

\$25,000,000
CALIFORNIA SCHOOL FINANCE AUTHORITY
SCHOOL FACILITY REVENUE BONDS
(Alliance for College-Ready Public Schools – 2023 Union LLC Project),
2013 Series A
EXECUTIVE SUMMARY
RESOLUTION 13-35

Borrower:	2023 Union LLC (“Borrower”)
Project Owners:	Borrower and the parties indicated under the caption “Owners” on Exhibit A.
Project Users:	Alliance Gertz-Ressler/Richard Merkin 6-12 Complex, doing business as (School), and the other parties indicated under the caption “Users” on Exhibit A.
Loan Amount:	Not to exceed \$25,000,000
Expected Issuance:	August 21, 2013
Project:	The bond proceeds will be used by the Borrower to purchase the property located at 2023 South Union Avenue in Los Angeles, CA, and for construction, expansion, remodeling, renovation, improvement, furnishing and equipping the property for the benefit of the School, as well as certain other smaller projects benefiting the other Project Users at facilities owned by the other Project Owners
Bond Type:	School Facility Revenue Bonds (the “Bonds”)
Project Location:	2023 South Union Avenue, Los Angeles, California and other locations
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 \$ 1,097,795
Expected Rating:	BBB-
Structure:	Term Bonds maturing in 2048
Sale Method:	Public Offering
Underwriter:	RBC Capital Markets, LLC
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP

I. Background

2023 Union Street LLC (Borrower) is requesting conduit bond financing, not to exceed \$25 million to finance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of educational facilities (Facility) for the benefit of Alliance Gertz-Ressler/Richard Merkin 6-12 Complex (School), as well as other smaller projects benefiting the other Project Users at facilities owned by the other Project Owners, and pay certain costs of issuance of the Bonds. The Facility will be acquired, constructed, expanded, remodeled, renovated, improved, furnished and equipped by 2023 Union LLC in conjunction with the School. The other, smaller projects will be undertaken in conjunction with one or more of the other charter schools listed under the caption "Users" in Exhibit A. The Borrower will lease the Facility to the School, one of the schools operated by Alliance for College-Ready Public Schools.

II. The School and the Borrower

The proceeds of the Bonds will be loaned to 2023 Union LLC, a California limited liability company (the "Borrower") whose sole member is Alliance for College-Ready Public Schools Facilities Corporation, a California nonprofit public benefit corporation (the "Sole Member"), pursuant to a Loan Agreement, dated as of August 1, 2013 (the "Loan Agreement"), between the Authority and the Borrower. The proceeds of such loan will be used, along with other available funds, to: (i) finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of a public charter high school facility located at 2023 South Union Avenue, in the City of Los Angeles, California (the "2023 Union Facility") to be leased by the School, to operate a charter school which receives certain support services from Alliance for College-Ready Public Schools, a California non-profit public benefit corporation ("Alliance"); (ii) finance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of land and facilities located throughout the Cities of Los Angeles and Huntington Park, California, which are generally owned by LLCs, the sole member of each being the Sole Member or Alliance, and operating as public charter schools that is provided certain support services by Alliance and (iii) pay costs of issuance of the Bonds and (iv) fund a reserve fund for the Bonds.

The project owners will be the Borrower and the other Project Owners described above, all of which are affiliated with Alliance. Alliance is a California nonprofit public benefit corporation formed in 1999 and currently acts as a charter school management organization. Alliance oversees 21 middle and high schools (including the School) in the Los Angeles Unified School District with over 9,439 students. Alliance provides support services to the School pursuant to a Management Services Agreement. None of Alliance, the Sole Member, the other Project Owners or the other Project Users is a party to the Loan Agreement, the Lease or any other document securing the Bonds, and those parties have no liability and undertake no obligations with respect thereto. Alliance has agreed to subordinate payment of its management fee to the obligations of the School under the Lease.

III. Financial Structure

The California School Finance Authority School Facility Revenue Bonds (Alliance for College-Ready Public Schools – 2023 Union LLC Project), 2013 Series A, in the aggregate principal amount of \$25,000,000 (the “Bonds”) will be issued by the California School Finance Authority (the “Authority”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Authority will loan the proceeds of the Bonds to 2023 Union LLC, a California limited liability company (the “Borrower” or the “Lessor”).

Interest on the Bonds will be payable semiannually on each [January 1 and July 1], commencing [January 1, 2014]. The Bonds are being issued as fully registered bonds and initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”).

IV. Security and Source of Payment

The Authority will execute and deliver the Indenture and absolutely assign to the Trustee all of its rights, title and interest in and to the Payments (as defined below), the Loan Agreement, the Deed of Trust, the Lease and all moneys and investments in the funds established thereunder (except the Rebate Fund and Repair and Replacement Fund, as established by the Indenture) for the equal and proportionate benefit, security and protection of all present and future registered owners of the Bonds. The Bonds are payable equally and ratably solely from the Payments under the Indenture. “Payments”, under the Indenture, means (i) all moneys (except any money received to be used for the payment of Administrative Fees and Expenses) received by the Trustee with respect to the Intercept, (ii) all moneys, if any, received by the Trustee directly from, or on behalf of, the Borrower, pursuant to the Loan Agreement (excluding Additional Payments), and (iii) all income derived from the investment of any money in any fund or account established pursuant to the Indenture.

The Borrower will pay, or cause to be paid, the Loan Repayments from the Gross Revenues of the Borrower, including the Rental Payments, or from any other legally available funds of the Borrower, without any further notice thereof except as may be specifically required by the Loan Agreement. “Rental Payments” under the Indenture means the amounts payable pursuant to the Lease by the School to the Borrower for the use and occupancy of the 2023 Union Facility, excluding Expenses (as defined in the Lease). “Loan Repayments” under the Indenture means the amounts due and payable from the Borrower to the Authority pursuant to the Loan Agreement. “Gross Revenues,” under the Indenture, means, for any Fiscal Year, all of the revenues, income, cash receipts and other money received by the Borrower, or received by the Trustee on behalf of the Borrower pursuant to the Indenture, that are legally available for payment of the obligations of the Borrower under the Loan Agreement.

Simultaneously with the issuance of the Bonds, the School will deliver the Intercept Notice (as defined below) to the State Controller, including a schedule of transfers to the Trustee for certain amounts due and payable under the Indenture, including

Additional Payments, and identifying the Trustee as the recipient. "Intercept" means the apportionment from the State Controller, pursuant to Section 17199.4(a)(4) of the Education Code and the Intercept Notice, of amounts specified in the Intercept Notice and payable directly to the Trustee. "Intercept Notice" means any notice from any School to the State Controller, pursuant to Section 17199.4(a)(1) and (4) of the Education Code, specifying a transfer schedule for the payment directly to the Trustee of one or more of the following: (x) principal of the Bonds, (y) interest on the Bonds [and (z) other costs necessary or incidental to financing pursuant to the Act relating to the Bonds, including Additional Payments, in substantially the form set forth in the applicable Lease, as the same may be amended, supplemented or restated from time to time.] "Additional Payments" include, among other things, to the extent not paid from Loan Repayments, ordinary administrative fees and expenses of the Trustee and the Authority (including fees and expenses of their counsel and consultants) and fees and expenses of the Rating Agency. However, no moneys deposited in the Revenue Fund pursuant to the Intercept will be deposited to the Repair and Replacement Fund or the Rebate Fund.

V. Preliminary Sources and Uses

SOURCES AND USES OF FUNDS	
California Statewide Communities Development Authority	
School Facility Revenue Bonds	
(Alliance for College-Ready Public Schools - 2023 Union, LLC Project)	
2013 Series A	

Scenario 1B: 35-Year Amortization	
Dated Date	08/01/2013
Delivery Date	08/01/2013
Sources:	
<hr/>	
Bond Proceeds:	
Par Amount	18,170,000.00
Premium	238,009.50
	18,408,009.50
 Other Sources of Funds:	
QLICI Sinking Fund Transfer	850,000.00
DSRF Grant (CSFA)	1,100,000.00
	1,950,000.00
	20,358,009.50
 Uses:	
<hr/>	
Project Fund Deposits:	
Additional Project Costs	8,510,034.50
LIIF Loan	2,500,000.00
QALICI Reallocation	7,580,000.00
	18,590,034.50
 Other Fund Deposits:	
Debt Service Reserve Fund	1,100,000.00
 Delivery Date Expenses:	
Cost of Issuance	350,000.00
Underwriter's Discount	317,975.00
	667,975.00
	20,358,009.50

VI. Project Description

The proceeds of the Bonds will be used to (1) finance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of (a) the land and facilities located at 3640 East 1st Street, Los Angeles, CA 90062 (the "Media Arts MS Facility" and the "Media Arts HS Facility") to be known as Alliance College-Ready Middle Academy No. 8 and Alliance Media Arts and Entertainment Design High School (the "Media Arts MS Project" and the "Media Arts HS Project"), (b) the land and facilities located at 7907 Santa Fe Avenue, Huntington Park, CA 90255 (the "Bloomfield Facility") to be known as the Alliance Margaret M. Bloomfield Technology Academy High School, doing business as Alliance College-Ready Academy High School No. 18 (the "Bloomfield Project"), (c) the land and facilities to be located at 1552 Rockwood Street, Los Angeles, CA 90026 (the "CRAHS 16 Facility") to be known as the Alliance College-Ready Academy High School NO. 16 (the "CRAHS 16 Project"), (d) the facilities located at 211 Avenue 20, Los Angeles, CA 90031 (the "CRMA 5 Facility" and the "Smidt Tech Facility") known as Alliance College-Ready Middle Academy No. 5 and Alliance Susan and Eric Smidt Technology High School (the "CRMA 5 Project" and the "Smidt Tech Project"), (e) the land and facilities located at 5886 Compton Avenue Florence-Graham, CA 90001 (the "MS 9 Facility") to be known as Alliance College-Ready Middle Academy No. 9 (the "MS 9 Project"), and (f) the land and facilities located at 12226 South Western Avenue, Los Angeles, CA 90047 (the "Health Services Facility") known as the Alliance Health Services Academy High School (the "Health Services Project") and owned by Los Angeles Unified School District, (2) finance the renovation, improvement and equipping, including technology infrastructure improvements at (a) the facilities located at 603 East 115th Street, Los Angeles, CA 90059 (the "Skirball MS Facility") known as Alliance Jack H. Skirball Middle School (the "Skirball MS Project"), (b) the facilities located at 5356 South 5th Avenue, Los Angeles, CA 90043 (the "Ouchi HS Facility") known as Alliance Ouchi-O'Donovan 6-12 Complex, formerly known as Alliance William and Carol Ouchi High School and Alliance Christine O'Donovan Middle Academy (the "Ouchi HS Project"), (c) the facilities located at 9719 South Main Street, Los Angeles, CA 90003 (the "CRMA 4 Facility") known as Alliance College-Ready Middle Academy No. 4 (the "CRMA 4 Project"), (d) the facilities located at 2023 South Union Avenue, Los Angeles, CA 90007 (the "Richard Merkin MS Facility" and the "Gertz-Ressler HS Facility") known as Alliance Gertz-Ressler / Richard Merkin 6-12 Complex and formerly known as Alliance Gertz-Ressler High School and Alliance Richard Merkin Middle School (the "Richard Merkin MS Project" and the "Gertz-Ressler HS Project"), (e) the facilities located at 644 West 17th Street, Los Angeles, CA 90015 (the "Mohan HS Facility") known as Alliance Dr. Olga Mohan High School (the "Mohan HS Project") and owned by Los Angeles Unified School District, (f) the facilities located at 5151 State University Drive, Los Angeles, CA 90032 (the "Stern MASS Facility") known as Alliance Marc and Eva Stern Math and Science School (the "Stern MASS Project"), (g) the facilities located at 2071 Saturn Avenue, Huntington Park, CA 90255 (the "Huntington Park HS Facility") known as Alliance Collins Family College-Ready High School, doing business as Alliance Huntington Park College-Ready Academy High School (the "Huntington Park HS Project"), (h) the facilities located at 2930 Fletcher Drive, Los Angeles, CA 90065 (the "Environmental Science HS Facility") known as Alliance Environmental Science and Technology High School (the "Environmental Science

HS Project”) and owned by Los Angeles Community College District, and (i) the facilities located at 2941 West 70th Street, Los Angeles, CA 90043 (the “CRMA 7 Facility”) known as Alliance College-Ready Middle Academy No. 7 (the “CRMA 7 Project”), (3) refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of the Richard Merkin MS Facility and the Gertz-Ressler HS Facility (the “Richard Merkin MS Facility and Gertz-Ressler HS Facility Refinancing Project”), (4) pay of certain expenses incurred in connection with the issuance of the Bonds and (5) fund of a reserve fund for the Bonds.

VII. Borrower Financial Data

The Borrower is a limited liability company, the sole member of which is Alliance for College-Ready Public Schools Facilities Corporation (the “Sole Member”). The Sole Member is a California nonprofit public benefit corporation formed as a support organization for charter schools formed and controlled by Alliance. The Sole Member has received a determination letter from the Internal Revenue Service recognizing it as an entity described in Section 501(c)(3) of the Code.

The Borrower is a single purpose entity with no assets other than the Facility and its rights under the Lease, which have been assigned to the Trustee. The Borrower was formed for the purpose of owning the Facility and is not expected to have any other assets or revenue available to it to make payments due under the Loan Agreement. Attached at Exhibit B is a schedule of the Alliance’s 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 13-35 in an amount not to exceed \$25,000,000 for 2023 Union LLC.

Exhibit A
Users and Owners

Users

1. Alliance College-Ready Academy High School No. 16
2. Alliance College-Ready Middle Academy No. 4
3. Alliance College-Ready Middle Academy No. 5
4. Alliance College-Ready Middle Academy No. 7
5. Alliance College-Ready Middle Academy No. 8
6. Alliance College-Ready Middle Academy No. 9
7. Alliance Dr. Olga Mohan High School
8. Alliance Environmental Science and Technology High School
9. Alliance Gertz-Ressler / Richard Merkin 6-12 Complex (formerly known as Alliance Gertz-Ressler High School and Alliance Richard Merkin Middle School)
10. Alliance Health Services Academy High School
11. Alliance Collins Family College-Ready High School, doing business as Alliance Huntington Park College-Ready Academy High School
12. Alliance Jack H. Skirball Middle School
13. Alliance Marc and Eva Stern Math and Science School
14. Alliance Margaret M. Bloomfield Technology Academy High School, doing business as Alliance College-Ready Academy High School No. 18
15. Alliance Media Arts and Entertainment Design High School
16. Alliance Ouchi-O'Donovan 6-12 Complex (formerly known as Alliance William and Carol Ouchi High School and Alliance Christine O'Donovan Middle Academy)
17. Alliance Susan and Eric Smidt Technology High School

Owners

1. 11410 Avalon LLC
2. 1552 Rockwood Street Charter Facilities LLC
3. 54th Street Lions LLC
4. 5886 Compton Avenue Charter Facilities LLC
5. 5151 Titan LLC
6. HP 2071 Saturn LLC
7. 1918 Broadway Charter Facilities LLC
8. 9719 Main Street Charter Facilities LLC
9. 113 S. Rowan Charter Facilities LLC
10. 7907 Santa Fe Avenue Charter Facilities LLC
11. 6900 8th Avenue Charter Facilities LLC
12. 3640 E. 1st Street Charter Facilities LLC
13. 2023 Union LLC

Exhibit B
5 Year Budget Projections
(Alliance for College-Ready Public Schools)

Alliance College-Ready Public Schools
Alliance Wide

5 year Cash Flow Projection/Budget

	Year 1	Year 2	Year 3	Year 4	Year 5
	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
Blended	2	2	2	2	2
BLAST	2	2	4	6	8
Total number of schools	21	21	23	25	27
Enrollment					
Grade 6	850	870	1,020	1,170	1,320
Grade 7-8	1,740	1,740	1,740	1,890	2,190
Grade 9-12	6,855	7,855	8,660	9,110	9,560
Total enrollment	9,445	10,465	11,420	12,170	13,070
Revenue					
Private Grants and Contributions	\$ 7,174,193	\$ 6,348,590	\$ 5,073,709	\$ 4,338,683	\$ 2,900,000
Federal Revenue	16,620,066	16,945,730	20,638,912	21,614,623	22,721,613
State Revenue	54,673,843	60,746,211	66,902,954	72,782,673	79,722,407
Local Revenue	12,205,273	13,523,365	14,905,035	16,281,010	17,922,155
Other Revenue	1,845,274	1,948,856	2,026,809	2,076,682	2,136,933
Total Revenue	92,518,649	99,512,752	109,547,419	117,093,671	125,403,108
Expenses					
Salaries	39,417,679	42,018,495	45,492,792	48,530,424	51,366,686
Benefits	9,098,864	9,647,505	10,454,439	11,165,665	11,913,026
Books and Supplies	8,866,735	9,778,186	10,984,907	12,112,106	13,478,120
Subagreement Services	2,302,090	2,130,454	2,342,428	2,521,367	2,733,766
Professional/Consulting Services	4,780,871	4,481,840	4,719,687	4,790,346	5,152,383
Facilities, Repairs and Other Leases	2,028,655	1,909,166	1,874,865	1,678,478	1,315,285
Administrative	5,582,348	5,705,546	6,203,228	6,710,143	7,314,883
Depreciation	4,170,864	4,645,837	5,234,405	6,070,612	7,325,348
Interest	7,459,025	8,512,464	9,511,443	10,260,738	11,043,957
Total Expenses	83,707,130	88,829,491	96,818,194	103,839,879	111,643,454
Total Surplus	8,811,519	10,683,261	12,729,225	13,253,791	13,759,654