

\$35,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(Ednovate – Obligated Group)
Series 2018

EXECUTIVE SUMMARY
RESOLUTION 18-05

Borrower/ Sole Member of Owners:	PMC Support Corporation
Owners:	PMC Mission Road LLC & PMC 17 th Street LLC
Project Users:	Ednovate – East College Prep & Ednovate – Legacy College Prep
Loan Amount:	Not to exceed \$35,000,000
Expected Issuance:	June 2018
Project:	The bond proceeds will be used by the Borrower to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of educational facilities for use by Ednovate, Inc. as operator of Ednovate – East College Prep and Ednovate – Legacy College Prep
Bond Type:	Charter School Revenue Bonds (Tax-Exempt Bonds)
Project Location:	Los Angeles & Santa Ana, California
County:	Los Angeles County & Orange County
District in which Project is Located:	Los Angeles Unified School District & Santa Ana Unified School District
Charter Authorizer:	Los Angeles Unified School District & Orange County Board of Education
Est. Annual Payment:	Approximately \$1.69 million
Expected Rating:	Non Rated
Expected Structure:	Term Bonds amortized over 38 years, with a final maturity date of June 1, 2056
Sale Method:	Public Offering
Underwriter:	Stifel, Nicolaus & Company, Inc.
Trustee:	Wilmington Trust, National Association
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP

**Not to Exceed Amount*

I. Use of Bond Proceeds / Project Information

The proceeds of the Bonds shall be used to make a loan to the Borrower for any or all of the following purposes: to finance and/or refinance the costs (as defined in the Act) of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of the charter school educational facilities known as (a) Ednovate – East College Prep (ECP), to be located at 3801-3825 N. Mission Road, Los Angeles, California 90031, and (b) Ednovate – Legacy College Prep, to be located at 1440 and 1450 East 17th Street, Santa Ana, California 92705 (together, the “Project”). The following table summarizes the expected project fund amounts for each of the project locations:

Site	Landlord	Location	Purpose	Amount
Ednovate – East College Prep	PMC Mission Road LLC	3801 – 3825 N. Mission Road, Los Angeles	<ul style="list-style-type: none"> - Acquisition, construction, renovation, improvement, furnishing & equipping of 0.75-acre site with existing 11,085 sq. foot building. - Construction, renovation, improvement, furnishing & equipping of a new 20,000 sq. foot building with underground parking on the same 0.75-acre site adjacent to the existing building 	\$14,981,000
Ednovate – Legacy College Prep	PMC 17 th Street LLC	1440 and 1450 East 17 th Street, Santa Ana	<ul style="list-style-type: none"> - Acquisition, construction, renovation, improvement, furnishing & equipping of 1.27-acre site with existing 23,570 sq. foot building - Construction, renovation, improvement, furnishing & equipping of a new 5,930 sq. foot wing extension of the existing building at the same 1.27-acre site 	\$13,928,000
Total Estimated Project Costs				\$28,909,000

II. PMC Support Corporation/Ednovate, Inc.

PMC Support Corporation is a California nonprofit public benefit corporation, a 501(c)(3) organization formed to develop facilities for Ednovate, Inc., that develops, owns and maintains real estate projects for Ednovate, Inc. Each real estate development project sponsored by PMC Support Corporation is organized as its own LLC to act as Landlord to an Obligated Group School.

Ednovate, Inc. was designed and developed by the Rossier School of Education at the University of Southern California (USC), dedicated to developing high performing college preparatory schools. Their first campus was USC Hybrid High School, which opened in downtown Los Angeles in 2012; followed by Ednovate – East College Prep, which opened in 2015 in Lincoln Heights; then Ednovate – Legacy College Prep, which opened in 2016 in Santa Ana and is Ednovate’s first Orange County campus; USC Esperanza College Prep, opened in 2017 and serves East Los Angeles; Brio College Prep, also opened in 2017, serving the Westlake and Macarthur Park neighborhoods. Ednovate developed a model to serve students with more direct and immediate contact with faculty and technology in currently underserved Los Angeles area

neighborhoods. Ednovate’s expansion has largely been a result of in-need communities requesting Ednovate replicate their model in their neighborhoods.

Ednovate, Inc. centers each of its four years of high school instruction on a specific mandate: 9th Grade: Knowing Yourself; 10th Grade: Knowing Your Community; 11th Grade: Knowing Your Nation; 12th Grade: Knowing Your World. Oliver Sicat, a University of Southern California alumnus who was previously the Chief Portfolio Officer for Chicago Public Schools and the founder of Noble Street University of Illinois at Chicago (“UIC”) College Prep, serves as Ednovate’s President and Chief Executive Officer (CEO).

III. Financial Structure

The Bonds are expected to be issued in one series that will be issued in the approximate aggregate principal amount of \$28,020,000. The Bonds will be amortized over 38 years with a final maturity date of June 1, 2056.

IV. Security and Source of Payment

The Bonds will be payable out of Payments under the Indenture, to be dated as of June 1, 2018 (the “Indenture”), between the Authority and Wilmington Trust, National Association (the “Bond Trustee”), consisting primarily of moneys received by the Bond Trustee with respect to the Intercept and Loan Repayments received by the Bond Trustee pursuant to the Loan Agreement, dated as of June 1, 2018 (the “Loan Agreement”), between the Authority and PMC Support Corporation, and acknowledged and agreed to by PMC Mission Road LLC and PMC 17th Street LLC, each a California limited liability company whose sole member is the Borrower, as Lessors. The obligations of the Borrower under the Loan Agreement are secured by a pledge of each Obligated Group Member’s unrestricted revenues, including all Rent collected from each School Tenant.

V. Preliminary Sources and Uses and Costs of Issuance

Below are the preliminary estimated sources and uses, and detailed information about the expected costs of issuance for board consideration:

Sources		
Bond Proceeds:		
Par Amount	\$	28,020,000.00
Premium	\$	562,274.20
Equity Deposits:		
GPSN Grant	\$	1,500,000.00
CSGF Subord. Loan	\$	3,000,000.00
Total Sources	\$	33,072,274.20
Uses		
Project Fund Deposits:		
ECP Project	\$	14,981,000.00
LCP Project	\$	13,928,000.00
	\$	28,909,000.00
Other Fund Deposits:		
Debt Service Reserve Fund	\$	1,692,000.00
Capitalized Interest Fund	\$	1,401,000.00
Delivery Date Expenses:		
Cost of Issuance	\$	523,540.00
Underwriter’s Discount	\$	546,390.00
	\$	1,069,930.00
Other Uses of Funds:		
Contingency	\$	344.20
Total Uses	\$	33,072,274.20

Cost of Issuance:	Budgeted Amount
Issuer Fee	\$62,540.00
Agent-for-Sale Fee	\$6,000.00
Financial Advisor Fee	\$75,000.00
Bond Counsel Fee	\$150,000.00
Borrower's Counsel Fee	\$65,000.00
Underwriter's/Disclosure Counsel	\$70,000.00
Trustee Fee	\$10,000.00
Trustee's Counsel Fee	\$1,000.00
Financial Printer Fee	\$5,000.00
CDLAC Fee**	\$0.00
Contingency	\$10,000.00
Appraisals	\$9,000.00
Title Insurance & Escrow Fees	\$60,000.00
Total COI	\$523,540.00

Please note that 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.

VI. Borrower Financial Data

Pursuant to Section 17183.5 of the CSFA Act, financing through the Authority is to be provided only to projects demonstrated by the participating party to be financially feasible. In demonstration of 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 Section 17183.5 shall be construed to imply that any project is required to produce revenue in order to be financed under this chapter. Pursuant to this provision, Exhibit A contains financial and operational information for Ednovate, Inc.

VII. Due Diligence Undertaken to Date

No information was disclosed that questions the financial viability or legal integrity of the Borrower. Standard opinions of counsel to the Borrower (i.e., that the borrowing entity has been duly organized, is in good standing, has the full authority to enter into all documents which are valid and binding, etc.) will be delivered at closing.

VIII. Bond Sales Restrictions

Given that the financing is not rated, and per the Bond Issuance Guidelines adopted by the CSFA board (<http://treasurer.ca.gov/csfa/financings/guidelines.pdf>), the following sales restrictions are expected to apply to the Ednovate, Inc. financing:

1. Bonds will be in minimum denominations of \$250,000;
2. Bonds will be privately placed or publicly offered initially to QIBs and 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 conspicuously noted on bond and described in detail in offering materials, if any, as well as in the bond documents;
6. Bond payments will be made via the intercept mechanism outlined in Section 17199.4 of the Education Code

IX. Staff Recommendation

Staff recommends the Authority board approve Resolution Number 18-05 Authorizing the Issuance of Charter School Revenue Bonds in an Amount Not to Exceed \$35,000,000 to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and/or Equipping of Educational Facilities Located in Los Angeles, California and Santa Ana, California for use by PMC Support Corporation and Ednovate, Inc..

Exhibit A
5-Year Enrollment and Financial Projections and Coverage Ratios

Ednovate Obligated Group: Santa Ana & ECP Campuses
Five Year Budget Detail

	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22
Enrollment					
Grades Served	9-10; 9-11	9-11; 9-12	9-12; 9-12	9-12; 9-12	9-12; 9-12
Enrollment	490	755	910	920	920
ADA	474.4	709.7	855.4	864.8	864.8
ADA %	96.8%	94.0%	94.0%	94.0%	94.0%
Revenue					
LCFF Revenue	\$ 5,361,803	\$ 8,386,051	\$ 10,227,998	\$ 10,593,496	\$ 10,929,467
Other Federal Income	603,764	612,251	737,627	786,445	791,230
Other State Income	426,334	699,762	678,224	691,560	691,984
SB740 Income	377,292	812,607	979,433	990,196	990,196
Other Income - Local	258,338	214,236	239,304	245,059	249,442
A Total Income	\$ 7,027,531	\$ 10,724,907	\$ 12,862,586	\$ 13,306,755	\$ 13,652,320
Expenses					
Certificated Salaries	\$ 2,020,764	\$ 2,970,025	\$ 3,370,535	\$ 3,437,946	\$ 3,506,705
Classified Salaries	883,101	957,249	1,031,394	1,107,022	1,129,163
Employee Benefits	585,228	909,807	1,046,388	1,113,316	1,171,888
Supplies	707,727	1,013,835	1,169,467	1,164,669	1,182,352
Operating Services	1,170,978	1,617,445	1,661,566	1,698,791	1,729,022
B Depreciation & Amortization	44,621	64,976	80,372	80,383	66,923
Other Outgo (Transfers, Fees, Etc.)	767,613	1,030,205	1,666,730	1,548,732	1,639,067
C Existing Facility Rent	652,876	1,436,019	-	-	-
D 2018 Net Debt Service	-	-	1,490,000	1,650,250	1,682,250
F Total Expenses	\$ 6,832,909	\$ 9,999,562	\$ 11,516,454	\$ 11,801,110	\$ 12,107,371
(A-E) F Net Income	\$ 194,622	\$ 725,345	\$ 1,346,132	\$ 1,505,646	\$ 1,544,950
(B) G Add Back: Depreciation & Amortization	44,621	64,976	80,372	80,383	66,923
(C+D) H Add Back: Base Rent	652,876	1,436,019	1,490,000	1,650,250	1,682,250
I Net Operating School Revenue	\$ 892,120	\$ 2,226,340	\$ 2,916,504	\$ 3,236,279	\$ 3,294,123
(I/H) J Base Rent Coverage Ratio	1.37x	1.55x	1.96x	1.96x	1.96x
Cash Flow					
	2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Cash Balance	\$ 784,034	\$ 1,121,612	\$ 1,297,290	\$ 2,378,205	\$ 3,687,165
(F) K Plus: Net Income	194,622	725,345	1,346,132	1,505,646	1,544,950
(B) L Plus: Depreciation & Amortization	44,621	64,976	80,372	80,383	66,923
Plus: Net Accounting Changes	98,334	(614,643)	(345,590)	(277,069)	(65,866)
M Ending Cash Balance	\$ 1,121,612	\$ 1,297,290	\$ 2,378,205	\$ 3,687,165	\$ 5,233,171
(E) N Total Expenses	\$ 6,832,909	\$ 9,999,562	\$ 11,516,454	\$ 11,801,110	\$ 12,107,371
Less: (Depreciation & Amortization)	(44,621)	(64,976)	(80,372)	(80,383)	(66,923)
Less: (Base Rent)	(652,876)	(1,436,019)	(1,490,000)	(1,650,250)	(1,682,250)
Add: Maximum Annual Base Rent	1,682,250	1,682,250	1,682,250	1,682,250	1,682,250
O Operating Expenses	\$ 7,817,662	\$ 10,180,817	\$ 11,628,331	\$ 11,752,726	\$ 12,040,447
(365*M/O) P Days Cash on Hand	52 days	47 days	75 days	115 days	159 days