

\$80,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
SCHOOL FACILITY REVENUE BONDS
(ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS PROJECT)
SERIES 2015A (TAX-EXEMPT) AND 2015B (TAXABLE)
EXECUTIVE SUMMARY
RESOLUTION 15-04

Borrower :	Alliance for College-Ready Public Schools Facilities Corporation (the “Borrower”)
Owner of Facilities	“Landlords” (see Exhibit A)
Project User:	“Schools” (see Exhibit A)
Loan Amount:	Not to exceed \$80,000,000
Expected Issuance:	March 2015
Project:	The proceeds of the Bonds will be used to finance and refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of the charter school educational facilities, pay certain expenses incurred in connection with the issuance of the Bonds, pay capitalized interest on the Bonds, pay Project-related working capital, and fund a debt service reserve fund with respect to the Bonds.
Bond Type:	School Facility Revenue Bonds (Taxable and Tax Exempt Series)
Project Location:	Los Angeles County
County:	Los Angeles County
District in which Project is Located:	Los Angeles Unified School District
Charter Authorizer:	Los Angeles Unified School District
Est. Annual Payment:	\$3.7 million
Anticipated Rating:	BBB- by S&P (see Exhibit B for Rating Report)
Structure:	\$59,166,100 (Tax-Exempt) and \$465,000 (Taxable)
Sale Method:	Public Offering
Underwriter:	Piper Jaffray & Co.
Borrower’s Financial Advisor:	Urban Futures Incorporated
Bond Counsel:	Orrick Herrington & Sutcliffe

I. Use of Bond Proceeds

The proceeds of the Bonds will be used to (1) finance and refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of the charter school educational facilities (a) Alliance Marc and Eva Stern Math and Science School (“Stern MASS”), located at 5151 State University Drive, Los Angeles, CA 90032, (b) Alliance College-Ready Academy High School No. 16, located at 1552 Rockwood Street, Los Angeles, CA 90026, (c) Alliance College-Ready Middle Academy No. 12, located at 100 East 49th Street, Los Angeles, CA 90011, (d) Alliance College-Ready Middle Academy No. 9, located at 5886 Compton Avenue, Los Angeles, CA 90001, (e) Alliance Renee and Meyer Luskin Academy High School, located at 2941 West 70th Street, Los Angeles, CA 90043, (f) Alliance College-Ready Middle Academy No. 7, located at 2941 West 70th Street, Los Angeles, CA 90043, (g) Alliance Cindy and Bill Simon Technology Academy High School, located at 10720 Wilmington Avenue, Los Angeles, CA 90059, (h) Alliance Judy Ivie Burton Technology High School, located at 10101 South Broadway, Los Angeles, CA 90003, and (i) Alliance College-Ready Middle Academy No. 4, located at 9719 South Main Street, Los Angeles, CA 90003 (collectively, the “Project”), (2) pay certain expenses incurred in connection with the issuance of the Bonds, (3) pay capitalized interest on the Bonds, (4) pay Project-related working capital, and (5) fund a debt service reserve fund and a repair and replacement fund with respect to the Bonds.

II. Alliance and the Project User

Alliance : Alliance for College-Ready Public Schools (“Alliance”) has a rich history of pursuing educational excellence for students in Los Angeles. Incorporated in 1991 as Los Angeles Educational Alliance for Reform Now (LEARN), the organization focused on advocating for systemic reform in the Los Angeles Unified School District. Later, LEARN teamed up with the Los Angeles Annenberg Metropolitan Project (LAAMP), part of the national Annenberg Challenge, a half-billion dollar private effort to improve public schools in the United States, to create the LAAMP/LEARN Regional School Reform Alliance. The organization assessed the effectiveness of previous reform efforts and discovered that developing a system of high-performing charter schools would be the most effective way to ensure improvements in public education. Alliance was formed as a nonprofit charter management organization in 2004.

Alliance is the largest nonprofit charter organization in Los Angeles. Alliance employs the highest achievement standards and latest innovations in technology to prepare their students for success in college and future careers. Since its founding in 2004, more than 95% of Alliance graduates have gone on to college.

Alliance oversees 26 middle and high schools in the Los Angeles Unified School District with over 11,000 students. Alliance provides support services to each School pursuant to a Management Services Agreement. None of Alliance, nor any Alliance affiliate not listed in Exhibit A 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 Schools under the Leases.

The Project User: The Project will be owned by LLCs, each of whose sole member is the Borrower or Alliance for College-Ready Public Schools. Individual nonprofit public benefit corporations affiliated with Alliance will operate the Project facilities as public charter schools. After completion of the Project, (a) Stern MASS is expected to accommodate approximately 600 students in grades 9 through 12, (b) Alliance College-Ready Academy High School No. 16 is expected to accommodate approximately 460 students in grades 9 through 12, (c) Alliance College-Ready Middle Academy No. 12 is expected to accommodate approximately 450 students in grades 6 through 8, (d) Alliance College-Ready Middle Academy No. 9 is expected to accommodate approximately 450 students in grades 6 through 8, (e) Alliance Renee and Meyer Luskin Academy High School is expected to accommodate approximately 550 students in grades 9 through 12, (f) Alliance College-Ready Middle Academy No. 7 is expected to accommodate approximately 450 students in grades 6 through 8, (g) Alliance Cindy and Bill Simon Technology Academy High School is expected to accommodate approximately 525 students in grades 9 through 12, (h) Alliance Judy Ivie Burton Technology High School is expected to accommodate approximately 600 students in grades 9 through 12, and (i) Alliance College-Ready Middle Academy No. 4 is expected to accommodate approximately 450 students in grades 6 through 8.

III. Financial Structure

The Bonds will be issued in two series: (1) Series A (tax-exempt) will be approximately \$56.17 million, and (2) Series B (taxable) will be approximately \$465,000. The Bonds will have a final maturity of July 1, 2045. The Bonds will be interest only through July 1, 2016 (the first principal payment will be July 1, 2016). Interest will be capitalized through June 1, 2015.

The Bonds will be issued pursuant to an Indenture by and between the Authority and Wilmington Trust, National Association, Los Angeles, California, as trustee. The Bonds will bear interest on June 1 and January 1 of each year, commencing June 1, 2015 and will be subject to optional, mandatory and extraordinary redemption prior to maturity. The proceeds of the Bonds will be loaned to the Borrower, pursuant to a Loan Agreement.

The facilities financed and refinanced with proceeds of the Bonds will be leased to certain nonprofit public benefit corporations, pursuant to certain leases by and between the Lessees and the Landlords. The Facilities will be used by the Lessees to operate charter schools, each of which is managed by Alliance. Each of the Lessees is also an organization described in Section 501(c)(3) of the Code.

IV. Security and Source of Payment

Alliance will pay rent under each lease solely from revenues derived from or attributable to the charter schools. A shortfall in payment of base rent when due from revenues of any such charter school will result in additional Rent payments becoming due from the remaining charter schools pursuant to an obligated group structure.

Payment of management fees to the borrower and to Alliance from the revenues of such charter schools will be subordinated to the obligation to pay rent under the leases

V. Preliminary Sources and Uses/Cost of Issuance

Preliminary Sources and Uses of Funds

Below are the preliminary sources and uses, and detailed information about the costs of issuance for board consideration.

Estimated Sources & Uses

Sources:	Series 2015A	Series 2015B	Total
Bond Proceeds:			
Par Amount	57,625,000.00	355,000.00	57,980,000.00
Premium	1,543,127.50		1,543,127.50
	59,168,127.50	355,000.00	59,523,127.50
Uses:			
Project Fund Deposits:			
MS #12	12,111,925.00		12,111,925.00
HS #16	11,896,187.00		11,896,187.00
MASS	7,200,212.00		7,200,212.00
Luskin	7,777,607.00		7,777,607.00
MS #10	7,013,287.00		7,013,287.00
MS #9	7,580,000.00		7,580,000.00
Luskin A/C	350,000.00		350,000.00
	53,929,218.00		53,929,218.00
Other Fund Deposits:			
Debt Service Reserve Fund	3,687,607.42	22,717.58	3,710,325.00
Capitalized Interest Fund	397,550.88	2,449.12	400,000.00
	4,085,158.30	25,166.70	4,110,325.00
Cost of Issuance:			
Costs of Issuance	576,250.00	323,750.00	900,000.00
Delivery Date Expenses:			
Underwriter's Discount	576,250.00	3,550.00	579,800.00
Other Uses of Funds:			
Additional Proceeds	1,251.20	2,533.30	3,784.50
	59,168,127.50	355,000.00	59,523,127.50

Estimated Costs of Issuance

<u>Cost of Issuance:</u>	<u>Budgeted Amount</u>
Issuer Fee	\$95,667.00
Issuer's Counsel (AGO)	\$15,000.00
STO Agent for Sale Fee	\$8,000.00
Financial Advisor Fee	\$15,000.00
Bond Counsel Fee - Tax-Exempt Bonds	\$125,000.00
Underwriter & Disclosure Counsel	\$75,000.00
Borrower's Counsel	\$75,000.00
ExEd Consultant Fees	\$95,000.00
Trustee Fee	\$7,500.00
Trustee Counsel Fee	\$2,000.00
Ratings Agency - Moody's	\$0.00
Rating Agency - Fitch *	\$0.00
Rating Agency - S&P	\$45,000.00
Financial Printer Fee	\$0.00
Title Insurance Policy	\$70,000.00
Construction Inspection Fee	\$0.00
Appraisal Fee	\$25,000.00
CDLAC Fee*	\$8,712.75
Miscellaneous COI	\$238,120.25
Total COI	\$900,000.00

VI. Borrower Financial Data

The Borrower is a California nonprofit public benefit corporation formed as a support organization for charter schools formed and controlled by Alliance. The Borrower has received a determination letter from the Internal Revenue Service recognizing it as an entity described in Section 501(c)(3) of the Code.

Each limited liability company of which the Borrower or Alliance is the sole member is a single purpose entity with no assets other than the applicable Facility and its rights under the Lease, which will be assigned to the Trustee. The limited liability companies were formed for the purpose of owning each Facility and are not expected to have any other assets or revenue available to them to make payments due under the Loan Agreement. Attached at Exhibit C is a schedule of the Alliance's 5 year budget.

VII. 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, is a 501(c)(3) organization, has the full authority to enter into all documents which are valid and binding, etc.) will be delivered at closing.

VIII. Bond Sales Restrictions

Per Bond Issuance Guidelines adopted by the CSFA board, and given no bond rating, the following sales restrictions may apply to the Alliance financing: <http://treasurer.ca.gov/csfa/financings/guidelines.pdf>.

1. Bonds will be in minimum denominations of \$25,000
2. Bonds may be publicly offered or privately placed
3. Bonds will be sold initially only to Qualified Institutional Buyers (QIB) and Accredited Investors (AI)
4. Subsequent transfers of bonds are limited to QIBs and AIs
5. Sales restrictions conspicuously noted on bond and described in detail in offering materials, if any, as well as in the bond documents
6. Bond payments will be made via the intercept mechanism outlined in Section 17199.4 of the Education Code

IX. Staff Recommendation

Staff recommends CSFA approve Resolution Number 15-04 in an amount not to exceed \$80,000,000.

Exhibit A
Schools, Landlord, Sole Members

	School	Landlord	Sole
1	Alliance Marc and Eva Stern Math and Science School	5151 Titan LLC	Alliance ⁽¹⁾
2	Alliance College-Ready Middle Academy No. 7	6900 8th Avenue Charter Facilities LLC	Alliance
3	Alliance College-Ready Academy High School No. 16	1552 Rockwood Street Charter Facilities	Borrower
4	Alliance Renee and Meyer Luskin Academy High School	70th Street Charter Facilities LLC	Alliance
5	Alliance College-Ready Middle Academy No. 12	49th and Main Charter Facilities LLC	Borrower
6	Alliance College-Ready Middle Academy No. 9	5886 Compton Avenue Charter Facilities	Borrower
7	Alliance Judy Ivie Burton Technology Academy High	10101 Broadway Charter Facilities LLC	Alliance
8	Alliance Cindy and Bill Simon Technology Academy High	10707 Wilmington LLC	Alliance
9	Alliance College-Ready Middle Academy No. 4	9719 Main Street Charter Facilities LLC	Alliance

(1) On or before the date of delivery of the Bonds, the Borrower will become the sole member of 5151 Titan LLC.

Exhibit B 5-Year Budget Projections

Combined Obligated Group 6 year Cash Flow Projection/Budget Six Alliance Schools

	Actual	Actual	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Key Assumptions								
General inflation rate			0.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Apportionment funding growth rate			0.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Revenue								
Private Grants and Contributions	307,174	1,108,972	28,000	-	-	-	-	-
Federal Revenue	2,358,275	2,902,565	3,309,162	3,677,538	3,616,275	3,728,169	3,785,706	3,840,565
State Revenue	10,546,707	13,970,151	18,521,057	22,164,309	24,427,285	25,191,122	25,846,731	26,512,206
Local Revenue	2,211,521	3,198,146	3,114,412	3,673,707	4,044,176	4,167,836	4,272,832	4,379,571
Other Revenue	218,414	420,019	164,332	187,338	209,964	246,774	248,487	250,211
Total Revenue	15,642,091	21,597,852	25,301,295	29,890,231	32,507,663	33,580,675	34,402,243	35,232,764
Expenses								
Salaries	5,963,858	7,638,074	11,242,030	12,359,833	13,238,591	13,504,400	13,769,520	14,104,280
Benefits	1,331,302	1,659,391	2,716,380	2,983,669	3,195,397	3,255,947	3,316,421	3,391,875
Books and Supplies	1,368,527	1,720,084	2,392,365	2,899,101	3,204,315	3,211,471	3,257,252	3,303,174
Subagreement Services	388,345	648,108	666,781	852,405	940,099	943,159	955,681	969,921
Professional/Consulting Services	1,613,665	2,229,515	2,511,489	2,969,991	3,228,845	3,319,725	3,392,212	3,465,880
Facilities, Repairs and Other Leases	2,466,846	2,851,206	3,119,195	3,566,805	3,971,123	3,974,183	3,978,658	3,983,178
Total Administrative	856,664	845,237	1,279,138	1,457,949	1,592,142	1,601,870	1,622,801	1,646,471
Depreciation	127,242	613,258	590,905	703,324	774,287	774,287	782,029	789,850
Interest	3,881	20,989	5,192	7,171	8,712	8,712	8,799	8,887
Total Expenses	14,120,328	18,225,841	24,523,475	27,802,247	30,153,510	30,593,754	31,083,374	31,663,515
Total Surplus (Deficit)	\$ 1,521,763	\$ 3,372,012	\$ 777,820	\$ 2,087,984	\$ 2,354,153	\$ 2,986,921	\$ 3,318,869	\$ 3,569,249
Deferred Rent								
Other Capital Additions			85,030	-	-	-	-	-
Change Receivables			(786,376)	(423,380)	(427,778)	(588,749)	(592,617)	(598,543)
Change in Liabilities			(374,806)	(383,245)	(262,842)	(262,842)	(262,842)	(262,842)
Non-Cash Items			14,392	2,445	2,027	2,027	2,027	2,027
Financing			590,905	703,324	774,287	774,287	782,029	789,850
Total Change in Cash			225,000	-	-	-	-	-
Cash, Beginning of Year			531,965	1,987,128	2,439,846	2,913,643	3,247,467	3,499,741
Cash, End of Year	\$ 2,719,432	\$ 5,246,756	\$ 5,778,721	\$ 7,765,849	\$ 10,205,695	\$ 13,119,338	\$ 16,366,805	\$ 19,866,546
Lease Coverage Ratio:								
			1.44	1.83	1.84	2.01	2.11	2.19
Proforma MADS Coverage Ratio								
	1.09	1.69	1.14	1.66	1.84	2.01	2.11	2.19
Average Daily Expenses								
	39,223.13	50,627.34	68,120.76	77,228.46	83,759.75	84,982.65	86,342.71	87,954.21
Days Cash on Hand								
	70	106	85	101	122	154	190	226