

\$40,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY (CSFA)
REVENUE BONDS
(RUSSELL WESTBROOK WHY NOT? ACADEMY)
SERIES 2021A \$37,000,000 (TAX-EXEMPT) AND 2021B \$3,000,000 (TAXABLE)
ITEM # 5 RESOLUTION 21-27

STAFF SUMMARY

EXECUTIVE SUMMARY			
Applicant/Borrower:	LA Promise Fund Facility LLC	Par Amount Requested:	Not-to-Exceed * \$40,000,000
Financing Term: 40 years tax-exempt bonds, maturing in 2061(10-year call provision); 4 years taxable bonds, maturing in 2025		Preliminary Interest Rate: 4.50% on the Tax-Exempt; 5.00% on the Taxable	
Applicant Description: LA Promise Fund Facility LLC is a limited liability company formed for the single purpose of supporting its sole member, LA Promise Fund, a 501(c)(3) nonprofit public benefit corporation.			
Type of Financing: Tax-Exempt and Taxable Revenue Bonds			
Project User:	Russell Westbrook Why Not? Academy	County Served:	Los Angeles County
District in Which Project is Located:	Los Angeles Unified School District	Charter Authorizer:	Los Angeles County Office of Education
Project Description: Bond proceeds will be used to finance the acquisition, construction, improvement, installation, furnishing, and equipping of a new facility for Russell Westbrook Why Not? Middle School and Russell Westbrook Why Not? High School.			
Project Site: 2340 Firestone Blvd., South Gate, CA 90280			
Financing Team:		Financing Details:	
Bond Counsel:	Kutak Rock	Type of Issue:	Charter School Revenue Bonds
Underwriter:	Stifel, Nicolaus & Company	Tax Status:	Tax-Exempt & Taxable
Financial Advisor:	Campanile Group	Maturity:	2025 (Taxable) & 2061 (Tax-Exempt)
Borrower's Counsel:	Young Minney & Corr LLP	Credit Enhancement:	Yes
Issuer's Counsel:	Attorney General's Office	Credit Rating:	Unrated
Issuer:	California School Finance Authority	Fees:	See Costs of Issuance Table
Bond/ Trustee:	Wilmington Trust, NA		
CSFA Analyst: Robby Biegler		Date of Staff Report: October 14, 2021	
Date of CSFA Board Meeting: October 28, 2021		Resolution Number: 21-27	
Staff Recommendation: Staff recommends the California School Finance Authority Board approve Resolution Number 21-27 authorizing the issuance of Revenue Bonds in an amount not to exceed \$40,000,000 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 Russell Westbrook Why Not? Academy.			

BACKGROUND AND HISTORY

LA Promise Fund (LAPF) was founded in 2003 as the Center for Innovative Education, reincorporated in 2005 as Mentor LA, renamed in 2008 as MLA Partner Schools, and then renamed in 2011 as LA’s Promise. Separately, in 2011, Megan Chernin, a philanthropist, in partnership with the Los Angeles Unified School District (LAUSD), created the LA Fund to provide assistance and financial support to public schools in Los Angeles. In 2016, LA’s Promise with LA Fund merged and created LAPF, with a unified mission of enriching the academic and career prospects of hundreds of thousands of public-school students throughout Los Angeles County.

In the fall of 2016, LAPF opened its first school, LA Promise Charter Middle School. In the following year, LAPF opened its second school, LA Promise Charter High School. Both schools are authorized by the Los Angeles County Office of Education (LACOE). In 2021, LAPF partnered with NBA All-Star and MVP, Russell Westbrook, and the Russell Westbrook Why Not? Foundation, and renamed the middle and high schools, “Russell Westbrook Why Not? Middle School” (RWWNMS) and “Russell Westbrook Why Not? High School” (RWWNHS).

LAPF’s stated mission as a nonprofit organization is “to prepare students for success in college, career, and life.” LAPF believes a strong education system that effectively serves all students is the key to a thriving community. Their vision is “to radically improve the future of [Los Angeles] communities by increasing educational equity and ultimately closing the opportunity gap.” To achieve this mission, LAPF develops and implements high-impact educational programs and services that connect students and families to the resources needed to succeed LAPF is reaching young people inside the classroom and through a rich array of expanded learning opportunities and building their families’ capacity to support students in realizing their potential. Detailed information about LAPF’s school and county programs can be found at these two sites: <https://www.lapromisefund.org/school-site/> and <https://www.lapromisefund.org/county-wide/>.

The charters for RWWNMS and RWWNHS, approved by LACOE in 2016, were both recently approved for five-year extensions, with both expiring on June 30, 2026.

Charter Terms and Authorizers for RWWNA			
School	Address	Authorizer	Charter Term
Russell Westbrook Why Not? Middle School	1700 West 64 th Street, Los Angeles, 90062	Los Angeles County Office of Education	6/1/21-6/30/26
Russell Westbrook Why Not? High School	1755 West 52 nd Street, Los Angeles, 90062 & 4210 East Gage St. Bell, CA 90201	Los Angeles County Office of Education	6/1/21-6/30/26

The combined demographics for the schools include:

2020-21 Demographics	RWWNA
Free-Reduced Lunch	96%
English Language Learner	35%
Students with Disabilities	23%
African American	26%
Latino/Hispanic	68%
Asian/Filipino/Pacific Islander	0%
White	0%

RWWNA enrollment for the 2020-21 school year was 371 students while the current school year of 2021-22 grew nearly 7% to 391 students. Future enrollment projections average 13.6%. According to information provided by LAPF, they have developed a multi-faceted recruitment strategy to facilitate enrollment growth over the next five-years which include: regional marketing approach; community engagement, and school community engagement.

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
RWWN MS						
6th	36	37	60	60	100	106
7th	53	59	60	90	100	106
8th	79	72	80	90	100	106
TOTAL	168	168	200	240	300	318
RWWN HS						
9th	70	61	75	90	91	91
10th	66	78	80	90	91	91
11th	35	61	80	80	95	95
12th	32	28	80	80	95	95
TOTAL	203	228	315	340	372	372
GRAND TOTAL	371	396	515	580	672	690

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

PROJECT DESCRIPTION

The proceeds of the bonds will be used to: (i) acquire the Firestone property; (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) pay for additional renovation costs at the Firestone property if funds are available.

Estimated Project Breakdown				
Site	Landlord	Location	Purpose	Amount
RWWNA	LA Promise Fund Facility LLC	2340 Firestone Blvd. South Gate, CA 90280	Acquisition	\$23,650,000
			Repairs and Refurbishing	\$2,000,000
			Tenant Improvements	\$4,670,000
Total Estimated Project Costs				\$30,670,000

RWWNMS currently operates in a Proposition 39 space at the Barack Obama Global Preparation Academy, located in the Vermont Square neighborhood of South Central Los Angeles. RWWNHS operates with a short-term leases at two sites: St. Brigid’s Catholic Church, also located in South Central Los Angeles, and a private facility located at 4210 East Gage St. in Bell, located four miles from the future facility in the City of Bell.

The facility that LAPF intends to purchase for RWWNA is located in the City of South Gate, southeast of the two current South Los Angeles campuses, and south of the current Bell campus. Presently, it is leased as the campus for East Los Angeles College (ELAC), a community college within the Los Angeles Community College District (LACCD). The facility is approximately 4.2 acres and 52,331 square feet and includes two buildings and a parking lot with an estimated 261 spaces. The larger of the two buildings includes 26 classrooms. LAPF intends to dedicate around \$2,000,000 to building repairs, furniture, fixtures, and equipment. Additionally, LAPF intends to complete approximately \$4.67M of tenant improvements to reconfigure the facility to accommodate 37 classrooms. The tenant improvements are expected to be completed by the fall of 2024. The building is currently owned by Benon & Stanman South Gate Partnership, a private landlord. Following the issuance of the Bonds, LAPF will initially sublease the Facility to LACCD, for use by ELAC, until June 14, 2024. LACCD will provide representations to CSFA regarding its use of the facility as a community college.

FINANCING

The bonds will be issued in two series – Series 2021A Bonds (tax-exempt) that will be approximately \$37,000,000, and Series 2021B Bonds (taxable) that will be approximately \$3,000,000. 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 will be leased to LAPF (the operator of RWWNA) a nonprofit public benefit corporation, pursuant to a lease with LA Promise Fund Facility LLC (LPFF). The facility will be used by the lessee to operate RWWNMS and RWWNHS, collectively RWWNA. This is the first issuance for RWWNA, any future issuances will be issued as additional obligations under a Master Trust Indenture.

Borrower: LA Promise Fund Facility LLC, is a limited liability company formed for the single purpose of supporting its sole member, LA Promise Fund, a 501(c)(3) nonprofit public benefit corporation that operates both Russell Westbrook Why Not? Middle School and Russell Westbrook Why Not? High School.

LAPF finances are included as Appendix B.

Security and Source of Payment

The Bonds will be secured by lease payments made by lessee to LPFF, and a deed of trust on the property. The lease payments will be paid directly to the Bond Trustee via the intercept mechanism set forth in 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 & Uses

Sources:	Series 2021A (Tax-Exempt)	Series 2021B (Taxable)	CSFA Grant	Total
Bond Proceeds:				
Par Amount	\$33,575,000	\$880,000	\$0	\$34,455,000
Premium	\$2,102,056	\$0	\$0	\$2,102,056
CSFA Grant	\$0	\$0	\$2,000,000	\$2,000,000
Total:	\$35,677,056	\$880,000	\$2,000,000	\$38,557,056

Uses:	Series 2021A (Tax-Exempt)	Series 2021B (Taxable)	CSFA Grant	Total
Project Fund Deposits:				
2340 Firestone Blvd. Acquisition	\$24,000,000	\$0.00	\$0.00	\$24,000,000
Repairs & Refurbishing	\$2,000,000	\$0.00	\$0.00	\$2,000,000
Tenant Improvements	\$4,671,240			\$4,671,240
	\$30,671,240	\$0.00	\$0.00	\$30,671,240
Other Fund Deposits:				
Capitalized Interest Fund	\$4,271,486	\$111,956	\$0	\$4,383,442
Debt Service Reserve Fund	\$64,071	\$1,679	\$2,000,000	\$2,065,750
	\$4,335,557	\$113,635	\$2,000,000	\$6,449,192
Delivery Date Expenses:				
Cost of Issuance	\$666,500	\$764,633	\$0	\$1,431,133
	\$666,500	\$764,633	\$0	\$1,431,133
Other Uses of Funds:				
Contingency	\$3,759	\$1,732	\$0	\$5,491
Total:	\$35,677,056	\$880,000	\$2,000,000	\$38,557,056

Total Costs of Issuance*

Expense	Amount
CDIAC Fee	\$2,000
Bond Counsel	\$150,000
Borrower's Counsel	\$100,000
Underwriter's/Disclosure Counsel	\$150,000
Financial Advisor	\$75,000
Transfer Tax	\$27,000
CSFA Issuance Fee	\$27,228
CSFA 1st Admin Fee	\$5,168
CSFA Issuer Fee - PFD Fee	\$6,000
Issuer's Counsel (AG)	\$8,000
Underwriter's Discount	\$775,238
Trustee & Trustee Counsel Fee	\$10,000
Financial Printer Fee	\$5,000
Title Insurance Estimate	\$30,000
Appraisal	\$12,500
Contingency	\$47,999
Total	\$1,431,133

*Estimates based on a not-to-exceed of \$40,000,000

Credit Enhancement

There will be two not-to-exceed \$1,000,000 credit enhancement award applications for RWWNMS and RWWNHS, respectively, for this financing that will be before the CSFA Board as subsequent agenda items at the October 28, 2021, meeting. If approved, the enhancement awards will fund \$2,000,000 of the financing's debt service reserve fund, reducing the overall borrowing cost for RWWNA.

SALES RESTRICTIONS

The following sales restrictions will apply to the financing given the expected non-rating. The Authority's sales restrictions may 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 October 12, 2021. The TEFRA hearing will take place on Tuesday, October 19, 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 (LLC) formed as a support organization for charter schools formed and controlled by LAPF, 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 LLC 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 LLC 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 21-27 authorizing the issuance of Revenue Bonds in an amount not to exceed \$40,000,000 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 Russell Westbrook Why Not? Academy and East Los Angeles College.

1. **Applicant / Borrower:** LA Promise Fund Facility LLC
2. **Project:** Acquisition and Construction
3. **Amount of Financing:** Not to exceed \$40,000,000
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. **Preliminary Cost of Issuance:** \$1,431,133 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

Megan Chernin	Board Co-Chair
Stephen Prough	Board Co-Chair
Mayor Eric Garcetti	Honorary Board Member
Cathy Bender	Board Member
Paul De Bernier	Board Member
Donnell Beverly, Jr.	Board Member
Ivelisse Estrada	Board Member
Andrea Foggy-Paxton	Board Member
Sophia Garcia	Board Member
Dean Hallett	Treasurer
Lori Johnston	Board Member
Kathleen Kennedy	Board Member
Elizabeth Mann	Secretary
Frank Marshall	Board Member
Brian McNamee	Board Member
Simon Osborn	Board Member
Ali Powell	Board Member
Melissa Stephens	Board Member
Alison Temple	Board Member
Jamie Ernesto Uzeta	Board Member
Amit Verma	Board Member
Danielle Vick	Board Member
Russell Westbrook	Board Member

School Leadership

Veronica Melvin	CEO & President
Michelle Cheang ED.D.	Chief Advancement Officer
Kyle Miller	Chief Strategic Officer
Donna Jacobson	Chief Academic Officer
Liliana Vasquez	Chief Operations Officer

APPENDIX B: ESTIMATED BUDGET PROJECTIONS AND ENROLLMENT

	2021-22	2022-23	2023-24	2024-25	2025-26
Total Enrollment	396	515	580	672	690
INCOME					
LCFF	\$ 4,918,860	\$ 6,263,634	\$ 7,312,567	\$ 8,722,339	\$ 9,209,456
Federal Revenue	1,329,138	732,773	540,851	262,773	262,773
Other State Revenue	735,918	335,157	335,589	341,890	344,097
Other Local Revenue	1,296,599	250,961	250,961	250,961	254,006
SB740 Revenue	-	532,510	606,100	702,240	721,050
Grants/ Fundraising	-	-	200,000	500,000	500,000
ELAC Rent	735,154	1,037,865	2,000,000	-	-
TOTAL INCOME	\$ 9,015,670	\$ 9,152,899	\$ 11,246,068	\$ 10,780,203	\$ 11,291,382
EXPENSE					
Certificated Salaries	\$ 2,925,537	\$ 3,234,374	\$ 3,351,164	\$ 3,373,067	\$ 3,503,852
Classified Salaries	901,866	993,106	927,774	919,083	878,309
Employee Benefits	804,844	845,496	855,788	858,430	876,432
Supplies	453,566	467,173	481,188	495,624	510,492
Operating Services	3,036,734	3,303,302	3,397,464	2,611,315	2,643,061
Depreciation	47,889	49,326	50,805	52,330	53,900
Other Outgo	681	-	-	-	-
2021 Bonds Net Debt Service	-	-	-	1,722,750	2,062,750
TOTAL EXPENSE	\$ 8,171,117	\$ 8,892,777	\$ 9,064,183	\$ 10,032,599	\$ 10,528,797
NET INCOME	\$ 844,553	\$ 260,123	\$ 2,181,885	\$ 747,604	\$ 762,585
Plus: Depreciation	47,889	49,326	50,805	52,330	53,900
Plus: 2021 Bonds Net Debt Service	-	-	-	1,722,750	2,062,750
NET OPERATING INCOME	\$ 892,442	\$ 309,448	\$ 2,232,690	\$ 2,522,684	\$ 2,879,235
2021 Bonds Debt Service	-	-	-	1,722,750	2,062,750
Coverage	N/A	N/A	N/A	1.46x	1.40x
	2021-22	2022-23	2023-24	2024-25	2025-26
Beginning Cash Balance	\$ 2,390,601	\$ 6,273,019	\$ 5,495,277	\$ 5,677,162	\$ 6,424,766
Plus: Net Income	844,553	260,123	2,181,885	747,604	762,585
Plus: ELAC Prepaid Rent	3,773,019	-	-	-	-
Less: Deferred Revenue - ELAC Rent	(735,154)	(1,037,865)	(2,000,000)	-	-
Ending Cash Balance	\$ 6,273,019	\$ 5,495,277	\$ 5,677,162	\$ 6,424,766	\$ 7,187,351
Total Expenses	\$ 8,171,117	\$ 8,892,777	\$ 9,064,183	\$ 10,032,599	\$ 10,528,797
Less: (Base Rent)				(1,722,750)	(2,062,750)
Add: Maximum Annual Base Rent			2,209,500	2,209,500	2,209,500
Operating Expenses	\$ 8,171,117	\$ 8,892,777	\$ 11,273,683	\$ 10,519,349	\$ 10,675,547
Days Cash on Hand	280 days	226 days	184 days	223 days	246 days