

\$40,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY (AUTHORITY)
EDUCATIONAL FACILITIES REVENUE BONDS
(NEW DESIGNS CHARTER SCHOOL OBLIGATED GROUP – ISSUE #4)
SERIES 2024A \$39,000,000 (TAX-EXEMPT) AND 2024B \$1,000,000 (TAXABLE)
ITEM # 7 RESOLUTION 24-06
STAFF SUMMARY

EXECUTIVE SUMMARY

Applicant/Borrower:	University Park and Watts, LLC	Par Amount Requested:	Not-to-Exceed * \$40,000,000
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Financing Term: Fixed rate, up to 40-year financing, 10-year par call, with taxable bonds amortized first	Projected Interest Rate: 5.85%
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Applicant Description: University Park and Watts LLC, a California limited liability company the sole member of which is New Designs Charter School, a California nonprofit public benefit corporation and organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, is the borrower. The Borrower was formed for the specific purpose of furthering the exempt purposes of its member.

Type of Financing: Tax-Exempt and Taxable Revenue Bonds

Project User:	New Designs Charter School and New Designs Charter School - Watts	County Served:	Los Angeles
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District in Which Project is Located:	Los Angeles Unified School District	Charter Authorizer:	Los Angeles Unified School District
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Financing Description: Proceeds will be used to finance and/or refinance the cost of acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of educational facilities located in Los Angeles, CA.; pay capitalized interest; fund related working capital and a debt service reserve fund and repair and replacement fund, if necessary; and pay certain costs of issuance.

Project Site: The Project will involve three New Designs campuses: 1) University Park Campus, 2303 S. Figueroa Way, Los Angeles 90007; 2) Adams Campus, 1314-1342 W. Adams Blvd., Los Angeles 90007; 3) Watts Campus, 12714 Avalon Blvd., Los Angeles 90061

Financing Team:		Financing Details:	
Bond Counsel:	Kutak Rock LLP	Type of Issue:	Educational Facilities Revenue Bonds
Underwriter:	Robert W. Baird & Co.	Tax Status:	Tax-Exempt & Taxable
Borrower’s Counsel:	Ballard Spahr LLP	Maturity:	Not to exceed 2064
Underwriter’s Counsel:	Squire Patton Boggs (US) LLP	Credit Enhancement:	Yes
Issuer’s Counsel:	Office of the Attorney General	Credit Rating:	BB+
Financial Advisor:	Campanile Group	Fees:	See Costs of Issuance Table
Bond Trustee:	Zions Bancorporation, NA		

CSFA Analyst: Robby Biegler	Date of CSFA Board Meeting: March 28, 2024
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Staff Recommendation: Staff recommends the Authority Board approve Resolution Number 24-06 authorizing the issuance of Revenue Bonds in an amount not to exceed \$40,000,000 to finance and/or refinance the acquisition, construction, expansion, renovation, furnishing, and equipping of certain educational facilities located in Los Angeles County for use by New Designs Charter School and New Designs Charter School – Watts (together, the “Schools”).

BACKGROUND AND HISTORY

New Designs Charter School (NDCS) opened its first campus, New Designs University Park (NDUP), in 2004-2005. The NDUP campus is located south of downtown Los Angeles, near the University of Southern California, in the University Park neighborhood of Los Angeles. At that time, the school had 120 students in grades 6-8. The school subsequently opened a high school, in the 2009-10 academic year, and in that same year NDCS opened its second school, New Designs Charter School – Watts (NDCSW) at a campus in Watts (NDWC). The third NDCS campus, New Designs Adams Campus (NDAC), opened in the 2019-20 school year, with 186 students in grades 6-8, expanding one grade per year with plans to ultimately serve grades 6-12.

According to the school, the communities served by NDCS and NDCSW are inner-city neighborhoods traditionally viewed as underserved. The curriculum is career-based and college preparatory, with a Career Pathways element. Beginning in ninth grade, the schools offer annual electives for students, once they choose their preferred discipline, amongst Law & Diplomacy; Medical Sciences; Finance; Information Technology, and Engineering.

In January 2019, Los Angeles Unified School District approved each of NDCS' and NDCSW's charter renewal petitions for five-year terms, with benchmarks. Additionally, the District approved a material revision of the NDCS charter petition to authorize an enrollment cap increase from 910 to 1,395 students, for grades 6-12, to be served at NDCS's facilities located at NDUP and NDAC. NDCS operates the NDUP and NDAC campuses under the New Designs Charter School charter from LAUSD, and the NDCSW campus according to the New Designs Charter School – Watts charter.

Schools	Authorizer	Grades Served	School Year Opening	Original Petition Approved	Most Recent Renewal	Charter Expiration*
New Designs Charter School	LAUSD	6-12	2004-05	2004	6/30/2019	6/30/2027
New Designs Charter School - Watts	LAUSD	6-12	2006-07*	2009	6/30/2019	6/30/2027

**Originally opened under the University Park charter*

** AB 130 (2021-22) extended all charter terms set to expire between January 1, 2022, and June 30, 2025 by two years, and Senate Bill 114 (2023) extended the terms of all charter schools whose terms expire on or between January 1, 2024 and June 30, 2027, inclusive, by one additional year.*

Groups	University Park/Adams	Watts
Free-Reduced Lunch	76.00%	86.00%
English Language Learner	17.80%	10.80%
Students with Disabilities	5.78%	23.30%
Black / African American	7.0%	52.0%
American Indian / Alaska Native	0.0%	0.4%
Asian / Pacific Islander / Filipino	0.1%	0.0%
Hispanic	77.4%	32.7%
White	2.8%	3.1%
Multiracial / Unspecified	12.5%	12.6%

Sources: CalPADS

The historical, current, and projected enrollment for the financed schools are below:

All Campuses

	Historical					Current	Projected				
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	27-28	28-29
6th	162	240	149	139	95	147	155	162	177	185	194
7th	211	199	221	145	142	140	152	162	178	183	198
8th	242	214	180	193	140	162	165	184	184	193	200
9th	192	201	186	178	176	139	148	166	172	185	187
10th	171	199	177	156	147	175	188	194	190	195	202
11th	165	152	172	146	127	150	162	166	180	181	192
12th	134	135	141	157	139	123	135	150	165	166	175
Total	1277	1340	1226	1114	966	1036	1105	1184	1246	1288	1348

University Park

	Historical					Current	Projected				
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	27-28	28-29
6th	130	30	0	0	0	0	0	0	0	0	0
7th	151	147	0	0	0	0	0	0	0	0	0
8th	149	158	137	0	0	0	0	0	0	0	0
9th	122	103	130	125	142	108	110	122	125	135	135
10th	119	111	93	107	106	136	145	145	140	146	150
11th	108	99	105	81	86	108	115	115	130	130	140
12th	86	89	92	96	78	83	90	100	115	116	125
Total	865	737	557	409	412	435	460	482	510	527	550

Watts

	Historical					Current	Projected				
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	27-28	28-29
6th	32	42	19	15	10	31	40	42	42	45	50
7th	60	52	40	23	26	29	32	37	43	48	53
8th	93	56	43	26	32	31	37	43	44	48	50
9th	70	98	56	53	34	31	38	44	47	50	52
10th	52	88	84	49	41	39	43	49	50	49	52
11th	57	53	67	65	41	42	47	51	50	51	52
12th	48	46	49	61	61	40	45	50	50	50	50
Total	412	435	358	292	245	243	282	316	326	341	359

Adams

	Historical					Current	Projected				
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	27-28	28-29
6th		168	130	124	85	116	115	120	135	140	144
7th			181	122	116	111	120	125	135	135	145
8th				167	108	131	128	141	140	145	150
Total	0	168	311	413	309	358	363	386	410	420	439

Relative to projected enrollment growth NDCS had an increase of 70 students (about 7.2%) from 2022-23 to 2023-24 so their expectation is a consequent 30% increase over 5 years.

NDCS has issued bonds three times through CSFA, in 2012, 2014 and 2019 (collectively, the “Prior Bonds”). The 2012 issuance was for \$19,865,000 and received a BBB- rating. The 2014 issuance was for \$7,380,000 and received a BB+ rating. The 2019 was for \$16,840,000 and received a BB+ rating. The proposed financing before the Board today would refinance all the outstanding 2012 and 2014 bonds.

PROJECT DESCRIPTION

The proceeds of the bonds (the “Series 2024 Bonds”) will be used to: (1) finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and equipping of certain charter school educational facilities for NDCS and NDCSW, located at and adjacent to: 2303 S. Figueroa Way, Los Angeles 90007; 1314-1342 W. Adams Blvd., Los Angeles 90007; and 12714 Avalon Blvd., Los Angeles 90061, (2) to pay certain expenses incurred in connection with the issuance of the Bonds, and (3) to fund all or a portion of a debt service reserve fund, repair and replacement fund, capitalized interest and related working capital in connection with the Series 2024 Bonds.

A deposit to the Reserve Account for the Series 2024 Bonds in an amount of the Reserve Account Requirement is expected to be funded in whole or in part by proceeds of a grant under the Authority’s Charter School Facilities Credit Enhancement Program or another similar program administered by the Authority if approved by the Authority.

Facilities Information				
Site	Landlord	Location	Purpose	Amount
University Park Campus	University Park and Watts, LLC	2303 Figueroa Way, Los Angeles 90007	Refinancing	\$15,360,000
Watts Campus	University Park and Watts, LLC	12714 Avalon Blvd., Los Angeles 90016	Refinancing	\$6,095,000
University Park Campus	University Park and Watts, LLC	2303 Figueroa Way, Los Angeles 90007	Seismic Retrofit	\$2,000,000
University Park	University Park and Watts, LLC	2303 Figueroa Way, Los Angeles 90007	Gym Construction	\$4,000,000
Watts Campus	University Park and Watts, LLC	12714 Avalon Blvd., Los Angeles 90016	Gym Construction	\$4,000,000
University & Adams & Watts Campuses	University Park and Watts, LLC	Various (See above for addresses)	Tennant Improvements	\$2,500,000
Total Estimated Project Costs				\$33,955,000

University Park and Watts LLC (UPAW), the borrower, intends to use the proceeds of the Series 2024 Bonds to refinance all of the outstanding Series 2012 and Series 2014 bonds as well as fund renovation and new construction costs for the NDCS and NDCSW campuses.

As mentioned above CSFA issued \$19,865,000 in bonds for NDUP in 2012, \$7,380,000 for NDAC in 2014 and \$16,840,000 for NDAC in 2019. A substantial portion of this proposed financing is dedicated to redeeming the outstanding amounts of the 2012 and 2014 issuances, approximately \$15,360,000 and \$6,095,000 respectively.

The 2012 Bonds were used to finance the acquisition and improvements of the NDUP campus. The NDUP facilities consist of four buildings on a lot of approximately 60,000 square feet. In total, the NDUP facilities contain 31 classrooms, a library, a cafeteria, an auditorium, administration offices, a science laboratory, and computer labs. The site also includes a 45-car walled parking lot.

The 2014 Bonds were used to finance the acquisition and improvements of the NDWC campus. The NDWC facilities consist of an approximately 25,567 square-foot, three-story building, located on a 1.2 acre site. In total, the NDWC facilities contain 20 classrooms, a cafeteria, two science laboratories, computer laboratories, a library, administrative offices, a bookstore, and counseling offices.

Approximately \$12,000,000 of proceeds of the Series 2024 Bonds are expected to be used to construct new gymnasiums at the NDUP campus and at NDWC, and to undertake structural upgrades and retrofitting at the NDUP campus.

FINANCING

Borrower: University Park and Watts LLC., a California limited liability company the sole member of which is New Designs Charter School, a California nonprofit public benefit corporation and organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, is the Borrower. The Borrower was formed for the specific purpose of furthering the exempt purposes of its member.

Security and Source of Payment: The Series 2024 Bonds will be issued as additional bonds under the same indenture as the Prior Bonds were issued. The Series 2024 Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Trustee pursuant to the Loan Agreement entered into in connection with the issuance of the Prior Bonds, as amended in connection with the issuance of the Series 2024 Bonds. The Borrower will enter into a Deed of Trust for its fee simple interest in the NDUP and NDWC campuses, and a Reserve Account will be established under the Indenture with respect to the Series 2024 Bonds. NDCS, as the lessee (“Lessee”), is required to maintain certain financial covenants under its lease agreements with the Borrower. As additional security and in connection with the issuance of the Series 2024 Bonds, NDCS and NDCSW will provide instructions to the State Controller’s Office to make an apportionment in the amounts, and on the dates provided, in a written notice sufficient in the aggregate to repay the Series 2024 Bonds and pay necessary and incidental costs (the “Intercepts”).

Funds received by the Trustee pursuant to the Intercepts will be applied solely for the uses and purposes set forth in the Indenture, including the payment of debt service on the Series 2024 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 State Controller’s Office pursuant to the Intercepts.

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 based on an estimated par amount of \$38,065,588. Please note these figures are subject to change between the time the board packets are distributed 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 2024A (Tax-Exempt)	Series 2024B (Taxable)	Enhancement Grant	Total
Bond Proceeds				
Par Amount:	\$33,980,000	\$170,000		\$34,150,000
Prior Reserve Fund for Refunded Prior Bonds	\$1,919,088	\$0		\$1,919,088
Other Sources:				
Enhancement Grant	\$2,000,000	\$0	\$2,000,000	\$2,000,000
Total:	\$35,899,088	\$170,500	\$2,000,000	\$38,069,588
Uses:	Series 2024A (Tax-Exempt)	Series 202B (Taxable)	Enhancement Grant	Total
Project Fund Deposit				
University Park 2012 Refi.	\$15,630,000	\$0		\$15,630,000
Watts 2014 Refi.	\$6,095,000	\$0		\$6,095,000
University Park Gym	\$4,000,000	\$0		\$4,000,000
University Park Seismic Retro	\$2,000,000	\$0		\$2,000,000
Watts Gym	\$4,000,000	\$0		\$4,000,000
Various Improvements	\$2,500,000	\$0		\$2,500,000
Cost of Issuance	\$343,200	\$164,998		\$508,198
Underwriter Discount	\$339,800	\$1,700		\$341,500
Debt Service Reserve Fund	\$987,783	\$0	\$2,000,000	\$2,987,783
Contingency	\$3,305	\$3,803		\$7,107
Total	\$35,899,088	\$170,500	\$2,000,000	\$38,069,588

Total Costs of Issuance

Expense	Amount
Issuer Fee	\$27,075
Financial Advisor	\$90,000
Annual Admin Fee	5,123
Agent-for-Sale Fee	6,500
CDLAC Fee	3,000
Issuer's Counsel Fee	20,000
Bond Counsel Fee	115,000
Borrower's Counsel Fee	75,000
Disclosure Counsel Fee	95,000
Rating Agency Fee	\$40,000
Trustee/Trustee Counsel Fee	9,000
Financial Printer Fee	5,000
Underwriter's Discount	341,500
Underwriter Fee	7,500
Title Insurance Fee	30,000
Appraiser Fee	10,000
Contingency Budget	5,999
Total	\$849,698

Credit Enhancement: There will be a not-to-exceed \$2,000,000 credit enhancement award for the Borrower, on behalf of NDCS, for this financing that will be before the Authority Board as subsequent agenda items at the March 28, 2024, meeting. If approved, the enhancement awards will fund up to \$2,000,000 of the financing's debt service reserve fund, reducing the overall borrowing cost for the Borrower. *The actual award amount will be finalized at pricing of the bonds.*

SALES RESTRICTIONS

The following sales restrictions will apply to the financing given the likely below-investment grade rating. The Authority's sales restrictions may be viewed at: <http://treasurer.ca.gov/csfa/financings/guidelines.pdf>.

Sub-Investment Grade

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 Education Code section 17199.4.

OTHER PROJECT DATA

Tax Equity and Fiscal Responsibility Act (TEFRA): The TEFRA Notice was published on the Authority's Webpage on March 20, 2024. The TEFRA hearing will take place on March 27, 2024, prior to the Board meeting, and no comments are anticipated. If any are received, they will be reported at the meeting.

Due Diligence Undertaken to Date: The financial, operating, and other information concerning the Borrower, the Project, and related matters presented in this Staff Summary were provided by the Borrower, NDCS, and the Underwriter. The analysis contained herein was prepared by Authority Staff for the limited purpose of determining financial feasibility pursuant to Education Code section 17183.5 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 making an investment decision relating to the making of the financing by the Underwriter, and should not be relied on by any party for such purpose.

Borrower Financial Data: The Borrower, University Park and Watts LLC., is a California limited liability company and was formed in 2012 to further the exempt purposes of its members, by, among other things, holding title to property and managing, operating, and leasing property. The Borrower was formed as a single-purpose entity of which NDCS is the sole member with no assets other than the

Facilities owned or leased by it and its rights under the Leases, which have been or will be assigned to the Trustee. The Borrower is not expected to have any other assets or revenue available to make payments due under the Loan Agreement.

The Lessee, NDCS, is a California nonprofit public benefit corporation and organization described in Section 501(c)(3) of the Code and sole member of the Borrower.

STAFF RECOMMENDATION

Staff recommends the board adopt Resolution 24-06 authorizing the issuance of revenue bonds in an amount not to exceed \$40,000,000 to finance and/or refinance the acquisition, construction, expansion, renovation, furnishing, and equipping of certain educational facilities located in Los Angeles County for use by New Designs Charter School.

1. **Applicant / Borrower:** University Park and Watts LLC.,
2. **Project:** Financing and Refinancing of Facilities and related costs
3. **Amount of Financing:** Not to exceed \$40,000,000
4. **Maturity:** 40 years (Not-to-exceed 40 years)
5. **Repayment/Security:** Intercept of Lease Payments and Deed of Trust on Real Property
6. **Preliminary Interest Rate:** 5.85%
7. **Preliminary Cost of Issuance:** The preliminary Costs of Issuance is \$849,698
8. **Not an Unconditional Commitment:** The Authority resolution shall not be construed as unconditional commitment to finance the Project, but rather the Authority's approval pursuant to the resolution conditioned upon entry by the Authority and Borrower into a loan agreement, in form and substance satisfactory to the Authority 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 that date. Once the approval has expired, the item must return to the Board for new approval.

**APPENDIX A:
SCHOOL GOVERNANCE**

School Leadership

Member	Position
Paul Okaiteye	CEO
Hazel Rojas	Director of Educational Services
Samuel Kyeremateng	Director of Business Services
Edward Frimpong	Director of Human Resources

Board of Directors

Member	Role
Lloyd T. McKinney	President
Sheldon Zaslansky	Finance Committee Chair
Dr. Derek Asiedu-Akrofi	Secretary
Diego Abba	Member
Kojoe Essien	Member

APPENDIX B: ESTIMATED BUDGET PROJECTIONS AND ENROLLMENT

New Designs Charter Schools -Consolidated Projections (2024-2028)

	Projected 2023-24	Projected 2024-25	Projected 2025-26	Projected 2026-27	Projected 2027-28
Revenue					
LCFF Revenue	14,550,092	16,355,836	18,595,824	20,190,814	21,513,736
Federal Revenue	1,841,597	1,642,114	1,711,017	1,742,206	1,800,681
State Revenue	4,510,316	4,334,437	4,233,434	4,011,379	4,131,810
Local Revenue	68,364	73,282	77,410	77,792	80,071
Total Revenues	\$20,970,369	\$22,405,668	\$24,617,685	\$26,022,190	\$27,526,298
Expenses					
Certificated Salaries	4,669,397	4,853,371	5,293,532	5,672,925	5,992,190
Classified Salaries	2,907,586	3,022,145	3,121,876	3,221,776	3,323,584
Employee Benefits	2,613,123	2,716,080	2,918,911	3,097,216	3,251,688
Books and Supplies	1,959,728	2,036,941	2,103,957	2,171,283	2,239,896
Services and Other Operating Expenses	5,101,681	5,136,239	5,311,475	5,473,670	5,619,362
Assumed Lease Payments	3,069,480	3,190,418	3,295,382	3,400,834	3,508,301
Total Expenses	20,320,995	20,955,194	22,045,133	23,037,704	23,935,020
Net Income	\$649,374	\$1,450,474	\$2,572,553	\$2,984,486	\$3,591,278
Add Back: Depreciation	353,119	285,700	274,500	275,511	256,942
Add Back: Assumed Base Lease Payments	3,069,480	3,190,418	3,295,382	3,400,834	3,508,301
Net Income Available for Lease Payments	\$4,071,973	\$4,926,592	\$6,142,435	\$6,660,832	\$7,356,521
Actual Base Lease Payments	3,069,480	3,069,480	3,069,480	3,069,480	3,069,480
Coverage	1.33	1.61	2.00	2.17	2.40
Beginning Cash Balance	10,454,079	11,456,572	13,313,684	16,386,639	19,977,991
Plus: Net Income	1,002,493	1,857,112	3,072,955	3,591,352	4,287,041
Ending Cash Balance	11,456,572	13,313,684	16,386,639	19,977,991	24,265,032
Days Cash on Hand	206	232	271	317	370