

\$17,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY (AUTHORITY)
CHARTER SCHOOL REVENUE BONDS
(VIBRANT MINDS - OBLIGATED GROUP)
SERIES 2024A \$16,000,000 (TAX-EXEMPT) AND 2024B \$1,000,000 (TAXABLE)
ITEM #7 RESOLUTION 24-28
STAFF SUMMARY

EXECUTIVE SUMMARY			
Applicant/Borrower:	330 W Broadway LLC	Par Amount Requested:	Not-to-Exceed * \$17,000,000
Financing Term: Fixed rate, up to 40-year financing, 10-year par call, with taxable bonds amortized first		Projected Interest Rate: 6.35%	
Applicant Description: 330 W Broadway LLC is a California limited liability company the sole member of which is Vibrant Minds Charter School, a California nonprofit public benefit corporation and organization described in Section 501(c)(3) of the Internal Revenue Code of 1986. The Borrower was formed for the specific purpose of supporting Vibrant Minds Charter School.			
Type of Financing: Tax-Exempt and Taxable Revenue Bonds			
Project User:	Vibrant Minds Charter School	County Served:	Orange County
District in Which Project is Located:	Anaheim Elementary School District	Charter Authorizer:	Anaheim Elementary School District
Financing Description: Proceeds will be used to finance and/or refinance the cost of acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and/or equipping of educational facilities located in Anaheim, 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: 1) 320 W Broadway Anaheim, CA 92805			
Financing Team:		Financing Details:	
Bond Counsel:	Kutak Rock LLP	Type of Issue:	Charter School Revenue Bonds
Underwriter:	Ziegler	Tax Status:	Tax-Exempt & Taxable
Borrower's Counsel:	Hansberger & Klein	Maturity:	Not to exceed 2064
Underwriter's Counsel:	Ice Miller LLP	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:	UMB		
CSFA Analyst: Robby Biegler		Date of Staff Report: July 18, 2024	
Date of CSFA Board Meeting: July 25, 2024		Resolution Number: 24-28	
Staff Recommendation: Staff recommends the Authority Board approve Resolution Number 24-28 authorizing the issuance of Revenue Bonds in an amount not to exceed \$17,000,000 to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and/or equipping of certain educational facilities located in Orange County for use by Vibrant Minds Charter School.			

BACKGROUND AND HISTORY

Vibrant Minds Charter School (VMCS) is a TK-6 school located in Anaheim. VMCS opened in 2015, initially as a Growth Opportunities through Athletic Learning and Service Academy (GOALS) campus. GOALS was born out of the movie, *The Mighty Ducks*, and its namesake Orange County hockey team, and developed with, the Walt Disney Company, with the intent of exposing underserved youth, primarily in the greater Anaheim area, to hockey. Over time, GOALS branched out independently and their mission expanded to creating team-oriented, free, sports-focused, long-term social development opportunities for low-income youth in areas of high need. In 2020, VMCS petitioned the Anaheim Elementary School District to operate an autonomous campus to take the school in a more academically focused direction while maintaining the overall GOALS philosophy. That petition was approved. VMCS prioritizes smaller classroom sizes and more direct community involvement. As such, future maximum enrollment is capped at 468 (current enrollment is around 240 students). The current charter term ends on June 30, 2027.

Demographics include:

Vibrant Minds Student Demographics			
	2021-2022	2022-2023	2023-2024
African American	4.2%	3.7%	4.6%
American Indian or Alaska Native	0.0%	0.0%	0.0%
Asian	3.8%	4.1%	4.1%
Filipino	2.1%	1.7%	1.2%
Hispanic or Latino	75.9%	75.5%	72.2%
White	12.2%	10.8%	10.8%
Two or More Races	1.7%	3.7%	5.0%
Not Reported	0.0%	41.0%	2.1%
English Language Learners	24.5%	24.9%	23.7%
Free and Reduced Lunch	62.0%	67.2%	73.4%
Students with Disabilities	13.1%	12.9%	13.3%

The historical, current, and projected enrollment are below:

Vibrant Minds Historical Enrollment and Retention			
	2021-2022	2022-2023	2023-2024
K Grade	31	52	52
1st Grade	28	32	32
2nd Grade	31	30	32
3rd Grade	31	32	32
4th Grade	31	31	32
5th Grade	31	32	32
6th Grade	54	32	31
Total:	237	241	243
Student Retention	97.9%	97.1%	98.9%

Vibrant Minds Enrollment Projections

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
TK Grade	24	48	48	48	48
K Grade	32	60	60	60	60
1st Grade	32	60	60	60	60
2nd Grade	32	60	60	60	60
3rd Grade	32	60	60	60	60
4th Grade	32	32	60	60	60
5th Grade	32	32	32	60	60
6th Grade	32	32	32	32	60
Total	248	384	412	440	468

Relative to the projected enrollment growth, VMCS has every seat at their current location currently filled. There is a waitlist of 425 students, 385 of whom would start presently if the school had space to accommodate every student. The remaining forty or so are on the 2025-26 waitlist. Some of the motivation for this acquisition is the desire to accommodate waitlist students with the intention of having two classes per grade as compared to the one class currently served at VMCS.

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 VMCS, located at 320 W Broadway; (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
Vibrant Minds Charter School	330 W Broadway, LLC	320 W Broadway, Anaheim, 92805	Purchase & Renovation	\$9,700,000
Total Estimated Project Costs				\$9,700,000

VMCS intends to acquire and renovate an approximately 30,000 square-foot school facility that includes parking, a lunch area, and a playground. The existing building is three stories and will require ADA improvements as well as additional bathrooms to accommodate a maximum enrollment of 480 students. Additionally, the lunch and playground areas and parking spaces will be updated to be more student and user-friendly. The campus is a former private school space that is being sold by First Presbyterian Church of Anaheim. VMCS leases its current facility, also located in Anaheim.

FINANCING

Borrower: 330 W Broadway LLC, a California limited liability company whose sole member at the time of the issuance of the Bonds will be VMCS, is the Borrower. The Borrower was formed for the specific purpose of holding real property for the benefit of its 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. The Borrower will enter into a Leasehold Deed of Trust for its leasehold interest in the VCMS campus, and a Reserve Account will be established under the Indenture. VCMS, as the 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 bonds, VCMS 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 under the Intercept will be applied solely for the uses and purposes outlined in the Indenture, including the payment of debt service on the Bonds. Under the laws of the State of California, no party, including VCMS, 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 under 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 Uses

Sources:	Series 2024A (Tax-Exempt)	Series 2024B (Taxable)	Enhancement Grant	Total
Bond Proceeds				
Par Amount:	\$10,575,000	\$270,000		\$10,845,000
Other Sources:				
Enhancement Grant	\$0.00	\$0.00	\$955,866	\$955,866
Total:	\$10,575,000	\$270,000	\$955,866	\$11,800,866
Uses:	Series 2024A (Tax-Exempt)	Series 202B (Taxable)	Enhancement Grant	Total
Project Fund Deposit				
Acquisition	\$4,700,000	\$0		\$4,700,000
Renovation	\$5,000,00	\$0		\$5,000,000
Cost of Issuance	\$166,039	\$195,721		\$361,760
Underwriter Discount	\$47,047	\$55,981		\$103,028
Capitalized Interest Fund	\$661,596	\$16,892		\$678,488
Debt Service Reserve Fund			\$955,866	\$955,866
Contingency	\$318	\$1,406		\$1,725
Total	\$11,507,069	\$293,797	\$955,866	\$11,800,866

Total Costs of Issuance*

Expense	Amount
Issuer Fee	\$15,422
Annual Admin Fee	1,626.75
Agent-for-Sale Fee	6,500
CDLAC Fee	2,711.25
Issuer's Counsel Fee	10,000
Bond Counsel Fee	100,000
Borrower's Counsel Fee	90,000
Underwriters/Disclosure Counsel Fee	85,000
Trustee/Trustee Counsel Fee	13,500
Financial Printer Fee	6,000
Underwriter's Discount	103,028
Title Insurance Fee	25,000
Contingency Budget	12,500
Total	\$464,788

**Estimates based on principal amount of \$17,000,000.*

Credit Enhancement: If funds are available, there will be a not-to-exceed \$1,100,000 credit enhancement award for the Borrower, on behalf of VCMS, for this financing that will be before the Authority Board as subsequent agenda items at the July 25, 2024, meeting. If approved, the enhancement awards will fund up to \$1,100,000 of the financing's debt service reserve fund, reducing the overall borrowing cost for the Borrower. *The actual award amount will be finalized at 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 July 18, 2024. The TEFRA hearing will take place on July 25, 2024, before 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, VCMS, 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: 330 W Broadway LLC will operate as a single-purpose entity of which VCMS 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. The LLC was formed for the purpose of supporting VMCS, 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, VMCS, 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 24-28 authorizing the issuance of revenue bonds in an amount not to exceed \$17,000,000 to finance and/or refinance the acquisition, construction, expansion, renovation, furnishing, and equipping of certain educational facilities located in Orange County for use by Vibrant Minds Charter School.

1. **Applicant / Borrower:** 330 W Broadway LLC
2. **Project:** Acquisition of Facility and related costs
3. **Amount of Financing:** Not to exceed \$17,000,000
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 \$464,788.50
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
Dr. Debra J. Schroeder	Founding Executive Director
Chamarra Nguyen	Assistant Director
Yvette Lavalle	Coordinator
Kla Cook	Coordinator

Board of Directors

Member	Role
Mike Anderson	Board President
Fareed Farukhi	CFO
Robert Nelson	Secretary
Kyle Bonenberger	Honorary Director
Sharon Rhee	Honorary Director

**APPENDIX B:
HISTORICAL FINANCIALS AND BUDGET PROJECTIONS**

	Fiscal Years Ended June 30,			
	<u>2021</u> (Audited)	<u>2022</u> (Audited)	<u>2023</u> (Audited)	<u>2024</u> (Budgeted)
Enrollment	251	237	241	243
Local Control Funding Formula	\$ 2,377,916	\$ 2,361,148	\$ 2,721,984	\$ 3,243,119
Federal Revenue	520,252	187,101	473,690	117,857
Other State Revenue	641,472	925,598	1,665,967	1,528,251
Local Revenue	26,552	27,828	75,247	153,326
Interest Income	1,397	847	8,025	-
Fundraising Income	9,013	-	-	-
Total Revenue	<u>\$ 3,576,602</u>	<u>\$ 3,502,522</u>	<u>\$ 4,944,913</u>	<u>\$ 5,042,553</u>
Program Services	2,345,631	2,554,472	3,047,883	3,207,375
Management & General	546,536	630,359	769,981	865,896
Other	-	-	-	-
Total Expense	<u>\$ 2,892,167</u>	<u>\$ 3,184,831</u>	<u>\$ 3,817,864</u>	<u>\$ 4,073,272</u>
Change in Net Assets	<u>\$ 684,435</u>	<u>\$ 317,691</u>	<u>\$ 1,127,049</u>	<u>\$ 969,281</u>
+ Lease Expense	262,287	262,287	235,949	347,699
+ Depreciation and Amortization	-	-	-	-
Income Available for Debt Service	<u>\$ 946,722</u>	<u>\$ 579,978</u>	<u>\$ 1,362,998</u>	<u>\$ 1,316,980</u>
Projected MADS	955,866	955,866	955,866	955,866
Projected MADS Coverage	0.99x	0.61x	1.43x	1.38x

Fiscal Years Ended June 30,

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)
Enrollment	248	384	412	440	468
Local Control Funding Formula	\$ 3,361,783	\$ 5,522,592	\$ 6,072,525	\$ 6,664,931	\$ 7,288,944
Federal Revenue	124,979	187,062	199,848	212,634	225,419
Other State Revenue	1,811,324	1,427,559	1,524,167	1,618,736	1,713,307
Local Revenue	136,917	40,417	40,417	76,917	40,417
Total Revenue	<u>\$ 5,435,003</u>	<u>\$ 7,177,630</u>	<u>\$ 7,836,957</u>	<u>\$ 8,573,218</u>	<u>\$ 9,268,087</u>
Program Services	3,721,950	5,128,317	5,711,817	6,235,584	6,626,194
Management & General	820,600	1,761,627	1,787,024	1,812,746	1,953,793
Other	-	-	-	-	-
Total Expense	<u>\$ 4,542,550</u>	<u>\$ 6,889,944</u>	<u>\$ 7,498,841</u>	<u>\$ 8,048,330</u>	<u>\$ 8,579,987</u>
Change in Net Assets	<u>\$ 892,453</u>	<u>\$ 287,686</u>	<u>\$ 338,116</u>	<u>\$ 524,888</u>	<u>\$ 688,099</u>
+ Lease Expense	353,554	1,207,438	1,207,438	1,207,438	1,207,438
+ Depreciation and Amortization	-	-	-	-	-
Income Available for Debt Service	<u>\$ 1,246,007</u>	<u>\$ 1,495,124</u>	<u>\$ 1,545,554</u>	<u>\$ 1,732,326</u>	<u>\$ 1,895,537</u>
Projected MADS	955,866	955,867	955,866	955,866	955,866
Projected MADS Coverage	1.30x	1.56x	1.62x	1.81x	1.98x