

**California School Finance Authority  
Educational Facilities Revenue Bonds  
(Partnerships to Uplift Communities Valley Project)  
Series 2013A and (Taxable) Series 2013B**

**EXECUTIVE SUMMARY  
RESOLUTION 13-41**

<b>Borrower/Owner:</b>	Tri-Lake Charter School Properties, LLC (“Borrower”)
<b>Project Users</b>	Partnerships to Uplift Communities Valley (“PUC Valley”) which operates Triumph Charter Academy, Triumph Charter High School and Lakeview Charter High School (collectively, the “Charter Schools”)
<b>Project Users:</b>	
<b>Loan Amount:</b>	Not to exceed \$30,000,000
<b>Expected Issuance:</b>	December 2013
<b>Project:</b>	The bond proceeds will be used by the Borrower to purchase the property located at 13361 Glenoaks Boulevard, Sylmar, California, and for construction, remodeling, demolition, renovation, improvement, furnishing and equipping the property for the benefit of the Charter Schools
<b>Bond Type:</b>	Educational Facilities Revenue Bonds (the “Bonds”)
<b>Project Location:</b>	13361 Glenoaks Boulevard, Sylmar, California
<b>County:</b>	Los Angeles
<b>District in which Project is Located:</b>	Los Angeles Unified School District
<b>Charter Authorizer:</b>	Los Angeles Unified School District
<b>Est. Annual Payment:</b>	Approximately \$1,800,000
<b>Expected Rating:</b>	Anticipated rating of BB+ by Standard and Poor’s
<b>Structure:</b>	Term Bonds expected to have a final maturity of 2048
<b>Sale Method:</b>	Public Offering
<b>Underwriter:</b>	Robert W. Baird & Co., Incorporated
<b>Bond Counsel:</b>	Kutak Rock, LLP

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## **I. Background**

Tri-Lake Charter School Properties, LLC (the “Borrower”) is requesting conduit bond financing, in an amount not to exceed \$30 million to finance the acquisition of real property, and the construction, remodeling, demolition, renovation, improvement, furnishing and equipping of educational facilities (the “Facilities”) for the benefit of Triumph Charter Academy, Triumph Charter High School and Lakeview Charter High School (collectively, the “Charter Schools”) operated by PUC Valley, and pay certain costs of issuance of the Bonds. The Facilities will be acquired, constructed, remodeled, renovated, improved, furnished and equipped by the Borrower in conjunction with the Charter Schools. The Borrower will lease the Facilities to PUC Valley, as operator of the Charter Schools.

## **II. The Borrower and the Lessee**

The proceeds of the Bonds will be loaned to the Borrower, the sole member of which is Partnerships to Uplift Communities Valley, a California nonprofit public benefit corporation (the “Lessee” or “PUC Valley”), pursuant to a Loan Agreement (the “Loan Agreement”), between the Authority and the Borrower. The proceeds of such loan will be used, along with other available funds, to: (i) finance the acquisition of land located at 13361 Glenoaks Boulevard, Sylmar, California (the “Site”); (ii) finance the demolition of one or more existing buildings on the Site; (iii) finance the costs of constructing new buildings on the Site and equipping and/or furnishing the Facilities; (iv) fund reserve funds with respect to the Series 2013 Bonds, any repair and replacement fund with respect to the Series 2013 Bonds, any enrollment stabilization account with respect to the Series 2013 Bonds and any capitalized interest with respect to the Series 2013 Bonds; and (v) pay certain costs of issuance for the Series 2013 Bonds (collectively, the “Project”).

PUC Valley, together with Partnerships to Uplift Communities Lake View Terrace and Partnerships to Uplift Communities Los Angeles, currently operate 13 charter schools throughout Northeast San Fernando Valley and Northeast Los Angeles in California, each pursuant to separate charters with Los Angeles Unified School District (“LAUSD”).

## **III. Financial Structure**

The California School Finance Authority Educational Facilities Revenue Bonds (Partnerships to Uplift Communities Valley Project), Series 2013A and (Taxable) Series 2013B, in the aggregate principal amount of not to exceed \$30,000,000 (the “Series 2013 Bonds” or the “Bonds”) will be issued by the California School Finance Authority (the “Authority”) pursuant to an Indenture of Trust (the “Indenture”), by and between the Authority and Zions First National Bank, as trustee (the “Trustee”). The Authority will loan the proceeds of the Bonds to the Borrower. Interest on the Bonds is expected to be payable semiannually on each February 1 and August 1, commencing February 1, 2014.

#### IV. Security and Source of Payment

The Series 2013 Bonds and the interest thereon are payable solely from certain revenues derived by the Authority under the Loan Agreement and from certain funds and accounts established and maintained under the Indenture. Under the Indenture, the Authority assigns to the Trustee, and to its successors in trust, and its and their assigns, all right, title and interest of the Authority in and to (a) the Revenues, including, without limitation, all Loan Repayments and other amounts receivable by or on behalf of the Authority under the Loan Agreement in respect of repayment of the Loan and all monies and investments in the funds and accounts established pursuant to the Indenture except monies on deposit in the Rebate Fund; (b) the Loan Agreement, except for the Retained Authority Rights; (c) the Deed of Trust; and (d) the Lease.

The obligations of the Borrower to make Loan Repayments and Additional Payments under the Loan Agreement are absolute and unconditional. However, the expected sole source of funds for such Loan Repayments and Additional Payments is payments made by PUC Valley under the Lease. PUC Valley's obligation to pay Rent under the Lease is a special obligation limited solely to the Gross Income of the Charter Schools. PUC Valley will not make payments under the Loan Agreement separate from payments made under the Lease.

#### V. Preliminary Sources and Uses

SOURCES AND USES OF FUNDS			
CALIFORNIA SCHOOL FINANCE AUTHORITY			
Charter School Revenue Bonds, Series 2013			
(Partnerships to Uplift Communities Project)			
** Preliminary as of 9-30-2013 **			
Dated Date	12/19/2013		
Delivery Date	12/19/2013		
	Series 2013A Tax Exempt Bonds	Series 2013B Taxable Bonds	Total
<b>Sources:</b>			
<b>Bond Proceeds:</b>			
Par Amount	23,000,000.00	530,000.00	23,530,000.00
	23,000,000.00	530,000.00	23,530,000.00
<b>Uses:</b>			
<b>Project Fund Deposits:</b>			
Project Fund	21,030,269.00		21,030,269.00
<b>Other Fund Deposits:</b>			
Capitalized Interest Fund	962,785.91	24,470.78	987,256.69
Debt Service Reserve Fund	293,599.45	6,765.55	300,365.00
Enrollment Stabilization Reserve	250,000.00		250,000.00
	1,506,385.36	31,236.33	1,537,621.69
<b>Delivery Date Expenses:</b>			
Underwriter's Discount	460,000.00	10,600.00	470,600.00
Cost of Issuance		483,724.50	483,724.50
	460,000.00	494,324.50	954,324.50
<b>Other Uses of Funds:</b>			
Additional Proceeds	3,345.64	4,439.17	7,784.81
	23,000,000.00	530,000.00	23,530,000.00

## **VI. Project Description**

The Project includes (i) acquiring land located at 13361 Glenoaks Boulevard, Sylmar, California (the "Site"); (ii) demolishing one or more existing buildings on the Site; (iii) constructing new buildings on the Site and equipping and/or furnishing the Facilities in which PUC Valley will operate Triumph Charter Academy, Triumph Charter High School and Lakeview Charter High School, beginning in the 2014-15 school year, with space for approximately 1,250 students.

## **VII. Borrower Financial Data**

The Borrower is a limited liability company, the sole member of which is PUC Valley. PUC Valley has received a determination letter from the Internal Revenue Service recognizing it as an entity described in Section 501(c)(3) of the Code. The Borrower is a single purpose entity with no assets other than the Facilities and its rights under the Lease, which have been assigned to the Trustee. The Borrower was formed for the purpose of owning the Facilities and may not have any other assets or revenue available to it to make payments due under the Loan Agreement. Attached as Exhibit A is a schedule of the PUC Valley's 5-year budget.

## **VIII. 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.

## **IX. Bond Sales Restrictions**

Per Bond Issuance Guidelines adopted by the CSFA board, the following sales restrictions will be in place for the PUC financing: <http://treasurer.ca.gov/csfa/financings/guidelines.pdf>.

Based on the anticipated credit rating of "BB+" by Standard and Poor's, the following bond issuance guidelines apply to the bonds: 1) the bonds shall have minimum authorized denominations of \$100,000; 2) the bonds will be privately placed or publicly offered initially to Qualified Institutional Buyers (QIB) and Accredited Investors (AI); 3) the bond purchasers will be required to execute an initial investor letter; 4) subsequent transfers of bonds will be limited to QIBs and AIs; 5) the bond payments will be made via the intercept mechanism outlined in Section 17199.4 of the Education Code; 6) the aforementioned sales restrictions will be conspicuously noted on the bond and described in detail in offering materials, if any, as well as in the bond documents; and 7) one or more of the following will be required as requested by the financing team and approved by the authority: a Traveling Investment Letter, Higher Minimum Denominations of \$250,000, Physical Delivery, Limited initial sale to QIBs, with subsequent transfers limited to QIBs as well, and other investor protection measures.

**X. Staff Recommendation**

Staff recommends CSFA approve Resolution Number 13-41 in an amount not to exceed \$30,000,000 for Tri-Lake Charter School Properties, LLC.

**Exhibit A**  
**5 Year Budget Projections**  
**(Partnership to Uplift Communities Valley)**

PUC Valley  
Historical and Projected Revenues and Expenses

**Key Assumptions**

Assumed General Expense Inflation Rate		3.0%	3.0%	3.0%	3.0%
Triumph Charter High School Enrollment	297	375	450	450	450
Triumph Charter Academy Enrollment	347	350	350	350	350
Lakeview Charter High School Enrollment	312	400	450	450	450
Nueva Esperanza Charter Academy Enrollmen	346	350	350	350	350
<b>Total Enrollment</b>	<b>1,302</b>	<b>1,475</b>	<b>1,600</b>	<b>1,600</b>	<b>1,600</b>
Assumed ADA - High School	95%	95%	95%	95%	95%
Assumed ADA - Middle School	97%	97%	97%	97%	97%
Number of Teachers	68	83	83	83	83
Number of Total Employees	138	156	156	156	156
Assumed Non-LCFF funding Growth Rate <sup>1</sup>		2.0%	2.0%	2.0%	2.0%
Management fee as % of Total State Revs					

**Per Pupil Revenues<sup>2</sup>**

Triumph Charter High School	\$7,482	\$8,093	\$8,972	\$9,389	\$9,805
Triumph Charter Academy	\$6,438	\$6,933	\$7,647	\$7,985	\$8,323
Lakeview Charter High School	\$7,367	\$7,991	\$8,890	\$9,315	\$9,741
Nueva Esperanza Charter Academy	\$6,556	\$7,035	\$7,725	\$8,052	\$8,378
Special Ed	\$588	\$599	\$611	\$623	\$636
Lottery	\$126	\$129	\$131	\$134	\$136

Fiscal Year Ended June 30	2014	2015	2016	2017	2018
	<i>Revised Budget</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
<b>Revenues</b>					
<b>State Revenues</b>					
Revenue Limit General Purpose Entitlement	5,776,398	6,707,405	8,290,034	8,724,824	9,158,718
Education Protection Account	1,122,693	1,906,235	2,298,791	2,403,494	2,508,196
Special Education Entitlement	704,138	632,958	675,109	688,611	702,383
Lottery	196,097	207,261	211,751	213,869	216,007
SB 740 - Facilities Lease Reimbursement <sup>f</sup>	344,932	933,918	973,513	986,719	997,414
Other State Revenues	595,399	299,700	299,700	299,700	299,700
<i>Sub-Total State Revenues</i>	<b>\$ 8,739,656</b>	<b>\$ 10,687,476</b>	<b>\$ 12,748,898</b>	<b>\$ 13,317,216</b>	<b>\$ 13,882,420</b>
<b>Federal Revenues</b>					
Title 1	376,519	528,800	554,492	560,037	565,637
Food Service/Nutrition	616,850	1,027,627	1,072,937	1,083,666	1,094,503
Special Education	234,280	313,853	327,696	330,973	334,283
<i>Sub-Total Federal Revenues</i>	<b>\$ 1,227,649</b>	<b>\$ 1,870,280</b>	<b>\$ 1,955,125</b>	<b>\$ 1,974,676</b>	<b>\$ 1,994,423</b>
<b>Local Revenues</b>					
Funding in Lieu of Property Taxes	1,751,433	2,023,833	2,239,251	2,284,036	2,329,717
Debt Service Reserve Fund	25,000	25,000	25,000	25,000	25,000
Site-based Revenue	254,868	254,868	254,868	254,868	254,868
<i>Sub-Total Local Revenues</i>	<b>\$ 2,031,300</b>	<b>\$ 2,303,701</b>	<b>\$ 2,519,119</b>	<b>\$ 2,563,904</b>	<b>\$ 2,609,584</b>
<b>GROSS REVENUES</b>	<b>\$ 11,998,605</b>	<b>\$ 14,861,456</b>	<b>\$ 17,223,141</b>	<b>\$ 17,855,796</b>	<b>\$ 18,486,427</b>

Fiscal Year Ended June 30	2014	2015	2016	2017	2018
<i>Operating Expenses</i>					
Instructional Salaries and Bonuses	3,604,358	4,531,420	4,667,362	4,807,383	4,951,605
Administrative and Support Salaries	625,950	728,824	750,688	773,209	796,405
Other Certificated	623,906	726,444	748,237	770,684	793,805
Classified Salaries	1,073,807	1,250,285	1,287,793	1,326,427	1,366,220
Benefits	1,596,619	1,859,019	1,914,790	1,972,234	2,031,401
Books & Supplies	730,720	852,647	952,652	981,232	1,010,669
Food Service/Nutrition	848,211	989,742	1,105,827	1,139,002	1,173,172
Insurance	100,000	125,000	128,750	132,613	136,591
Utilities & Housekeeping <sup>2</sup>	100,000	116,686	130,372	134,283	138,311
Special Ed Fair Share	210,779	245,949	274,796	283,040	291,531
Building Maintenance & Repairs	48,000	65,000	66,950	68,959	71,027
Consultants	176,200	181,486	186,931	192,538	198,315
Nueva Facility Rent		303,000	325,000	350,000	375,000
Authorizer Expenses <sup>3</sup>	86,157	106,875	127,489	133,172	138,824
Equipment Leases	60,000	70,012	78,223	80,570	82,987
Other Expenses	367,450	400,000	446,915	460,323	474,132
<b>TOTAL OPERATING EXPENSES</b>	<b>10,252,156</b>	<b>12,552,387</b>	<b>13,192,776</b>	<b>13,605,668</b>	<b>14,029,995</b>
Net Revenues Available for Facility Expense	1,746,450	2,309,069	4,030,366	4,250,129	4,456,433
Facility Expense	753,363	1,736,761	1,801,240	1,805,083	1,803,442
Lease Expense Per Student <sup>4</sup>	\$ 579	\$ 1,383	\$ 1,329	\$ 1,347	\$ 1,362
Excess Net Revenues	993,087	572,308	2,229,126	2,445,046	2,652,990
Coverage of Lease Expense by Net Revenues	2.32	1.33	2.24	2.35	2.47
Coverage of Lease Expense After Mgmt Fee Management Fee <sup>5</sup>		0.90	1.66	1.76	1.86
Management Fee <sup>5</sup>	739,152	744,376	1,033,388	1,071,348	1,109,186
Estimated Debt Burden	6.28%	11.69%	10.46%	10.11%	9.76%
Remaining Surplus	253,936	(172,068)	1,195,737	1,373,698	1,543,805
Estimated Beginning Unrestricted Fund Balance <sup>6</sup>	1,690,075	1,799,011	1,481,943	2,532,680	3,761,378
Depreciation	(70,000)	(70,000)	(70,000)	(70,000)	(70,000)
Repair & Replacement Fund	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)
Estimated Ending Unrestricted Fund Balance	1,799,011	1,481,943	2,532,680	3,761,378	5,160,183
Estimated Required Unrestricted Fund Balance	549,565	664,838	711,308	733,851	756,959

**Footnotes:**

1. Revenue Limit Amounts are Net of "In Lieu" per pupil amounts
2. Future Utility Expense uses 2013-14 Nueva budget + \$100,000
3. Authorizer Expense assumed at 1% State Revenues
4. Includes Nueva Esperanza facility lease expense
5. Management Fee assumed at 6% Total Revenues
6. 2014 Estimated Beginning Fund Balance per unaudited 6/30/13 results