

\$65,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
SCHOOL FACILITY REVENUE BONDS
(KIPP SoCal Public Schools)
SERIES 2019A (TAX-EXEMPT) \$65,000,000

EXECUTIVE SUMMARY
RESOLUTION 19-12

Borrower :	KLARE Holdings (the “Borrower”)
Owner of Facilities:	The limited liability companies listed in Section I hereof, the sole member of each of which is the Borrower
Project User:	KIPP SoCal Public Schools doing business as the charter schools listed in Section II hereof
Loan Amount:	Not to exceed \$65,000,000
Expected Issuance:	June 2019
Project:	The Borrower is requesting the issuance of tax-exempt school facility revenue bonds to i) finance the acquisition, construction and renovation of certain educational facilities for use by KIPP SoCal Public Schools and certain of its affiliated charter schools; ii) fund a reserve fund for the proposed bonds; iii) fund capitalized interest on the proposed bonds; and iv) pay certain expenses incurred in connection with the issuance of the proposed bonds.
Bond Type:	School Facility Revenue Bonds
Project Location:	Please See the Table in Section I
Counties Served:	Los Angeles
District in which Projects are Located:	Los Angeles Unified School District & Compton Unified School District
Charter Authorizer:	Los Angeles Unified School District & Compton Unified School District
Est. Annual Payment:	\$3,345,000
Anticipated Rating:	BBB
Structure:	\$ 65,000,000 (Tax-Exempt)
Sale Method:	Public Offering
Underwriter:	Robert W. Baird & Co.
Bond Counsel:	Orrick Herrington & Sutcliffe
Trustee:	Zions Bancorporation, National Association

*Not to Exceed Amount

I. Use of Bond Proceeds

The proceeds of the Bonds will be used for the following purposes: (a) financing the construction of a two-story, ground-up 6,891 sq. ft. building with 2 classrooms, administrative offices, teacher’s lounge and parking located at 650 South Atlantic Boulevard in Los Angeles, California (“Atlantic Phase II”) where KIPP Raíces Academy operates; (b) financing the acquisition of land and construction of a parking area with approximately 40 parking spaces located at 2218-2220 East Florence Avenue in Huntington Park, California (“Curiosity Phase II”) where KIPP Comienza Community Prep operates; (c) financing the acquisition of land and construction of a 7,200 sq. ft. outdoor play area located at 4250 East Olympic Boulevard in Los Angeles, California (“BH Soto Phase II”) where KIPP Academy of Innovation operates; (d) financing the construction of a 14,287 sq. ft. outdoor play and covered lunch area located at 1154 West Vernon Avenue and 4410 South Budlong Avenue in Los Angeles, California (“Budnon Phase II”) where KIPP Vida Academy operates; (e) financing the acquisition of land and the construction of a parking area with approximately 12 parking spaces and an expansion of an existing play area located at 2925 Illinois Avenue and 9325-9335 Long Beach Blvd. in South Gate, California (“SeLA Phase II”) where KIPP Corazón Academy operates; (f) financing the acquisition of land and construction of a new, ground-up three-story 28,430 sq. ft. building with 22 classrooms, teacher’s lounge, administrative office, multipurpose room, on-site parking, and dedicated outdoor play space located at 8616-8638 Long Beach Boulevard in South Gate, California (the “Gratitude Facility”) where KIPP Corazón Academy (Upper School) will operate; (g) financing the acquisition of land and construction of a new, ground-up three-story 29,703 sq. ft. building with 22 classrooms, teacher’s lounge, administrative office, basement parking, outdoor covered lunch area and dedicated outdoor play space located at 10115 Grape Street in Los Angeles, California (the “Grit Facility”) where KIPP Philosophers Academy will operate; (h) financing the acquisition of land and the construction of a new, ground-up two-story 31,300 sq. ft. building with 27 classrooms, multipurpose room, teacher’s lounge, administrative offices, on-site parking, and dedicated outdoor play space located at 1240 Airport Way in Compton, California (the “Zest Facility”) and, together with Atlantic Phase II, Curiosity Phase II, BH Soto Phase II, Budnon Phase II, SeLA Phase II, the Gratitude Facility and the Grit Facility, are collectively referred to herein as the “Facilities”, and each shall be referred to as a “Facility”) where KIPP Compton Community School will operate; and (i) funding a reserve fund with respect to the Bonds and certain capitalized interest; and (j) paying certain costs of issuance for the Bonds (collectively, the “KIPP SoCal Projects”).

	Site	Landlord	Location	Purpose	Estimated Amount
a)	KIPP Raíces	668 Atlantic, LLC	650 S. Atlantic Blvd. Los Angeles, 90022	Construction	\$1,000,000
b)	KIPP Comienza	Curiosity RE, LLC	2218-2220 E. Florence Ave. Huntington Park 90255	Land & Construction	\$2,500,000
c)	KIPP Innovation	BH Soto, LLC	4250 E. Olympic Blvd. Los Angeles 90023	Land & Construction	\$1,550,000
d)	KIPP Vida	Budnon, LLC	1154 W. Vernon Ave. & 4410 South Budlong Ave. Los Angeles 90037	Construction	\$1,650,000
e)	KIPP Corazon (Lower School)	SeLA, LLC	2925 Illinois Ave. & 9325-9335 Long Beach Blvd. South Gate 90280	Land & Construction	\$1,155,000
f)	KIPP Corazon (Upper School)	Gratitude RE, LLC	8616-8638 Long Beach Blvd. South Gate 90280	Land & Construction	\$13,500,000
g)	KIPP Philosophers	Grit RE, LLC	10115 Grape St. Los Angeles 90002	Land & Construction	\$13,000,000
h)	KIPP Compton (Lower School)	Zest RE, LLC	1240 Airport Way Compton 90222	Land & Construction	\$15,000,000

	Site	Landlord	Location	Purpose	Estimated Amount
<i>Reserve Fund, Cost of Issuance and Contingencies</i>					\$15,645,000
Total Estimated Project Borrowing					\$65,000,000

II. KIPP SoCal Public Schools

KIPP SoCal Public Schools: KIPP SoCal Public Schools (KSCPS) operates tuition-free, open-enrollment, public charter schools focused on preparing students in under-resourced communities in the greater Los Angeles area for success in school, college, and life. KSCPS currently operates 15 schools that serve either elementary, middle, or elementary and middle grade levels across the Los Angeles metropolitan area serving over 7,200 students, and will open its 16th school, KIPP Pueblo Unido, in the 2019-20 school year. Approximately 90% of KSCPS students qualify for FRL, over 20% are English Language Learners, and 11% receive Special Education services. The schools include:

- KIPP Academy of Innovation (Grades 5-8, Opened 8/12/2014)
- KIPP Academy of Opportunity (Grades 5-8, Opened 7/1/2003)
- KIPP Comienza Community Prep (Grades TK-7, Opened 9/7/2010)
- KIPP Compton Community School (TK-8, Opened 8/1/2018)
- KIPP Corazon Academy (TK-8, Opened 8/15/2017)
- KIPP Empower Academy (TK-4, Opened 8/18/2010)
- KIPP Ignite Academy (TK-4, Opened 8/10/2015)
- KIPP Iluminar Academy (TK-4, Opened 8/12/2013)
- KIPP LA Prep (5-8, Opened 9/2/2003)
- KIPP Philosophers Academy (5-8, Opened 9/4/2012)
- KIPP Promesa Prep (TK-4, Opened 8/10/2015)
- KIPP Pueblo Unido (TK-8, Opening 8/2019)
- KIPP Raices Academy (TK-4, Opened 8/11/2008)
- KIPP Scholar Academy (5-8, Opened 9/4/2012)
- KIPP Sol Academy (5-8, Opened 9/3/2013)
- KIPP Vida Preparatory Academy (TK-4, Opened 8/11/2014)

This is the first year of operation for KIPP Compton Community School. KIPP Pueblo Unido’s charter was approved in 2017 by LAUSD, and it is slated to open this fall. KIPP SoCal is also acquiring a 17th school through a merger with KIPP San Diego. In each case the schools are growing their enrollment at a class per year.

This is the fourth bond issuance through CSFA for KIPP SoCal Public Schools projects. The first bond issuance was in 2014. That issuance leveraged a Credit Enhancement award, was rated BB+, with a par amount of \$28,725,000, and included the Iluminar, Sol, Empower and LA Prep campuses. The second bond issuance was in 2015. Those bonds were rated BBB-, with a par amount of \$27,790,000, and included the Opportunity, Vida, Scholar, and Raices campuses. The most recent issuance was in 2017. That issuance received a BBB rating, had a par amount of \$40,750,000, and included the Innovation, Comienza and Corazon campuses.

The Borrower: The Borrower is KLARE Holdings ("KLARE"), a California nonprofit public benefit corporation whose sole member is KIPP SoCal Public Schools ("KSCPS") (formerly KIPP LA Public Schools), also a California nonprofit public benefit corporation described under Section 501(c)3 of the Internal Revenue Code. The primary purpose of KLARE is to finance, develop, lease, and maintain certain school facilities for the exclusive use of KSCPS.

The Borrower is currently the member of twelve (12) limited liability subsidiary companies (Landlords) that own and lease school facilities to KSCPS and that are members of the Obligated Group or will be added as members of the Obligated Group upon the issuance of the Bonds: 668 Atlantic, LLC (Raices), Curiosity RE, LLC (Comienza), BH Soto, LLC (Innovation), Budnon, LLC (Vida), SeLA, LLC (Corazon-Lower), Grit RE, LLC (Philosophers), Gratitude RE, LLC (Corazon-Upper), Zest RE, LLC (Compton-Lower and Upper), KLA 2810 Whittier, LLC (LA Prep), SoLA School 1, LLC (Empower), SoLA 2, LLC (Opportunity) and ChaMed, LLC (Sol and Illuminar). In addition, West51, LLC is also a member of the obligated group but neither owns any interest in real property nor does it lease any property to KSCPS. The facilities financed with proceeds of the Bonds will be leased to the schools listed in the table in Section I.

The Project Users: The Project will be owned by the Landlords, each of whose sole member is the Borrower, KLARE Holdings, a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 and will be leased to KIPP SoCal Public Schools, a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, for the purpose of operating the public charter schools as described above.

III. Financial Structure

The proposed Bonds are anticipated to be structured with roughly level annual debt service payments (once construction is complete). The current structure anticipates serial bonds in the first 10 years with two or three term bonds over 30-35 years. Currently, a 10-year call is anticipated.

IV. Security and Source of Payment

Gross Revenues of the Borrower supported by the obligations of the Obligated Group, which consist of lease payments due to the Members of the Obligated Group from KSPCS and sent to the Bond Trustee through the Intercept; fee simple mortgage on owned real estate of the Obligated Group, leasehold mortgage on leased real estate of the Obligated Group; Capitalized Interest for certain construction components of the Project; Debt Service Reserve Fund.

V. Preliminary Sources and Uses/Costs 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 board packets are distributed and the time of the board meeting. Members will be provided updated figures should they change before the board meeting date.

Sources and Uses

Sources:	Series 2019A
Bond Proceeds:	
Par Amount	\$53,785,000.00
Premium	5,717,224.50
Total:	\$59,502,224.50
Uses:	Total
Project Fund Deposits:	
KIPP SoCal Projects	\$50,355,000
Total:	\$50,355,000
Other Fund Deposits:	
Debt Service Reserve Fund	\$3,346,550.00
Capitalized Interest Fund	4,722,407.08
Total:	\$8,068,957.08
Delivery Date Expenses:	
Cost of Issuance	\$557,777.25
Underwriter's Discount	510,957.50
Total:	\$1,077,444.75
Other Uses of Funds:	
Contingency	\$9,531.95
Total:	\$59,502,224.50

Cost of Issuance

Expense	Amount
CSFA Issuance Fees*	\$42,500.00
CSFA Admin Fees*	9,750.00
Issuer's Counsel Fees	10,500.00
Agent-for-Sale Fees	8,000.00
Financial Advisor Fee	112,500.00
Underwriter's Counsel Fees	35,000.00
Bond Counsel Fees	80,000.00
Borrower's Counsel Fees	0.00
Trustee Fees	8,000.00
Trustee's Counsel Fee	2,000.00
Rating Agency Fees	95,000.00
Financial Printer Fee	5,000.00
CDIAC Fee	5,000.00
Underwriter Reimbursement	18,027.25
Title Insurance Fee	100,000.00
Verification Agent	0.00
Issuer Application Fee	1,500.00
Contingency Fees	25,000.00
Total	\$557,777.25

**Estimates based on a total Par Amount of \$65,000,000.00*

VI. Borrower Financial Data

The Borrower is a California nonprofit public benefit corporation and an entity described in Section 501(c)(3) of the Internal Revenue Code, whose sole member is KIPP SoCal Public Schools (“KSCPS”), also a California nonprofit public benefit corporation described in Section 501(c)(3) of the Internal Revenue Code. The Borrower was formed to support charter schools operated by KSCPS. Each of the Borrowers and KSCPS has received a determination letter from the Internal Revenue Service recognizing it as an entity described in Section 501(c)(3) of the Code.

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 or is disregarded as separate from 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. 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 19-12 Authorizing the Issuance of School Facility Revenue Bonds in an Amount Not to Exceed \$65,000,000 to Finance and/or Refinance the Acquisition, Construction, Renovation, Furnishing, and/or Equipping of Educational Facilities Located in Los Angeles County, California for use by KIPP SoCal Public Schools.

Exhibit A

KIPP SoCal Public Schools Financial Projections and Coverage Ratios – Related Schools

KIPP SoCal Public Schools

Multi-Year Financial Report (Related Schools)

As of April 1, 2019

Income Statement	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
	Actual	Actual	Projected	Projected	Projected	Projected	Projected	Projected
REVENUE								
Total General Purpose Funding	35,401,777	51,742,911	59,142,261	69,786,234	74,958,256	81,744,074	88,129,652	93,528,132
Total Federal Revenue	4,201,826	6,586,079	7,017,054	7,656,781	7,931,444	8,482,564	9,026,183	9,473,639
Total Other State Revenue	7,867,074	13,006,177	12,715,497	13,553,737	13,963,656	14,874,128	15,673,524	16,528,873
Total Other Local Revenue	3,476,713	2,797,968	3,525,996	4,020,250	3,475,832	2,256,773	1,504,195	1,645,169
TOTAL REVENUE	50,947,390	74,133,135	82,400,807	95,017,003	100,329,188	107,357,539	114,333,554	121,175,813
EXPENSE								
Total Certificated Salaries	17,725,128	24,811,105	28,451,215	33,033,463	35,294,997	37,713,705	39,923,847	42,479,965
Total Classified Salaries	2,881,856	4,334,043	5,733,119	6,741,270	6,921,917	7,316,065	7,606,997	7,962,845
Total Employee Benefits	4,348,512	5,979,887	7,477,502	8,657,649	9,307,296	10,073,951	10,706,809	11,448,079
Total Supplies & Materials	4,127,221	6,319,310	7,519,918	7,795,064	8,120,958	8,920,764	9,301,853	9,717,488
Total Operating Services	6,478,077	10,739,313	11,064,755	12,409,311	11,865,680	12,567,770	13,295,985	13,850,386
TOTAL OPERATING EXPENSES	35,560,794	52,183,657	60,246,508	68,636,757	71,510,848	76,592,256	80,835,491	85,458,763
Net Income Available for Lease Payments/Debt Service	15,386,596	21,949,478	22,154,299	26,380,246	28,818,340	30,765,283	33,498,063	35,717,050
<i>Rent</i>								
Ground Lease Payments	953,540	974,087	606,968	607,541	650,142	682,359	688,447	694,656
Related Schools Existing Lease Payments	1,368,540	1,301,496	1,152,795	1,379,383	1,086,909	1,252,573	1,522,911	1,880,709
Series 2014 Base Rental Payments	2,788,572	2,346,895	2,600,510	2,595,160	2,504,841	2,513,555	2,510,562	2,504,263
Series 2015 Base Rental Payments	58,832	1,014,093	1,767,248	1,767,526	1,705,889	1,690,416	1,692,687	1,692,621
Series 2017 Base Rental Payments	-	-	2,420,000	2,468,400	2,517,700	2,568,100	2,619,400	2,671,800
Estimated Series 2019 Base Rental Payments	-	-	-	-	2,622,750	3,345,000	3,345,000	3,345,000
Repair & Replacement Fund & Bond Fees	166,587	224,920	302,343	338,061	379,428	392,445	206,421	158,113
Other Rent Expense	529,245	1,569,099	707,489	-	(65,272)	11,099	11,099	11,099
<i>Total Facility Lease Payments</i>	<i>5,865,315</i>	<i>7,430,590</i>	<i>9,557,353</i>	<i>9,156,070</i>	<i>11,402,387</i>	<i>12,455,547</i>	<i>12,596,527</i>	<i>12,958,261</i>
Excess Net Income (After Rent)	9,521,281	14,518,888	12,596,946	17,224,176	17,415,953	18,309,735	20,901,536	22,758,789
KIPP LA Management Fee	7,411,849	11,000,700	12,060,121	13,847,550	14,614,378	15,856,131	17,067,533	18,056,372
Coverage Analysis								
Coverage Ratio Before Management Fee	2.62	2.95	2.32	2.88	2.53	2.47	2.66	2.76
Coverage Ratio After Management Fee	1.74	2.23	1.21	1.50	1.31	1.26	1.37	1.45

Exhibit B

KIPP SoCal Public Schools Enrollment Projections – Related Schools

School	Grade	Historical*										Projected*					
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	
Raíces	K					110	109	115	114	120	120	115	115	115	115		
	1	101	101	113	110	111	111	116	116	120	120	115	115	115	115		
	2		105	107	110	104	107	110	113	112	112	110	110	110	110		
	3			98	94	108	102	106	106	111	111	110	110	110	110		
	4				91	93	107	101	105	102	111	110	110	110	110		
Total:		203	306	427	515	526	536	548	554	565	574	560	560	560	560		
Comienza	K		89	105	111	121	119	120	118	113	119	115	115	115	115		
	1			105	112	112	114	119	120	117	119	115	115	115	115		
	2				99	109	108	115	120	120	115	110	110	110	110		
	3					91	103	105	111	114	116	110	110	110	110		
	4						81	93	101	108	110	110	110	110	110		
	5								118	125	115	125	125	125	125		
	6									128	132	125	125	125	125		
	7										113	125	120	120	120		
	8											109	120	115	115		
Total:		0	89	210	322	433	525	552	688	825	939	1,044	1,050	1,045	1,045	1,045	
Innovation	5						105	140	131	137	137	130	125	125	125		
	6							112	127	127	130	130	125	125	125		
	7								109	110	111	112	120	120			
	8									100	96	100	115	115			
Total:		0	0	0	0	0	105	252	367	474	474	472	485	485	485	485	
Vida	K						136	123	124	116	120	115	115	115	115		
	1						89	124	119	119	114	115	115	115	115		
	2							88	119	116	109	110	110	110			
	3							77	113	108	110	110	110	110			
	4								100	103	110	110	110	110			
Total:		0	0	0	0	0	225	335	439	564	554	560	560	560	560		
Corazón	K									143	117	115	115	115	115		
	1									78	118	115	115	115	115		
	2										111	110	110	110	110		
	3											110	110	110	110		
	4										48	70	110	110	110		
	5										42	70	125	125	125		
	6											125	125	125	125		
	7												120	120	120		
	8													115	115		
Total:		0	0	0	0	0	0	0	0	221	436	715	875	1,045	1,045	1,045	
Philosophers	5				86	53	36	108	93	60	59	60	60	90	125		
	6					111	105	52	119	105	65	60	60	90	125		
	7						117	90	65	117	94	58	58	86	120		
	8							113	76	57	98	79	56	56	83		
Total:		0	0	0	86	164	258	363	353	339	316	257	234	294	392	453	
Compton	K											111	118	118	118		
	1												116	116	115		
	2													114	110		
	3														110		
	4														110		
	5														110		
	6														110		
	7														125		
	8														125		
Total:		0	0	0	0	0	0	0	0	0	0	111	234	348	460	715	930
LA Prep	5	112	129	130	130	129	130	130	130	130	136	125	125	125	125		
	6	105	115	122	126	128	129	130	131	130	133	125	125	125	125		
	7	88	91	111	112	120	126	119	125	117	122	120	120	120	120		
	8	65	65	79	97	103	110	118	111	119	117	115	115	115	115		
Total:	370	400	442	465	480	495	497	497	496	508	485	485	485	485	485		
Opportunity	5	103	97	115	90	93	87	65	86	93	97	90	90	90	90		
	6	93	107	114	124	97	109	107	109	117	125	120	125	125	125		
	7	76	73	86	99	107	103	100	104	84	123	110	114	119	119		
	8	84	70	66	72	104	101	95	97	90	66	110	105	108	113		
Total:	356	347	381	385	401	400	367	396	384	411	430	434	442	447	447		
Empower	K		114	116	113	137	137	144	142	139	117	115	115	115	115		
	1			117	114	113	119	119	121	118	118	115	115	115	115		
	2				103	120	101	106	110	117	117	110	110	110	110		
	3					105	110	100	104	105	117	110	110	110	110		
	4						100	101	86	97	116	110	110	110	110		
Total:		0	114	233	330	475	567	570	563	576	585	560	560	560	560		
Scholar	5				91	94	98	91	81	91	106	110	95	125	125		
	6					123	92	94	105	109	88	110	110	125	125		
	7						117	102	106	105	101	77	105	106	120		
	8							104	97	87	89	88	73	101	102		
Total:		0	0	0	91	217	307	391	389	392	384	385	383	457	472	485	
Sol	5					139	123	140	129	133	134	125	125	125	125		
	6						133	130	131	127	131	125	125	125	125		
	7							120	127	122	123	120	120	120	120		
	8								118	122	118	115	115	115	115		
Total:		0	0	0	0	139	256	390	505	504	506	485	485	485	485	485	
Iluminar	K					112	114	114	116	116	116	115	115	115	115		
	1					116	113	114	116	115	117	115	115	115	115		
	2						113	112	112	115	113	110	110	110	110		
	3							108	105	111	113	110	110	110	110		
	4								106	103	109	110	110	110	110		
Total:		0	0	0	0	228	340	448	555	560	568	560	560	560	560	560	
TOTAL		929	1,256	1,693	2,194	3,063	4,014	4,713	5,306	5,900	6,366	6,747	7,019	7,438	7,811	8,100	