

\$12,000,000
CALIFORNIA SCHOOL FINANCE AUTHORITY
SCHOOL FACILITY REVENUE BONDS
(ICEF – VIEW PARK HIGH SCHOOL),
SERIES 2013A AND SERIES 2013B (TAXABLE)
EXECUTIVE SUMMARY
RESOLUTION 13-22

Borrower:	Crenshaw & Slauson LLC (Borrower)
Project User:	Inner City Education Foundation, a California nonprofit public benefit corporation (ICEF), doing business as View Park Preparatory Accelerated Charter High School (School)
Loan Amount:	Not to exceed \$12,000,000
Expected Issuance:	June 19, 2013
Project:	The bond proceeds will be used by the Borrower to purchase the property from PCSD 57th & Crenshaw LLC, and for construction, expansion, remodeling, renovation, improvement, furnishing and equipping the property
Bond Type:	Educational Facility Revenue Bonds (Taxable and Tax Exempt Series) (the Bonds)
Project Location:	5701 through 5749 South Crenshaw Boulevard, Los Angeles, California
County:	Los Angeles
District in which Project is Located:	Los Angeles Unified School District
Charter Authorizer:	Los Angeles Unified School District
Est. Annual Payment:	Approximately \$735,000
Expected Rating:	BB-
Structure:	Term Bonds maturing in 2016 (Taxable) and 2043 (Tax Exempt)
Sale Method:	Limited Public Offering
Underwriter:	B.C. Zeigler and Company
Bond Counsel:	Fox Rothschild LLP

I. Background

Crenshaw & Slauson LLC, Inc. (Borrower) is requesting conduit bond financing, not to exceed \$12 million to finance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of educational facilities (Facility) and (ii) pay certain costs of issuance of the Series 2013 Bonds. The Facility will be acquired, constructed, expanded, remodeled, renovated, improved, furnished and equipped by Crenshaw & Slauson LLC in conjunction with the Inner City Education Foundation (ICEF), doing business as View Park Preparatory Accelerated Charter High School (School). The Borrower will lease the Facility to ICEF for use as the School, one of the schools operated by ICEF Public Schools. ICEF Public Schools is a DBA for the charter management organization known as Inner City Education Foundation. ICEF intends the lease be an operating lease for accounting purposes. Therefore, the lease may be for an initial term shorter than the term of the Bonds. However, the lease will include term extensions available to ICEF that extend through the term of the Bonds.

II. The Project User and the Borrower

The mission of ICEF is to prepare all students to attend and compete at the top 100 colleges and universities in the nation. ICEF operates 14 schools educating 4,200 students in grades K through 12. ICEF was the first charter management organization in Los Angeles and has become a leader in California for raising African-American achievement and closing the achievement gap. ICEF serves an 82 percent African-American and 16 percent Hispanic student population with over 80 percent of students eligible for the federal free and reduced price lunch program, a nationally recognized measure of economic poverty.

In 2012, 98 percent of their seniors that started the 2011-12 school year with ICEF graduated from high school, and 99 percent of these students have been accepted to college—more than 92 percent of them to four-year universities. According to ICEF, more than 50 percent of high school students drop out of more traditional public schools in the neighborhood, and less than 10 percent of the students who graduate from those high schools go on to graduate from college. ICEF started with the proposition that every student must be accepted into and competitive in college.

In addition to academic rigor, ICEF provides students with rich extracurricular offerings. ICEF gives students the opportunity to participate in athletics and an outstanding performing and visual arts program that enriches and supports their academic experience. At ICEF, music, dance, sports, and drama are not options “extras.”

The School was originally granted a five-year charter by LAUSD on March 11, 2003 to serve 400 students in grades 9-12. LAUSD approved the renewal of the Charter, with an increased enrollment of 500 students, on July 8, 2008. The School is currently serving approximately 419 students. The School proposes to increase its enrollment in 2013-14 to 600 students in grades 9-12.

The School has established a high school program and culture dedicated to ensuring that all of its students are college-bound. The School's academic program requires its graduates to meet the University of California/California State University A-G college entrance requirements. The School not only consistently achieves an exemplary graduation rate (91% in 2011-12) but also prides itself on its students' college attendance record. The School reports that in 2011-12 100% of its graduates were accepted into four-year universities, with 90% actually attending a university program. The remaining 10% opted to attend two-year colleges.

III. Financial Structure

The Authority will issue Tax Exempt and Taxable School Facility Revenue Bonds in one or more series (collectively referred to as the Bonds). The Authority will loan the proceeds of the Bonds to the Borrower to acquire, construct, expand, remodel, renovate, improve, furnish and equip the Facility in conjunction with the School. The Facility will be used only by the School during the term of the lease by the Borrower to ICEF, but in any event may be used only by a public charter school. The repayments of the bonds will be made primarily from the Controller's intercept of School funding. However, the Borrower is, in any event, obligated to make sufficient loan repayments to cover the Bond payments if the intercepted funds are insufficient. The Borrower is expected to receive a corresponding amount in lease payments from ICEF.

The Bonds will be dated on the date of delivery, will be in authorized denominations of \$100,000 and any integral multiple \$5,000 in excess thereof, and currently are expected to mature on June 1 of 2016 (Taxable) and 2043 (Tax exempt), with mandatory sinking fund payments prior to maturity. The Bonds are expected to bear interest payable semi-annually on July 1 and January 1 of each year, commencing on January 1, 2014, until maturity or earlier redemption. Bond transfers will be restricted to Qualified Institutional Buyers. Bond annual debt service payments are expected to be approximately \$735,000.

IV. Security and Source of Payment

The Bonds are limited obligations payable through the intercept of the Borrower's revenue limit, block grant and categorical block grant apportionments pursuant to California Education Code, Section 17199.4(a) and a pledge of the gross revenues of the Borrower. In addition, the property will be subject to a deed of trust for security on the bonds. No interest in separate facilities will be used to support the bonds. The Borrower is expected to use its \$738,750 award under CSFA's Charter School Facilities Credit Enhancement Grant Program to fund a debt service reserve fund for the Bonds.

V. Preliminary Sources and Uses

Tax-Exempt Term Bond	\$ 9,595,000.00
Taxable Term Bond	\$ 270,000.00
Debt Service Reserve Fund Contribution	<u>\$ 734,218.75</u>
Total Sources	\$ 10,599,218.75
Project Costs	\$ 9,400,000.00
Debt Service Reserve Fund	\$ 734,218.75
CSFA Initial Fee	\$ 14,797.50
CSFA Application Fee	\$ 1,500.00
Legal Fees	\$ 160,000.00
Title Insurance	\$ 29,595.00
Rating	\$ 27,500.00
Appraisal	\$ 5,000.00
Environmental Study	\$ 5,000.00
Trustee Fee	\$ 5,000.00
Printing	\$ 5,000.00
Miscellaneous	\$ 10,000.00
Total Cost of Issuance	\$ 263,392.50
Underwriter's Discount	\$ 197,300.00
Additional Proceeds	<u>\$ 4,307.50</u>
Total Uses	\$ 10,599,218.75

VI. Project Description

The Borrower will purchase the property from PCSD 57th & Crenshaw LLC, a California limited liability company. The sole member of the Borrower is an affiliate of PCSD 57th & Crenshaw LLC. The purchase price is \$9,400,000, with closing scheduled for June 30, 2013. The property consists of two 2-story structures (modular buildings) located at the northeast and southeast portions of the site. Site improvements include open asphalt and concrete paved areas, a basketball court, perimeter 8' high concrete block fencing and entry gates. There is an open landscaped courtyard and children play areas with 62 marked asphalt paved parking spaces. The property currently houses View Park Preparatory Accelerated Charter Middle School and the School. However, beginning fall of 2013, View Park Preparatory Accelerated Charter Middle School will be relocated to a Proposition 39 site, which will allow the School to grow to its full capacity of 650 students.

VII. Borrower Financial Data

Attached at Exhibit A is a schedule of the ICEF's 5 year budget and View Park Preparatory Accelerated Charter High School 5 year budget.

VIII. Due Diligence Undertaken to Date

No information was disclosed to question the financial viability or legal integrity of the Borrower. Standard opinions of counsel (i.e., that the borrowing entity has been duly organized, is in good standing, has the full authority to enter into all documents which are valid and binding, etc.) will be delivered at closing.

IX. Staff Recommendation

Staff recommends CSFA approve Resolution Number 13-22 in an amount not to exceed \$12,000,000 for Crenshaw & Slauson LLC subject to final financing terms acceptable to CSFA.

Exhibit A
5 Year Budget Projections
Inner City Education Foundation

	12-13 FORECAST	13-14 BUDGET Estimate	14-15 BUDGET Estimate	15-16 BUDGET Estimate	16-17 BUDGET Estimate
INCOME					
Apportionment Revenue	16,241,171	17,790,211	20,406,308	22,766,148	25,818,870
Categorical Revenue	2,416,356	2,485,743	2,820,915	3,140,007	3,499,678
Property Tax Revenue	5,448,113	5,828,034	6,473,318	6,973,239	7,593,273
Other State Revenue	6,573,984	6,080,529	6,990,565	7,322,956	7,785,812
Federal Revenue	3,393,738	3,216,225	3,496,003	3,713,482	3,972,078
Other Local Revenue	2,489,503	1,210,885	1,212,462	1,213,600	1,216,412
TOTAL INCOME	36,562,865	36,611,627	41,399,571	45,129,433	49,886,123
EXPENSE					
Instructional Services	23,442,427	25,493,088	28,394,316	30,975,974	34,027,329
Supporting Services	7,888,826	8,061,420	8,211,226	8,618,555	9,299,617
Management and General	1,888,590	1,622,800	1,660,126	1,709,930	1,761,228
TOTAL EXPENSES	33,219,844	35,177,308	38,265,669	41,304,459	45,088,173
NET INCOME	3,343,021	1,434,319	3,133,902	3,824,975	4,797,950
Ending Cash Balance	312,474	964,241	460,583	792,450	4,771,455
Reserve 5%	1,660,992	1,758,865	1,913,283	2,065,223	2,254,409

5 Year Budget Projections
View Park Preparatory Accelerated Charter High School

	12-13 FORECAST	13-14 BUDGET Estimate	14-15 BUDGET Estimate	15-16 BUDGET Estimate	16-17 BUDGET Estimate
INCOME					
8011-8096 · General Purpose Block Grant	\$ 2,415,255.30	\$ 3,824,785.50	\$ 3,939,232.57	\$ 4,033,774.15	\$ 4,142,686.05
8100-8290 · Other Federal Income	\$ 238,987.78	\$ 317,199.23	\$ 319,146.98	\$ 319,146.98	\$ 319,146.98
8300-8599 · Other State Income	\$ 817,846.32	\$ 1,086,200.53	\$ 1,309,796.83	\$ 1,323,640.74	\$ 1,334,332.08
8600-8690 · Other Income-Local	\$ 1,294.52	\$ 2,167.20	\$ 2,184.00	\$ 2,184.00	\$ 2,184.00
8699-8699 · Grants/Fundraising	\$ 155,500.00	\$ -	\$ -	\$ -	\$ -
TOTAL INCOME	\$ 3,628,883.92	\$ 5,230,352.46	\$ 5,570,360.38	\$ 5,678,745.87	\$ 5,798,349.12
EXPENSE					
1000 · Certificated Salaries	\$ 1,169,742.79	\$ 1,645,195.94	\$ 1,852,377.17	\$ 1,887,283.52	\$ 1,926,132.01
2000 · Classified Salaries	\$ 279,787.91	\$ 361,822.52	\$ 376,573.72	\$ 395,146.54	\$ 403,049.47
3000 · Employee Benefits	\$ 310,237.07	\$ 470,923.89	\$ 537,677.32	\$ 571,360.49	\$ 605,934.37
4000 · Student Supplies	\$ 163,286.53	\$ 333,487.42	\$ 325,029.58	\$ 315,140.60	\$ 320,436.42
5000 · Operating Services	\$ 891,997.37	\$ 1,465,494.12	\$ 1,389,129.49	\$ 1,383,425.98	\$ 1,380,814.94
6000 · Capital Outlay	\$ 8,799.69	\$ 18,000.00	\$ 18,000.00	\$ 18,000.00	\$ 18,000.00
7000 · Other Outgo	\$ 403,853.96	\$ 575,772.98	\$ 611,472.97	\$ 623,359.74	\$ 636,516.10
TOTAL EXPENSES	\$ 3,227,705.33	\$ 4,870,696.86	\$ 5,110,260.26	\$ 5,193,716.88	\$ 5,290,883.32
NET INCOME	\$ 401,178.59	\$ 359,655.60	\$ 460,100.11	\$ 485,029.00	\$ 507,465.80
Ending Cash Balance	\$ 1,724,166.21	\$ (345,326.79)	\$ 701,863.92	\$ 1,250,521.47	\$ 1,767,451.06
Reserve 5%	\$ 161,385.27	\$ 243,534.84	\$ 255,513.01	\$ 259,685.84	\$ 264,544.17