

\$13,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(CITY CHARTER SCHOOLS – OBLIGATED GROUP)
SERIES 2016A (TAX-EXEMPT) AND 2016B (TAXABLE)

EXECUTIVE SUMMARY
RESOLUTION 16-22

Borrower:	4001 Venice, LLC (the “Borrower”)
Project User:	City Language Immersion Charter School
Loan Amount:	Not to exceed \$13,000,000
Expected Issuance:	August 2016
Project:	The proceeds of the bonds will be used to finance and refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and equipping of educational facilities located in Los Angeles County.
Bond Type:	Charter School Revenue Bonds (Taxable and Tax Exempt Series)
Project Location:	See “Project Information” section
Counties Served:	Los Angeles County
District in which Project is Located:	Los Angeles Unified School District
Charter Authorizer:	Los Angeles Unified School District
Est. Annual Payment:	\$740,000
Anticipated Rating:	Not Applicable
Structure:	\$11,740,000 (Tax-Exempt) and \$400,000 (Taxable)
Sale Method:	Public Limited Offering
Underwriter:	Stifel, Nicolaus & Company, Inc.
Bond Counsel:	Kutak Rock LLP
Trustee:	Wilmington Trust, N.A.

I. Use of Bond Proceeds / Project Information

The proceeds of the Bonds will be used to (a) finance the acquisition, construction, renovation, improvement, furnishing and equipping of certain public charter school facilities located at 4001 Venice Boulevard in Los Angeles, California; (b) fund a debt service reserve account with respect to the Bonds; (c) pay capitalized interest on the Bonds; and (d) pay certain expenses

incurred in connection with the issuance of the Bonds. The Facilities will be used by City Charter for the operation of City Language Immersion Charter.

II. City Charter School/4001 Venice, LLC

City Charter Schools (“City Charter”) is a charter school management organization that operates charter schools in California. City Charter currently holds charters and operates two charter schools serving over 600 students in Los Angeles County, California. The City School, a middle school, and City High School merged to form one charter school to serve grades 6-12 on July 1, 2016. City Charter operates as a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Code. City Charter is the holder of all school charters.

The Borrower, 4001 Venice, LLC (the “Borrower”) is a California limited liability corporation, the sole member of which is City Charter Schools (“City Charter”), a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). The Borrower was formed by City Charter in [July] 2016 as a support organization for City Charter 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. Therefore, no financial information with respect to the Borrower has been provided in the offering statement.

III. Financial Structure

The Bonds are expected to be issued in two series: (1) Series A (Tax-Exempt) will be approximately \$11,740,000 and (2) Series B (Taxable) will be approximately \$400,000. The Bonds will have a final maturity of June 1, 2052.

IV. Security and Source of Payment

The Bonds will be payable out of Payments under the Indenture, consisting primarily of Loan Repayments under the Loan Agreement. The obligations of the Borrower under the Loan Agreement are secured by: (i) the rent payments received under the Lease, (ii) real property described in the Deed of Trust on the Facility and (iii) the Reserve Account. The Reserve Account will be funded initially by proceeds of the Bonds.

As additional security for the Bonds, in connection with the issuance of the Bonds, CLIC will provide instructions to the State Controller’s Office to make an apportionment to the Trustee with respect to each School in amounts and on dates provided in a written notice sufficient in the aggregate to repay the Bonds and pay necessary and incidental costs. Funds received by the Trustee pursuant to such Intercept will be held in trust and will be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture, including if necessary, the payment of debt service on the Bonds. Under the laws of the State of California, no party, including Escuela Popular, the Borrower or any of their respective creditors will have any claim to the money apportioned or to be apportioned to the Trustee by the State Controller pursuant to the Intercept.

V. Preliminary Sources and Uses/Cost of Issuance

Below are the preliminary sources and uses, and detailed information about the costs of issuance for board consideration. Please note that these figures are subject to change between the time of board packets being distributed and the time of the board meeting – members will be provided updated figures should they change before the board meeting date.

Sources:	Series 2016A (Tax-Exempt)	Series 2016B (Taxable)	Total
Bond Proceeds:			
Par Amount	\$11,740,000.00	\$400,000.00	\$12,140,000.00
Bond Premium	\$457,507.80	\$0.00	\$457,507.80
Total Sources	\$12,197,507.80	\$400,000.00	\$12,597,507.80
Uses:			
			Total
Project Fund Deposits:			
New Money	\$10,758,539.00	\$0.00	\$10,758,539.00
	\$10,758,539.00	\$0.00	\$10,758,539.00
Other Fund Deposits:			
Debt Service Reserve Fund	\$778,476.11	\$26,523.89	\$805,000.00
Capitalized Interest	\$427,205.56	\$14,555.56	\$441,761.12
Delivery Date Expenses:			
Cost of Issuance	\$136,926.83	\$212,094.17	\$349,021.00
Underwriter's Discount	\$92,873.17	\$143,856.83	\$236,730.00
	\$229,800.00	\$355,951.00	\$585,751.00
Other Uses of Funds:			
Contingency	\$3,487.13	\$2,969.55	\$6,456.68
Total Uses	\$12,197,507.80	\$400,000.00	\$12,597,507.80

<u>Cost of Issuance:</u>	<u>Budgeted Amount</u>
Issuer Fee	\$25,891.00
Agent-for-Sale Fee	\$6,000.00
Issuer's Counsel Fee	\$8,000.00
Financial Consultant	\$18,210.00
Bond/Disclosure Counsel Fee	\$100,000.00
Borrower's Counsel Fee	\$75,000.00
Underwriter's Counsel	\$50,000.00
Trustee Fee	\$8,500.00
Trustee's Counsel Fee	\$5,000.00
Financial Printer Fee	\$3,640.00
CDLAC Fee**	\$0.00
Miscellaneous COI (<i>specify</i>)	
Contingency	\$25,000.00
Title Insurance	\$24,280.00
Appraisal	\$7,500.00
Total COI	\$357,021.00

VI. Borrower Financial Data

Exhibit A contains financial and operational information for CLIC.

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

The following sales restrictions will apply to the financing given that the bonds are not rated. The Authority's sales restrictions can be viewed at:

<http://treasurer.ca.gov/csfa/financings/guidelines.pdf>.

1. Bonds will be in higher minimum denominations of \$250,000
2. Bonds will be privately placed or publicly offered initially to QIBs and AIs
3. Bonds purchases will be required to execute an initial Investor Letter
4. Subsequent transfers of bonds will be limited to QIBs and AIs Sales restrictions conspicuously noted on bond and described in detail in offering materials, if any, as well as in the bond documents
5. 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 16-22 authorizing the Issuance of School Facility Revenue Bonds in an Amount Not to Exceed \$13,000,000 to Finance and Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and Equipping of Educational Facilities Located in Los Angeles County, California for 4001 Venice, LLC.

Exhibit A Financial and Operational Information

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Enrollment & ADA						
Enrollment	225	311	383	432	432	432
ADA	214.68	295.45	363.85	410.40	410.40	410.40
Revenues						
LCFF Revenue	1,835,592	2,581,796	3,215,369	3,658,133	3,766,097	3,766,097
Federal Revenue	413,379	179,835	221,469	249,803	249,803	249,803
School Facilities (SB740) Revenue	-	-	272,888	307,800	307,800	307,800
Other State Revenue	251,246	281,553	285,041	321,937	322,589	322,589
Other Local Revenue	186,364	202,384	249,238	281,125	281,125	281,125
Total Revenues	\$ 2,686,581	\$ 3,245,568	\$ 4,244,005	\$ 4,818,798	\$ 4,927,414	\$ 4,927,414
Expenses						
Certificated Salaries	842,548	1,087,020	1,339,919	1,527,180	1,557,724	1,588,879
Classified Salaries	410,755	552,915	563,973	575,253	586,758	598,493
Benefits	255,907	452,848	560,325	653,868	695,764	725,091
Books and Supplies	308,021	146,182	166,213	180,289	181,647	183,033
Subagreement Services	245,637	254,000	153,067	173,330	174,024	174,731
CMO Management Fees	107,463	129,823	169,760	192,752	197,097	197,097
Other Management Fees	169,315	92,024	119,505	135,590	138,305	138,305
Professional/Consulting Services	152,401	195,791	233,153	259,047	261,118	262,129
Ground Rent	-	-	-	-	-	-
Facilities Rent	80,843	100,000	594,000	768,250	773,750	708,500
Facilities, Repairs & Other Leases	22,332	19,000	24,840	25,337	25,844	26,360
Operations and Housekeeping	77,143	69,250	134,645	137,338	140,085	142,886
Depreciation	2,677	2,808	2,864	2,921	2,980	3,039
Total Expenses	\$ 2,675,042	\$ 3,101,661	\$ 4,062,264	\$ 4,631,155	\$ 4,735,096	\$ 4,748,543
Net Income	\$ 11,539	\$ 143,907	\$ 181,741	\$ 187,643	\$ 192,318	\$ 178,871
Add Back: Depreciation	2,677	2,808	2,864	2,921	2,980	3,039
Add Back: Ground Rent	-	-	-	-	-	-
Add Back: Facilities Rent	80,843	100,000	594,000	768,250	773,750	708,500
Add Back: CMO Management Fees	107,463	129,823	169,760	192,752	197,097	197,097
(A) NOI Available Before Management Fees	\$ 202,522	\$ 376,538	\$ 948,365	\$ 1,151,566	\$ 1,166,145	\$ 1,087,507
(B) Base Rent (Projected)	\$ 80,843	\$ 100,000	\$ 652,000	\$ 799,750	\$ 805,000	\$ 739,500
(A/B) Base Rent Coverage Ratio	2.51x	3.77x	1.45x	1.44x	1.45x	1.47x

**Enrollment by Grade by School
2013-14 through 2018-19 (Projected)**

Average Enrollment

Grade	2013-14	2014-15	2015-16*	2016-17	2017-18	2018-19
K**	89	59	71	72	72	72
1st	24	60	53	72	72	72
2nd	17	23	60	65	72	72
3rd	0	23	23	61	72	72
4th	0	0	18	23	72	72
5th	0	0	0	18	23	72
Total	130	165	225	311	383	432

Average Daily Attendance

Grade	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
ADA	123.99	156.16	214.68	295.45	363.85	410.4
Ratio	95.4%	94.6%	95.4%	95.0%	95.0%	95.0%