

**\$20,000,000\***  
**CALIFORNIA SCHOOL FINANCE AUTHORITY (CSFA)**  
**REVENUE BONDS**  
**(VALLEY INTERNATIONAL PREPARATORY HIGH SCHOOL PROJECT)**  
**SERIES 2022A \$19,000,000 (TAX-EXEMPT) AND 2022B \$1,000,000 (TAXABLE)**  
**ITEM # 11 RESOLUTION 22-14**

**STAFF SUMMARY**

**EXECUTIVE SUMMARY**

<b>Applicant/Borrower:</b>	PIP-VIP LLC	<b>Par Amount Requested:</b>	Not-to-Exceed * \$20,000,000																																
<b>Financing Term:</b> 40-year tax-exempt bonds, maturing in 2062; 6-year taxable bonds, maturing in 2028		<b>Projected Interest Rate:</b> 4.50% on the Tax-Exempt; 5.00% on the Taxable																																	
<b>Applicant Description:</b> PIP-VIP LLC, a California limited liability company, their sole member is Parents in Partnership, a California nonprofit public benefit corporation and an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Founded in 2018, Valley International Preparatory High, currently serve approximately 265 students in grades 9 through 12.																																			
<b>Type of Financing:</b> Tax-Exempt and Taxable Revenue Bonds																																			
<b>Project User:</b>	Valley International Preparatory High	<b>County Served:</b>	Los Angeles																																
<b>District in Which Project is Located:</b>	Los Angeles Unified	<b>Charter Authorizer:</b>	Los Angeles Unified																																
<b>Project Description:</b> Finance and/or refinance the costs of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of approximately 21,068 square foot educational facilities known or to be known as Valley International Preparatory High, comprised of four buildings, designed to serve approximately 420 students in grades 9 through 12.																																			
<b>Project Site:</b> 18827 Roscoe Blvd., Northridge, CA 91324; 8316 Wilbur Ave., Northridge, CA 91324																																			
<table border="1"> <thead> <tr> <th colspan="2">Financing Team:</th> </tr> </thead> <tbody> <tr> <td>Bond Counsel:</td> <td>Kutak Rock LLP</td> </tr> <tr> <td>Underwriter:</td> <td>Stifel, Nicolaus &amp; Company, INC.</td> </tr> <tr> <td>Borrower's Counsel:</td> <td>Young &amp; Minney &amp; Corr, LLP</td> </tr> <tr> <td>Disclosure Counsel:</td> <td>N/A</td> </tr> <tr> <td>Issuer's Counsel:</td> <td>Attorney General's Office</td> </tr> <tr> <td>Issuer:</td> <td>California School Finance Authority</td> </tr> <tr> <td>Financial Advisor:</td> <td>Campanile Group, Inc.</td> </tr> <tr> <td>Bond/ Trustee:</td> <td>Wilmington Trust, N.A.</td> </tr> </tbody> </table>		Financing Team:		Bond Counsel:	Kutak Rock LLP	Underwriter:	Stifel, Nicolaus & Company, INC.	Borrower's Counsel:	Young & Minney & Corr, LLP	Disclosure Counsel:	N/A	Issuer's Counsel:	Attorney General's Office	Issuer:	California School Finance Authority	Financial Advisor:	Campanile Group, Inc.	Bond/ Trustee:	Wilmington Trust, N.A.	<table border="1"> <thead> <tr> <th colspan="2">Financing Details:</th> </tr> </thead> <tbody> <tr> <td><b>Type of Issue:</b></td> <td>Charter School Revenue Bonds</td> </tr> <tr> <td><b>Tax Status:</b></td> <td>Tax-Exempt &amp; Taxable</td> </tr> <tr> <td><b>Maturity:</b></td> <td>2028 (Taxable) &amp; 2062 (Tax-Exempt)</td> </tr> <tr> <td><b>Credit Enhancement:</b></td> <td>Yes</td> </tr> <tr> <td><b>Credit Rating:</b></td> <td>Not Rated</td> </tr> <tr> <td><b>Fees:</b></td> <td>See Costs of Issuance Table</td> </tr> </tbody> </table>		Financing Details:		<b>Type of Issue:</b>	Charter School Revenue Bonds	<b>Tax Status:</b>	Tax-Exempt & Taxable	<b>Maturity:</b>	2028 (Taxable) & 2062 (Tax-Exempt)	<b>Credit Enhancement:</b>	Yes	<b>Credit Rating:</b>	Not Rated	<b>Fees:</b>	See Costs of Issuance Table
Financing Team:																																			
Bond Counsel:	Kutak Rock LLP																																		
Underwriter:	Stifel, Nicolaus & Company, INC.																																		
Borrower's Counsel:	Young & Minney & Corr, LLP																																		
Disclosure Counsel:	N/A																																		
Issuer's Counsel:	Attorney General's Office																																		
Issuer:	California School Finance Authority																																		
Financial Advisor:	Campanile Group, Inc.																																		
Bond/ Trustee:	Wilmington Trust, N.A.																																		
Financing Details:																																			
<b>Type of Issue:</b>	Charter School Revenue Bonds																																		
<b>Tax Status:</b>	Tax-Exempt & Taxable																																		
<b>Maturity:</b>	2028 (Taxable) & 2062 (Tax-Exempt)																																		
<b>Credit Enhancement:</b>	Yes																																		
<b>Credit Rating:</b>	Not Rated																																		
<b>Fees:</b>	See Costs of Issuance Table																																		
<b>CSFA Analyst:</b> Ryan Storey		<b>Date of Staff Report:</b> February 24, 2022																																	
<b>Date of CSFA Board Meeting:</b> February 24, 2022		<b>Resolution Number:</b> 22-14																																	
<b>Staff Recommendation:</b> Staff recommends the California School Finance Authority Board approve Resolution Number 22-14 authorizing the issuance of Revenue Bonds in an amount not to exceed \$20,000,000 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 Valley International Preparatory High.																																			

## BACKGROUND AND HISTORY

Valley International Preparatory High School (VIPHS) opened in August 2018, serving students in the San Fernando Valley region of Los Angeles County. VIPHS students are exposed to a college-preparatory environment that gets them excited about the many opportunities they may have after high school. VIPHS' small class sizes, discussion-based and engaging teaching, and various elective offerings teach students to become effective communicators in a variety of formats for a variety of purposes. VPHS' graduates have gone on to four-year colleges and universities in more than two dozen states, Canada, and Europe. VIPHS' educational model is based on the work of researcher David Conley and his "Four Keys to College Readiness." By focusing on the four different areas student, academic, social, and emotional development, VIPHS produce well-rounded students ready to success in whatever four-year institution they choose to attend. Finally, VPHS' small-school environment and passionate staff deliver a personalized experience that only a small-school environment can provide.

School	Authorizer	Grades Served	School Year Established	Original Petition Approved	Most Recent Renewal	Charter Expiration
VIPHS	LAUSD	9-12	2018-19	12/05/17	N/A	6/30/2025*

\*Due to the passage of Senate Bill 130, VIPHS received a 2-year extension on its charter term, hence seven-year terms vs. the customary five years.

The demographics for the school include:

<u>2020-21 Demographics</u>	VIPHS
Free-Reduced Lunch	24.3%
English Language Learner	2.6%
Students with Disabilities	18.0%
Homeless Youth	2.1%
Socioeconomically Disadvantaged	24.5%
African American	2.6%
Latino/Hispanic	22.3%
Asian/Filipino/Pacific Islander	3.9%
White	61.4%

Enrollment projections for VIPHS include:

VIPHS									
Grade Level	Historical Enrollment					Projected Enrollment			
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
9 <sup>th</sup> Grade	--	36	57	51	65	130	120	110	100
10 <sup>th</sup> Grade	--	42	53	56	71	70	124	115	99
11 <sup>th</sup> Grade	--	57	57	66	64	75	70	120	102
12 <sup>th</sup> Grade	--	71	57	60	65	65	75	70	119
Totals	--	206	224	233	265	340	389	415	420
% Change	--	N/A	8.74%	18.30%	13.73%	28.30%	14.41%	6.68%	1.20%

According to information provided by the financing team, the projected enrollment growth is primarily attributable to VIPHS moving to its own permanent facility rather than the Prop 39 space it previously occupied at the Chatsworth High School campus. VIPHS believes this new space will attract more students and families, providing the space for the school to grow. As of this February, VIPHS already received 142 intents to enroll forms for incoming 9<sup>th</sup> grade students for the 2022-23 school year. The growth in the incoming 9<sup>th</sup> grade class accounts for a majority of the enrollment growth next year. The growth in subsequent years is expected as that 9<sup>th</sup> grade class matriculates to the upper grades and enrollment in subsequent incoming 9<sup>th</sup> grade classes stabilize over time.

VIPHS finances are included as Appendix B. The projected budget indicates a debt service ratio of greater than 1.4 times for years 2023-24 through 2025-26 and an expected 135 operating days per cash on hand.

VIPHS is currently led by its Executive Director, Anne Cochrane. VIPHS's leadership and members of its Board of Directors described in Appendix A.

**PROJECT DESCRIPTION**

The proceeds of the bonds will be used to: (i) finance and/or refinance the costs of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of approximately 20,470 square foot educational facilities designed to serve approximately 420 students in grades 9 through 12; (ii) pay certain expenses incurred in connection with the issuance of the Bonds; (iii) pay capitalized interest on the Bonds; and (iv) fund a debt service reserve fund and/or related working capital with respect to the Bonds.

Facilities Information				
Site	Landlord	Location	Purpose	Amount
Valley International Preparatory High School	PIP-VIP, LLC	18827 Roscoe Blvd. and 8316 Wilbur Ave., Northridge, CA 91324	Purchase	\$14,350,000
<b>Total Estimated Project Costs</b>				<b>\$14,350,000</b>

In May 2019, VIPHS entered into a lease agreement with Red Hook Capital Partners IV LLC (“Red Hook”) for the development and use of the Facility. Red Hook completed renovation of the facility in the Spring of 2021, and VIPHS began the 2021-22 school year in the Facility. VIPHS currently leases the Facility from Red Hook, and intends to exercise the purchase option in the lease to acquire the Facility with proceeds from the Series 2022 Bonds

**FINANCING**

The bonds will be issued in two series – Series 2022A Bonds (tax-exempt) that will be approximately \$19,000,000, and Series 2022B Bonds (taxable) that will be approximately \$1,000,000. 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, 2042, July 1, 2052, and July 1, 2062. The taxable series is expected to be issued as one term bond, maturing on July 1, 2028.

The facility that will be funded with Bond proceeds will be leased to VIPHS pursuant to a lease with PIP-VIP LLC. The facilities will be used by the lessee to operate VIPHS. This is the first CSFA issuance for PIP-VIP LLC.

**Borrower:** PIP-VIP LLC, a California limited liability company, the sole member (Sole Member) is Parents in Partnership, a California nonprofit public benefit corporation.

**Security and Source of Payment**

The Bonds will be secured by lease payments made by lessee (i.e. VIPHS) to PIP-VIP LLC, 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 VIPHS 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 2022A (Tax-Exempt)	Series 2022B (Taxable)	CSFA Grant	Total
<b>Bond Proceeds</b>				
Par Amount:	\$14,950,000.00	\$570,000.00	-	\$15,520,000.00
Bond Premium :	\$292,520.70	-	-	\$292,520.70
PANACEA Grant:	-	-	\$804,000.00	\$804,000.00
<b>Total:</b>	<b>\$15,242,520.70</b>	<b>\$570,000.00</b>	<b>\$804,000.00</b>	<b>\$16,616,520.70</b>
Uses:	Series 2022A (Tax-Exempt)	Series 2022B (Taxable)	CSFA Grant	Total
Facility Acquisition	\$14,350,000.00	-	-	\$14,350,000.00
Debt Service Reserve Fund:	-	-	\$804,000.00	\$804,000.00
Capitalized Interest Fund:	\$598,000.00	\$28,500.00	-	\$626,500.00
Cost of Issuance:	\$157,319.39	\$289,268.61	-	\$446,588.00
Underwriter’s Discount:	\$136,680.61	\$251,319.39	-	\$388,000.00
Contingency:	\$520.70	\$912.00	-	\$1,432.70
<b>Total</b>	<b>\$15,242,520.70</b>	<b>\$570,000.00</b>	<b>\$804,000.00</b>	<b>\$16,616,520.70</b>

**Total Costs of Issuance\***

<b>Expense</b>	<b>Amount</b>
Issuer Fee	\$17,760.00
Annual Admin Fee	\$2,328.00
Agent-for-Sale Fee	\$6,000.00
CDLAC Fee	\$2,000.00
Issuer's Counsel Fee	\$8,000.00
Financial Advisor Fee (If Applicable)	\$85,000.00
Bond Counsel Fee	\$100,000.00
Borrower's Counsel Fee	\$50,000.00
Underwriter's/Disclosure Counsel Fee	\$100,000.00
Rating Agency Fee (If Applicable)	\$0.00
Trustee Fee	\$10,000.00
Trustee's Counsel Fee	\$0.00
Financial Printer Fee	\$5,000.00
Underwriter's Discount	\$388,000.00
Title Insurance Fee	\$20,000.00
Appraiser Fee	\$10,000.00
Contingency	\$30,500.00
Other:	\$0.00
<b>Total</b>	<b>\$834,588.00</b>

*\*Estimates based on a not-to-exceed of \$20,000,000*

**Credit Enhancement** - There will be a not-to-exceed \$1,000,000 credit enhancement award applications for VIPHS for this financing that will be before the CSFA Board as subsequent agenda items at the February 24, 2022 meeting. If approved, the enhancement awards will fund up to \$1,000,000 of the financing's debt service reserve fund, reducing the overall borrowing cost for VIPHS.

## SALES RESTRICTIONS

The following sales restrictions will apply to the financing given the expected below-investment grade 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 \$100,000; 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 February 17, 2022. The TEFRA hearing will take place on Thursday, February 24, 2022. 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, Lessee, and Underwriter. 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 Parents in Partnership, its 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 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 22-14 authorizing the issuance of Revenue Bonds in an amount not to exceed \$20,000,000 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 use by Valley International Preparatory High School.

1. **Applicant / Borrower:** PIP-VIP LLC
2. **Project:** Acquisition
3. **Amount of Financing:** Not to exceed \$20,000,000
4. **Maturity:** July 1, 2062
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:** \$834,588 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.

**APPENDIX A:  
SCHOOL GOVERNANCE**

***Board of Directors***

Deborah Spungin	President
Andrea Slad	Secretary
Lynette Holzhauer-Perkins	Member
Alison Martin	Member
Vanessa MacAdam	Member



**APPENDIX B:  
ESTIMATED BUDGET PROJECTIONS AND ENROLLMENT**

	Forecast 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25	Projected 2025-26
<b>Enrollment</b>					
Grades Served	9-12	9-12	9-12	9-12	9-12
<b>Enrollment</b>	<b>265</b>	<b>340</b>	<b>389</b>	<b>415</b>	<b>420</b>
ADA %	93%	93%	93%	93%	93%
<b>Average Daily Attendance ("ADA")</b>	<b>246.5</b>	<b>316.2</b>	<b>361.3</b>	<b>385.8</b>	<b>390.4</b>
<b>Revenue</b>					
LCFF Revenue	\$2,601,781	\$3,513,434	\$4,169,298	\$4,631,667	\$4,818,559
Federal Revenue	272,776	113,314	129,651	138,522	140,154
Other State Revenue	470,692	342,048	378,952	397,163	383,553
SB740 Revenue	273,264	-	400,615	427,730	432,886
Local Revenue & Other	37,536	25,536	25,536	25,536	25,536
Fundraising and Grants	30,000	50,000	50,000	50,000	50,000
<b>Total Revenue</b>	<b>\$ 3,686,049</b>	<b>\$ 4,044,332</b>	<b>\$ 5,154,052</b>	<b>\$ 5,670,618</b>	<b>\$ 5,850,688</b>
<b>Expenses</b>					
Compensation and Benefits	\$ 2,220,229	\$ 2,483,166	\$ 2,759,172	\$ 3,179,865	\$ 3,251,551
Books and Supplies	114,524	45,408	122,610	127,967	130,500
Services and Other Operating Expenditures	881,950	941,253	1,021,653	1,040,794	1,045,488
Other Outflows	2,788	1,640	726	-	-
Existing Red Hook Lease	697,467	-	-	-	-
2021 Bonds Net Debt Service	-	-	788,000	938,000	935,500
<b>Total Expenses</b>	<b>\$ 3,916,958</b>	<b>\$ 3,471,467</b>	<b>\$ 4,692,161</b>	<b>\$ 5,286,626</b>	<b>\$ 5,363,039</b>
<b>Net Income</b>	<b>\$ (230,909)</b>	<b>\$ 572,864</b>	<b>\$ 461,891</b>	<b>\$ 383,992</b>	<b>\$ 487,650</b>
Add Back: Base Rent	697,467	-	788,000	938,000	935,500
<b>Net Operating School Revenue</b>	<b>\$ 466,558</b>	<b>\$ 572,864</b>	<b>\$ 1,249,891</b>	<b>\$ 1,321,992</b>	<b>\$ 1,423,150</b>
<b>Base Rent Coverage Ratio</b>	<b>0.67x</b>	<b>N/A</b>	<b>1.59x</b>	<b>1.41x</b>	<b>1.52x</b>
<b>Cash Flow Summary</b>					
	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
Beginning Cash Balance	\$ 311,625	\$ 80,717	\$ 653,581	\$ 1,115,472	\$ 1,499,464
Plus: Net Income	(230,909)	572,864	461,891	383,992	487,650
<b>Ending Cash Balance</b>	<b>80,717</b>	<b>653,581</b>	<b>\$ 1,115,472</b>	<b>\$ 1,499,464</b>	<b>\$ 1,987,114</b>
<b>Total Expenses</b>	<b>\$ 3,916,958</b>	<b>\$ 3,471,467</b>	<b>\$ 4,692,161</b>	<b>\$ 5,286,626</b>	<b>\$ 5,363,039</b>
Less: (Base Rent)		-	(788,000)	(938,000)	(935,500)
Add: Maximum Annual Base Rent		938,000	938,000	938,000	938,000
<b>Operating Expenses</b>	<b>\$ 3,916,958</b>	<b>\$ 4,409,467</b>	<b>\$ 4,842,161</b>	<b>\$ 5,286,626</b>	<b>\$ 5,365,539</b>
<b>Days Cash on Hand</b>	<b>8 days</b>	<b>54 days</b>	<b>84 days</b>	<b>104 days</b>	<b>135 days</b>