

\$10,750,000
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(ALLIANCE MARGARET M. BLOOMFIELD TECHNOLOGY ACADEMY HIGH
SCHOOL PROJECT)
SERIES 2013
(TAXABLE QUALIFIED SCHOOL CONSTRUCTION BONDS - DIRECT SUBSIDY)
EXECUTIVE SUMMARY

RESOLUTION 13-23

Borrower: 7907 Santa Fe Avenue Charter Facilities LLC

Project User: Alliance College-Ready Public Schools, a California nonprofit public benefit corporation (Alliance), doing business as Alliance Margaret M. Bloomfield Technology Academy High School

Loan Amount: Not to exceed \$10,750,000

Expected Issuance: June 15, 2013

Project: The proceeds of the Bonds will be used by the borrower to acquire the land located at 7907 Santa Fe Avenue, Los Angeles County, California and to construct, furnish and equip charter school facilities to be owned by 7907 Santa Fe Avenue Charter Facilities LLC and leased to Alliance Margaret M. Bloomfield Technology Academy High School (the "Project").

Bond Type: Qualified School Construction Bonds (Taxable and Direct Subsidy)

Project Location: 7907 Santa Fe Avenue, Huntington Park CA 90255

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 \$682,500

Expected Rating(s): Non-rated

Structure: Direct Subsidy Qualified School Construction Bonds with a final principal payment date not to exceed the date set by the Fed (currently 25 years)

Sale Method: Privately Placed with Local Initiatives Support Corporation (LISC), Low Income Investment Fund (LIIF), and Nonprofit Finance Fund (NFF)

Placement Agent: Robert W. Baird & Co.

Bond Counsel: Ballard Spahr LLP

I. Background

7907 Santa Fe Avenue Charter Facilities LLC (“Borrower”) is requesting conduit Qualified School Construction Bond (QSCB) financing, not to exceed \$10,750,000 to finance the acquisition, construction, and equipping of educational facilities (“Facility”) and (ii) pay certain costs of issuance of the Series 2013 Bonds. The facility will be acquired, constructed, and equipped by the Borrower and leased to Alliance Margaret M. Bloomfield Technology Academy High School (“Charter School”). The Borrower will lease the Facility to Alliance for use as the Charter School.

II. The Project User and Borrower

Alliance Margaret M. Bloomfield Technology Academy High, a public charter school will serve 600 grade 9 – 12 students in the South Los Angeles community on a 190-day, single track, non-year-round calendar. The first official year of regular instruction for the 2014-2015 school year.

The Charter School is an independent public charter school developed by the Alliance College-Ready Public Schools, a non-profit organization that will work with the Los Angeles Unified School District to help provide solutions to overcrowding, to improving academic performance and college-readiness in high schools. The Charter School will provide data on its programs and serve as a laboratory to test, demonstrate, and disseminate information on effective practices that lead to improved student outcomes, teacher quality and increased parent involvement. The Charter School will provide another educational option for parents as provided in *No Child Left Behind*.

According to information obtained from the borrower, the purpose of The Charter School is to establish and maintain the highest quality educational program for high school students in a small school environment with small learning communities that are focused on assuring that students achieve proficient to advanced student performance on state standards and on preparing all students to enter and succeed in college.

III. Financial Structure

The Series 2013 Bonds will be designated by the Authority as “qualified school construction bonds” for purposes of Section 54F of the Internal Revenue Code of 1986, as amended (the “Code”) and the Authority will elect to receive a direct subsidy payment in the form of a refundable tax credit (the “Direct Payment”) pursuant to Section 6431(f) of the Code.

The Series 2013 Bonds shall be secured solely by the Trust Estate, which includes the rights and interests of the Authority under the Loan Agreement. The Series 2013 Bonds will be repayable from revenues of the Borrower including lease payments received by the Borrower from Charter School under the Lease Agreement dated as of June 1, 2013 (the “Lease”) between the Borrower, as lessor and the Charter School, as lessee, and Direct Payments.

The proceeds from the sale of the Series 2013 Bonds will be used to assist in financing the costs of acquiring, constructing and equipping the charter school facilities located at 7907 Santa Fe Avenue in Los Angeles County, California to be operated by the Charter School and any other land, buildings and equipment owned or leased by the Charter School relating to such school Facility.

Simultaneously with the issuance of the Series 2013 Bonds, the Charter School will provide to the State Controller of the State of California (the “Controller”), a notice (the “Intercept Notice”), including a schedule of transfers to the Trustee for amounts to become due and payable under the Series 2013 Bonds to intercept certain amounts apportioned by the State (the “Intercept”) pursuant to Section 17199.4(a)(1) and (4) of the Education Code.

IV. Security and Source of Payment

The Bonds will be 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), Direct Payments 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 \$660,000 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 of Bonds

Sources	
Alliance Sub Debt	\$1,297,500
CDFI QSCBs	\$10,750,000
Total	\$12,047,500
Uses	
QSCB Construction	\$9,820,000
QSCB Cap I	\$715,000
QSCB COI	\$215,000
QSCB Uses	\$10,750,000
Alliance Cap I	\$862,500
Alliance COI	\$435,000
Alliance Uses	\$1,297,500

VI. The Project

The acquisition of and construction of an approximately 30,000 square foot educational facility located at 7907 Santa Fe Avenue in Los Angeles County, California. The project will support Alliance Margaret M. Bloomfield Technology Academy High School, a new Blended Learning for Alliance School Transformation (BLAST) school that uses technology to increase efficiencies in staffing and facilities while allowing for more direct contact with the teacher by utilizing smaller learning groups. The area of the project will be used to facilitate the education of approximately 600 students in grades 9 through 12 and will include 18 classrooms and administration space.

VII. Borrower Financial Data

Attached at Exhibit A is a schedule of the Alliance's 5 year budget and Alliance Margaret M. Bloomfield Technology Academy High School 5 year budget.

VIII. Due Diligence Undertaken to Date

A limited amount of informal due diligence has been conducted as to the structure of the financing and the legal entities involved. Standard opinions of counsel, including that the Borrower is validly existing and in good standing and has authority to enter into the financing documents, which are valid and binding, will be delivered at closing.

IX. Staff Recommendation

Staff recommends CSFA approve Resolution Number 13-23 in an amount not to exceed \$10,750,000 for 7907 Santa Fe Avenue Charter Facilities LLC subject to final financing terms acceptable to CSFA.

**Exhibit A
5 Year Budget Projections**

Alliance College-Ready Public Schools

5 year Cash Flow Projection/Budget

	Actual Through	Year 1	Year 2	Year 3	Year 4	Year 5
	3/31/2013	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Key Assumptions						
Schools (not including planning)						
Traditional	17	17	17	17	17	17
Blended	2	2	2	2	2	2
BLAST	2	2	2	4	6	8
Total number of schools	<u>21</u>	<u>21</u>	<u>21</u>	<u>23</u>	<u>25</u>	<u>27</u>
Enrollment						
Grade 6	855	850	870	1,020	1,170	1,320
Grade 7-8	1,747	1,740	1,740	1,740	1,890	2,190
Grade 9-12	6,861	6,855	7,855	8,660	9,110	9,560
Total enrollment	<u>9,463</u>	<u>9,445</u>	<u>10,465</u>	<u>11,420</u>	<u>12,170</u>	<u>13,070</u>
Revenue						
Private Grants and Contributions [Note 1]	\$ 6,484,516	\$ 7,174,193	\$ 6,348,590	\$ 5,073,709	\$ 4,338,683	\$ 2,900,000
Federal Revenue [Note 2]	12,382,352	16,620,066	16,945,730	20,638,912	21,614,623	22,721,613
State Revenue [Note 3]	48,496,286	54,673,843	60,746,211	66,902,954	72,782,673	79,722,407
Local Revenue [Note 4]	9,757,082	12,205,273	13,523,365	14,905,035	16,281,010	17,922,155
Other Revenue	1,856,445	1,845,274	1,948,856	2,026,809	2,076,682	2,136,933
Total Revenue	<u>78,976,681</u>	<u>92,518,649</u>	<u>99,512,752</u>	<u>109,547,419</u>	<u>117,093,671</u>	<u>125,403,108</u>
Expenses						
Salaries [Note 5]	30,661,416	39,417,679	42,018,495	45,492,792	48,530,424	51,366,686
Benefits	6,346,218	9,098,864	9,647,505	10,454,439	11,165,665	11,913,026
Books and Supplies	6,773,373	8,866,735	9,778,186	10,984,907	12,112,106	13,478,120
Subagreement Services [Note 6]	1,727,537	2,302,090	2,130,454	2,342,428	2,521,367	2,733,766
Professional/Consulting Services [Note 7]	3,173,481	4,780,871	4,481,840	4,719,687	4,790,346	5,152,383
Facilities, Repairs and Other Leases [Note 8]	2,338,587	2,028,655	1,909,166	1,874,865	1,678,478	1,315,285
Administrative [Note 9]	4,120,815	5,582,348	5,705,546	6,203,228	6,710,143	7,314,883
Depreciation	3,335,900	4,170,864	4,645,837	5,234,405	6,070,612	7,325,348
Interest	5,832,242	7,459,025	8,512,464	9,511,443	10,260,738	11,043,957
Total Expenses	<u>64,309,569</u>	<u>83,707,130</u>	<u>88,829,491</u>	<u>96,818,194</u>	<u>103,839,879</u>	<u>111,643,454</u>
Total Surplus	<u>14,667,112</u>	<u>8,811,519</u>	<u>10,683,261</u>	<u>12,729,225</u>	<u>13,253,791</u>	<u>13,759,654</u>
New Facility Costs	(15,630,060)	(6,900,792)	(13,710,396)	(2,000,000)	(2,000,000)	(2,000,000)
E-Rate Equipment Capital Additions [Note 10]	-	(1,322,695)	(959,500)	(2,558,445)	(2,622,406)	(2,687,966)
Other Capital Additions [Note 11]	(1,191,484)	(1,074,215)	(2,299,100)	(1,571,530)	(1,941,406)	(2,159,367)
Change in Receivables/Other Assets [Note 12]	441,157	(6,073,524)	(2,102,706)	(2,059,248)	(1,949,881)	(2,280,895)
Change in Liabilities [Note 13]	(4,342,955)	784,787	(856,355)	(552,109)	(557,854)	(573,004)
Non-Cash Items	3,335,900	4,170,864	4,645,837	5,234,405	6,070,612	7,325,348
Total Change in Cash	(2,720,330)	(1,604,057)	(4,598,960)	9,222,298	10,252,856	11,383,769
Cash, Beginning of Year	52,435,102	52,435,102	50,831,044	46,232,084	55,454,382	65,707,238
Cash, End of Year	<u>\$ 49,714,772</u>	<u>\$ 50,831,044</u>	<u>\$ 46,232,084</u>	<u>\$ 55,454,382</u>	<u>\$ 65,707,238</u>	<u>\$ 77,091,008</u>

