

LITERACY FIRST CHARTER SCHOOLS

NOVEMBER 2019

CLIENT PROFILE

Literacy First Charter Schools is a California 501(c)(3) nonprofit that operates four charter school campuses, three in El Cajon, California and one in neighboring Lemon Grove (San Diego County), plus an independent study program. The School opened its first campus in 2001, and has since grown to serve nearly 1,800 students in grades TK-12. While the majority of its programs are classroom based, the school also offers an independent study program with approximately 50-80 students enrolled.

In 2010, Ziegler underwrote a tax-exempt bond issue to allow Literacy First to fund improvements at its Liberty Academy Campus. While the bonds funded acquisition and renovations to the facility, the underlying land was occupied according to a long-term ground lease. Ziegler, working closely with Literacy First's management team and the financing team, helped structure a tax-exempt bond issue that received a BBB- rating from Standard and Poor's.

TRANSACTION HIGHLIGHTS

Other than the improvements at the Liberty Academy Campus that were funded from the Series 2010 proceeds, Literacy First continued to lease its facilities from unrelated third party landlords. The School had discussed purchasing its Junior Academy facilities from the Church that owned them for several years, but was not able to finalize negotiations until 2019. With the purchase underway, Literacy turned again to Ziegler to help secure financing.

In addition to acquiring the Junior Academy Campus, the School also planned to build a High School to replace the leased facility, but that project was mired in the permitting process. With timing of uncertain, the School decided to move forward with the Junior Academy Campus financing, but it was important that any financing also allow for the High School project to be financed in the future. Additionally, although the Series 2010 bonds were not refundable for a year, the School sought to take



\$10,630,000

California Public Finance Authority | Education Revenue Bonds
Literacy First Charter Schools Project

advantage of a very strong interest rate market in 2019 to lower its payments on those bonds.

ZIEGLER DIFFERENCE

In order to help Literacy First accomplish these goals, Ziegler worked with the School to find a structure that would minimize the cost of borrowing to acquire the Junior Academy Campus, allow for an early refunding of the Series 2010 bonds and preserve the School's ability to issue future debt to fund the High School project. Adding to the financing considerations was pressure from the Seller to close quickly, since the Church that was selling the site was trying to time the sale of the Junior Academy Campus to allow the Church to close on the purchase of its new site. Ziegler helped Literacy First achieve all of these goals by structuring a bifurcated issue with tax-exempt bond providing the lowest-cost financing for the Junior Academy Campus and taxable bonds allowing for an early refunding of the Series 2010 bonds. With the refunding of the 2010 bonds, Ziegler was able to help Literacy First structure new bond covenants that provided the flexibility to issue additional bonds for the High School project. Despite delays with some third-party reports, the financing closed on schedule, meeting the Seller's timing needs. More importantly, the final structure and pricing provided Literacy First with savings over Junior Academy lease payments and the 2010 bond debt service.

Literacy
First
Charter
Schools



"The tree of knowledge begins with literacy."

"In 2010, Literacy First Charter Schools teamed up with Ziegler to purchase our Liberty Academy Campus. When we had the opportunity to purchase our Junior Academy Campus in 2019, Ziegler was able to help us secure financing that fit our needs. We had been leasing the campus for 15 years and we're excited about the change from renting to owning. Aside from top quality service, Ziegler was able to provide financing in which the monthly debt service is less than the lease payments we had been paying. I cannot say enough good things about this experience."

Jerry Keough, CFO
Literacy First Charter Schools

This client's experience may not be representative of the experience of other clients, nor is it indicative of future performance or success.

For further information on the outstanding bonds for this issuer, please visit the Electronic Municipal Market Access system at <http://emma.msrb.org/>.

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