

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)  
CONDUIT 501 (c)(3) REVENUE BOND FINANCING**

**STAFF REPORT**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	Equitable School Revolving Fund, LLC ("Borrower" or "ESRF")	<b>Par Amount Requested:</b>	Not to exceed \$275,000,000
<b>Applicant Description:</b>	ESRF is a Delaware limited liability company wholly owned by Equitable Facilities Fund, Inc. ("EFF"). EFF is a 501(c)(3) Delaware nonprofit corporation. For federal income tax purposes ESRF is a disregarded entity entitled to the tax treatment of its parent company, EFF. EFF formed ESRF on February 20, 2018 to originate, acquire, and service loans for charter schools.		
<b>Type of Financing:</b>	Conduit Tax-Exempt and/or Taxable Fixed Rate Revenue Bonds issued as Social Bonds ("Bonds")		
<b>Project Description:</b>	The proceeds of the Bonds will be used (a) finance, refinance and reimburse the cost of loans made or to be made to qualifying public charter schools or their affiliates for the purpose of financing or refinancing certain costs of the acquisition, construction, improvement, equipping and furnishing of certain educational facilities located in California, (b) fund a debt service reserve fund, if necessary, (c) pay certain costs of issuance in connection with the issuance of the Bonds, and (d) pay termination payments on related hedging arrangements and swap agreements (collectively, the "Project").		

<b>Potential Project Sites:</b>	<p><b>(1) <u>Los Angeles County</u></b>  <b>PUC – Lakeview Charter Academy, Triumph Charter High School, and Triumph Charter Academy</b>          13361 Glenoaks Blvd          Los Angeles, CA 91342</p> <p><b>Environmental Charter Schools – Inglewood Middle School</b>          3600 West Imperial Highway          Inglewood, CA 90303</p> <p><b>Magnolia – MSA 1</b>          18238 Sherman Way          Reseda, CA 91335</p> <p><b>Magnolia – MSA 2</b>          17125 Victory Boulevard          Lake Balboa, CA 91406</p> <p><b>Ednovate – USC Hybrid High College Prep</b>          3939 S. Vermont Avenue          Los Angeles, CA 90037</p> <p><b>Ednovate - Esperanza College Prep</b>          414 Atlantic Boulevard          Los Angeles, CA 90022</p> <p><b>COTW – Silver Lake Middle School</b>          2301-2323 Beverly Boulevard</p>	<p><b>COTW – Mar Vista Elementary School</b>          11561 Gateway Boulevard          Los Angeles, CA 90064</p> <p><b>KIPP SoCal – Endeavor College Prep</b>          1263 South Soto Street          Los Angeles, CA 90023</p> <p><b>KIPP SoCal – Empower Academy</b>          8466 S. Figueroa Street          Los Angeles, CA 90003</p> <p><b>KIPP SoCal - Sol Academy &amp; KIPP Illuminar Academy</b>          4800 E. Cesar Chavez Avenue          Los Angeles, CA 90022</p> <p><b>KIPP SoCal – College Preparatory Academy</b>          2810 Whittier Boulevard          Los Angeles, CA 90023</p> <p><b>Alliance - Gertz-Ressler/Richard Merkin Middle/High School</b>          2023 S Union Avenue          Los Angeles, CA 90007</p> <p><b>Alliance - Patti &amp; Peter Neuwirth Leadership Academy</b>          4610 Main Street          Los Angeles, CA 90037</p>
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	<p>Los Angeles, CA 90057</p> <p><b>James Jordan – Middle School</b> 18600 Lanark Street Reseda, CA 91335</p> <p><b>(2) San Joaquin County</b> <b>KIPP NorCal – University Park</b> 820 N. American Street Stockton, CA 95202</p> <p><b>KIPP NorCal – Conway Homes</b> 2710 Colorado Avenue Stockton, CA 95206</p> <p><b>(3) Alameda County</b> <b>Yu Ming – ALC Campus</b> 2501 Chestnut Street Oakland, CA 94607</p> <p><b>(4) Orange County</b> <b>Magnolia – MSA Santa Ana</b> 2840 W 1st Street Santa Ana, CA 92703</p>	<p><b>Ednovate - Legacy College Prep</b> 1450 17th Street Santa Ana, CA 92705</p> <p><b>(5) San Diego County</b> <b>Magnolia – MSA San Diego</b> 6365 Lake Atlin Avenue San Diego, CA 92119</p> <p><b>Magnolia – MSA San Diego</b> 6525 Estrella Avenue San Diego, CA 92120</p> <p><b>(6) Solano County</b> <b>Caliber – ChangeMakers Academy</b> 267 Valle Vista Avenue Vallejo, CA 94590</p> <p><b>Caliber – ChangeMakers Academy</b> 500 Oregon Street Vallejo, CA 94590</p>	
<p><b>Plan of Finance:</b></p> <p><b>Type of Issue:</b></p> <p><b>Tax Status:</b></p> <p><b>Term:</b></p> <p><b>Credit Enhancement:</b></p> <p><b>Credit Rating:</b></p> <p><b>IBank Fees<sup>1</sup>:</b></p> <p><b>STO Fee:</b></p>	<p>IBank will lend the proceeds of the Bonds to the Borrower to finance the costs of the Project.</p> <p>Public Offering</p> <p>Tax-Exempt and/or Taxable</p> <p>Up to 40 years</p> <p>None</p> <p>Expected S&amp;P Global Rating: A</p> <p>Application Fee \$5,000; Issuance Fee \$113,750; Initial Annual Fee \$23,750 per year</p> <p>Agent For Sale \$10,500</p>		
<p><b>Estimated Sources of Funds:</b></p> <p>Tax-exempt and/or Taxable Bonds Proceeds</p> <p><b>TOTAL SOURCES</b></p>	<p>\$275,000,000</p> <p><b>\$275,000,000</b></p>	<p><b>Estimated Uses of Funds:</b></p> <p>Reimbursement of Equity Funds New Loan Origination Costs of Issuance</p> <p><b>TOTAL USES</b></p>	<p>\$31,000,000 \$238,500,000 \$5,500,000</p> <p><b>\$275,000,000</b></p>
<p><b>Financing Team:</b></p> <p><b>Bond Counsel:</b></p> <p><b>Underwriter:</b></p> <p><b>Underwriter Counsel:</b></p> <p><b>Municipal Advisor:</b></p> <p><b>Trustee:</b></p> <p><b>Credit Enhancement:</b></p>	<p>Orrick, Herrington &amp; Sutcliffe LLP</p> <p>Siebert Williams Shank &amp; Co., LLC, Senior Manager</p> <p>Norton Rose Fulbright</p> <p>Lamont Financial Services Corporation</p> <p>U.S. Bank, N.A.</p> <p>None</p>		

<sup>1</sup> IBank Issuance Fee and Annual Fee are subject to change based on the final Par amount.

<b>Public Benefits:</b>	<p>ESRF provides low-cost financing for charter schools in California having successful track records, with an emphasis on traditionally underserved communities.</p> <p>ESRF subsidizes each one of its loans with philanthropy, allowing schools to save an average of over \$3 million over the life of the loan, allowing schools to use cost savings in further enhancement of their educational programs.</p> <p>The Project is expected to create 75 Full time and 12 part time jobs.</p>	
<b>Date of Board Meeting:</b> August 28, 2024	<b>Resolution Number:</b> 24-11	<b>Prepared by:</b> John Belmont on 7/22/2024
<b>Staff Recommendation:</b> Staff recommends approval of Resolution No. 24-11 authorizing the issuance of Conduit Tax-Exempt and/or Taxable Fixed Rate Bonds, in an aggregate amount not to exceed \$275,000,000, for the benefit of Equitable School Revolving Fund, LLC.		

## BACKGROUND AND HISTORY

### **Background and History:**

ESRF is a Delaware limited liability company wholly owned by Equitable Facilities Fund, Inc. (“EFF”). EFF is a 501(c)(3) Delaware nonprofit corporation, exempt from federal income tax under Internal Revenue Code (“IRC” or “Code”). ESRF is a disregarded entity entitled to the tax treatment of its parent company, EFF.

EFF was formed in 2017 as a social impact fund to operate revolving funds to benefit charter schools nationwide. EFF’s program objectives are as follows:

- Maximize resources available to charter schools that expand educational opportunity for underserved communities.
- Reduce cost of capital for high-performing charter schools by providing low-cost loans to a diverse pool of high-quality Borrowers.
- Use philanthropic subsidy and economies of scale to save schools additional money by reducing loan transaction and legal fees.
- Increase focus on teaching and learning by reducing facility financing workload for charter school and network staff.
- Partner with and further support schools through regular loan cohort events, best practice sharing, and early intervention to remediate issues.

EFF is structured as a revolving loan fund capitalized with equity monies. EFF is supervised and controlled by the National Alliance for Public Charter Schools (“NAPSC”) and the National Association of Charter School Authorizers (“NACSA”), as supporting organizations pursuant to Section 509(a)(3) of the Code. EFF is organized as a membership nonprofit corporation (“Obligated Group Representative”), with three members: (1) NAPSC, (2) NACSA, and (3) the Walton Family Foundation, Inc. (“WFF”). EFF was launched with philanthropic support from WFF and members of the Walton family.

EFF formed ESRF to acquire and service loans made by EFF to charter schools. EFF identifies charter schools in need of financing, and once identified, underwrites, originates, and closes the loans. ESRF then purchases and services the loans from EFF. ESRF’s purchases in turn provide EFF with additional capital for new loan funding.

ESRF purchases and services charter school loans nationwide. However, proceeds of the Bonds issued by IBank will be used only for charter schools in California.

### **Prior ESRF Bonds issued by IBank**

On August 29, 2019, IBank issued ESRF’s first bonds, Series 2019B Bonds (“Series 2019B”), in a par amount of \$19,010,000 with the premium amount of \$4,204,308.70. The Series 2019B were used to finance only schools in California. The Series 2019B was part of the National Charter School Revolving Loan Fund Revenue Bonds original issuance of \$111,725,000. The final maturity of Series 2019B is on November 1, 2049. The Series 2019A, used to finance schools outside of California, with issue par amount of \$92,715,000, was issued by Arizona Industrial Development Authority (“AZIDA”) and will mature on November 1, 2049.

On August 20, 2020, IBank issued ESRF’s Series 2020B Bonds (“Series 2020B”), in a par amount of \$48,115,000 with the premium amount of \$9,830,093.05 and final maturity on

November 1, 2055. Just as with the Series 2019A Bonds, the Series 2020A Bonds were issued to finance schools outside of California, and the Series 2020B Bonds were used to finance only schools in California. This structure was repeated for the 2021 and 2022, and will be repeated for this 2024 Series offering; Series A (and others) used to finance outside of California, and Series B used to finance only California schools. The Series 2020B Bonds were issued as part of the ESRF bonds issuance relating to the original issuance of \$170,825,000 of National Charter School Revolving Loan Fund Revenue Bonds. Series 2020A, with par amount of \$122,710,000, was issued by AZIDA, with final maturity on November 1, 2050.

On October 20, 2021, IBank issued ESRF’s Senior Series 2021B - Social Bonds (“Senior Series 2021B”), in issue par amount of \$30,650,000 with the premium amount of \$5,030,966.55 and final maturity on November 1, 2056. The Senior Series 2021B was issued as part of the ESRF bonds issuance relating to the original issuance of \$217,815,000 of National Charter School Revolving Loan Fund Revenue Bonds along with three other issuers including AZIDA, Massachusetts Development Finance Agency (“MDFA”), and City of Albany Capital Resource Corporation (“CACRC”). AZIDA issued the Senior Series 2021A - Social Bonds, with par amount of \$122,710,000, and Subordinate Series 2021 – Social Bonds with par amount of \$21,325,000. MDFA issued the Senior Series 2021C – Social Bonds with par amount of \$17,925,000, and CACRC issued the Senior Series 2021D – Social Bonds with par amount of \$25,020,000. AZIDA’s Senior Series 2021A and Subordinate Series 2021, Series 2021C, and Series 2021D have final maturity on November 1, 2051.

On August 30, 2022, IBank issued ESRF’s Senior Series 2022B – Social Bonds (“Senior Series 2022B”), in issue par amount of \$65,885,000, with premium amount of \$4,469,565.15. The Series 2022B was issued as part of the ESRF bonds issuance relating to the original issuance of \$219,410,000 of National Charter School Revolving Loan Fund Revenue Bonds. Series 2022A – Social Bonds, with par amount of \$153,525,000 was issued by AZIDA. Final maturity on Series 2022A is on November 1, 2052 and the final maturity of the Series 2022 is on November 1, 2057.

The Series 2019, the Series 2020, the Senior Series 2021, and the Senior Series 2022 are on parity with the Bonds.

### **ESRF Outstanding IBank Issued Debt**

<b>Bonds Series</b>	<b>Debt Type</b>	<b>Issue Date</b>	<b>Par Amount</b>	<b>Final Maturity</b>	<b>Current Outstanding Amount</b>	<b>Trustee</b>
Series 2019B	Tax-Exempt	8/29/2019	\$19,010,000	11/1/2049	\$17,735,000	US Bank
Series 2020B	Tax-Exempt	8/12/2020	\$48,115,000	11/1/2055	\$45,795,000	US Bank
Series 2021B	Tax-Exempt	10/20/2021	\$30,650,000	11/1/2056	\$30,650,000	US Bank
Series 2022B	Tax-Exempt	8/30/2022	\$65,885,000	11/1/2057	\$65,885,000	US Bank
<b>Total</b>			<b>\$163,660,000</b>		<b>\$160,065,000</b>	

ESRF and EFF are listed in Good Standing with the Delaware Secretary of State as of July 30, 2024.

Current leadership is listed in Appendix A.

## PROJECT DESCRIPTION

The Borrower is requesting that IBank issue conduit tax-exempt and/or taxable fixed rate revenue bonds and loan the proceeds to ESRF. The proceeds of the Bonds will be used to reimburse, finance and refinance the cost of loans made to or to be made to qualifying public charter schools or their affiliates for financing or refinancing certain costs of qualified projects; to fund a debt service fund; pay costs of issuance; and pay termination payments of certain hedging agreements and swap agreements.

ESRF is not refunding any outstanding bond debt with this issuance. ESRF seeks to reimburse itself for loans made with equity funds to the following projects in California.

### Charter Schools Estimated Project Cost

Project Site	Construction Start Date	Exp Completion Date	Estimated Project Cost	Construction Company	Property Seller
PUC – Lakeview Charter Academy, Triumph Charter High School & Triumph Charter Academy	N/A	N/A	\$26,400,000	N/A	(Refinancing)
Yu Ming – ALC Campus	N/A	N/A	\$7,700,000	N/A	Envision Schools
KIPP NorCal – Conway Homes	12/1/2022	7/1/2025	\$16,500,000	Clark/Sullivan & Broward Builders	(Owned)
KIPP NorCal – University Park	12/1/2023	9/1/2025	\$8,800,000	Otto Construction	(Owned)
KIPP SoCal - Endeavor College Prep	N/A	N/A	\$13,750,000	N/A	(Refinancing)
KIPP SoCal - Empower Academy	N/A	N/A	\$12,100,000	N/A	(Refinancing)
KIPP SoCal – Sol Academy	N/A	N/A	\$22,000,000	N/A	(Refinancing)
KIPP SoCal - Illuminar Academy	N/A	N/A	\$22,000,000	N/A	(Refinancing)
KIPP SoCal - College Preparatory Academy	N/A	N/A	\$5,500,000	N/A	(Refinancing)
Magnolia – MSA 1	N/A	N/A	\$34,100,000	N/A	(Refinancing)
Magnolia – MSA 2	N/A	N/A	\$17,050,000	N/A	(Refinancing)
Magnolia – MSA Santa Ana	N/A	N/A	\$7,700,000	N/A	(Refinancing)
Magnolia – MSA San Diego-Lake Altin Ave.	N/A	N/A	\$9,900,000	N/A	(Refinancing)
Magnolia – MSA San Diego-Estrella Ave.	N/A	N/A	\$9,900,000	N/A	(Refinancing)
Ednovate - USC Hybrid	N/A	N/A	\$16,500,000	N/A	(Refinancing)
Ednovate - Legacy	N/A	N/A	\$2,750,000	N/A	(Refinancing)
Ednovate - Esperanza	N/A	N/A	\$16,500,000	N/A	(Refinancing)
COTW – Silver Lake Middle School	N/A	N/A	\$25,300,000	N/A	Pacific Charter School Dev.

COTW – Mar Vista Elementary School	N/A	N/A	\$14,300,000	N/A	(Refinancing)
Alliance – Gertz-Ressler/Richard Merkin Middle/High Sch.	N/A	N/A	\$26,400,000	N/A	(Refinancing)
Alliance – Patti & Peter Neuwirth Leadership Academy	N/A	N/A	\$26,400,000	N/A	(Refinancing)
Environmental Charter Schools – Inglewood Middle School	N/A	N/A	\$6,050,000	N/A	Concordia Lutheran Church of Los Angeles
Caliber – ChangeMakers Academy (Oregon Street)	Summer 2025	Summer 2026	\$9,900,000	Pacific Charter School Dev.	(Owned)
Caliber – ChangeMakers Academy (Valle Vista Ave)	Summer 2025	Summer 2026	\$9,900,000	Pacific Charter School Dev.	Vallejo Acquisition Sub, LLC
James Jordan Middle School	N/A	N/A	\$14,300,000	N/A	(Refinancing)
<b>TOTAL</b>			<b>\$381,700,000</b>		

(See Appendix B--Project Photos)

## FINANCING STRUCTURE

### **IBank Term Sheet**

Equitable School Revolving Fund, LLC

Board Meeting Date: 8/28/2024

<b>Par Amount:</b>	Not to exceed \$275,000,000 in one or more tax-exempt and/or taxable series
<b>Type of Offering:</b>	Public Offering
<b>Underwriter:</b>	Underwriting syndicate with Siebert Williams Shank & Co. LLC acting as senior manager
<b>Credit Enhancement:</b>	None Expected
<b>Expected Credit Rating:</b>	S&P Global Ratings: A
<b>Interest Rate*:</b>	Not to exceed 6% across all Bonds
<b>Maturity*:</b>	40 years from the date of issuance
<b>Collateral:</b>	The ESRF Loan will be secured by Obligation No. 14, issued pursuant to Supplemental Master Indenture for Obligation No. 14 among the ESRF, as Initial Member of the Obligated Group, EFF, as Obligated Group Representative, and U.S. Bank Trust Company, National Association, as Master Trustee.
<b>Expected Closing Date*:</b>	October 22, 2024
<b>Conduit Transaction:</b>	The Bonds are special, limited obligations payable solely from payments made by the Borrower under the transaction documents and IBank shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of IBank for all or any portion of payment to be made pursuant to the Bonds.

\*Please note that Interest Rate, Maturity, and Expected Closing Date are subject to change.



## Financing Structure

The Bonds will be secured by a Master Trust Indenture (“MTI”). The Bonds will be sold to underwriting syndicate with Siebert Williams Shank & Co., LLC acting as senior manager through a public offering pursuant to a bond purchase agreement. IBank will loan the proceeds of the Bonds to the Borrower pursuant to a loan agreement (“Loan Agreement”).

The Bonds are issuable as fully registered Bonds. Bonds will be issued in minimum denominations of \$5,000 and any integral multiple of \$5,000 in excess thereof.

The Bonds will be secured by and payable from payments made by ESRF under the Loan Agreement, along with certain accounts established under the MTI. The security provided by the MTI includes a pledge of and security interest in the Borrower’s “Pledged Assets,” which include ESRF revenues, as well as the deeds of trust securing the school loans originated by EFF and purchased by ESRF. ESRF will utilize the proceeds of the Bonds to reimburse itself for the EFF loans it acquired with its own equity, and to acquire additional loans made to eligible charter schools. ESRF intends to use the charter school loans it acquires in the future to “revolve” the fund and to secure and repay additional rounds of bond financing.

The Bonds will be designated as the “California Infrastructure and Economic Development Bank National Charter School Revolving Loan Fund Revenue Bonds, Series 2024B – Social Bonds”. The “Social Bonds” designation is based on the social benefits of addressing socioeconomic advancement and empowerment of students who attend the charter schools financed by the Project. The Project will enable the charter school borrowers to better serve students from underserved communities, including students living below the poverty line, students with under-resourced parents, and homeless students. Kestrel Verifies authored a Second Party Opinion of the Bonds as Social Bonds based on the Social Bond Principals June 2023 issued by the International Capital Market Association (“ICMA”).

The Bonds will be marketed under an official statement, sold, and closed in conjunction with the Series 2024A Bonds to be issued by Arizona Industrial Development Authority that will finance charter school loans outside of California.

## Limited Obligations of IBank

The Bonds are payable solely from and secured solely by the pledge of the Borrower’s payments under the transaction documents. IBank; any of the members of its Board of Directors; any of its officers or employees; and any person executing the transaction documents on behalf of IBank shall not be personally liable for the Bonds or subject to any personal liability or accountability by reason of the execution thereof. The Bonds are limited obligations of IBank and are not a pledge of the faith and credit of IBank or the State of California or any of its political subdivisions.

## PUBLIC BENEFITS

ESRF provides low-cost fixed-rate financing for charter schools in California that have successful track records, with an emphasis on traditionally underserved communities. The Borrower expects the Project will result in an average cost savings of approximately \$3 million per school over the life of the loan, allowing schools to use cost savings in further enhancement of their educational programs.

The Project is expected to create and retain 176 Full time and 1 part time jobs.

**OTHER PROJECT DATA**

<b>PERMITS AND APPROVAL</b>	
Required?	<input checked="" type="checkbox"/> <b>NO</b> <input type="checkbox"/> <b>YES, Describe:</b>
<b>TEFRA</b>	
Date of TEFRA Publication:	8/19/2024
Publications:	<a href="https://www.ibank.ca.gov/board/2024-board-meetings/">https://www.ibank.ca.gov/board/2024-board-meetings/</a>
Date of TEFRA Hearing:	8/26/2024
Oral/Written Comments:	<input checked="" type="checkbox"/> <b>NO</b> <input type="checkbox"/> <b>YES, Explain:</b>
<b>ELIGIBILITY REVIEW</b>	
Applicant meets all of the IBank eligibility criteria? <input checked="" type="checkbox"/> <b>YES</b> <input type="checkbox"/> <b>NO</b>	<ol style="list-style-type: none"> <li>1. Project is in the State of California.</li> <li>2. The Borrower is capable of meeting the obligations incurred under relevant agreements.</li> <li>3. Payments to be made by the Borrower to IBank under the proposed financing agreements are adequate to pay the current expenses of the IBank in connection with the financing and to make all the scheduled payments.</li> <li>4. The proposed financing is appropriate for the Project.</li> </ol>
<b>INDUCEMENT CERTIFICATE</b>	
Completed?	<input type="checkbox"/> <b>NO</b> <input type="checkbox"/> <b>YES</b> Certificate No.: <input checked="" type="checkbox"/> <b>N/A</b> Date:

**RECOMMENDATION**

Staff recommends approval of Resolution No. 24-11 authorizing the issuance of Conduit Tax-Exempt and/or Taxable Fixed Rate Bonds, in an aggregate amount not to exceed \$275,000,000, for the benefit of Equitable School Revolving Fund, LLC.

## APPENDIX A: GOVERNANCE AND MANAGEMENT

### BOARD OF DIRECTORS

Kevin Hall, Member	CEO Charter School Growth Fund Broomfield, CO
Buddy Philpot, President	Senior Advisor Walton Enterprises Bentonville, AR
Ricardo Beausoleil, Member	Independent Director CT Corporation Wilmington, DE

### OFFICERS

Anand Kesavan	Chief Executive Officer and Founder
Michelle Getz	Chief Credit Officer
Mike McGregor	Chief Operating Officer

## APPENDIX B: PROJECT PHOTOS

### KIPP Public Schools Northern California

#### Conway Homes Middle School, Stockton



#### University Park Middle School, Stockton

