

\$45,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
SCHOOL FACILITY REVENUE BONDS
(ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS PROJECT)
SERIES 2015A (TAX-EXEMPT) AND 2015B (TAXABLE)

EXECUTIVE SUMMARY
RESOLUTION 16-08

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 \$45,000,000
Expected Issuance:	June 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:	\$1,268,655
Anticipated Rating:	BBB- (Received April 29, 2016)
Structure:	\$19,605,000 (Tax-Exempt) and \$ 345,000 (Taxable); 32 year, fully amortized, fixed rate locked at 3.63%
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 charter school educational facilities known as (a) Alliance Susan & Eric Smidt Technology High School, located at 211 South Avenue 20, Los Angeles, CA 90031, (b) Alliance College-Ready Middle Academy No. 5, located at 211 South Avenue 20, Los Angeles, CA 90031, (c) Alliance Joni and Jeff Marine High School, to be located at 11933 Allegheny Street, Los Angeles, CA 91352, (d) Alliance College-Ready Middle Academy No. 21, to be located at 11933 Allegheny Street, Los Angeles, CA 91352, (e) Alliance College-Ready High School No. 16, located at 1552 West Rockwood Street, Los Angeles, CA 90026, and (f) Alliance College-Ready Middle Academy No. 12, located at 100 East 49th Street, Los Angeles, CA 90001 (the "New Project"), and refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of the charter school educational facilities known as Alliance Collins Family College-Ready High School, located at 2071 Saturn Avenue, Huntington Park, CA 90255, (the "Prior Project" and together with the New Project, the "Project").

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 nonprofit charter management organization in 2004.

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 a Management 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 management fee to the obligations of the Schools under the Leases.

The Project User: 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. After completion of the Project, (a) Alliance Collins Family College-Ready High School is expected to accommodate approximately 600 students in grades 9 through 12, (b) Alliance Susan & Eric Smidt Technology High School is expected to accommodate approximately 600 students in grades 9 through 12, (c) Alliance College-Ready Middle Academy No. 5 is expected to accommodate approximately 450 students in grades 6 through 8, (d) Alliance Joni and Jeff Marine High School is expected to accommodate approximately 600 students in grades 9 through 12, (e) Alliance College-Ready Middle Academy No. 21 is expected to accommodate approximately 450 students in grades 6 through 8, (f) Alliance College-Ready High School No. 16 is expected to accommodate approximately 600 students in grades 9 through 12, and (g) Alliance College-Ready Middle Academy No. 12, is expected to accommodate approximately 450 students in grades 6 through 8.

III. Financial Structure

The Bonds will be issued in two series: (1) Series A (tax-exempt) will be approximately \$21,000,000, and (2) Series B (taxable) will be approximately \$340,000. 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 January 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.

Estimated Sources & Uses

	Series 2016A (Tax-Exempt)	Series 2016B (Taxable)	Total
Bond Proceeds:			
Par Amount	\$19,605,000	\$345,000	\$19,950,000
Premium	\$2,123,733	\$0	\$2,123,733
Prior Indentured Funds	\$1,100,630	\$0	\$1,100,630
Total	\$22,829,363	\$345,000	\$23,174,363
Project Fund Deposits:			
New Money	\$5,274,888		\$5,274,888
Bond Refinance (Refunding Escrow)	\$15,875,029	\$21,492	\$15,896,522
	\$21,149,917	\$21,492	\$21,171,410
Other Fund Deposits:			
Debt Service Reserve Fund	\$1,287,346	\$22,654	\$1,310,000
Delivery Date Expenses:			
Cost of Issuance	\$115,491	\$288,419	\$403,910
Underwriter's Discount	\$276,609	\$9,313	\$285,922
	\$392,100	\$297,732	\$689,832
Other Uses of Funds:			
Contingency		\$3,122	\$3,122
Total	\$22,829,363	\$345,000	\$23,174,363

Estimated Costs of Issuance

<u>Cost of Issuance:</u>	<u>Budgeted Amount</u>
CSFA Issuance Fee	\$19,975.00
CSFA Annual Admin Fee	\$2,992.50
AG Counsel Fee	\$6,000.00
State Treasurer	\$6,000.00
Bond Counsel Fee	\$115,000.00
Borrower's Counsel Fee	\$65,000.00
Underwriter's Counsel Fee	\$65,000.00
Issuer Counsel Fee	\$15,000.00
Trustee Fee	\$10,000.00
Title	\$20,000.00
Rating Agency - S&P	\$40,000.00
Verification Agent	\$2,000.00
Contingency	\$20,000.00
Total COI	\$383,975.00

**Based on a part amount of \$19,950,000*

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 16-08 Authorizing the Issuance of School Facility Revenue Bonds in an Amount Not To Exceed \$45,000,000 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 Collins Family College-Ready High School	HP 2071 Saturn LLC	Alliance for College Ready Public Schools
2	Alliance Susan & Eric Smidt Technology High School	1918 Broadway Charter Facilities LLC	Alliance for College Ready Public School Facilities Corporation
3	Alliance College-Ready Middle Academy No. 5	1918 Broadway Charter Facilities LLC	Alliance for College Ready Public School Facilities Corporation
4	Alliance Joni and Jeff Marine High School	11933 Allegheny Charter Facilities LLC	Alliance for College Ready Public School Facilities Corporation
5	Alliance 6-12 College-Ready Academy No. 21	11933 Allegheny Charter Facilities LLC	Alliance for College Ready Public School Facilities Corporation
6	Alliance College-Ready Academy High School No. 16	1552 Rockwood Street Charter Facilities LLC	Alliance for College Ready Public School Facilities Corporation
7	Alliance College-Ready Middle Academy No. 12	49th and Main Charter Facilities LLC	Alliance for College Ready Public School Facilities Corporation

Exhibit B
Alliance 2014-15 Financial Position

ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES

(A NONPROFIT ORGANIZATION)

COMBINED STATEMENT OF FINANCIAL POSITION

June 30, 2015

(with Comparative Totals for June 30, 2014)

ASSETS		
	2015	2014
Current assets		
Cash and cash equivalents	\$ 55,757,519	\$ 41,137,818
Grants, contributions and pledges receivable, current portion	2,004,686	1,051,614
Related party receivable, current portion	1,186,667	870,000
Public funding receivables	12,923,996	21,062,097
Notes receivable, current portion	14,790,894	-
Assets limited to use, current portion	24,830,248	31,925,426
Prepaid expenses and other current assets	<u>2,337,991</u>	<u>2,333,773</u>
Total current assets	113,832,003	98,380,730
Grants, contributions and pledges receivable, net of current portion	939,670	840,486
Related party receivable, net of current portion	2,331,460	560,870
Notes receivable, net of current portion	22,935,589	22,765,589
Deferred rent receivable	750,084	692,970
Assets limited as to use, net of current portion	14,623,229	9,339,090
Other long-term assets	252,060	482,657
Deferred financing costs, net	7,221,038	6,523,772
Property and equipment, net	<u>201,902,795</u>	<u>178,889,072</u>
Total assets	<u>\$ 364,787,928</u>	<u>\$ 318,475,236</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 10,264,778	\$ 12,690,793
Deferred revenue	4,538,753	7,825,839
Related party payable	300,000	300,000
Capital lease obligations, current portion	2,730,434	2,714,685
Long-term debt, current portion	<u>953,550</u>	<u>1,444,397</u>
Total current liabilities	18,787,515	24,975,714
Capital lease obligations, net of current portion	-	2,763,546
Long-term debt, net of current portion	233,509,992	193,009,271
Liability for asset retirement obligation	295,276	281,295
Deferred rent liability	<u>180,154</u>	<u>155,691</u>
Total liabilities	<u>252,772,937</u>	<u>221,185,517</u>
Commitments and contingencies (Note 15)		
Net assets		
Unrestricted	102,155,197	89,641,719
Temporarily restricted	<u>9,859,794</u>	<u>7,648,000</u>
Total net assets	<u>112,014,991</u>	<u>97,289,719</u>
Total liabilities and net assets	<u>\$ 364,787,928</u>	<u>\$ 318,475,236</u>

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	<u>286,618</u>	<u>517,739</u>	<u>639,550</u>	<u>480,436</u>	<u>515,970</u>	<u>525,635</u>	<u>553,229</u>	<u>564,826</u>	<u>570,373</u>
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	<u>3,881</u>	<u>24,425</u>	<u>20,465</u>	<u>13,303</u>	<u>14,500</u>	<u>15,352</u>	<u>16,308</u>	<u>16,634</u>	<u>16,967</u>
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