

**CALIFORNIA SCHOOL FINANCE AUTHORITY
LEASE REVENUE BONDS
(NEW JERUSALEM SCHOOLS PROJECT), SERIES 2011
QUALIFIED SCHOOL CONSTRUCTION BONDS
(DIRECT SUBSIDY BONDS)
EXECUTIVE SUMMARY**

RESOLUTION 11-11

Borrower:	New Jerusalem Elementary School District
Loan Amount:	Not to exceed \$5,100,000
Expected Issuance:	April 2011
Project:	Construction a of new 11,600 square foot multi-purpose building equipped with a gymnasium, classrooms, and office space including a music room, a state-of-the-art science classroom, uniquely designed special education facilities, a library, a computer lab, a general-purpose classroom, and centralized office space for the school's administration.
Bond Type:	Lease Revenue Bonds, Qualified School Construction Bonds (Direct Subsidy) (the "Bonds")
Expected Rating(s):	A/A-
Structure:	Term Bond maturing in approximately fifteen years
Sale Method:	Public Offering
Senior Manager:	Stone & Youngberg, LLC
Bond and Disclosure Counsel:	Orrick Herrington & Sutcliffe LLP

I. Background

The State has allocated to the California School Finance Authority ("CSFA") Qualified School Construction Bonds ("QSCBs") in the approximate amount of \$141 million. In July 2010, the board approved an open application period for the QSCB program. CSFA accepted applications from qualifying charter schools that were interested in taking advantage of the federal subsidies afforded by QSCBs via a conduit issuance through CSFA. New Jerusalem Elementary School District (the "Borrower") was awarded \$6.12 million of QSCB borrowing authority at the February 2011 CSFA meeting. Resolution 11-10 rescinds that allocation and reallocates \$5.1 million to the Borrower. Resolution 11-11 approves the financing, pending approval of the transaction and bond documents by CSFA.

II. Structure

The Bonds will be issued by the CSFA pursuant to a Trust Agreement, between the Authority and U.S. Bank National Association, as trustee, and secured by Base Rental Payments to be made by New Jerusalem Elementary School District for the use of the facilities pursuant to a Facility Sublease, between the District, as lessee, and the Authority, as lessor. The proceeds of the Bonds will be used to (i) finance improvements to charter school facilities within the District and (ii) pay a portion of the costs incurred in connection with the issuance of the Bonds.

III. Security and Source of Payment

The Bonds are secured by Revenues, which consist of (i) rental payments (the “Base Rental Payments”) to be made by the District out of the General Fund of the District under the Facility Sublease, (ii) all payments received by the Trustee with respect to the Intercept; and (iii) interest earnings on funds held under the Trust Agreement. Pursuant to the Facility Sublease, the Authority leases the Facilities to the District. As rental for the use and occupancy of the Facilities, the District covenants to pay Base Rental Payments to the Authority, which payments are pledged to the Trustee for the benefit of the Owners of the Bonds. The Base Rental Payments, which are subject to abatement, are calculated to generate sufficient Revenues to pay principal of and interest on the Bonds when due.

The District has covenanted in the Facility Sublease to include all Base Rental Payments in its annual budgets and to make the necessary annual appropriations therefore. On October 15, 2011 and on each April 15 and October 15 thereafter, the District must pay to the Trustee Base Rental Payments (to the extent required under the Facility Sublease) which are scheduled to be sufficient to pay, when due, interest on the Bonds, and provide for a deposit to the Principal Account.

IV. The Borrower

The New Jerusalem Elementary School, located at 31400 S. Koster Road, Tracy, California, originally opened in 1876 with a one room school house located on seven acres. The current facilities consist of a multipurpose room/gym, kitchen, administration rooms, library, computer lab, and 20 classrooms located in three main buildings and 12 portable classrooms. The “primary wing” classrooms were built in 1962, the “upperclass wing” classrooms were built in 1968, and the multipurpose room was built in 1972. All three main buildings underwent a major renovation and modernization in 2002. The playground structures were recently upgraded in 2008. The campus also has a two-acre grassy field for physical education, sports, and recreation.

The District operates three schools, New Jerusalem Elementary, a district kindergarten, New Jerusalem Elementary, a directly funded charter school comprising grades K through 8, and Delta Charter, a K-12 directly funded charter school. All three schools are operated at 31400 South Koster Road, Tracy, California.

Currently, the schools operated by the Borrower currently employ 44 certificated employees, 50 classified employees and 3 management employees (full-time

equivalents). Total enrollment for the District in 2009-10 as of June 30, 2010 was 786 students.

V. Preliminary Sources and Uses

Sources	
Qualified School Construction Bonds	\$ 5,100,000
Borrower Equity	85,000
Total Sources	\$ 5,185,000

Uses	
Project Budget*	\$5,000,000
Cost of Issuance and UW Discount	185,000
Total Uses	\$5,185,000

* Additional projects of \$2,315,000 will be funded out of CSFMGP (\$1,500,000) or the District's general fund (\$815,000).

VI. The Project

A portion of the proceeds from the Bonds will be used to fund construction of a new multi-purpose building, and ten thousand square feet of office space and classrooms. The Project includes construction a of new 11,600 square foot multi-purpose building equipped with a gymnasium, snack bar area, boys/girls restrooms, water faucets, etc. The gymnasium will seat 400 and be large enough to conduct at least two full physical education classes. The multi-purpose space will also be designed to hold performing arts classes and performances. The total cost of construction on the multi-purpose building is estimated at \$4,100,000 and the District expects to begin construction in fall of 2011.

The District has also been given unfunded approval for a matching Charter Schools Facilities Program grant in the amount of \$1.5 million dollars, and has enough un-housed pupil grants to qualify for a total of \$1.85 million dollars in matching grants to build 10,000 square feet of classrooms and office space. The classrooms and office space include a music room, a state-of-the-art science classroom, uniquely designed special education facilities, a library, a computer lab, a general-purpose classroom, and centralized office space for the school's administration. Proceeds from the Bonds will be used as the District's matching portion of the Project in the amount of \$2,000,000, and the District estimates that it will begin construction on the classrooms and office space in summer of 2011.

VII. Borrower Financial Data

Attached as Exhibit A is a schedule of historic revenues for the Borrower as well as an enrollment history for the District and associated affiliate schools.

VIII. Due Diligence Undertaken to Date

No information was disclosed to question the financial viability or legal integrity of the Borrower. Standard opinions of counsel (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.

IX. Staff Recommendation

Staff recommends CSFA approve Resolution Number 11-11 in an amount not to exceed \$5,100,000 for New Jerusalem Elementary School District subject to final financing terms acceptable to CSFA.

Exhibit A
Historical Revenue and Enrollment – New Jerusalem Elementary School District

	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10
REVENUES			
Total Revenue Limit	3,985,273	4,855,824	5,412,254
Federal sources	126,987	445,747	154,695
Other state sources	760,813	733,433	676,881
Other local sources	715,718	406,982	2,135,142
Total Revenues	<u>5,588,791</u>	<u>6,441,986</u>	<u>8,378,972</u>
EXPENDITURES			
Current			
Instruction	3,067,079	3,754,545	4,130,740
Instruction-related activities:			
Supervision of instruction	8,028	180,450	1,671
Instructional library, media, and technology	107,486	28,144	56,571
School site administration	668,897	266,711	928,225
Pupil services:			
Home-to-school transportation	108,695	109,274	120,034
Food Services	-	-	-
All other pupil services	106,264	61,548	81,820
Administration:			
All other administration	374,640	434,711	412,917
Plant Services	278,991	248,220	386,008
Facility acquisition and construction	-	-	-
Enterprise services	243,523	-	976,125
Other outgo	346,153	250,743	895,002
Total Expenditures	<u>5,360,804</u>	<u>5,334,346</u>	<u>7,989,113</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>227,987</u>	<u>1,107,640</u>	<u>389,859</u>
Other Financing Sources (Uses):			
Transfers in	-	569,876	113,508
Other sources	279,843	-	-
Transfers Out	(35,825)	(622,367)	(4,398)
Net Financing Sources (Uses)	<u>244,018</u>	<u>(52,491)</u>	<u>109,110</u>
NET CHANGE IN FUND BALANCES	472,005-	1,055,149	498,969
Fund Balance – Beginning	1,209,420	1,681,425	2,736,574
Fund Balance – Ending	\$ 1,681,425	\$ 2,736,574	\$ 3,235,543

Fiscal Year	Enrollment
2006-07	609
2007-08	614
2008-09	640
2009-10	762
2010-11	762