance sheet liquidity, i.e. the ability to convert balance sheet assets in to cash in order to pay for unexpected obligations

Districts that are best positioned to seek financing have been thoughtful and strategic (proactive versus reactive) in the planning for the anticipated acquisition or construction project. They are able to clearly, coherently, and concisely articulate the importance of the project to the district's mission and the accompanying plan for handling the related financing obligations.

***Is membership in California Special Districts Association required?***

To pursue tax-exempt financing through the CSDA Finance Corporation and have access to our team of financial consultants, your district should be a current member of CSDA.

***What if I still have questions?***

Please contact Cathrine Lemaire, Program Manager, at 877-924-2732 or [cathrine@csda.net](mailto:cathrine@csda.net). You can also visit our website at [www.csdafinance.net](http://www.csdafinance.net).

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