

CALIFORNIA SCHOOL FINANCE AUTHORITY
EDUCATIONAL FACILITIES REVENUE BONDS
(SANTA MONICA BOULEVARD COMMUNITY CHARTER SCHOOL),
SERIES 2010D
QUALIFIED ZONE ACADEMY BONDS
(DIRECT SUBSIDY BONDS)

EXECUTIVE SUMMARY

RESOLUTION 10-17

Borrower:	Santa Monica Boulevard Community Charter School
Loan Amount:	Not to exceed \$3,000,000
Expected Issuance:	July 15, 2010
Project:	<p>Proceeds from the Bonds will be used to upgrade and expand the technology infrastructure and furnishings at the Campus, to provide for Campus maintenance, repair and upgrades, provide staff development in technology integration and network administration, provide for field trips in connection with the newly established Infrastructure Academy, to establish a new student information system, and provide for professional development in ELA, math, Science, Social Studies, which includes text books and conference attendance.</p> <p>A portion of the Bond proceeds may also be used to finance working capital needs.</p>
Bond Type:	Revenue Bond, Qualified Zone Academy Bonds (Direct Subsidy) (the "Bonds")
Credit Enhancement:	East-West Bank direct pay letter of credit "wrapped" by Federal Home Loan Bank of San Francisco
Expected Rating(s):	Aaa/AAA
Structure:	Term Bond maturing in approximately ten years
Sale Method:	Negotiated Public Offering
Senior Manager:	RBC Capital Markets, Inc.
Bond and Disclosure Counsel:	Orrick Herrington & Sutcliffe LLP

Background

Federal tax legislation enacted in 1997 (Section 226 of H.R. 2014 The Taxpayer Relief Act of 1997, Section 1397E of the *Internal Revenue Code*) allows for certain schools, known as Qualified Zone Academies, to finance the equipping and/or renovating of

school facilities, developing course materials and training teachers on an interest-free basis through the allocation of tax credits (through the issuance of Qualified Zone Academy Bonds or QZAB). Granada Hills Charter High School (the "Borrower") was awarded \$2.5 million of QZAB borrowing authority by the California Department of Education. The Borrower may elect to take up to an additional \$500,000 taxable loan to pay for cost of issuance associated with the bond transaction.

I. Structure

CSFA will issue the Bonds, the proceeds of which will be loaned to the Borrower pursuant to a Loan Agreement by and between CSFA and the Borrower, through a negotiated, public offering. The Bonds will be sold as taxable obligations with a single "bullet" maturity in 2020. Prior to this date, the Bonds will pay semi-annual interest only. CSFA, acting at the request of the Borrower, will elect for the Department of the Treasury to transfer to the trustee on a periodic basis a federal subsidy payment (based on current law) equal to the lesser of (i) 100% of the interest payable on the Bonds; or (ii) the interest that would have been payable on the Bonds if it were computed based on the rate applicable for qualified tax credit bonds in effect at the time of sale.

II. Security and Source of Payment

Semi-annual interest and principal, as applicable, will be paid by East-West Bank under the terms of an irrevocable, direct pay letter of credit. The letter of credit will be further "wrapped" by the Federal Home Loan Bank of San Francisco by means of a standby letter of credit and is expected to result in a "AAA"-rating for the transaction. Ultimately, the Borrower will be responsible for reimbursing all payments made by East-West Bank as well as any associated letter of credit fees (CSFA is obligated to pay the principal of, premium, if any, and interest on the Bonds and "Credit Provider Reimbursement Obligations" solely from the payments received from the Borrower under the Loan Agreement). In addition, Borrower loan payments will also fund annual "sinking fund" deposits into an account held by the bond trustee (BNY Mellon) in advance of the final stated maturity of the Bonds. Such deposit amounts, including interest earnings thereon, will be sufficient to ensure that adequate funds are on hand to reimburse City National Bank for the repayment of the principal payment due upon the final stated maturity of the Bonds in 2020. The Borrower will utilize the State Controller's Intercept Mechanism (Section 17199.4, Education Code) to transfer a portion of its annual state allotment of revenue limit funds (i.e., the general purpose entitlement component of its annual principal apportionment). The State Controller will be provided with a schedule at closing detailing funds to be intercepted and forwarded to the bond trustee on a periodic basis. Such amounts will cover the aforementioned interest payments, letter of credit fees, and required sinking fund deposits and will be transferred by the trustee to East-West Bank. Federal subsidy payments will be made by the Department of the Treasury to the trustee. Certain excess amounts may be periodically transferred to the Borrower. A flow of funds has been attached as Exhibit A.

III. The Borrower

Santa Monica Blvd. Community Charter School (the "Borrower"), a California public charter school has began operation on July 1, 2002. Its charter has been renewed in 2007. The Borrower currently has two (2) facilities. Santa Monica Blvd. Elementary School was built by the Los Angeles Unified School District and opened in 1910. By

2002, it served 1,450 K-5th students on a multi-track year-round schedule (3 tracks and 163 school days). Santa Monica Blvd. Elementary School was renamed Santa Monica Blvd. Community Charter School in 2002 when it earned charter status under the California Charter School Law (AB 544). Santa Monica Blvd. Community Charter School, located in East Hollywood, is a large urban public school within the Los Angeles Unified School District (LAUSD). In 2002 the school staff and community developed a charter petition which was approved by the LAUSD. The school serves 1127 neighborhood students that include 82 % eligible for free meals, 5% eligible for reduced meals, 63% English learners, 9% students with disabilities, 96% Hispanic, 3% Armenian and 1% other. Santa Monica Blvd. Community Charter School was awarded the California Distinguished Schools Award in 1997 and the NAEYC accreditation in 2006.

Every year Santa Monica Blvd. Community Charter School has met the growth target established by the California Academic Performance Index (API).

<u>Year</u>	<u>API</u>
2001	498
2002	563
2003	602
2004	635
2005	650
2006	651
2007	683
2008	704
2009	723

The mission of Santa Monica Blvd. Community Charter School is to provide a quality education for all students, to create a learning community that involves families and that values lifelong learning and professionalism among the school staff, and to give children the skills, the self-confidence and the conceptual knowledge needed to be successful in school and beyond.

We believe that our children are able to learn as well as children in higher socio-economic classes, and that we have the capacity to ameliorate the challenges due to poverty by creating a learning environment that focuses on nurturing the development of the whole child, the family and the community. SMBCCS views its role as a critical change agent in closing the achievement gap for our students. Our mission is focused on closing the achievement gap in a manner that, not only addresses the academic achievement that is typically measured by standardized testing, but that also addresses the habits of mind development of successful character traits and broader content knowledge that are not normally measured. The teachers, administrators, staff and parents at Santa Monica Blvd. Community Charter School are committed to this end.

Santa Monica Blvd. Community Charter School is a community of learners where each adult and every child is continuously engaged in the process of learning. We apply constructivist practices that promote metacognition, higher order thinking, and problem solving. Instruction is collaborative, differentiated, data-driven, and interdisciplinary. Santa Monica Blvd. Community Charter School strives to be the heart of our extended community by promoting reciprocal relationships that address the need and well being of the whole child.

IV. Preliminary Sources and Uses

Sources	
Qualified School Construction Bonds	\$2,500,000
Borrower Equity	\$52,155
Total Sources	\$2,552,155
Uses	
Project Fund	\$2,435,345
Cost of Issuance	\$102,155
Credit Enhancement Fees	\$14,655
Total Uses	\$2,552,155

V. The Project

The Borrower will use loan proceeds to upgrade and expand the technology including 2 servers, upgrading software, furniture for 14 classrooms, school office and yard. Provide staff development in technology integration and network administration. Proceeds also will be used to finance 102 fieldtrips, a new student information system, professional development in ELA, math, Science, Social Studies, text books and conference attendance. Facilities maintenance, repair and upgrades. The project is estimated to cost \$2,588,600 over a two year period. Loan proceeds also will be used to finance: 1) Salaries and benefits for project management, accounting and audits; 2) Materials, supplies, equipment and furnishing; and 3) Site improvement, modernization, alteration and improvement.

A portion of the loan proceeds may also be used to finance the Borrower's working capital needs related to the approved QZAB allocation, such as teacher training expenditures.

VI. Borrower Financial Data

Attached as Exhibit B is a schedule of historic and projected revenues and enrollment information for the Borrower.

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, has the full authority to enter into all documents which are valid and binding, etc.) will be delivered at closing.

VIII. Staff Recommendation

Staff recommends CSFA approve Resolution Number 10-17 in an amount not to exceed \$3,000,000 for Santa Monica Boulevard Community Charter School subject to final financing terms acceptable to CSFA.

**Exhibit A
Flow of Funds Diagram**

**California School Finance Authority
Educational Facilities Revenue Bonds
(SANTA MONICA BOULEVARD COMMUNITY CHARTER SCHOOL)
SERIES 2010D QUALIFIED ZONE ACADEMY BONDS (DIRECT SUBSIDY BONDS)**

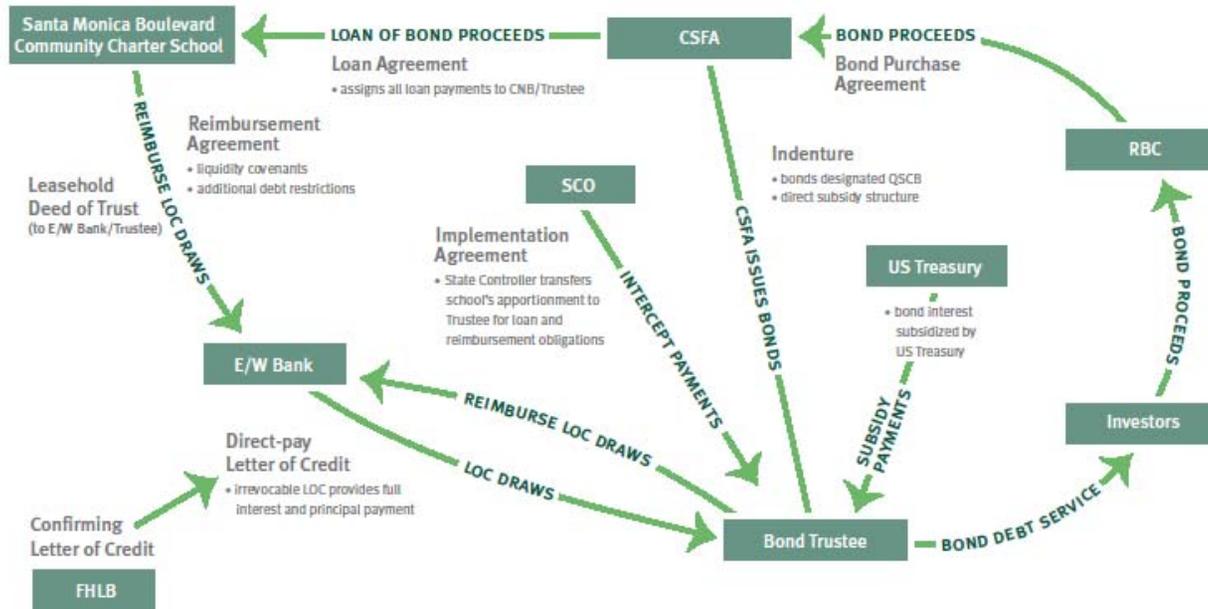


Exhibit B
Financial Information

Descriptions	2009-10	2010-11	2011-12	2011-12	2011-12
REVENUES					
Revenue Limit Sources					
General Purpose Apportionment					
TOTAL REVENUE LIMIT SOURCES	4,342,116	4,420,987	4,587,742	4,737,004	4,939,424
Federal Revenues		78,871	166,755	149,262	202,420
TOTAL FEDERAL REVENUES	943,674	830,718	830,308	838,432	857,829
State Revenues					
TOTAL STATE REVENUES	2,983,078	2,768,678	2,856,326	2,899,222	2,969,515
Other Local Revenues					
TOTAL OTHER LOCAL REVENUES	311,000	281,396	293,709	306,204	318,988
TOTAL REVENUE	8,579,868	8,301,779	8,568,085	8,780,863	9,085,756
EXPENDITURES					
PERSONNEL COSTS					
TOTAL CERTIFICATED SALARIES	4,451,950	4,431,950	4,440,806	4,533,217	4,665,816
TOTAL CLASSIFIED SALARIES	1,142,526	1,032,982	1,046,557	1,061,573	1,082,505
TOTAL EMPLOYEE BENEFITS	1,373,199	1,313,522	1,322,481	1,336,254	1,363,896
DISCRETIONARY COSTS	6,967,675	6,778,455	6,809,844	6,931,044	7,112,217
TOTAL BOOKS & SUPPLIES	438,500	465,394	473,014	478,393	488,254
TOTAL OTHER OPERATING EXPENSES	647,966	727,374	720,791	728,378	741,506
TOTAL CAPITAL OUTLAY	10,000	15,000	15,000	15,000	15,000
TOTAL OTHER OUTGO	447,663	289,963	295,446	300,262	306,956
TOTAL EXPENSES	8,511,804	8,276,186	8,314,095	8,453,078	8,663,934
NET	68,064	25,593	253,990	327,785	421,822
BEGINNING FUND BALANCE	11,856,966	11,925,030	11,950,623	12,204,613	12,532,398
ENDING FUND BALANCE	11,925,030	11,950,623	12,204,613	12,532,398	12,954,220
CONTINGENCY RESERVE (5% OF EXPENDITURES)	425,590	413,809	415,705	422,654	433,197

Exhibit B
Historical and Projected Enrollment
and Admission Information

School Year	<u>2006/2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
# of Students	1,056	948	901	966	1,007	1,007

1. The Borrower is a neighborhood, non-sectarian, community-based public school with no admission criteria and no tuition charged.
2. The Borrower will not discriminate on the basis of ethnicity, national origin, religion, gender, gender preference, geographic residence, or disabilities.
3. The enrollment capacity will be 1007 in Grades K-6. These enrollment figures may change based on demographic changes and community needs.
4. The Borrower will adhere to all laws establishing minimum age for public school attendance.