

\$22,000,000
CALIFORNIA SCHOOL FINANCE AUTHORITY
SCHOOL FACILITY REVENUE BONDS
(ICEF – VIEW PARK PREPARATORY ACCELERATED CHARTER
ELEMENTARY SCHOOL AND VIEW PARK PREPARATORY ACCELERATED
CHARTER MIDDLE SCHOOL),
SERIES 2013A AND SERIES 2013B (TAX EXEMPT & TAXABLE)
EXECUTIVE SUMMARY
RESOLUTION 13-34

Borrower and Project Owner: 52nd & Crenshaw LLC (Borrower)

Project User: Inner City Education Foundation, a California nonprofit public benefit corporation (ICEF), doing business as View Park Preparatory Accelerated Charter Elementary School and View Park Preparatory Accelerated Charter Middle School (Schools)

Loan Amount: Not to exceed \$22,000,000

Expected Issuance: September 2013

Project: The bond proceeds will be used by the Borrower to purchase the property from Hankey Investment Company, LP, and for constructing, furnishing and equipping the property

Bond Type: School Facility Revenue Bonds (Taxable and Tax Exempt Series) (the Bonds)

Project Location: 5157 and 5311 S. Crenshaw Boulevard, Los Angeles, California 90043

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 \$1,430,000

Expected Rating: BB-

Structure: Term Bonds expected to mature in 2017 (Taxable) and 2048 (Tax Exempt)

Sale Method: Limited Public Offering

Underwriter: B.C. Ziegler and Company

Bond Counsel: Fox Rothschild LLP

I. Background

52nd & Crenshaw LLC, (Borrower) is requesting conduit bond financing, not to exceed \$22 million to finance the acquisition, construction, furnishing and equipping of educational facilities (Facility), (ii) to pay capitalized interest during the construction period; and (iii) to pay certain costs of issuance of the Bonds. The Facility will be acquired, constructed, furnished and equipped by 52nd & Crenshaw LLC in conjunction with the Inner City Education Foundation (ICEF), doing business as View Park Preparatory Accelerated Charter Elementary School and View Park Preparatory Accelerated Charter Middle School (Schools). The Borrower will lease the Facility to ICEF for use by the Schools, both 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 leases be operating leases for accounting purposes. Therefore, the leases may be for an initial term shorter than the term of the Bonds (approximately 20-year term). However, the leases 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 complete 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 Elementary School opened in September 1999 as the first charter school of ICEF. LAUSD originally granted ICEF a charter to operate the Elementary School on March 9, 1999. The Elementary School was granted its most recent charter renewal on June 23, 2009 to serve 420 K-5 students. The Elementary School currently is located on three sites in LAUSD Board District 1, Educational Service Center West: 3751 West 54th Street, Los Angeles, CA 90043; 3717 West 54th Street, Los Angeles, CA 90043; and 3855 West Slauson Avenue, Los Angeles, CA

90043. On March 19, 2013, LAUSD approved an increase in maximum enrollment from 420 to 540. For the 2012-13 school year, the Elementary School has 520 students enrolled.

In 2012, the Elementary School achieved a school-wide Growth API of 833, a 54-point decrease from its 2011 Base API of 887. Despite this drop, the school met all of its 2012 API growth targets, including its African American and Socioeconomically Disadvantaged subgroup targets. The Elementary School earned a 2011 Statewide Rank of 9 and a 2011 Similar Schools Rank of 10. According to the 2012 School Performance Framework, the Elementary School has been classified as a "Service and Support" school, which is the middle tier of five possible tiers of performance. The Elementary School's placement in this tier is due to moderate-to-high levels of student achievement on the ELA and Math portions of the California Standards Tests coupled with above-predicted academic growth levels in English Language Arts and at-predicted academic growth in Math according to its three-year Academic Growth Over Time (AGT) results.

The Middle School was originally approved by LAUSD to begin operations in the 2002-03 school year. The Middle School's original charter was approved for five (5) years as a 6-8 school. LAUSD approved the Middle School's first renewal in 2007 as a continuing 6-8 charter school. The Middle School is currently serving a total of approximately 334 students at its two school sites. The Middle School is located on two sites in Board District 1, Local District 3; at 2009 W. Martin Luther King Jr. Blvd., Los Angeles, CA 90062 and 5749 S. Crenshaw Blvd., Los Angeles, CA 90043. The Middle School's goal is to reach its maximum enrollment of 450 by the 2014-15 school year. The Middle School focuses its outreach efforts on the surrounding area including the Greater Crenshaw area, the area surrounding the Harbor Freeway and South Los Angeles.

The Middle School demonstrated 800-plus API performance during program years 2008-10. For 2011, the Middle School's growth API was 789. For 2012, the Middle School's growth API was 774. The Middle School attributes the 16-point drop in API for 2010-11 to the significant fiscal distress experienced by all ICEF schools for this program year and for significant staff changes during that time. It is notable that the Middle School's API Growth Score of 774 for 2011-12 is higher than the Comparison CDE API Similar Schools Median score of 767.

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, furnish and equip the Facility in conjunction with the Schools. The Facility is expected to be used only by the Schools 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 the Schools' funding. However, the Borrower is, in any event, obligated to make sufficient loan repayments to cover the Bond payments from revenues related to the Schools if the intercepted funds are

insufficient. The Borrower is expected to receive lease payments from ICEF in an amount sufficient to pay debt service on the Bonds.

The Bonds will be dated on the date of delivery, will be in authorized in denominations of \$100,000 and any integral multiple \$5,000 in excess thereof, and currently are expected to mature on June 1 of 2017 (Taxable) and 2048 (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 July 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 \$1,430,000.

IV. Security and Source of Payment

The Bonds are limited obligations payable through the intercept of the Borrower's 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 all or part of its \$1,430,000 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

Tax-Exempt Term Bond	\$ 18,360,000
Taxable Term Bond	\$ 395,000
Debt Service Reserve Fund Contribution	\$ 1,384,600
Total Sources	\$ 20,139,600
Land Acquisition	\$ 4,386,000
Funds Available for Construction	\$ 13,000,000
Debt Service Reserve Fund	\$ 1,384,600
Interest Reserve Fund	\$ 612,006
Cost of Issuance:	
CSFA Initial Fee	\$ 28,133
CSFA Application Fee	\$ 1,500
Legal Fees	\$ 207,500
Title Insurance	\$ 56,265
Appraisal	\$ 7,500
Environmental Studies & Survey	\$ 27,500
Trustee Fee	\$ 5,000
Printing	\$ 5,000
DTC, Travel and CEUSIP Fees	\$ 15,000
Ratings Fee	\$ 27,500
Total Cost of Issuance	\$ 380,898
Underwriter's Discount	\$ 375,100
Additional Proceeds	\$ 996
Total Uses	\$ 20,139,600

VI. Project Description

The Borrower will purchase the property from Hankey Investment Company, LP, a California limited partnership. The purchase price is \$4,353,850, with closing scheduled for September 2013. The property is currently vacant and it was previously a car dealership. Building improvements include constructing a three-story school facility that includes 34 classrooms, a multipurpose room, labs, staff areas, and a conference room. The site is currently in escrow and the due diligence is complete. Yet to be received is the environmental clearance from the Los Angeles Fire Department and the final Design Review approval from the Planning Department.

The Elementary School currently leases three locations for its school within close proximity to the proposed school site. The Elementary School will remain in its current facilities until construction of its new Facility is complete. The new Facility is expected to be ready for the start of the 2014-15 school year.

The Middle School currently leases two locations within close proximity to the proposed school site. At the beginning of the 2013-14 school year, the Middle School will vacate its current facilities and co-locate at the Crenshaw High School site through a Proposition 39 Program Agreement. The Middle School will then move into the new Facility at the beginning of the 2014-15 school year where it will co-locate with the Elementary School.

VII. Borrower Financial Data

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

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 13-34 in an amount not to exceed \$22,000,000 for 52nd & Crenshaw LLC.

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 Elementary School and View Park Preparatory Accelerated Charter Middle School