

\$60,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
SCHOOL FACILITY REVENUE BONDS
(ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS PROJECT)
SERIES 2016C (TAX-EXEMPT) AND 2016D (TAXABLE)

EXECUTIVE SUMMARY
RESOLUTION 16-29

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 \$60,000,000
Expected Issuance:	December 2016
Project:	The proceeds of the Bonds will be used to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing and/or Equipping of Educational Facilities Located in Los Angeles County, California for Alliance for College-Ready Public Schools Facilities Corporation
Bond Type:	School Facility Revenue Bonds (Tax-Exempt and Taxable Series)
Project Location:	See “Project Information” section
Counties Served:	Los Angeles
District in which Project is Located:	Los Angeles Unified School District
Charter Authorizer:	Los Angeles Unified School District
Est. Annual Payment:	\$2,993,000
Anticipated Rating:	BBB or BBB-
Structure:	\$ 47,593,000 (Tax-Exempt – Series C) and \$265,000 (Taxable – Series D)
Sale Method:	Public Offering
Underwriter:	Piper Jaffray & Co.
Bond Counsel:	Orrick Herrington & Sutcliffe
Trustee:	Wilmington Trust, N.A.

I. Use of Bond Proceeds

The proceeds of the Bonds will be used to finance the construction, expansion, remodeling, renovation, improvement, furnishing and equipping of the following school sites and locations.

Site	Landlord	Location	Purpose	Amount
Alliance 6-12 College Ready Academy #21	11933 Alleghany Charter Facilities LLC	8926 Sunland Boulevard Sun Valley, CA 91352	Refinance	\$18,875,000
Simon Tech High School	10704 Wilmington LLC	10720 Wilmington Ave, Los Angeles, CA 90059	Refinance	\$6,614,969
Burton Tech High School	10101 Broadway Charter Facilities LLC	10101 S Broadway, Los Angeles, CA 90003	Refinance	\$4,743,804
College Ready Middle Academy #4	9719 Main Street Charter Facilities LLC	9719 S Main St, Los Angeles, CA 90003	Refinance	\$4,372,050
Health Services Academy	1111 W Manchester Charter Facilities LLC	10616 S Western Ave, Los Angeles, CA 90047	New Construction	\$13,500,000
Bloomfield High School	7907 Santa Fe Avenue Charter Facilities LLC	7907 Santa Fe Ave, Huntington Park, CA 90255	Capital Improvements	\$1,220,369
Luskin Academy High School	70th Street Charter Facilities LLC	2941 W 70th St, Los Angeles, CA 90043	Capital Improvements	\$1,220,369
Skirball Middle School	11410 Avalon LLC	603 E 115th St, Los Angeles, CA 90059	Capital Improvements	\$1,220,369
Baxter College-Ready High School	461 W. 9th Street Charter Facilities	461 W 9th St, San Pedro, CA 90731	Capital Improvements	\$1,220,369
Total Estimated Project Costs				\$52,987,297

II. Alliance for College-Ready Public Schools / Alliance for College-Ready Public Schools Facilities Corporation

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 California nonprofit charter management organization in 2004. Alliance is an organization described in Section 501(c)(3) of the Internal Revenue Code.

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 an Administrative 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 administrative fees to the obligations of the Schools under the Leases.

The Borrower: Alliance for College-Ready Public Schools Facilities Corporation (the “Borrower”) was formed as a California nonprofit public benefit corporation in 2011 to serve as a supporting corporation for the various charter schools that have been or will be formed by, and receive administrative services from, Alliance. The Borrower is an organization described in Section 501(c)(3) of the Internal Revenue Code.

The Project Users: The Project will be owned by LLCs, each of whose sole member is the Borrower or Alliance. Individual nonprofit public benefit corporations affiliated with Alliance will operate the Project facilities as public charter schools, which are as follows: (a) Alliance Piera Barbaglia Shaheen Health Services Academy, to be located at 1111 West Manchester, Los Angeles, CA 90044, (b) Alliance Cindy and Bill Simon Technology Academy High School, located at 10720 Wilmington Avenue, Los Angeles, CA 90059, (c) Alliance Judy Ivie Burton Technology High School, located at 10101 South Broadway, Los Angeles, CA 90003, (d) Alliance College-Ready Middle Academy No. 4, located at 9719 South Main Street, Los Angeles, CA 90003, (e) Alliance 6-12 College-Ready Academy No. 21, to be located at 11933 Allegheny Street, Los Angeles, CA 91352, (f) Alliance Renee and Meyer Luskin Academy High School, located at 2941 West 70th Street, Los Angeles, CA 90043, (g) Alliance Margaret M. Bloomfield High School, located at 7907 Santa Fe Avenue, Huntington Park, CA 90255, (h) Alliance Alice M. Baxter College-Ready High School, located at 461 West 9th Street, San Pedro, CA 90731, and (i) Alliance Jack H. Skirball Middle School, located at 603 East 115th Street, Los Angeles, CA 90059.

III. Financial Structure

The Bonds will be issued in two series: (1) Series 2016C (tax-exempt) will be approximately \$47,593,000 and (2) Series 2016D (taxable) will be approximately \$265,000. The Bonds are expected to have a final maturity of July 1, 2051. 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 January 1 and July 1 of each year, commencing July 1, 2017 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

Members of the Obligated Group 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

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 2016C (Tax-Exempt)	Series 2016D (Taxable)	Total
Bond Proceeds:			
Par Amount	\$47,593,000.00	\$265,000.00	\$47,858,000.00
Premium	\$6,443,403.45	\$0.00	\$6,443,403.45
Prior Indentured Funds	\$3,198,788.00	\$0.00	\$3,198,788.00
Total	\$57,235,191.45	\$265,000.00	\$57,500,191.45
Uses:			
	Series 2016C (Tax-Exempt)	Series 2016D (Taxable)	Total
Project Fund Deposits:			
New Money	\$37,256,474.41	\$0.00	\$37,256,474.41
Bond Refinance (Refunding Escrow)	\$15,730,822.45	\$0.00	\$15,730,822.45
	\$52,987,296.86	\$0.00	\$52,987,296.86
Other Fund Deposits:			
Debt Service Reserve Fund	\$2,954,548.94	\$16,451.06	\$2,971,000.00
Capitalized Interest	\$340,112.50	\$0.00	\$340,112.50
Delivery Date Expenses:			
Cost of Issuance	\$396,765.37	\$200,842.33	\$597,607.70
Underwriter's Discount	\$540,364.09	\$2,650.00	\$543,014.09
	\$937,129.46	\$203,492.33	\$1,140,621.79
Other Uses of Funds:			
Contingency	\$16,103.69	\$45,056.61	\$61,160.30
Total	\$57,235,191.45	\$265,000.00	\$57,500,191.45

Cost of Issuance	
Issuer Fee	\$35,429.00
Issuer Agent for Sale	\$6,000.00
Issuer Admin Fee	\$7,178.70
AG Counsel	\$8,000.00
Bond Counsel Fee	\$115,000.00
Borrower's Counsel Fee	\$75,000.00
Underwriter's Counsel Fee	\$75,000.00
Issuer Counsel Fee	\$15,000.00
Trustee Fee	\$10,000.00
Title	\$40,000.00
Rating Agency - S&P	\$69,000.00
ExEd Consulting Fees	\$75,000.00
Pricing Advisor/Dissemination Agent	\$17,000.00
Contingency	\$50,000.00
Total COI	\$597,607.70

*Estimates based on a total Par Amount of \$47,858,000

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 B is a schedule of the Alliance's 5 year budget and its 2014-15 Financial Position.

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 the expected rating of BBB or BBB-. The Authority's sales restrictions can be viewed at:

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

1. Bonds will be in minimum denominations of \$25,000 (BBB-)
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. If the rating is BB+ or below or the bonds are unrated, one or more of the following will be required depending on the transaction, as requested by the financing team and approved by the Authority:
 - a. Traveling Investor Letter; or
 - b. Higher minimum denominations of \$250,000; or
 - c. Physical Delivery; or
 - d. Limited initial sale to QIBs, with subsequent transfers limited to QIBs as well; or
 - e. Other investor protection measures
7. 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 16-29 Authorizing the Issuance of School Facility Revenue Bonds in an Amount Not To Exceed \$60,000,000 to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing and/or Equipping of Educational Facilities Located in Los Angeles County, California for Alliance for College-Ready Public Schools Facilities Corporation.

**Exhibit A
Schools, Landlord, Sole Members**

	School	Landlord	Sole Member
1	Alliance Judy Ivie Burton Technology Academy High School	10101 Broadway Charter Facilities LLC	Alliance
2	Alliance Cindy and Bill Simon Technology Academy High School	10704 Wilmington LLC	Alliance
3	Alliance College-Ready Middle Academy No. 4	9719 Main Street Charter Facilities LLC	Alliance
4	Alliance Piera Barbaglia Shaheen Health Services Academy	1111 W. Manchester Charter Facilities LLC	Facilities
5	Alliance 6-12 College-Ready Academy No. 21	11933 Allegheny Charter Facilities LLC	Facilities
6	Alliance Renee and Meyer Luskin Academy High School	70th Street Charter Facilities LLC	Facilities
7	Alliance Margaret M. Bloomfield High School	7907 Santa Fe Avenue Charter Facilities LLC	Facilities
8	Alliance Alice M. Baxter College-Ready High School	461 W. 9th Street Charter Facilities LLC	Facilities
9	Alliance Jack H. Skirball Middle School	11410 Avalon LLC	Facilities

Exhibit B

Alliance 5-Year Budget Projections

COMBINED OBLIGATED GROUP 5 YEAR CASH FLOW PROJECTION/BUDGET SEVEN ALLIANCE SCHOOLS

	Actual FY 2012-- 13	Actual FY 2013-- 14	Actual FY 2014-- 15	Year 1 FY 2015-- 16	Year 2 FY 2016-- 17	Year 3 FY 2017-- 18	Year 4 FY 2018-- 19	Year 5 FY 2019-- 20	Year 6 FY 2020-- 21
TOTAL ENROLLMENT	2,275	2,561	2,951	3,152	3,395	3,520	3,630	3,700	3,700
REVENUE									
Private Grants and Contributions	212,775	1,410,848	758,139	2,246,263	421,765	90,000	-	-	-
Federal Revenue	2,981,820	3,548,238	4,200,873	4,312,941	4,115,958	4,430,916	4,585,378	4,688,214	4,698,541
State Revenue	14,524,217	18,529,546	23,116,132	29,384,660	31,653,752	33,211,683	34,943,628	36,339,473	37,038,628
Local Revenue	3,032,137	4,249,790	4,728,437	4,934,681	5,345,256	5,596,725	5,886,492	6,119,156	6,241,539
Other Revenue	286,618	517,739	639,550	480,436	515,970	525,635	553,229	564,826	570,373
Total Revenue	21,037,567	28,256,161	33,443,131	41,358,981	42,052,701	43,854,960	45,968,727	47,711,668	48,549,081
EXPENSES									
Salaries	8,249,245	10,146,380	13,493,462	18,338,717	19,025,671	19,147,750	20,102,398	20,911,778	21,330,014
Benefits	1,881,398	2,290,451	3,026,807	4,309,598	4,888,190	5,249,728	5,809,254	6,367,187	6,657,963
Books and Supplies	1,806,635	2,329,204	3,363,401	3,544,556	3,775,289	3,933,543	4,102,579	4,187,378	4,224,319
Subagreement Services	440,563	704,162	1,006,711	926,540	974,450	1,126,913	1,194,167	1,218,761	1,239,119
Professional/Consulting Services	2,071,272	2,856,952	3,876,183	4,462,915	4,321,880	5,191,114	5,538,012	5,787,705	5,881,639
Facilities, Repairs and Other Leases	3,279,006	3,611,827	2,965,865	4,909,633	4,962,756	4,973,043	4,988,757	4,997,050	5,005,508
Operations and housekeeping	1,078,315	1,081,339	1,285,430	1,396,947	1,474,065	1,516,125	1,585,953	1,626,505	1,659,035
Depreciation	190,405	784,078	1,240,960	1,346,876	1,051,660	1,110,480	1,174,562	1,198,053	1,222,014
Interest	3,881	24,425	20,465	13,303	14,500	15,352	16,308	16,634	16,967
Total Expenses	19,000,720	23,828,818	30,279,284	39,249,085	40,488,460	42,264,046	44,511,990	46,311,051	47,236,578
Total Surplus Deficit	2,036,847	4,427,343	3,163,847	2,109,896	1,564,240	1,590,914	1,456,737	1,400,617	1,312,503
Deferred Rent	227,665	220,896	551,715	963,144	157,048	-	-	-	-
Other Capital Additions	(337,434)	(1,470,292)	(2,613,033)	(984,507)	(993,526)	(1,003,461)	(1,023,530)	(1,044,001)	(1,064,881)
Change in Receivables									
Change in Liabilities									
Non--Cash Items	190,405	784,078	1,240,960	1,346,876	1,051,660	1,110,480	1,174,562	1,198,053	1,222,014
Financing									
Total Change in Cash									
Cash, Beginning of Year	<u>3,582,177</u>	<u>4,365,057</u>	<u>7,808,712</u>	<u>11,257,291</u>	<u>11,276,325</u>	<u>15,056,187</u>	<u>16,677,386</u>	<u>18,315,897</u>	<u>19,870,566</u>
Cash, End of Year	4,365,057	7,808,712	11,257,291	11,276,325	13,055,747	16,754,120	18,285,155	19,870,566	21,340,203