

**\$7,100,000\***  
**CALIFORNIA SCHOOL FINANCE AUTHORITY (CSFA)**  
**EDUCATIONAL FACILITY TAXABLE LOAN, SERIES 2023**  
**(YU MING CHARTER FACILITIES)**  
**ITEM # 8 - RESOLUTION 23-47**  
**STAFF SUMMARY**

**EXECUTIVE SUMMARY**

<b>Applicant/Borrower:</b>	Yu Ming Charter Facilities, LLC	<b>Par Amount Requested:</b>	Not-to-Exceed * \$7,100,000
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<b>Financing Term: Up to 35 years</b>	<b>Interest Rate: Not-to-exceed 6%</b>
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**Applicant Description:** Yu Ming Charter Facilities, LLC ("YMCF") was formed in 2023 and serves as the borrower. Yu Ming Charter School ("Yu Ming") is a California nonprofit public benefit corporation. YMCF was formed for the sole purpose of owning and operating properties for Yu Ming. Yu Ming is the sole member of YMCF.

**Type of Financing:** Educational Facility Taxable Loan

<b>Project User:</b>	Yu Ming Charter School	<b>County Served:</b>	Alameda
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<b>District in Which Project is Located:</b>	Alameda County Office of Education	<b>Charter Authorizer:</b>	Alameda County Office of Education
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**Project Description:** Proceeds will be used to finance the acquisition and minor improvements of the facility located at 2501 Chestnut Street, Oakland, California; pay a refundable Lender deposit; and pay costs of issuance associated with this transaction.

**Project Sites:** 2501 Chestnut Street, Oakland, California

<b>Financing Team:</b>		<b>Financing Details:</b>	
Lender:	Equitable Facilities Fund, Inc.	<b>Type of Issue:</b>	Educational Facility Taxable Loan (Private Placement)
Lender's Counsel:	Orrick, Herrington & Sutcliffe LLP	<b>Tax Status:</b>	Taxable
Borrower's Counsel:	Young, Minney & Corr, LLP	<b>Maturity:</b>	Up to 35 years
Issuer's Counsel:	Attorney General's Office	<b>Credit Enhancement:</b>	No
Issuer:	California School Finance Authority	<b>Credit Rating:</b>	BB/ BB+
Trustee:	UMB Bank, N.A.	<b>Fees:</b>	See Costs of Issuance Table

**CSFA Analyst:** Mita Parikh

<b>Date of CSFA Board Meeting:</b> September 28, 2023	<b>Resolution Number:</b> 23-47
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**Staff Recommendation:** Staff recommends the California School Finance Authority Board approve Resolution Number 23-47 authorizing an Educational Facility Taxable Loan in an amount not to exceed \$7,100,000 to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and/or equipping of certain educational facilities located in Alameda County for use by Yu Ming Charter School TK-8.

## BACKGROUND AND HISTORY

Yu Ming Charter Facilities, LLC ("YMCF") was formed in 2023 and serves as the borrower. Yu Ming Charter School ("Yu Ming") is a California nonprofit public benefit corporation. YMCF was formed for the sole purpose of owning and operating properties for Yu Ming. Yu Ming is the sole member of YMCF. Yu Ming, founded in 2011, is located in Oakland, California. It currently operates under three leased facilities. The building being purchased with the proceeds of the loan will replace one of the leased facilities and at full enrollment will house up to 457 students. As of FY23, Yu Ming serves 767 students in grades K-8 and plans to grow to full enrollment of 1,453 students in grades TK-8 by FY30. Financial projections for this loan are included as Appendix A. Yu Ming leadership are included as Appendix B.

## PROJECT DESCRIPTION & ENROLLMENT

Proceeds will be used to finance the acquisition and minor improvements of the facility located at 2501 Chestnut Street, Oakland, California; pay a refundable Lender deposit; and pay costs of issuance associated with this transaction. This transaction is for the purchase of the existing Envision Schools building located at 2501 Chestnut Street, Oakland, CA. 94607. The 21,888 sq ft facility sits on a ~54,000 sq ft parcel and will hold up to 457 students in grades TK-4. The one-story building includes seventeen classrooms, an administrative office, an arts and crafts room, a library, a kitchen, a multi-purpose room, a reception area, a teachers' lounge, and parking. The facility will undergo minor improvements that are not expected to exceed \$560,000 and include security upgrades, visual equipment upgrades, wireless access points, and repainting of various areas.

#	Site	Landlord	Location	Purpose	Amount
1.	Yu Ming Chestnut Campus	Yu Ming Charter Facilities LLC	2501 Chestnut Street, Oakland, California	Acquisition	\$ <u>7,100,000</u>
<b>Total Estimated Project Costs</b>					<b>\$<u>7,100,000</u></b>

### Enrollment

Yu Ming has a history of strong demand with high application levels, waitlists (averaging ~88% as a percentage of enrollment over the past five years), and student retention (averaging ~94% over the past five years). To date, Yu Ming has successfully hit its enrollment targets and is able to pull students from over 36 cities and 72 different zip codes across Alameda County. To ensure the school will hit its future growth goals, Yu Ming will use a mixture of historic and new enrollment strategies including:

- School-based enrollment sessions
- Distribution of enrollment information in three languages via flyers, neighborhood events, local businesses, child care centers, and community-based organizations;
- Social media ads and advertising;
- Word of mouth; and
- Distribution of early learning kits.

## EFF / Orrick, Herrington & Sutcliffe LLP Relationship

Equitable Facilities Fund, Inc. (“EFF”) is a Delaware-based nonstock nonprofit corporation that has 501(c)(3) tax-exempt status as a public charity. EFF was initially funded by philanthropic contributions from the Walton Family Foundation, and is organized to make low-cost, long-term, fixed rate loans to charter schools for facilities. The EFF program is set up as a revolving loan fund, so that as existing school loans are repaid, the loan repayment revenues can be used to make new loans. In addition, EFF has obtained and will continue to seek capital market financing in the form of tax-exempt bonds to leverage the revenue streams from their pool of school loans. Depending on the locations of the projects financed by the loans over time, EFF will issue bonds using various conduit issuers in various jurisdictions, and, as it did in connection with its four previous bond issuances in 2019, 2020, 2021, and 2022, possibly use a national conduit issuer that has authority to finance projects in multiple jurisdictions. EFF will use the proceeds of such bonds to reimburse itself for loans it previously originated, in order to make additional loans.

Orrick, Herrington & Sutcliffe LLP (“Orrick”) represents EFF, and acts as its primary outside counsel on all lending and financing transactions nationally. Orrick’s relationship with EFF is managed by Eugene Clark-Herrera.

In the proposed loan to YMCF, structured as a conduit loan through CSFA, Orrick would act as EFF’s counsel. Although Orrick would not have an attorney-client relationship with CSFA on the YMCF transaction, Orrick would perform most, if not all, of the tasks ordinarily performed in other transactions when acting as bond counsel to CSFA. While these tasks are associated with the role of “bond counsel”, there is no legal or ethical requirement that the firm performing these tasks be retained by the conduit issuer. In this transaction, EFF and YMCF have agreed that Orrick should perform these tasks because of its prior experience in doing so on similar transactions. The only difference on this transaction would be that Orrick’s client relationship is not with CSFA, but instead with EFF. Therefore, in this transaction, the Attorney General’s Office will represent CSFA (as issuer’s counsel), without need for an additional law firm to act as CSFA’s outside bond counsel.

The financing will be structured as a tri-party loan, with EFF as the lender, CSFA as the conduit loan facilitator, and YMCF as the borrower. As with the previous loans through EFF, the intercept will lower the costs for YMCF vs. a conventionally-structured loan.

## FINANCING

The Loan will be executed and delivered pursuant to a tri-party loan agreement among CSFA, EFF, and the Borrower.

**Security and Source of Payment:** The Loan will be secured by an obligation issued pursuant to a Master Trust Indenture that established an Obligated Group, including a pledge of rental revenues and a mortgage on the financed property naming Master Trustee as mortgagee. The lease with Yu Ming will be subject to Intercept. Yu Ming is required under the lease to maintain certain financial covenants. As additional security, and in connection with the issuance of the Loan, Yu Ming will provide instructions to the State Controller’s Office to make an apportionment to UMB Bank, N.A. (the “Trustee”) in the amounts, and on the dates provided, in a written notice sufficient in the aggregate to repay the Loan and pay necessary and incidental costs (the “Intercept”). Funds received by EFF pursuant to such Intercept will be applied solely for the payment of debt service on the Loan. Under the laws of the State of California, no party, including YMCF, Yu Ming, or any of their respective creditors will have any claim to the money apportioned or to be apportioned to the Trustee by the State Controller’s Office pursuant to the Intercept.

**Note on Rating:** YMCF has an expected rating of BB/BB+ which will be finalized the week of October 10, 2023.

**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:**

<b>Sources:</b>	<b>Series 2023A (Taxable)</b>
<b>Bond Proceeds</b>	
Par Amount:	\$7,100,000
Bond Premium	
Equity Contribution	16,537.14
<b>Total:</b>	<b>\$7,116,537.14</b>
<b>Uses:</b>	<b>Series 2017A (Taxable)</b>
<b>Project Fund Deposit</b>	
Project #1 - Acquisition	\$5,675,000.00
Project #2 – Improvements	\$550,000.00
<b>Other Fund Deposits</b>	
EFF Security Deposit	\$452,877.53
Capitalized Interest Fund	
<b>Delivery Date Expenses</b>	
Cost of Issuance	\$438,659.61
Underwriter Discount	
<b>Total:</b>	<b>\$438,659.61</b>

<b>Total</b>	<b>\$7,116,537.14</b>
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**Total Costs of Issuance\***

<b>Expense</b>	<b>Amount</b>
Issuer Fee	\$10,594.61
Annual Admin Fee	\$1,065.00
Agent-for-Sale Fee	\$6,000
CDLAC Fee	\$0
Issuer's Counsel Fee	\$10,000
Financial Advisor Fee	\$0
Bond Counsel Fee	\$120,000
Borrower's Counsel Fee	\$75,000
Underwriter / Disclosure Counsel Fee	\$5,000
Rating Agency Fee	\$20,000
Trustee Fee	\$2,000
Trustee Counsel Fee	\$2,500
Underwriter's Fee	\$0
Title Fees & Taxes	\$100,000
Appraiser Fee	\$0
Contingency	\$0

Other: PCSD & School Reimbursement	\$86,500
<b>Total</b>	<b>\$438,659.61</b>

*\*Estimates based on a not-to-exceed Par Amount of \$7,100,000*

**SALES RESTRICTIONS**

The following sales restrictions will apply. The Authority’s sales restrictions can be viewed at: <http://treasurer.ca.gov/csfa/financings/guidelines.pdf>.

The Loan will be non-transferable except between EFF and its affiliated entity, Equitable School Revolving Fund, LLC (ESRF), and in the case of default, to QIBs. The following restrictions will apply:

1. The Note will not be broken into smaller denominations;
2. The Note will be privately-placed with EFF and/or ESRF;
3. EFF and ESRF will each be required to execute an Investor Letter;
4. Subsequent transfers of the Note will be limited to transfers between EFF and ESRF or to Qualified Institutional Buyers in the case of a default;
5. Sales restrictions will be conspicuously noted on the Note and described in detail in offering materials, if any, as well as included in the Loan documents; and
6. Loan repayments 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):** Not applicable as this is a taxable loan.

**Due Diligence Undertaken to Date:** No information disclosed cause CSFA to question the financial viability or legal integrity of the Borrower. 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, section 17183.5 of the CSFA Act states that 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.

**STAFF RECOMMENDATION**

Staff recommends the California School Finance Authority’s (CSFA) Board approve Resolution Number 23-47 authorizing the Educational Facility Taxable Loan in an amount not to exceed \$7,100,000 to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, furnishing, and/or equipping of certain educational facilities located in Alameda County, California for use by Yu Ming Charter School.

1. **Applicant / Borrower:** Yu Ming Charter Facilities, LLC

2. **Project:** Acquisition
3. **Amount of Financing:** Not-to-exceed \$7,100,000
4. **Maturity:** Up to 35 years
5. **Repayment/Security:** Lease Payments and Deed of Trust on Real Property
6. **Interest Rate:** Not to exceed 6%
7. **Fees:** \$400,000 is the 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 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.

## APPENDIX A: ESTIMATED BUDGET AND ENROLLMENT (PROJECTED)

### EFF Financial Worksheet Template

INSTITUTION NAME:

Yu Ming Charter Schools

Fiscal Year	2020	2021	2022	2023	2024	2025	2026	2026	2028
Fiscal Year End	06/30/2020	06/30/2021	06/30/2022	04/30/2023	06/30/2024	06/30/2025	06/30/2026	06/30/2027	07/01/2027
Statement Basis	Audited	Audited	Audited	Annual	Projected	Projected	Projected	Projected	Projected
<b>Student Demand and Enrollment</b>									
Grades Offered	K-8	K-8	K-8	K-8	K-8	K-8	K-8	K-8	K-9
Total FTE Enrollment (Daily Avg Attendance)	488	555	671	767	871	1016	1124	1208	1279
<b>Revenues</b>									
Local Funding	4,083,419	4,529,855	5,960,199	5,604,412	9,440,149	11,610,759	13,133,606	14,504,473	15,613,338
State Funding	1,063,030	1,092,938	1,298,716	1,743,793	2,026,621	2,712,273	2,599,325	2,771,985	2,981,261
Federal Funding	123,640	229,410	623,732	143,355	326,150	364,845	403,595	433,031	456,840
Other Local Revenue	549,937	22,949	535,861	798,608	1,060,651	1,199,795	1,284,813	1,350,938	1,406,829
PPP Loan Forgiveness	-	530,400	-	-	-	-	-	-	-
ESSER and Covid Relief	-	-	353,500	252,787	273,164	196,246	196,246	77,393	77,393
General Fundraising & Field Trip Funds	819,715	618,760	953,474	740,750	767,590	794,640	825,960	850,320	870,910
Grants	591,856	672,008	610,286	904,983	360,000	-	-	-	-
<b>Total Revenue</b>	<b>7,231,597</b>	<b>7,696,320</b>	<b>10,335,768</b>	<b>10,188,688</b>	<b>14,254,325</b>	<b>16,878,558</b>	<b>18,443,545</b>	<b>19,988,140</b>	<b>21,406,571</b>
<b>Expenses</b>									
Program Services	5,430,337	5,604,484	7,803,716	7,709,581	9,673,471	10,126,909	10,762,043	11,647,469	12,523,791
Management and General	1,243,785	1,583,476	1,842,295	2,234,786	3,450,579	4,313,924	4,874,930	5,187,370	5,543,545
Fundraising and Community Service	10,306	5,904	8,705	-	-	-	-	-	-
MLK Lease Expense	-	-	-	-	405,610	425,891	447,185	469,544	493,021
CAR Lease Expense	-	-	-	-	255,636	255,636	255,636	255,636	255,636
Chestnut Purchase	-	-	-	-	360,174	432,208	432,208	432,208	432,208
Future Purchase	-	-	-	-	0	700,000	875,000	1,008,250	1,116,000
<b>Total Expenses</b>	<b>6,684,428</b>	<b>7,193,864</b>	<b>9,654,716</b>	<b>9,944,367</b>	<b>14,145,470</b>	<b>16,254,568</b>	<b>17,647,002</b>	<b>19,000,477</b>	<b>20,364,201</b>
<b>Excess of Revenue Over Expense</b>	<b>547,169</b>	<b>502,456</b>	<b>681,052</b>	<b>244,321</b>	<b>108,855</b>	<b>623,990</b>	<b>796,543</b>	<b>987,663</b>	<b>1,042,370</b>
Add Back: Depreciation & Amortization	70,165	75,750	82,117	28,593	-	-	-	-	-
Annual Lease Expense	503,418	582,036	578,117	906,072	1,021,420	1,813,735	2,010,029	2,165,638	2,296,865
Annual Interest Expense	-	-	-	-	-	-	-	-	-
<b>Balance Available for Debt Service</b>	<b>1,120,752</b>	<b>1,160,242</b>	<b>1,341,286</b>	<b>1,178,986</b>	<b>1,130,275</b>	<b>2,437,725</b>	<b>2,806,572</b>	<b>3,153,301</b>	<b>3,339,235</b>
Principal Payments on Long-Term Debt	-	-	-	-	-	-	-	-	-
<i>Lease-Adjusted Annual Debt Service (ADS)</i>	503,418	582,036	578,117	906,072	1,021,420	1,813,735	2,010,029	2,165,638	2,296,865
<i>Lease-Adjusted Maximum Annual Debt Service (MADS)</i>	-	-	2,296,865	2,296,865	2,296,865	2,296,865	2,296,865	2,296,865	2,296,865
<b>COVERAGE RATIOS</b>									
Lease-Adjusted ADS Coverage	2.23	1.99	2.32	1.30	1.11	1.34	1.40	1.46	1.45
Lease-Adjusted MADS Coverage	NA	NA	0.58	0.51	0.49	1.06	1.22	1.37	1.45
<b>Total Unrestricted Cash &amp; Investments</b>	<b>2,039,786</b>	<b>1,112,044</b>	<b>2,586,789</b>	<b>3,669,986</b>	<b>3,778,841</b>	<b>4,402,831</b>	<b>5,199,374</b>	<b>6,187,036</b>	<b>7,229,406</b>
Days Cash on Hand	113	57	99	135	98	99	108	119	130



## APPENDIX B: SCHOOL GOVERNANCE

### *Board of Directors*

Board Member Title	Leader Name	Year Joined/Year Started Current Position	Professional Affiliation
Chair	Reginald Lee	2019	Regional Manager (Chemicals Industry)
Vice Chair	Jonathan Schorr	2020	Founding Partner at Be Clear Communications
Treasurer	Jessica Norman	2016	Senior Advisor at ExED
Secretary	Jessica Henry	2022	Director of Operations at New Schools Venture Fund
Member	Yiaway Yeh	2021	Head of Social Impact Civics Partnerships at Google
Member	Michael McDaniel Jr.	2020	Lead Family Organizer/Political Director at Families In Action For Quality Education
Member	Gary Borden	2022	Partner at City Fund
Member	Keta Brown	2021	Co-Founder and Special Projects Director at The Oakland REACH
Member	Alcine Mumby	2018	Coach at Envision Learning Partners
Member	Beth Thompson	2022	Executive Coach at KIPP Foundation
Member (New Parent Rep)	Kelly Ritter	2023	Commissioner, Arts, Culture, and Library Commission for City of San Leandro