



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

Date: May 1, 2015
To: Local Note Counsel and potential PSA SAN borrowers
From: John Barton, Director, Authority Finance Division
RE: Michigan Finance Authority's August 2015 PSA SAN Program

The Michigan Finance Authority's (MFA) Public School Academy State Aid Note (PSA SAN) Program provides economic benefits through reduced borrowing costs to the Public School Academies (PSAs) participating in the loan pools. To date, the annual PSA SAN Program has successfully provided more than \$400 million in short-term cash flow to Michigan academies.

Below is a summary of our 2015 PSA SAN Program parameters.

- 1) The overall borrowing limit will be 40% of available state aid.
 - a. Available state aid is measured as the lesser of 2014-15 actual (as shown on the May 2015 State Aid Status Report) or 2015-16 budgeted.
 - b. PSAs borrowing in either the tax-exempt or taxable pools will be sized according to tax-exempt working capital regulations.
- 2) To be eligible to participate in the program, a PSA must meet the following requirements:
 - a. The PSA must have at least three years of operating history (two audits).
 - b. The Charter expiration date must be on or after June 30, 2016.
 - c. The lease agreement, if applicable, must expire on or after June 30, 2016.
 - d. The management agreement, if applicable, must expire on or after June 30, 2016.
 - e. For PSAs that did not participate in last year's Program, enrollment must be at least 100 students. This is the lesser of 2014-15 actual enrollment or 2015-16 projected enrollment.

- 3) Minor exceptions to the above may be considered on a case-by-case basis.
- 4) All PSAs will have 11 equal set-aside payments, October through August. The MFA will review and approve, if appropriate, subordinate state aid notes issued by Program participants.

Application materials for the 2015 PSA SAN Program are expected to be available late May on the MFA's website (<http://www.michigan.gov/mfa>). As a reminder, PSA's application (Part I and Part II) must be submitted by local note counsel. For questions related to the changes to the MFA's 2015 PSA SAN Program, please contact James Park at parkj1@michigan.gov or at (517) 335-4763.

cc: Mary Martin, Director of Bureau of State and Authority Finance
Jeanet Kulcsar, Bureau of State and Authority Finance