

\$31,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY (AUTHORITY)
CHARTER SCHOOL REVENUE BONDS
(ENVISION SCHOOLS - OBLIGATED GROUP)
SERIES 2024A \$30,000,000 (TAX-EXEMPT) AND 2024B \$1,000,000 (TAXABLE)
ITEM #4 RESOLUTION 24-19
STAFF SUMMARY

EXECUTIVE SUMMARY			
Applicant/Borrower:	Envision Education, Inc.	Par Amount Requested:	Not-to-Exceed * \$31,000,000
Financing Term: Fixed rate, up to 40-year financing, 10-year par call, with taxable bonds amortized first		Projected Interest Rate: 6.35%	
<p>Applicant Description: Envision Education, Inc. (EEI) is a California nonprofit public benefit corporation and organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 that operates charter schools. EEI Oakland LLC (Oakland LLC), a California limited liability company, and EEI 2560 Darwin LLC (Darwin LLC), a California limited liability company, will be the borrowers (Borrowers). At the time of issuance of the Bonds, EEI will be the sole member of the Borrowers. Each Borrower was formed for the specific purpose of holding title to real property for the benefit of its member. Oakland LLC will act as a representative of an Obligated Group of which the Borrowers will be members.</p>			
Type of Financing: Tax-Exempt and Taxable Revenue Bonds			
Project User:	Envision Academy of Arts & Technology and Impact Academy of Arts and Technology	County Served:	Alameda County
District in Which Project is Located:	Oakland Unified School District & Hayward Unified School District	Charter Authorizer:	Alameda County Board of Education & Hayward Unified School District
<p>Financing Description: Proceeds will be used to finance and/or refinance the cost of acquisition, construction, improvement, installation, furnishing, and equipping of educational facilities located in Oakland and Hayward, 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.</p>			
Project Site: 1) 1515 Webster Street, Oakland 94612 and 2) 2560 Darwin Street, Hayward 94545			
Financing Team:		Financing Details:	
Bond Counsel:	Kutak Rock LLP	Type of Issue:	Charter School Revenue Bonds
Underwriter:	Stifel Nicolaus & Co.	Tax Status:	Tax-Exempt & Taxable
Borrower's Counsel:	Musick Peeler	Maturity:	Not to exceed 2064
Underwriter's Counsel:	Stradling Yocca Carlson & Rauth	Credit Enhancement:	Yes
Issuer's Counsel:	Office of the Attorney General	Credit Rating:	TBD (seeking rating)
Project Consultant:	Pacific Charter School Development	Fees:	See Costs of Issuance Table
Bond Trustee:	Wilmington Trust, National Association		
CSFA Analyst: Robby Biegler		Date of Staff Report: May 23, 2024	

Date of CSFA Board Meeting: May 30, 2024	Resolution Number: 24-19
Staff Recommendation: Staff recommends the Authority Board approve Resolution Number 24-19 authorizing the issuance of Revenue Bonds in an amount not to exceed \$31,000,000 to finance and/or refinance the acquisition, construction, expansion, renovation, furnishing, and equipping of certain educational facilities located in Alameda County for use by Envision Education, Inc..	

BACKGROUND AND HISTORY

Envision Education, Inc. (EEI) is a California nonprofit public benefit corporation founded in 2002 that operates three charter schools, including Envision Academy of Arts and Technology (EAAT) in Oakland, Impact Academy of Arts and Technology (IAAT) in Hayward, and City Arts and Leadership Academy (CALA) in San Francisco. EAAT serves students in grades 6-12 and intends to offer onsite workforce housing (the housing component is excluded from the subject financing). IAA also serves students in grades 6-12. CALA is not included in this financing. EEI was launched in 2003 with the help of a \$3 million contribution from the Bill and Melinda Gates Foundation (the Foundation). In 2006, the Foundation invested another \$7 million in the network. Charter terms for the EEI schools include:

School	Grades Served	2022-23 Enrollment	2023-24 Enrollment	1 st School Year	Charter Expiration	Charter Authorizer
Obligated Group Schools						
Envision Academy	6-12	272	219	2006-07	6/30/2026	ACOOE
Impact Academy	6-12	775	751	2007-08	6/30/2026	HUSD
Subtotal – Obligated Group		1,050	970			
Non-Obligated Schools						
City Arts & Leadership Academy	9-12	473	408	2004-05 ⁽¹⁾	6/30/2026	SFUSD
Subtotal – Non-Obligated Schools		473	408			
Total Network		1,523	1,378			

(1) City Arts & Leadership Academy was formed in 2022 from the merger of two San Francisco charter schools: City Arts & Technology High School and Leadership Academy. Envision Education opened City Arts & Technology High School in 2004-05.

Demographics include:

2022-23 Demographics	Obligated Group Schools		Non-obligated School
	Envision Academy	Impact Academy	City Arts Leadership
African American	37.1%	4.1%	9.1%
Asian	0.7%	7.9%	1.7%
Hispanic	47.8%	66.5%	80.5%
White	7.4%	3.1%	3.2%
Other	7.0%	18.4%	5.5%
Free-Reduced Lunch	81.3%	66.3%	73.2%
English Language Learner	19.9%	16.9%	25.2%
Student with Disabilities	17.6%	8.5%	20.3%

The historical, current, and projected enrollment for the EEI campuses are below:

CITY ARTS & LEADERSHIP	GRADE	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
	9	113	113	105	105	105	105
	10	95	112	108	105	105	105
	11	95	95	108	105	105	105
	12	105	95	94	100	100	100
TOTAL		408	415	415	415	415	415
IMPACT							
	6	125	125	127	129	130	130
	7	130	130	131	133	133	133
	8	120	129	131	134	134	134
	9	94	94	105	105	110	110
	10	94	94	95	99	100	100
	11	94	94	93	95	98	98
	12	94	94	93	95	95	95
TOTAL		751	760	775	790	800	800
EA							
	6	15	25	40	50	60	60
	7	19	25	33	40	48	48
	8	15	25	33	35	40	40
	9	35	45	60	75	75	75
	10	45	44	45	60	75	75
	11	40	43	45	45	58	58
	12	50	43	44	45	44	44
TOTAL		219	250	300	350	400	400

PROJECT DESCRIPTION

The proceeds of the bonds will be used to (1) finance and/or refinance the acquisition, construction, improvement, installation, furnishing and equipping of certain charter school educational facilities for EEI, located at 1515 Webster Street, Oakland 94612 & 2560 Darwin Street, Hayward 94545; (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 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
Envision Academy	HBO Webster Street LLC	1515 Webster Street, Oakland 94612	Purchase	\$14,000,000
Impact Academy	Hayward Unified School District (land and certain permanent buildings) and EEI 2560 Darwin LLC (modular buildings)	2560 Darwin Street, Hayward 94545	Refinance CIP Loan	\$3,500,000
Total Estimated Project Costs				\$17,500,000

EEl currently leases four floors in the 67,420 SF former Oakland YWCA building located at 1515 Webster Street (the Webster St. Facility) for use in the operation of EAAT. The Webster St. Facility was designed by Julia Morgan and was originally constructed in 1915. In 2000, the Oakland YWCA legally split the building into two parcels and sold the parcel comprised of the upper two floors (floors 4 and 5) to California College of the Arts, which utilized the space for dormitories. California College of the Arts subsequently moved to San Francisco and leased the housing parcel to Starcity, a residential real estate entity, which set up and began leasing 66 single-room occupancy units. In 2005, the Oakland YWCA dissolved and transferred its remaining assets, which included the building, to Berkeley YWCA. In 2007, Berkeley YWCA left the building and began leasing the lower four floors to EEl for use in operating EAAT. In 2019, HBO Webster Street LLC, an affiliate of Highbridge Equity Partners, acquired the property to develop a boutique hotel. In 2021, Starcity was acquired by Common Company, which continues to operate the 66 units on the upper floors.

EEl has entered into a purchase and sale agreement with HBO Webster Street LLC to acquire the Webster St. Facility for \$21.5 million. EEl intends Oakland LLC to purchase the Webster St. Facility (excluding the housing component) and to lease the facility to EEl for use in the operation of EAAT after the purchase. EEl is exploring options for the future operation of the upper floors, which include continuing to lease the property to Common Company or utilizing the space as employee workforce housing, educator workforce housing, or affordable housing. The upper floors are excluded from the subject CSFA financing.

EEl operates IAAT on property owned by the Hayward Unified School District (HUSD) pursuant to a Memorandum of Understanding Regarding Facilities Use (MOU). EEl leases modular buildings from EEl 2560 Darwin LLC, a California limited liability company. Over the course of that lease, Darwin LLC has taken out two separate loans, one from Capital Impact Partners (CIP) and one from Pacific Charter School Development, Inc. (PCSD) for modular installation and campus improvements. The PCSD loan has been repaid in full. The current outstanding balance for the CIP loan is approximately \$3.5 million and will be refinanced with proceeds from this issuance.

FINANCING

Borrower: EEl Oakland LLC and EEl 2560 Darwin LLC, each a California limited liability company whose sole member at the time of the issuance of the Bonds will be EEl, are the Borrowers. The Borrowers were formed for the specific purpose of holding real property for the benefit of its members. Oakland LLC will act as a representative of an Obligated Group of which the Borrowers will be initial members.

Security and Source of Payment: 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. Oakland LLC will enter into a Deed of Trust encumbering its fee simple interest in the EAAT campus, and a Reserve Account will be established under the Indenture. Darwin LLC will enter into a Security Agreement encumbering its interest in the modular buildings on the IAAT campus, and a Reserve Account will be established under the Indenture. EEl, as the lessee, is required to maintain certain financial covenants under its lease agreements with the Borrowers. As additional security and in connection with the issuance of the bonds, EEl 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 bonds and pay necessary and incidental costs (the "Intercept").

Funds received by the Trustee pursuant to the Intercept will be 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 EEl, the Borrowers, 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 according 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 are further subject to final pricing. Members will be provided updated figures should significant changes occur before the board meeting date.

Sources and Uses¹

Sources	CSFA 2024A (Tax-Exempt)	CSFA 2024A (Tax-Exempt)	CSFA Credit Enhancement	TOTAL
Par Amount	19,810,000	465,000	-	20,275,000
Net Premium/ OID	-	-	-	-
CSFA Program Award	-	-	1,500,000	1,500,000
Total Sources	19,810,000	465,000	1,500,000	21,775,000

Uses	CSFA 2024A (Tax-Exempt)	CSFA 2024A (Tax-Exempt)	CSFA Credit Enhancement	TOTAL
Webster Purchase	13,860,000	-	-	13,860,000
QP Refinancing	3,500,000	-	-	3,500,000
Capitalized Interest	1,500,000	-	-	1,500,000
Debt Service Reserve Fund	557,924	13,096	1,500,000	2,071,020
Costs of Issuance	392,076	451,904	-	843,980
Total Sources	19,810,000	465,000	1,500,000	21,775,000

¹Assumes \$7.64 million portion of 1515 Webster St. representing the top two floors of housing is financed separately.

Total Costs of Issuance*

Expense	Amount
Issuer Fee	\$20,137.50
Annual Admin Fee	3,041.25
Agent-for-Sale Fee	6,500
CDLAC Fee	5,000
Issuer's Counsel Fee	25,000
Bond Counsel Fee	125,000
Borrower's Counsel Fee	100,000
Underwriters/Disclosure Counsel Fee	100,000
Rating Agency Fee	60,000
Trustee/Trustee Counsel Fee	13,500
Financial Printer Fee	5,000
Underwriter's Discount	323,360
Title Insurance Fee	35,000
Contingency Budget	22,441
Total	\$843,980

**Estimates based on principal amount of \$21,775,000.*

Credit Enhancement: If funds are available, there will be a not-to-exceed \$2,000,000 credit enhancement award for the Borrowers, on behalf of EEI, for this financing that will be before the Authority Board as subsequent agenda items at the May 30, 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 Borrowers. *The actual award amount will be finalized at the 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>.

1. Bonds will be in minimum denominations of \$250,000;
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 May 23, 2024. The TEFRA hearing will take place on May 30, 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, EEI, 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 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: Each of EEI Oakland LLC and EEI 2560 Darwin LLC will operate as a single-purpose entity of which EEI will be the sole member at the time of issuance of the Bonds, with no assets other than the Facilities owned or leased by it and its rights under the respective lease, which will be assigned to the Trustee. Each LLC was formed for the purpose of supporting EEI, including by owning facilities, and is not expected to have any other assets or revenue available to make payments due under the Loan Agreement. The Lessee, EEI, is a California nonprofit public benefit corporation and organization described in Section 501(c)(3) of the Code.

STAFF RECOMMENDATION

Staff recommends the board adopt Resolution 24-19 authorizing the issuance of revenue bonds in an amount not to exceed \$31,000,000 to finance and/or refinance the acquisition, construction, expansion, renovation, furnishing, and equipping of certain educational facilities located in Alameda County for use by Envision Schools.

1. **Applicant / Borrower:**
2. **Project:** Acquisition of Facility and related costs
3. **Amount of Financing:** Not to exceed \$31,000,000
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:** 6.35%
7. **Preliminary Cost of Issuance:** The preliminary Cost of Issuance is \$843,980
8. **Not an Unconditional Commitment:** The Authority resolution shall not be construed as an 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
Jillian Juman	CEO
Elizabeth Choi	COO
Simone Green	CFO
Elizabeth Raji-Grieg	Superintendent of Schools
Justin Wells	Chief Program Officer

Board of Directors

Member	Role
Mark Daoust	Board Chair
Shruti Sehra	Board Vice Chair
Kaleb Lawson	Secretary
Kahi Burke	Honorary Director
Grace Hoagland	Honorary Director
Akil Hollis	Honorary Director
Bob Lenz	Honorary Director
Candice Phillips	Member
Ify Walker	Member
Amber Childress	Member
Thomas Igame	Member
Jilian Juman	Member
Kyle Magallenes Castillo	Member
Reena Patel	Member
Michelle Seijas	Member
Rhonnell Sotello	Member
Tara Thomas	Member
Robert Vassel	Member

APPENDIX B: BUDGET PROJECTIONS¹

Envision & Impact	Budget 2023-24	Projected 2024-25	Projected 2025-26	Projected 2026-27	Projected 2027-28	Projected 2028-29
Enrollment						
Grades Served	6-12	6-12	6-12	6-12	6-12	6-12
Enrollment	970	1,010	1,075	1,140	1,200	1,200
ADA %	95%	95%	95%	95%	95%	95%
Average Daily Attendance ("ADA")	923.6	959.5	1,021.3	1,083.0	1,140.0	1,140.0
Revenue						
State & General Purpose Funding	\$ 9,669,841	\$ 10,345,940	\$ 11,539,137	\$ 12,803,407	\$ 14,080,389	\$ 14,536,594
In Lieu of Property Taxes	3,413,683	3,510,134	3,717,259	3,931,920	4,126,389	4,260,084
Federal Revenues	1,419,466	595,074	602,215	609,442	616,755	624,156
State Lottery	135,351	227,402	242,036	256,671	270,180	270,180
Other State Revenue	1,952,150	1,429,212	1,446,744	1,464,451	1,482,336	1,500,399
SB 740	619,639	661,488	728,985	796,483	863,980	863,980
Other Local Revenue	237,300	239,673	242,069	244,490	246,935	249,404
Total Revenue	\$17,447,429	\$17,008,922	\$18,518,446	\$20,106,864	\$21,686,964	\$22,304,797
Expenses						
Certificated Salaries	\$ 6,381,827	\$ 5,688,787	\$ 5,859,451	\$ 6,110,234	\$ 6,293,541	\$ 6,482,348
Classified Salaries	1,051,949	614,701	633,142	652,136	671,700	691,851
Employee Benefits	2,360,026	1,954,081	2,012,704	2,096,335	2,159,225	2,224,002
Books	131,161	135,096	139,149	143,323	147,623	152,052
Consultants & Staffing Services	870,832	689,386	703,173	717,237	731,582	746,213
Equipment & Furniture	30,000	69,570	45,157	46,512	47,907	49,344
Facilities R&M (Excluding Rent)	702,809	786,846	784,251	807,329	831,099	855,582
General & Admin	342,990	353,280	363,878	374,794	386,038	397,619
IT & Software	236,032	243,113	250,406	257,919	265,656	273,626
Meals, Entertainment, & Travel	171,362	182,406	182,406	182,406	182,406	182,406
Professional & Staff Development	103,600	66,375	68,034	69,735	71,479	73,266
Student Services	223,175	229,870	236,766	243,869	251,185	258,721
Supplies	132,650	136,630	140,728	144,950	149,299	153,778
Depreciation	257,250	257,250	257,250	257,250	257,250	257,250
Management Fee	1,212,045	1,323,141	1,851,816	2,010,653	2,168,658	2,230,442
Rent	1,381,494	-	-	-	-	-
Series 2024 Bonds Net D/ S (Housing)	-	852,000	852,000	852,000	852,000	942,000
Series 2024 Bonds Net D/ S (School)	-	115,000	1,287,975	1,454,050	1,451,550	1,358,675
Total Expenses	\$15,589,201	\$13,697,531	\$15,668,288	\$16,420,733	\$16,918,199	\$17,329,174
Net Income	\$ 1,858,228	\$ 3,311,391	\$ 2,850,158	\$ 3,686,130	\$ 4,768,765	\$ 4,975,623
Add Back: Depreciation	257,250	257,250	257,250	257,250	257,250	257,250
Add Back: Base Rent	1,381,494	967,000	2,139,975	2,306,050	2,303,550	2,300,675
Net Operating School Revenue	\$ 3,496,972	\$ 4,535,641	\$ 5,247,383	\$ 6,249,430	\$ 7,329,565	\$ 7,533,548
Base Rent Coverage Ratio	2.53x	4.69x	2.45x	2.71x	3.18x	3.27x

¹Series 2024 Bonds related to the housing portion will be issued through a separate issuer.