

\$45,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY (CSFA)
SCHOOL FACILITY REVENUE BONDS
(KIPP SOCIAL PROJECTS)
SERIES 2020A \$40,500,000 (\$7,500,000 and \$33,000,000) (TAX-EXEMPT)
ITEMS #5 and #6 - RESOLUTION Nos. 20-42 and 20-43

*Not-to-Exceed Amount

STAFF SUMMARY

EXECUTIVE SUMMARY			
Applicant/Borrower:	KLARE Holdings	Par Amount Requested:	Not-to-Exceed *\$40,500,000
Financing Term: 40 years		Interest Rate: 5.00% (Estimated)	
Applicant Description: KLARE Holdings is a 501(c)(3), nonprofit public benefit corporation formed for the sole purpose of supporting KIPP SoCal Public Schools.			
Type of Financing: School Facility Revenue Bonds (Tax-Exempt)			
Project Users:	KIPP Promesa Prep & KIPP Pueblo Unido	County Served:	Los Angeles County
District in Which Projects are Located:	Los Angeles Unified School District	Charter Authorizer:	Los Angeles Unified School District
Project Description: Facility improvements and new construction.			
Project Sites: Facilities and Amounts listed in Project Description section.			
Financing Team:		Financing Team:	
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP	Type of Issue:	School Facility Revenue Bonds
Underwriter:	Robert W. Baird & Co., Inc.	Tax Status:	Tax-Exempt
Financial Advisor:	Buck Financial Advisors LLC	Maturity:	August 1, 2060
Underwriter's Counsel:	Quarles & Brady LLP	Credit Enhancement:	No
Borrower's Counsel:	Akin Gump	Credit Rating:	BBB
Issuer's Counsel:	Attorney General's Office	CSFA Fees:	See Costs of Issuance Table
Issuer:	California School Finance Authority	Other Fees:	See Costs of Issuance Table
Master Trustee:	Zions Bancorporation, National Association		
Staff Report: Robby Biegler			
Date of CSFA Board Meeting: December 3, 2020		Resolution Numbers: 20-42 and 20-43	
Staff Recommendation: Staff recommends the California School Finance Authority (CSFA) Board approve Resolution Number 20-42 authorizing the issuance of School Facility Revenue Bonds in an amount not to exceed \$7,500,000 specific to the KIPP Promesa Prep campus and Resolution Number 20-43 authorizing the issuance of School Facility Revenue Bonds in an amount not to exceed \$33,000,000 specific to the KIPP Pueblo Unido campus, to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and/or equipping of certain educational facilities located in Los Angeles County for use by KIPP SoCal Public Schools,			

KIPP FINANCING UPDATE

A financing in a not-to-exceed amount of \$40,500,000 (\$7,500,000 and \$33,000,000) for KIPP SoCal Public Schools was originally scheduled to be presented to the California School Finance Authority (CSFA) Board at the November 12, 2020 meeting. The item included financing for two facilities: \$7,500,000 for renovations for KIPP Promesa Prep (KPP), located in Los Angeles, and \$33,000,000 in new construction costs for KIPP Pueblo Unido (KPU), located in the City of Cudahy. On November 6, 2020, KIPP SoCal Public Schools (KSCPS) and their attorneys received a complaint filed against the City of Cudahy, and naming KSCPS as a party, challenging the City of Cudahy's decision to approve the KPU development on grounds of California Environmental Quality Act (CEQA) violations. On November 10, 2020, staff of the CSFA was informed of the complaint. As such, the item was pulled from the November 12, 2020 agenda.

CEQA applies specifically to discretionary projects, projects that allow a city to impose changes or conditions that have environmental impacts. Alternatively CEQA does not historically apply to ministerial projects, projects where a city has little or no authority to make such changes. Based on the Cudahy Municipal Code, and the research of the KSCPS land-use attorneys, it was determined the only permit required for the KPU project was a ministerial permit, meaning a CEQA analysis was not required for project approval. The City of Cudahy agreed with this determination. The petitioners, alternatively, believe the City of Cudahy misinterpreted the City's code. Additionally there were technical difficulties accessing the September 15, 2020 Cudahy City Council meeting at which the KPU project was approved. Specifically there were issues logging in to the meeting's remote prompt. As such the petitioners are asserting that they were denied due process as they were unfairly impacted by the technical difficulties. It is also worth noting that the City of Cudahy held two public hearings and two town hall meetings prior to the September 15, 2020 meeting regarding the KPU project, and the petitioners provided public comment at all of these hearings.

KSCPS cannot predict the outcome of the litigation, however given the City of Cudahy's original decision, the opportunities provided for public comment prior to the September 15, 2020 meeting, and the opportunity to settle with the petitioner, KSCPS would like to proceed with both the KPP and KPU portions of proposed issuance. The bond proceeds for the KPU project will be escrowed with the Bond Trustee until such time as certain conditions are met which are to be outlined in the Preliminary Offering Statement (POS). Those provisions specifically as noted in the draft POS:

- (i) a Certificate of the Borrower to the effect that there has been final approval of the Pueblo Unido Facility Entitlements, and all appeals periods have expired; and*
- (ii) a Certificate of the Borrower to the effect that the representations and warranties of the Borrower contained in the Loan Agreement are true and accurate on and as of the date thereof and that the KIPP Pueblo Unido Construction Account Draw Requirements have been satisfied.*

On June 1, 2023, if the KIPP Pueblo Unido Construction Account Draw Requirements have not been satisfied, then all moneys on deposit in the KIPP Pueblo Unido Construction Account (a) will be transferred to the Project Fund and available for immediate use upon the written direction of the Borrower delivered to the Bond Trustee if accompanied by an Opinion of Bond Counsel to the effect that such transfer would not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or (b) if no written direction of the Borrower is delivered, will be transferred to the Redemption Fund . Upon the written direction of the Borrower delivered to the Bond Trustee on any date prior to the satisfaction of the KIPP Pueblo Unido Construction Account Draw Requirements, but in no event later than June 1, 2023, the Borrower may direct the Bond Trustee to (a) transfer to the Project Fund and make such funds available for immediate use if accompanied by

an Opinion of Bond Counsel to the effect that such transfer would not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or (b)(i) transfer all moneys on deposit in the KIPP Pueblo Unido Construction Account to the Redemption Fund and (ii) mail a notice of redemption in order to redeem certain Bonds on [July 1, 2023], as described under the heading “THE BONDS – Redemption – Extraordinary Mandatory Redemption from Escrowed Project Proceeds.”

On June 1, 2023, if the KIPP Pueblo Unido Construction Account Draw Requirements have not been satisfied, then all moneys on deposit in the KIPP Pueblo Unido Construction Account (a) will be transferred to the Project Fund and available for immediate use upon the written direction of the Borrower delivered to the Bond Trustee if accompanied by an Opinion of Bond Counsel to the effect that such transfer would not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or (b) if no written direction of the Borrower is delivered, will be transferred to the Redemption Fund . Upon the written direction of the Borrower delivered to the Bond Trustee on any date prior to the satisfaction of the KIPP Pueblo Unido Construction Account Draw Requirements, but in no event later than June 1, 2023, the Borrower may direct the Bond Trustee to (a) transfer to the Project Fund and make such funds available for immediate use if accompanied by an Opinion of Bond Counsel to the effect that such transfer would not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or (b)(i) transfer all moneys on deposit in the KIPP Pueblo Unido Construction Account to the Redemption Fund and (ii) mail a notice of redemption in order to redeem certain Bonds on [July 1, 2023].

In addition, an Extraordinary Mandatory Redemption from Escrowed Proceeds will be in place so that if resolution or settlement of the claim against the City of Cudahy regarding its approval process relating to the KPU project has not been accomplished by June 1, 2023, the bond amounts for the KPU project will be redeemed pro-rata across all maturities at the premium/discount price paid.

The project Sources and Uses reflect increases in the Capitalized Interest and Debt Service Reserve funds as well as an increased underwriter’s discount.

BACKGROUND AND HISTORY

KIPP SoCal Public Schools (KSCPS) is the Southern California specific network of the broader KIPP network of schools that operate in 21 states. There are two KIPP networks in California, KIPP NorCal Public Schools and KSCPS. While both networks are part of the broader national organization, they are otherwise unaffiliated.

As of 2020-21, KSCPS operates 17 schools that serve 9,059 elementary and middle students in Los Angeles and San Diego Counties. Approximately 86% of KSCPS students qualify for Free and Reduced Priced Meals (FRPM), approximately 24% are English Language Learners, and 13% receive Special Education services.

KSCPS Student Statistics				
2020-21 KSCPS Demographics	% Free- Reduced Price Meals	% of Minority Students (Non- White)	% of English- Language Learners	Special Education Services
KIPP SoCal Public Schools	86%	98%	24%	13%

KIPP Promesa Prep (KPP) is a K-4 elementary school that first opened in fall of 2015 and is in its second charter term. KIPP Pueblo Unido (KPU), which will be a school that serves students in grades TK/Kindergarten through 8th once fully grown, first opened in 19-20 with TK/Kindergarten students and expanded to serve grades TK/K, first and sixth grade in 20-21. The KPU charter was approved for five years and expires in June, 2024. Both charters were authorized by the Los Angeles Unified School District (LAUSD).

Charter terms and authorizers for the KSCPS campuses that will be financed as part of the 2020 bonds are:

Subject School Information				
School Full Name	Abbreviation	Grades Served	Authorizer	Charter Term
KIPP Promesa Prep	KPP	K-8	LAUSD	6/1/20-6/30/25
KIPP Pueblo Unido	KPU	K-8	LAUSD	6/1/19-6/30/24

Historical and projected enrollments for KPP, KPU and all other KIPP SoCal schools include:

HISTORICAL AND FUTURE PROJECTED ENROLLMENT											
School	Grade	Historical*						Projected			
		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Pueblo Unido	K					104	121	115	115	115	115
	1						119	115	115	115	115
	2							110	110	110	110
	3								110	110	110
	4									110	110
	5										120
	6						71	120	120	120	120
	7							55	115	115	115
	8								50	110	110
Total:					104	311	515	735	905	1,025	
Promesa	K	117	117	112	115	112	113	110	115	115	115
	1		108	113	112	109	108	105	115	115	115
	2			111	116	120	119	115	110	110	110
	3				113	113	113	110	110	110	110
	4					104	110	110	110	110	110
Total		117	225	336	456	558	563	550	560	560	560
Other OG KIPP SoCal Schools	K	616	614	747	820	809	841	805	805	805	805
	1	592	592	667	706	827	810	805	805	805	805
	2	531	574	580	677	707	823	770	770	770	770
	3	419	503	554	565	685	705	770	770	770	770
	4	295	398	510	597	619	685	660	770	770	770
	5	583	687	678	720	732	853	840	870	990	990
	6	531	617	734	716	808	868	840	870	870	990
	7	429	530	550	686	666	787	780	805	830	830
	8	326	402	488	495	626	650	725	725	750	775
Total		4,322	4,917	5,508	5,982	6,479	7,022	6,995	7,190	7,360	7,505
OG Total		4,439	5,142	5,844	6,438	7,141	7,896	8,060	8,485	8,825	9,090
Non-OG KIPP SoCal Schools	K	111	116	119	120	118	91	115	115	115	115
	1	0	117	112	119	103	89	100	100	100	115
	2	0	0	116	93	95	88	90	90	90	110
	3	0	0	0	104	81	83	90	90	90	110
	4	0	0	0	0	65	75	90	90	90	110
	5	91	81	91	106	145	151	190	225	250	250
	6	94	105	109	88	194	207	245	240	250	250
	7	102	106	105	101	175	202	190	229	240	240
	8	104	97	87	89	174	177	175	169	215	225
Total		502	622	739	820	1,150	1,163	1,285	1,348	1,440	1,525
Grand Total		4,941	5,764	6,583	7,258	8,291	9,059	9,345	9,833	10,265	10,615

KPU plans to add two grade levels per year until it is fully grown. Full enrollment would be expected in FY25 assuming the school has the facility space necessary. KIPP SoCal has two other K-8 schools in Southeast LA, KIPP Comienza and KIPP Corazon. KIPP Comienza is a national blue ribbon school and has a waitlist of 830 students. KIPP Corazon, which is still growing and only enrolling K-7 this year, has a waitlist of 773 students. As such, KPU is intended to alleviate some of the waitlist pressure on the other two campuses.

CSFA has issued four bonds on behalf of 14 KSCPS campuses, for a total of \$ 144,980,000. KLARE Holdings has four outstanding bond issues, all issued by CSFA, 2014, 2015, 2017 and 2019. All four issues were done as part of an obligated group structure. The obligated group currently includes 13 schools. It is expected that the 2020 bond issuance will be issued on parity with the these bonds. The 2020 bonds will finance projects at two schools. After the 2020 Bonds are completed, there will be 15 Related Schools in the obligated group.

KSCPS Financing Obligations

School Full Name	Abbreviation	Bonds
1. KIPP Los Angeles Prep	KLAP	Series 2014
2. KIPP Sol Academy	KSA	Series 2014
3. KIPP Illuminar Academy	KIA	Series 2014
4. KIPP Empower Academy	KEA	Series 2014
5. KIPP Scholar Academy	KSCA	Series 2015 (school has since merged)
6. KIPP Academy of Opportunity	KAO	Series 2015
7. KIPP Raices Academy	KRA	Series 2015 & 2019
8. KIPP Vida Academy	KVA	Series 2015 & 2019
9. KIPP Academy of Innovation	KAI	Series 2017 & 2019
10. KIPP Comienza Community Prep	KCCP	Series 2017 & 2019
11. KIPP Corazon Academy	KCA	Series 2017 & 2019
12. KIPP Philosophers Academy	KPA	Series 2019
13. KIPP Compton Community School	KCCS	Series 2019
14. KIPP Promesa Prep	KPP	Series 2020
15. KIPP Pueblo Unido	KPU	Series 2020

KSCPS governance is included as Appendix A. Financials for the schools in the financing are included as Appendix B.

PROJECT DESCRIPTION

The proceeds of the bonds will be used to 1) finance construction, acquisition and improvements at two campuses for KSCPS, listed below; 2) fund a debt service reserve; 3) fund a capitalized interest fund; and, 4) pay costs of issuance.

Site	Landlord	Location	Purpose	Amount
KIPP Promesa Prep	KLARE 18, LLC	1241-1263 S. Soto Street, Los Angeles, 90023	Facility Improvements	\$7,000,000
KIPP Pueblo Unido	KLARE 16, LLC	7801-7835 Otis Avenue, Cudahy, 90201	New Construction	\$35,000,000
Total Estimated Project Costs				\$42,000,000

KLARE Holdings plans to expend bond proceeds on acquisition, construction and renovation at two KSCPS campuses, specifically:

KIPP Promesa Prep: Proceeds will be used to finance tenant improvements that include gutting approximately ½ an acre of an existing shared building and upgrading and reconfiguring the layout for KPP. The facility is a repurposed mall currently being occupied by both KPP and Endeavor College Preparatory (ECP). KLARE 18, LLC will pay rent to ECP’s real estate support corporation.

KIPP Pueblo Unido: KPU grades TK/K-1 currently operate on a temporarily leased facility at 3759 E. 57th Street, Maywood. Grade 6 currently operates at 8616 Long Beach Blvd, South Gate which was financed by the Series 2019 Bonds. This project will consolidate and replace multiple locations. The facility will include 67,148 sf of new construction, including a two-story building with 50 classrooms, two multipurpose rooms, a teacher's lounge, administrative offices, subgrade parking, and dedicated outdoor play space.

FINANCING

The bonds will be issued in one tax-exempt series in an aggregate principal amount not to exceed \$45,000,000 to finance items eligible for use of tax-exempt bond proceeds. The tax-exempt series is expected to consist of several term bonds with the final term bond maturing in 2060.

The facilities financed with proceeds of the Bonds will be leased to KIPP SoCal Public Schools, a nonprofit public benefit corporation, pursuant to certain leases by and between the lessee and the landlord. The facilities will be used by the lessee to operate the two campuses in this financing.

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 a pledge of each Obligated Group Member's unrestricted revenues, including rent payments received under the lease or leases entered into between KSCPSs and each of KLARE 16, LLC and KLARE 18, LLC, respectively (and any additional leases entered into in the future between KSCPSs and an Obligated Group Member).

As additional security for and in connection with the issuance of the Bonds, the lessee will provide instructions to the State Controller's Office (SCO) to make an apportionment to the Trustee with respect to KSCPS 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 SCO pursuant to the Intercept.

Preliminary Sources and Uses and Preliminary Costs of Issuance

Below are the preliminary estimated sources and uses, and detailed information about the expected costs of issuance for Board consideration. Please note these figures are subject to change between the time the Board packets are distributed and the time the Board meets, and are further subject to final pricing. Members will be provided updated figures should significant changes occur before the Board meeting date.

Sources and Uses

Sources:	Series 2020A (Tax-Exempt)	Total
Bond Proceeds:		
Par Amount	\$37,880,000.00	- \$37,880,000.00
Bond Premium	\$2,419,092.55	- \$2,419,092.55
Equity Contribution	\$7,000,000.00	- \$7,000,000.00
Total:	\$47,299,092.55	- \$47,299,092.55
Uses:	Series 2020A (Tax-Exempt)	Total
Project Fund Deposits:		
KIPP Promesa Prep	\$7,000,000.00	- \$7,000,000.00
KIPP Pueblo Unido	\$35,000,000.00	- \$35,000,000.00
	\$42,000,000.00	- \$42,000,000.00
Other Fund Deposits:		
Capitalized Interest Fund	\$3,427,397.78	- \$3,427,397.78
Debt Service Reserve Fund	\$1,061,400.00	- \$1,061,400.00
	\$4,488,797.78	- \$4,488,797.78
Delivery Date Expenses:		
Cost of Issuance	\$500,000.00	- \$500,000.00
Underwriter's Discount	\$303,040.00	- \$303,040.00
	\$803,040.00	- \$803,040.00
Other Uses of Funds:		
Additional Proceeds	\$7,254.77	- \$7,254.77
Total:	\$47,299,092.55	- \$47,299,092.55

Total Costs of Issuance*

Expense	Amount
Underwriter's Discount	\$303,040
Bond Counsel	\$100,000
Financial Advisor Fee	\$100,000
Borrower's Counsel	\$0
Underwriter's & Disclosure Counsel	\$30,000
CSFA Issuance Fee	\$26,910
CSFA 1st Admin Fee	\$5,073
CSFA Issuer Fee - PFD Fee	\$6,000
CDLAC Fee	\$5,000
Issuer's Counsel (AG)	\$10,500
Rating Agency - S&P	\$70,000
Bond Trustee & Trustee's Counsel	\$9,500
Title Insurance	\$80,000
Appraisal	\$40,000
Printer & Roadshow	\$4,000
Application Fee	\$1,500
Contingency	\$11,517
Total	\$803,040.00

**Estimates based on a proposed bond size of \$40,500,000.*

KSCPS intends to contribute up to \$7,000,000 in equity from their unrestricted reserves into the project. Although its use is not anticipated, the \$1,000,000 in taxable financing is a precaution in case the \$7,000,000 in equity is insufficient.

Bond Rating

S&P affirmed a BBB stable rating for KSCPS on September 21, 2020. The rating call for the 2020 bonds was held November 4, 2020. A BBB with a stable rating was confirmed.

2020-21 Budget/COVID Impacts

As a result of the COVID-19 pandemic and broader safety concerns, KSCPS moved to virtual learning in March 2020, which continued for the remainder of the 2019-2020 school year and has been ongoing thus far throughout the 2020-21 school year. Expenses incurred in FY20 due to the outbreak were largely offset by savings associated with closure of the campuses. In FY21, costs associated with responding to COVID-19 have been paid for through Coronavirus Aid, Relief, and Economic Security (CARES) Act funding and other state relief funding which KSCPS management anticipates will total \$12 million across its 20 schools, about \$8 million of which is expected to be recognized in the fiscal 2021 operating statements. The relief funds provide the school with some near term flexibility.

KSCPS began the 2020-2021 school year in August 2020 with virtual instruction. While learning is expected to be virtual for the next few months, management continues to assess its learning plans beyond that timeframe based on the trajectory of the virus as well as local health and safety guidelines and is putting plans in place to begin hybrid instruction when health and safety conditions permit. KSCPS does not expect any differential in state funding regardless of the mode of instruction. The state budget for fiscal year 2021 maintains apportionment funding at fiscal year 2020 levels, but does not provide the 2.31% cost-of-living adjustment. This flat funding is better than what KSCPS assumed in its own budget for FY21, and, as a result, KSCPS is well positioned for a strong FY21.

Instead of imposing cuts to make up for the state's massive \$54.3 billion COVID-19 related budget shortfall, the budget calls for deferrals totaling about \$12.5 billion that will stretch through November 2021. The deferrals are expected to be phased back in to school districts in future years to the extent the general fund revenue grows, or additional federal aid is received. KSCPS's healthy liquidity position of over 170 days' cash on hand as of fiscal year 2020 will allow the organization to navigate the deferrals without experiencing liquidity concerns. KSCPS is also working to increase its \$5 million working line of credit to \$10 million, which adds additional flexibility to the organization's working capital position, though it is not anticipated that KSCPS will need to draw on the line. Furthermore, KPSCPS is applying for the CSFA ASAP program for select schools to provide a range of options to manage through the state deferrals. Several KSCPS schools were negatively impacted by the limit the state imposed on funding for growing enrollment (KSCPS budgeted enrollment conservatively, which was less than actual enrollment at many growing schools) and KSCPS will utilize multiple strategies to mitigate this challenge.

SALES RESTRICTIONS

The following sales restrictions will apply to the financing given the BBB rating. 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

OTHER PROJECT DATA

Tax Equity and Fiscal Responsibility Act (TEFRA): The TEFRA Notice was published on the CSFA Webpage on November 5, 2020. The TEFRA hearing took place on Thursday, November 12, 2020, no comments were received verbally or in writing.

Due Diligence Undertaken to Date: Information disclosed did not cause CSFA to question the financial viability or legal integrity of the Borrower. *However, CSFA did highlight for members' consideration the litigation related to the project approvals for the KPU Project in the City of Cudahy, and the need to escrow bond proceeds until the matter is settled.* Standard opinions of counsel (i.e., that the borrowing entity and/or its sole member has been duly organized, is in good standing, is a disregarded subsidiary of 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.

Additionally, in enacting the CSFA Act, Section 17183.5, it is the intent of the Legislature to provide financing only for projects demonstrated by the participating party to be financially feasible. In demonstrating financial 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 this section shall be construed to imply that any project is required to produce revenue in order to be financed under this chapter.

Borrower Financial Data: The Borrower is a California nonprofit public benefit corporation formed as a support organization for charter schools formed and controlled by KSCPS. 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 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. Each limited liability company was formed for the purpose of owning its respective Facility and is not expected to have any other assets or revenue available to it to make payments due under the Loan Agreement.

STAFF RECOMMENDATION

Staff recommends the California School Finance Authority's (CSFA) Board approve Resolution Numbers 20-42 and 20-43 authorizing the issuance of School Facility Revenue Bonds in an amount not to exceed \$40,500,000 (\$7,500,000 and \$33,000,000) to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and/or equipping of certain educational facilities located in Los Angeles County, California for use by KIPP SoCal Public Schools.

1. **Applicant / Borrower:** KLARE Holdings
2. **Project:** Renovation and Construction
3. **Amount of Financing:** Not to exceed \$40,500,000 (\$7,500,000 and \$33,000,000)
4. **Maturity:** Not later than August 1, 2060
5. **Repayment/Security:** Lease Payments and Deed of Trust on Real Property
6. **Interest Rate:** Estimated to be between 4.00% - 5.00%
7. **Fees:** \$803,040 is the preliminary total Costs of Issuance
8. **Not an Unconditional Commitment:** The CSFA resolution shall not be construed as unconditional commitment to finance the Project, but rather CSFA's approval pursuant to the resolution conditioned upon entry by CSFA and the Borrower into a loan agreement, in form and substance satisfactory to CSFA and its counsel.
9. **Limited Time:** The Board's approval expires 12 months from the date of its adoption. Thus, CSFA and the Borrower must enter into the loan agreement no later than 12 months from such date. Once the approval has expired, the item must return to the Board for new approval.
10. **Loan Agreement Covenants:** N/A

**APPENDIX A:
SCHOOL GOVERNANCE**

Board of Directors

KIPP SoCal Board Members			
Name	Position	Occupation	Initial Year of Service
Margie Armona	Member	Certified Public Accountant	2018
Carlos Bermudez	Member	Partner, Akin Gump Strauss Hauer & Feld LLP	2018
Randy Bishop	Audit and Risk Committee Chair, Student Discipline Committee Chair	Managing Partner, BearTree Partners; President, ContractSafe.com	2012
Mel Carlisle	Member	Managing Partner, Oaktree Capital Management; CFO Oaktree Specialty Lending	2017
Phil Feder	Real Estate Committee Chair	Global Real Estate Partner, Paul Hastings LLP	2018
EJ Kavounas	Member	Managing Partner and Founder, Miramac Capital	2014
Heather Lord	Secretary	SVP, Head of Strategy & Innovation, American Funds, Capital Group	2018
Julie Miller	Chair	Partner, Holthouse Carlin & Van Trigt LLP	2015
Norma Parraz	Member	Founder and CEO, EduconX, LLC	2018
Frank Reddick	Finance Committee Chair	Partner, Akin Gump Strauss Hauer & Feld	2008
Luis Rodriguez	Vice Chair	Attorney, Office of Los Angeles County Public Defender	2016
Jon Berg	Member	Executive Movie Producer, Stampede Productions	2019
Courtney Criswell	Member	Deputy Executive Director for Policy & Program, PIE Network	2020
Mike Montoya	Member	Founder and Managing Partner, Stronger Consulting	2019

Executive Staff

KIPP SoCal Leadership	
Marcia Aaron	Founder and CEO
Kyle Salyer	Chief Financial Officer
Angella Martinez	Chief Academic Officer
César Bocanegra	Chief Operating Officer
Manny Aceves	Chief External Impact Officer

APPENDIX B: FINANCIAL PROJECTIONS AND ENROLLMENT

KIPP SoCal Public Schools
Multi-Year Financial Report (Related Schools)
As of June 30, 2020

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
	Actual	Actual	Projected	Projected	Projected	Projected	Projected
REVENUE							
<i>General Purpose Funding</i>							
Revenue Limit State-Aid	38,859,708	45,724,574	54,266,594	61,292,467	64,493,697	67,035,754	70,835,182
Prop 30 - Education Protection Account	5,453,518	3,268,829	3,402,829	3,583,475	3,715,484	3,810,212	3,875,585
Charter School General Purpose (State)	-	-	-	-	-	-	-
In Lieu of Property Tax	14,287,774	18,283,108	17,081,489	19,159,159	20,165,190	20,969,914	22,136,925
Total General Purpose Funding	58,601,000	67,276,511	74,750,912	84,035,101	88,374,371	91,815,880	96,847,692
<i>Total Federal Revenue</i>	7,119,067	8,367,820	18,714,340	8,840,110	9,338,037	9,753,855	10,185,478
<i>Other State Revenue</i>							
State Lottery	1,391,162	1,333,065	1,348,861	1,361,955	1,530,330	1,610,685	1,716,839
Special Education	3,489,107	3,831,293	4,621,126	5,076,102	5,398,210	5,691,064	5,988,935
Charter School Facility Grants - SB740 State	5,425,576	5,716,603	7,019,035	8,070,528	8,543,237	8,920,011	9,178,516
State Nutrition Reimbursement	198,687	295,540	286,553	303,391	319,888	333,087	351,860
Other State Revenue	3,092,389	2,020,512	1,905,274	2,045,183	2,053,818	2,060,627	2,266,715
Total Other State Revenue	13,596,920	13,197,014	15,180,849	16,857,159	17,845,483	18,615,474	19,502,865
<i>Other - Local Revenue</i>							
Donations and Grants	3,209,104	2,220,936	2,800,000	700,000	550,000	600,000	300,000
KIPP Foundation-CSP Grant	1,243,514	692,140	600,000	200,000	200,000	400,000	400,000
Other Local Revenue	557,001	502,379	270,700	297,658	311,669	316,338	322,769
Total Other Local Revenue	5,009,619	3,415,456	3,670,700	1,197,658	1,061,669	1,316,338	1,022,769
TOTAL REVENUE	84,326,606	92,256,801	112,316,801	110,930,028	116,619,560	121,501,547	127,558,804
EXPENSE							
<i>Certificated Salaries</i>							
Certified Teacher Salaries	22,759,173	24,224,134	28,686,937	30,227,842	32,267,574	34,602,219	36,503,638
Other Certificated Pupil Support	1,584,231	1,965,052	2,413,658	2,506,060	2,677,291	2,814,732	2,915,647
Certificated Administrators	2,930,642	2,783,509	3,229,016	3,547,379	3,808,848	3,958,398	4,016,414
Other Certificated, Non-Supervisory	1,633,741	1,678,510	1,189,228	855,839	865,649	875,697	885,952
Total Certificated Salaries	28,907,787	30,651,205	35,518,839	37,137,120	39,619,362	42,251,046	44,321,651
<i>Classified Salaries:</i>							
Non-Certificated Instructional Aides	3,357,315	3,934,307	4,212,822	4,186,230	4,009,402	4,029,124	4,227,171
Technical, Clerical, Office Staff	2,325,149	2,577,365	2,890,576	3,036,073	3,218,149	3,300,349	3,348,157
Total Classified Salaries	5,682,464	6,511,673	7,103,398	7,222,303	7,227,551	7,329,473	7,575,328
Total Employee Benefits	7,173,280	7,913,516	9,394,805	9,876,381	10,558,760	11,290,068	11,940,677
<i>Total Supplies & Materials</i>	7,799,957	8,981,140	7,135,787	9,150,275	9,683,059	10,089,784	10,525,067
<i>Operating Services</i>							
General Liability Insurance	193,106	222,813	280,783	288,592	300,847	314,527	323,362
Utilities (Gas, Electric, Water)	678,251	692,002	1,025,000	1,198,836	1,199,200	1,252,139	1,283,443
Other Operations/Housekeeping Services	2,372,467	2,021,735	2,547,500	2,857,838	2,983,007	3,047,859	3,179,858
Repairs & Maintenance (Non-Cap)	1,592,995	1,992,625	625,000	1,436,877	1,424,598	1,487,794	1,584,239
Equipment/Copier Leases	600,342	503,997	740,000	723,908	736,743	798,635	818,603
Audit & Legal, Payroll & Banking	219,064	249,677	286,666	294,197	308,059	329,209	342,907
Instructional Consulting	1,051,517	1,190,045	1,129,316	1,160,526	1,178,852	1,211,752	1,232,835
License & Authorizer Fees, Other Dues/Fees	1,137,703	1,409,282	1,363,675	1,483,957	1,532,461	1,586,915	1,655,970
Special Education Services	1,273,491	1,655,257	1,377,867	1,449,351	1,518,456	1,604,379	1,670,956
Professional Development & Recruitment	771,223	553,529	311,000	171,280	182,492	188,570	193,272
Local Field Lessons	721,466	262,024	353,000	385,886	416,737	449,641	476,640
Communications/Internet	421,714	821,184	535,400	569,522	615,732	668,384	685,096
Misc. Operating Expenses	924,404	720,244	575,020	575,034	587,610	599,752	615,076
Other Outgoing	186,956	37,496	6,844,000	-	-	-	-
Total Operating Services	12,144,699	12,331,910	17,994,227	12,595,804	12,984,794	13,539,556	14,062,257
Related Schools Existing Lease Payments	1,127,451	1,401,802	1,547,852	1,633,850	575,309	768,664	886,165
TOTAL OPERATING EXPENSES	62,835,638	67,791,246	78,694,908	77,615,733	80,648,835	85,268,591	89,311,145
Net Income Available for Lease Payments/Debt Service	21,490,968	24,465,555	33,621,894	33,314,295	35,970,725	36,232,956	38,247,659
<i>Rent</i>							
Ground Lease Payments	606,968	616,767	859,704	1,117,785	1,137,867	1,147,673	1,157,774
Series 2014 Base Rental Payments	1,913,656	1,915,763	1,911,838	1,912,088	1,916,306	1,914,288	1,911,238
Series 2015 Base Rental Payments	1,825,050	1,820,656	1,820,719	1,825,056	1,823,488	1,821,194	1,823,175
Series 2017 Base Rental Payments	2,699,960	2,697,453	2,698,942	2,699,227	2,698,307	2,696,182	2,699,551
Series 2019 Base Rental Payments	-	333,068	1,629,949	3,001,317	2,996,224	2,994,875	2,992,023
Series 2020 Base Rental Payments	-	-	-	135,073	1,876,835	1,876,357	1,880,075
Total Debt Service	7,045,634	7,383,708	8,921,151	10,690,546	12,449,026	12,450,569	12,463,836
Repair & Replacement Fund & Bond Fees	315,252	362,165	382,968	442,779	215,454	180,343	166,621
Other Rent Expense	1,506,805	88,886	511,017	(69,483)	336,879	386,103	417,549
Total Other Facilities Expense	1,822,057	451,050	894,004	373,296	552,334	566,446	584,170
Excess Net Income	12,623,277	16,630,797	23,806,738	22,250,453	22,969,366	23,215,941	25,199,654
KIPP SoCal Management Fee	12,462,160	13,576,020	16,427,519	16,534,506	17,410,435	18,135,233	19,088,822
<i>Coverage Analysis</i>							
Coverage Ratio Before Management Fee	3.05	3.31	3.77	3.12	2.89	2.91	3.07
Coverage Ratio After Management Fee	1.28	1.47	1.93	1.57	1.49	1.45	1.54
<i>Cash</i>							
Ending Cash Balance	15,950,016	20,032,706	24,887,633	27,128,318	47,863,168	52,775,417	58,995,002
Days Cash on Hand	84	100	105	119	203	211	223