

\$16,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY (CSFA)
CHARTER SCHOOL REVENUE BONDS
(GIRLS ATHLETIC LEADERSHIP SCHOOL LOS ANGELES PROJECT)
SERIES 2021A (TAX-EXEMPT) AND 2021B (TAXABLE)
ITEM # 4 RESOLUTION 21-22

STAFF SUMMARY

EXECUTIVE SUMMARY

Applicant/Borrower:	Valerio, LLC	Par Amount Requested:	Not-to-Exceed * \$16,000,000																														
Financing Term: 40 years for tax-exempt, maturing in 2061; 4 years for taxable, maturing in 2025, 10-year call		Interest Rate: 4.50% on the Tax-Exempt; 5.00% on the Taxable																															
Applicant Description: Valerio, LLC is a limited liability company formed for the single purpose of supporting its sole member, Girls Athletic Leadership Schools Los Angeles, a 501(c)(3) nonprofit public benefit corporation.																																	
Type of Financing: Tax-Exempt and Taxable Charter School Revenue Bonds																																	
Project User:	Girls Athletic Leadership School Los Angeles (GALS)	County Served:	Los Angeles County																														
District in Which Project is Located:	Los Angeles Unified School District	Charter Authorizer:	Los Angeles Unified School District																														
Project Description: Bond proceeds will be used to finance the acquisition, construction, improvement, installation, furnishing and equipping of a new facility for Girls Athletic Leadership School Los Angeles.																																	
Project Site: 14203 Valerio Street, Van Nuys, California 91405																																	
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CSFA Analyst: Robby Biegler		Date of Staff Report: August 19, 2021																															
Date of CSFA Board Meeting: August 26, 2021		Resolution Number: 21-22																															
Staff Recommendation: Staff recommends the California School Finance Authority Board approve Resolution Number 21-22, authorizing the issuance of Charter School Revenue Bonds in an amount not to exceed \$16,000,000 to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, furnishing, and/or equipping of certain educational facilities located in Los Angeles County for Girls Athletic Leadership School Los Angeles.																																	

BACKGROUND AND HISTORY

Girls Athletic Leadership School Los Angeles (GALS) is an all-girls charter middle school (6-8) located in the San Fernando Valley. According to information provided by the applicant, while operating a college-prep curriculum, GALS additionally focuses on physical activity and athletics with a holistic approach that acknowledges the inherent connection between sound mind and sound body. The student body is representative of the demographic and financial diversity of the San Fernando Valley. The original GALS charter expired on June 30, 2021, and a 5-year renewal term was approved by the Los Angeles Unified School District (LAUSD) in November 2020.

GALS serves a high-need student population, with 84% of student eligible for Free or Reduced-Price Meals, according to data collected by the California Department of Education (CDE). GALS serves a relatively high percentage of students with disabilities. Current GALS demographics include:

2020-21 Demographics	GALS
Free-Reduced Lunch	84.0%
English Language Learner	20.0%
Students with Disabilities	12.7%
African American	7.5%
Latino/Hispanic	85.0%
Asian/Filipino/Pacific Islander	3.5%
White	4.0%

Enrollment for the 2020-21 school year was 228 students. Future enrollment projections include:

Enrollment	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Actual	Projected	Projected	Projected	Projected	Projected
Grade 6	68	60	110	110	110	110
Grade 7	79	60	90	110	110	110
Grade 8	81	80	90	90	110	110
Total	228	200	290	310	330	330

According to information provided by the financing team, the enrollment growth over the course of the next five years is attributed to a few factors, specifically the school is in an LAUSD-owned Prop 39 facility whose size constrains enrollment growth. Additionally, the current facility is in close proximity to Panorama High School in Panorama City. In the last three years, Panorama High School was a focal point of gang violence involving the MS-13 gang, specifically an on-campus stabbing and the off-campus murder of a student. GALS saw their 19-20 enrollment drop by 30 students subsequent to the summer media coverage of the two crimes and the general negligence of Panorama High School administrators in disclosing it to parents and other concerned parties. GALS anticipates the move to the Van Nuys location will alleviate some of the safety concerns of former, current, and prospective students and parents.

A description of GALS leadership, including the Board of Directors and School Leadership, is included in Appendix A.

This is the first issuance for GALS, any future issuances can be issued as Additional Bonds under the Indenture.

PROJECT DESCRIPTION

The proceeds of the bonds will be used to (i) acquire the Valerio Street property, acquire and install pre-fabricated classrooms, and reimburse the Borrower for certain development costs (including the refinancing of amounts outstanding under existing line of credit); (ii) fund any reserve funds, capitalized interest and/or related working capital in connection with such bonds, as necessary; (iii) pay certain costs of issuance of the bonds; and (iv) potentially pay for additional renovation costs at the Valerio Street campus.

In addition there is a little nuance between the lessee name as it appears in the Secretary of State website “Girls Athletic Leadership Schools Los Angeles” (underlining added) (Lessee) and the name of the actual school as it appears on the California Department of Education directory and the charter petition “Girls Athletic Leadership School Los Angeles”(School). When the reference is to be to the Lessee or the corporate name of the school operator, then the reference will be the plural, when referencing the school site it will refer to it in the singular.

Estimated Project Breakdown				
Site	Landlord	Location	Purpose	Amount
Girls Athletic Leadership School	Valerio, LLC	14203 Valerio Street Van Nuys, 91405	Land Acquisition	\$2,000,000
Girls Athletic Leadership School	Valerio, LLC	14203 Valerio Street Van Nuys, 91405	Acquisition of Pre-Fabricated Buildings	\$3,460,000
Girls Athletic Leadership School	Valerio, LLC	14203 Valerio Street Van Nuys, 91405	Site Work	\$5,550,000
Girls Athletic Leadership School	Valerio, LLC	14203 Valerio Street Van Nuys, 91405	Reimburse predevelopment costs	\$1,000,000
Girls Athletic Leadership School	Valerio, LLC	14203 Valerio Street Van Nuys, 91405	Furniture, Fixture and Equipment	\$497,552
Total Estimated Project Costs				\$12,507,552

GALS currently operates in an LAUSD-owned Prop 39 facility in Panorama City. However the facility cannot meet future GALS growth projections, and, as discussed earlier, is not ideally located. As such GALS intends to purchase and redevelop a new facility located in Van Nuys.

The new facility will consist of two stories and 23,294 square feet with 16 classrooms. It can serve up to 330 students. The land is currently in escrow, once acquired the expectation is to install pre-fabricated buildings made from recycled shipping containers shortly thereafter will serve as the school facilities.

FINANCING

The bonds will be issued in two series: The proposed bond structure includes (1) Series 2021A Bonds (tax-exempt) that will be approximately \$15,000,000 in total and (2) Series 2021B Bonds (taxable) that will be approximately \$1,000,000 (Bonds). The tax-exempt series will be issued to finance items eligible for use of tax-exempt bond proceeds. The taxable series will be used to finance the costs of issuance in excess of 2% of the tax-exempt series. The tax-exempt series is expected to consist of three term bonds maturing on July 1, 2041, July 1, 2051, and July 1, 2061. The taxable series is expected to be issued as one term bond, maturing on July 1, 2025.

The facility that will be funded with Bond proceeds is leased to Girls Athletic Leadership Schools Los Angeles, a nonprofit public benefit corporation, pursuant to a lease with Valerio, LLC. The facility is used by the lessee to operate GALS for grades 6-8.

Borrower: Valerio, LLC is a limited liability company formed for the single purpose of supporting its sole member, Girls Athletic Leadership Schools Los Angeles, a 501(c)(3) nonprofit public benefit corporation.

Borrower finances are included as Appendix B.

Security and Source of Payment

The Bonds will be secured by lease payments made by Lessee to Valerio, LLC and a deed of trust on the property. The lease payments will be paid directly to the Bond Trustee via the California School Finance Authority (CSFA) intercept pursuant to Education Code 17199.4.

As additional security 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 GALS 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 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:	Series 2021A (Tax-Exempt)	Series 2021B (Taxable)	Credit Enhancement	Total
Bond Proceeds:				
Par Amount	\$12,435,000	\$600,000	\$0	\$13,035,000
Premium	\$995,049	\$0	\$0	\$995,049
Credit Enhancement Grant	\$0	\$0	\$782,875	\$782,875
Total:	\$13,430,049	\$600,000	\$782,875	\$14,812,924
Uses:	Series 2021A (Tax-Exempt)	Series 2021B (Taxable)	Credit Enhancement	Total
Project Fund Deposits:				
Valerio Street Project	\$12,507,552	\$0	\$0	\$12,507,552
	\$12,507,552	\$0	\$0	\$12,507,552
Other Fund Deposits:				
Debt Service Reserve Fund	\$0	\$0	\$782,875	\$782,875
Capitalized Interest Fund	\$673,563	\$35,750	\$0	\$709,313
	\$673,563	\$35,750	\$782,875	\$1,492,188
Delivery Date Expenses:				
Cost of Issuance	\$145,089	\$334,383	\$0	\$479,473
Underwriter's Discount	\$98,610	\$227,265	\$0	\$325,875
	\$243,700	\$561,648	\$0	\$805,348
Other Uses of Funds:				
Contingency	\$5,234	\$2,602	\$0	\$7,836
Total:	\$13,430,049	\$600,000	\$782,875	\$14,812,924

Total Costs of Issuance*

Expense	Amount
CDLAC Fee	\$2,000
Bond Counsel	\$100,000
Borrower's Counsel	\$100,000
Underwriter's/Disclosure Counsel	\$100,000
Financial Advisor	\$75,000
CSFA Issuance Fee	\$16,518
CSFA 1st Admin Fee	\$1,955
CSFA Issuer Fee - PFD Fee	\$6,000
Issuer's Counsel (AG)	\$8,000
Underwriter's Discount	\$325,875
Trustee & Trustee Counsel Fee	\$10,000
Financial Printer Fee	\$5,000
Title Insurance Estimate	\$20,000
Appraisal	\$10,000
Contingency	\$25,000
Total	\$805,348

*Estimates based on a not-to-exceed of \$16,000,000

Credit Enhancement

A not-to-exceeds \$1,000,000 credit enhancement award application for GALS for this financing is before the CSFA Board as a subsequent agenda item at today's August 26, 2021 meeting. The enhancement award will replace the current projected Debt Service Reserve Fund of \$782,875, reducing the overall borrowing cost for GALS.

Not-to-Exceed

Typically CSFA caps the not-to-exceed amount at no more than 10% in excess of the total proposed plan of finance, with certain exceptions. At the time of application, the GALS financing team did not anticipate the credit enhancement award and as such the \$16,000,000 not-to-exceed fell below the 10% threshold (around 9.5%). With the inclusion of that award, the \$16,000,000 is in slight excess of the 10% threshold (around 12.5%). Given the circumstances both at the time of application and the fact that the approval of credit enhancement is incumbent on the approval of the bond financing, CSFA notes no concerns with the 2.5% excess.

SALES RESTRICTIONS

The following sales restrictions will apply to the financing given the expected non-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 \$100,000;
2. Bonds will be privately placed or publicly offered initially to Qualified Institutional Buyers (QIBs) and Accredited Investors (AIs).
3. Initial Bond purchasers will be required to execute an Investor Letter;
4. Subsequent transfers of Bonds will be limited to QIBs and AIs;
5. Sales restrictions will be conspicuously noted on bond and described in detail in offering materials, if any, as well as in the bond documents;
6. 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 August 19, 2021. The TEFRA hearing will take place on Thursday, August 26, 2021. Staff does not anticipate any comments but will provide an update to the Board if any are received.

Due Diligence Undertaken to Date: The financial, operating and other information concerning the Borrower, the Project and related matters presented in this Staff Summary was provided by the

Borrower and Lender. The analysis contained herein was prepared by Authority Staff for the limited purpose of determining financial feasibility pursuant to Section 17183.5 of the CSFA Act and providing the Authority Board with information concerning certain aspects of the Project. The review undertaken by Authority staff, the recommendation of Authority Staff to the Authority Board to approve the financing, or any approval by the Authority Board are not intended to, and did not, include all of the due diligence activities and other investigations necessary or desirable for the purpose of making an investment decision relating to the making of the financing by the Lender, and should not be relied on by any party for such purpose.

Borrower Financial Data: The Borrower is a California limited liability company formed as a support organization for charter schools formed and controlled by Girls Athletic Leadership Schools Los Angeles, its sole member (the "Sole Member"). The Sole Member has received a determination letter from the Internal Revenue Service recognizing it as an entity described in Section 501(c)(3) of the Code. For federal tax purposes, the Borrower is treated as a "disregarded entity" of the Sole Member.

The 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. The limited liability company was formed for the purpose of owning facilities 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 Number 21-22 authorizing the issuance of Charter School Revenue Bonds in an amount not to exceed \$16,000,000 to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, furnishing, and/or equipping of certain educational facilities located in Los Angeles, California for use by Girls Athletic Leadership School Los Angeles.

1. **Applicant / Borrower:** Valerio, LLC
2. **Project:** Acquisition and Construction
3. **Amount of Financing:** Not to exceed \$16,000,000
4. **Maturity:** July 1, 2061
5. **Repayment/Security:** Intercept of Lease Payments and Deed of Trust on Real Property
6. **Preliminary Interest Rate:** 4.5% on tax-exempt bonds and 5% on taxable bonds
7. **Fees:** \$805,348 is the total estimated 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 must issue the bonds 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

Maggie Rosenfeld	Board Chair
Parker Hudnut	Board Treasurer
Janis Rovner	Board Secretary
Abra Sussman	Member-at-Large
Ari Engelberg	Member-at-Large
Deborah Robinson	Member-at-Large
Deirdre Gainor	Member-at-Large
Jeannine Hodson	Member-at-Large
Rebecca Reyes	Member-at-Large
Dr. Sharon Weir	Member-at-Large
Shola Giwa	Member-at-Large

School Leadership

Carrie Wagner	Founder & Executive Director
Vanessa Garza	Founding Principal
Erica Younan	Assistant Principal

APPENDIX B: ESTIMATED BUDGET PROJECTIONS AND ENROLLMENT

	Forecast 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25	Projected 2025-26
Enrollment					
Grades Served	6-8	6-8	6-8	6-8	6-8
Enrollment	200	290	310	330	330
ADA %	96%	96%	96%	96%	96%
Average Daily Attendance ("ADA")	192.0	278.4	297.6	316.8	316.8
Revenue					
LCFF Revenue	\$2,130,453	\$3,171,014	\$3,495,404	\$3,854,769	\$3,931,727
Federal Revenue	1,059,048	572,691	306,715	320,142	320,142
Other State Revenue	455,242	214,325	220,498	225,536	226,017
School Facilities (SB740)	-	306,240	327,360	348,480	348,480
Local Revenue & Other	253,689	314,541	328,518	342,579	343,173
Total Revenue	\$ 3,898,431	\$ 4,578,811	\$ 4,678,496	\$ 5,091,507	\$ 5,169,539
Expenses					
Certificated Salaries	\$ 1,318,801	\$ 1,421,984	\$ 1,464,644	\$ 1,508,583	\$ 1,553,840
Classified Salaries	538,158	433,329	446,329	459,719	473,510
Benefits	492,184	519,350	538,194	562,224	587,634
Supplies	346,992	340,505	363,734	387,436	392,777
Operating Services	889,739	977,774	1,015,608	1,055,195	1,080,678
Other Outgo	26,258	21,544	13,709	5,412	61
Depreciation	16,448	11,095	6,431	6,039	2,983
Prop 39 & Other Facilities Rent	215,327	-	-	-	-
2021 Bonds Net Debt Service	-	436,500	654,750	779,750	782,875
Total Expenses	\$ 3,843,907	\$ 4,162,081	\$ 4,503,398	\$ 4,764,357	\$ 4,874,359
Net Income	\$ 54,524	\$ 416,730	\$ 175,098	\$ 327,150	\$ 295,181
Add Back: Depreciation	16,448	11,095	6,431	6,039	2,983
Add Back: Base Rent	215,327	436,500	654,750	779,750	782,875
Net Operating School Revenue	\$ 286,300	\$ 864,326	\$ 836,279	\$ 1,112,939	\$ 1,081,039
Base Rent Coverage Ratio	1.33x	1.98x	1.28x	1.43x	1.38x
2021-22					
Beginning Cash Balance	\$ 304,299	\$ 712,650	\$ 627,460	\$ 771,932	\$ 901,638
Plus: Net Income	54,524	416,730	175,098	327,150	295,181
Plus: Cash Flow from Operating Activities	412,514	(369,219)	109,912	(48,611)	15,173
Plus: Cash Flow from Investing Activities	-	-	-	-	-
Plus: Cash Flow from Financing Activities	(58,687)	(132,702)	(140,537)	(148,834)	(12,793)
Ending Cash Balance	712,650	627,460	\$ 771,932	\$ 901,638	\$ 1,199,200
Total Expenses	\$ 3,843,907	\$ 4,162,081	\$ 4,503,398	\$ 4,764,357	\$ 4,874,359
Less: (Base Rent)		(436,500)	(654,750)	(779,750)	(782,875)
Add: Maximum Annual Base Rent		782,875	782,875	782,875	782,875
Operating Expenses	\$ 3,843,907	\$ 4,508,456	\$ 4,631,523	\$ 4,767,482	\$ 4,874,359
Days Cash on Hand	68 days	51 days	61 days	69 days	90 days