

\$19,000,000
CALIFORNIA SCHOOL FINANCE AUTHORITY
EDUCATIONAL FACILITIES REVENUE BONDS
(NEW DESIGNS CHARTER SCHOOL ADAMS CAMPUS PROJECT)
SERIES 2017A (TAX-EXEMPT) AND 2017B (TAXABLE)
EXECUTIVE SUMMARY
RESOLUTION 17-05

Borrower and Owner of Facilities:	University Park and Watts, LLC
Project User:	New Designs Charter School-Adams
Loan Amount:	Not to exceed \$19,000,000
Expected Issuance:	April 2017
Project:	The proceeds of the bonds will be used to Finance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and /or Equipping of Educational Facilities Located in Los Angeles County, California
Bond Type:	Educational Facilities Revenue Bonds (Taxable and Tax Exempt Series)
Project Location:	1314 - 1342 West Adams Boulevard in Los Angeles, CA
County:	Los Angeles
District in which Project is Located:	Los Angeles Unified School District
Charter Authorizer:	Los Angeles Unified School District
Est. Annual Payment:	\$1,103,242
Anticipated Rating:	BB+
Structure:	\$16,155,000 (Tax-Exempt) and \$295,000 (Taxable)
Sale Method:	Limited Public Offering
Underwriter:	Robert W. Baird & Co., Incorporated
Bond Counsel:	Kutak Rock LLP
Trustee:	Zions Bank, National Association

I. Use of Bond Proceeds/Project Information

The Applicant is requesting the issuance of tax-exempt and taxable bonds to finance the acquisition and renovation of certain educational facilities located at 1314-1342 West Adams Boulevard in Los Angeles, California, fund a debt service reserve fund, fund capitalized interest, and pay for the costs of issuance of the bonds.

The approximately 37,742-square-foot site currently includes the William T. Bishop Mansion, Roger Williams Baptist Church, social hall/gymnasium building, accessory building, and church office and classroom building. The Project proposes the rehabilitation and adaptive reuse of the existing on-site buildings for use as a charter school in lieu of the existing church and Sunday school uses. The proposed charter school would consist of approximately 20 classrooms as well as school offices in approximately 30,517 square feet of space, collectively the Adams Facilities.

Site	Landlord	Location	Purpose	Amount
New Designs Charter School - Adams Campus	University Park and Watts, LLC	1314-1342 West Adams Boulevard, Los Angeles, CA	Land Acquisition and Renovation	\$14,250,000
Total Estimated Project Costs				\$14,250,000

II. The Project User and the Borrower

The Borrower: University Park and Watts, LLC, a California limited liability company whose sole managing member is New Designs Properties, Inc., a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Code, is the Borrower and Lessor for the proposed project. The Borrower was created for the purpose of owning the Mortgaged Property which includes the Adams Facilities.

The Project User: New Designs Charter School is a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, that established and administers the New Designs Charter School, New Designs Charter School-Watts, and New Designs Charter School-Adams, which is the project school. New Designs Charter School was founded by Dr. Yaw O. Adutwum, with the vision of developing a college preparatory learning environment that enables students to become literate, self-motivated, and life-long learners. The schools serve neighborhoods where the traditional public schools have been historically overcrowded and underperforming. New Designs estimates that the Adams Facilities will initially accommodate approximately 150 students during 2017-18, but will ultimately have physical capacity to accommodate approximately 600 students.

III. Financial Structure

The California School Finance Authority (Authority) has been asked to issue approximately \$16,155,000 Educational Facilities Revenue Bonds Series 2017A and approximately \$295,000 Educational Facilities Revenue Bonds (Taxable) Series 2017B, collectively the Series 2017 Bonds.

The Series 2017 Bonds will bear interest payable semi-annually on June 1 and December 1 of each year, commencing December 1, 2017, until maturity or earlier redemption. The Series 2017 Bonds are subject to optional (Series 2017A only) and mandatory sinking fund redemption, and extraordinary redemption prior to maturity.

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 (and potentially additional leases in the future due to an obligated group structure), (ii) real property described in the Deed of Trust on the Adams Facilities and (iii) the Reserve Account.

As additional security for the Bonds, in connection with the issuance of the Bonds, the Lessee will provide instructions to the State Controller's Office to make an apportionment to the Trustee with respect to the New Designs Charter School in the amounts and on the 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 the Lessee, 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 estimated 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 the board packets are distributed and the time the board meets – members will be provided updated figures should they change before the board meeting date.

Preliminary Sources and Uses of Funds

Sources:	Series 2017A (Tax-Exempt)	Series 2017B (Taxable)	Total
Bond Proceeds:			
Par Amount	\$16,155,000.00	\$295,000.00	\$16,450,000.00
Uses:	Series 2017A (Tax-Exempt)	Series 2017B (Taxable)	Total
Project Fund Deposits:			
New Money	\$14,250,000.00	\$0.00	\$14,250,000.00
	\$14,250,000.00	\$0.00	\$14,250,000.00
Other Fund Deposits:			
Capitalized Interest Fund (thru 12-01-2017)	\$484,338.75	\$9,034.38	\$493,373.13
Debt Service Reserve Fund	\$1,095,839.32	\$20,010.68	\$1,115,850.00
	\$1,580,178.07	\$29,045.06	\$1,609,223.13
Delivery Date Expenses:			
Cost of Issuance	\$40,387.50	\$259,612.50	\$300,000.00
Underwriter's Discount	\$282,712.50	\$5,162.50	\$287,875.00
	\$323,100.00	\$264,775.00	\$587,875.00
Other Uses of Funds:			
Contingency	\$1,721.93	\$1,179.94	\$2,901.87
Total	\$16,155,000.00	\$295,000.00	\$16,450,000.00

Costs of Issuance*

Cost of Issuance:	Budgeted Amount
Issuer Fee	\$23,000.00
STO Agent for Sale Fee	\$6,000.00
Bond Counsel Fee	\$70,000.00
Borrower's Counsel Fee	\$65,000.00
Underwriter's Counsel Fee	\$70,000.00
Trustee/Dissemination Agent Fee	\$8,000.00
Trustee Counsel	\$2,000.00
Rating Agency - S&P	\$36,500.00
Financial Printer Fee	\$4,000.00
Underwriter's Expenses	\$7,500.00
Contingency	\$8,000.00
Total COI	\$300,000.00

*Numbers are based on a preliminary par amount of \$16,450,000

VI. Borrower Financial Data

Pursuant to Section 17183.5 of the CSFA Act, financing through the Authority is to be provided only to projects demonstrated by the participating party to be financially feasible. In demonstration feasibility, the participating party may take into account all of its funds, and may base future projections upon historical experience or reasonable expectations, or a combination thereof. Nothing in Section 17183.5 shall be construed to imply that any project is required to produce revenue in order to be financed under this chapter. Pursuant to this provision, Exhibit A contains financial and operational information for New Designs Charter School.

VII. Due Diligence Undertaken to Date

No information was disclosed that questions the financial viability or legal integrity of the Borrower. Standard opinions of counsel to the Borrower (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.

VIII. Bond Sales Restrictions

Per Bond Issuance Guidelines adopted by the CSFA board, and given a bond rating of BB+, the following sales restrictions may apply to the New Designs financing: <http://treasurer.ca.gov/csfa/financings/guidelines.pdf>.

1. Bonds will be in minimum denominations of \$100,000;
2. Bonds will be privately placed or publicly offered initially to QIBs and AIs;
3. Initial bond purchasers will be required to execute an Investor Letter;
4. Subsequent transfers of bonds will be 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. 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 17-05 Authorizing the Issuance of Educational Facilities Revenue Bonds in an Amount Not To Exceed \$19,000,000 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 use by New Designs Charter School.

**Exhibit A
5-Year Budget Projections**

New Designs Charter School						
<i>Historical and Projected Revenues and Expenses - All Campuses</i>						
	<u>FY-15/16</u>	<u>FY-16/17</u>	<u>FY-17/18</u>	<u>FY-18/19</u>	<u>FY-19/20</u>	<u>FY-20/21</u>
<i>Key Assumptions</i>						
Assumed General Expense Inflation Rate	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Assumed High School Enrollment	555	670	700	790	850	940
Assumed 6th Grade Enrollment	219	240	270	330	360	390
Assumed 7-8th Grade Enrollment	436	450	570	660	720	750
Total Enrollment	1,210	1360	1,540	1,780	1,930	2,080
Assumed ADA - High School	95.0%	95%	95%	95%	95%	95%
Assumed ADA - Middle School	97.0%	97%	97%	97%	97%	97%
Number of Teachers(30 students to a Teacher)	50	50	58	66	71	77
Administrative Staff	10	10	11	12	13	14
Other Employees	31	31	35	37	39	41
Number of Total Employees	91	91	104	115	123	132
Assumed Prop 98 Funding Growth Rate	0.00%	0.0%	0.0%	0.0%	1.00%	1.0%
Assumed Utility Inflation				3.5%	3.5%	3.5%
<i>Per Pupil Revenues</i>						
High School State Aid	\$8,578	\$8,578	\$8,673	\$8,883	\$9,120	\$9,120
6th Grade State Aid	\$7,189	\$7,189	\$7,269	\$7,445	\$7,644	\$7,644
7-8th State Aid	\$7,403	\$7,403	\$7,485	\$7,666	\$7,871	\$7,871
Special Ed	\$588	\$588	\$588	\$588	\$594	\$600
Lottery	\$126	\$126	\$126	\$126	\$127	\$129
	<u>FY-15/16</u>	<u>FY16/17</u>	<u>FY17/18</u>	<u>FY18/19</u>	<u>FY19/20</u>	<u>FY20/21</u>
	<i>Actual</i>	<i>Current</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>
<i>Revenues</i>						
<i>State Revenues</i>						
State Aid Entitlement	8,100,154	9,012,248	10,587,633	13,729,030	16,103,857	17,251,765
Educational Protection Act	1,752,025	1,799,367	1,880,178	1,053,246	-	-

Special Education Entitlement	805,619	767,810	891,971	1,051,525	1,171,878	1,294,186
Lottery	201,780	194,531	185,926	214,937	235,393	256,178
SB 740 - Facilities Lease Reimbursement	857,499	989,400	1,114,575	1,288,275	1,396,838	1,505,400
Other State Revenues	128,351	348,110	387,165	426,220	427,001	427,790
<i>Sub-Total State Revenues</i>	\$11,845,428	\$13,111,466	\$15,047,447	\$17,763,233	\$19,334,966	\$20,735,320
Federal Revenues						
Title 1/Title II/Title III	551,964	543,510	612,273	707,692	767,329	856,785
FCC Erate Program	40,040	40,000	60,000	60,000	60,000	60,000
Food Service/Nutrition	1,167,925	1,040,770	1,172,444	1,355,162	1,469,361	1,583,560
Special Education	121,842	255,597	288,834	334,035	365,992	398,555
<i>Sub-Total Federal Revenues</i>	\$1,881,771	\$1,879,877	\$2,133,551	\$2,456,889	\$2,662,682	\$2,898,900
Local Revenues						
Funding in Lieu of Property Taxes	2,355,476	2,523,558	2,829,605	3,261,276	3,536,149	3,811,022
Debt Service Reserve Fund						
Site-based Revenue	119,573	176,404	186,404	186,404	186,504	186,605
<i>Sub-Total Local Revenues</i>	\$2,475,049	\$2,699,962	\$3,016,009	\$3,447,680	\$3,722,653	\$3,997,627
GROSS REVENUES	\$16,202,248	\$17,691,305	\$20,197,007	\$23,667,802	\$25,720,301	\$27,631,846
	<u>FY-15/16</u>	<u>FY16/17</u>	<u>FY17/18</u>	<u>FY18/19</u>	<u>FY19/20</u>	<u>FY20/21</u>
Operating Expenses						
Instructional Salaries and Bonuses	3,013,880	3,414,160	4,042,794	4,685,474	5,162,848	5,645,850
Administrative Salaries	854,299	903,936	1,011,054	1,118,987	1,227,756	1,337,389
Classified Salaries	1,604,601	1,636,253	1,785,341	1,890,401	2,000,158	2,114,799
Benefits	1,602,242	1,809,553	2,027,891	2,240,015	2,414,178	2,591,381
Books & Supplies	596,100	642,500	753,319	870,208	959,969	1,286,131
Food Service/Nutrition	915,000	936,693	1,111,557	1,289,818	1,426,460	1,564,074
Insurance	227,632	270,000	368,550	472,770	566,521	665,471
Utilities	218,425	260,000	334,538	413,313	478,758	547,757
Special Ed Fair Share	217,069	307,022	354,241	415,668	461,361	507,822
Building Maintenance & Repairs	220,908	270,000	328,100	389,443	454,171	722,433
Educational Consultants	719,716	813,948	941,128	1,075,205	1,179,421	1,288,922

Non-Educational Consultants	341,358	386,052	446,372	509,965	559,394	611,330
Charter Management Organization Expenses	1,194,959	1,238,391	1,371,558	1,594,621	1,751,917	1,925,410
Authorizer Expenses	130,322	133,352	159,881	190,023	212,852	235,678
Equipment/Non-facility Leases	241,112	300,000	361,875	427,193	482,444	540,627
Communication	203,629	255,000	308,306	364,581	413,711	465,461
Repairs and Maintenance	180,278	184,532	233,578	293,831	343,860	396,627
Training, Seminars Professional Development	62,820	64,302	81,393	102,389	119,822	138,209
Student Activities, Field Trips & Transportation	57,415	58,770	74,390	93,578	109,513	126,318
Other Expenses	163,536	167,395	211,886	266,544	311,927	359,793
TOTAL OPERATING EXPENSES	\$12,765,301	\$14,051,860	\$16,307,752	\$18,704,026	\$20,637,041	\$23,071,483

	<u>FY15/16</u>	<u>FY16/17</u>	<u>FY17/18</u>	<u>FY18/19</u>	<u>FY19/20</u>	<u>FY20/21</u>
Net Revenues Available for Facility Expense	\$3,436,947	\$3,639,445	\$3,889,255	\$4,963,776	\$5,083,261	\$4,560,363
Facility Lease Expense - University Park (Series 2012)	1,384,890	1,387,988	1,383,750	1,384,600	1,383,700	1,386,050
Facility Lease Expense - Watts (Series 2014)	560,242	528,950	526,738	526,038	530,100	528,688
Facility Lease Expense - Adams	40,000	200,000	409,001	1,088,002	1,083,152	1,085,877
Total Facility Lease Expense	\$1,985,132	\$2,116,938	\$2,319,489	\$2,998,640	\$2,996,952	\$3,000,615
Lease Expense Per Student	\$1,641	\$1,557	\$1,506	\$1,685	\$1,553	\$1,443
Excess Net Revenues	\$1,451,815	\$1,522,507	\$1,569,766	\$1,965,136	\$2,086,309	\$1,559,748
Coverage of Lease Expense by Net Revenues	1.73	1.72	1.68	1.66	1.70	1.52

Exhibit B Historical and Projected Enrollment

	Grades	Historical Enrollment							Current	Projected Enrollment			
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
University Park Campus	6	145	136	153	145	148	154	153	154	120	150	150	150
	7	113	118	125	131	145	151	152	153	150	150	150	150
	8	90	109	115	120	115	122	145	152	150	150	150	150
	9	112	87	97	115	112	97	115	132	120	120	120	120
	10	76	93	85	79	102	106	91	110	120	120	120	120
	11	53	56	82	80	75	85	88	84	110	110	110	110
	12	23	39	55	71	73	61	76	86	80	80	80	80
	Total	612	638	712	741	770	776	820	871	850	880	880	880
Watts Campus	6	77	77	95	90	86	27	66	90	90	90	90	90
	7	68	88	70	103	96	83	63	90	90	100	100	100
	8	43	61	70	67	102	105	76	60	90	100	100	100
	9	20	32	35	55	56	58	85	71	80	90	90	90
	10	-	23	35	30	32	31	54	84	70	80	80	80
	11	-	-	16	27	25	19	32	54	70	70	70	70
	12	-	-	-	12	20	22	14	31	50	70	70	70
	Total	208	281	321	384	417	345	390	480	540	600	600	600
Adams Campus	6	-	-	-	-	-	-	-	-	60	90	120	150
	7	-	-	-	-	-	-	-	-	60	90	120	120
	8	-	-	-	-	-	-	-	-	30	90	90	120
	9	-	-	-	-	-	-	-	-	-	30	90	90
	10	-	-	-	-	-	-	-	-	-	-	30	90
	11	-	-	-	-	-	-	-	-	-	-	-	30
	12	-	-	-	-	-	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-	-	150	300	450	600
GRAND TOTAL		820	919	1,033	1,125	1,187	1,121	1,210	1,351	1,540	1,780	1,930	2,080