

**CALIFORNIA SCHOOL FINANCE AUTHORITY
SCHOOL FACILITY REVENUE BONDS
(HIGH TECH HIGH NORTH COUNTY ELEMENTARY PROJECT) SERIES 2013
QUALIFIED SCHOOL CONSTRUCTION BONDS
(DIRECT SUBSIDY BONDS)
*EXECUTIVE SUMMARY***

RESOLUTION 13-36

Borrower:	High Tech High
Loan Amount:	Not to exceed \$11,503,325
Expected Issuance:	August 2013
Project:	The project consists of building a new elementary school (K-5) adjacent to the existing middle and high schools. Plans include constructing a 38,000 square foot LEED certified facility on a 5.6 acre parcel, containing approximately 22 classrooms. The facility is expected to accommodate up to 460 students.
Bond Type:	Revenue Bond, Qualified School Construction Bonds (Direct Subsidy) (the "Bonds")
Credit Enhancement:	State Charter School Facilities Credit Enhancement by California School Finance Authority not to exceed \$870,000
Expected Rating(s):	No Rating
Structure:	Term Bond maturing June 30, 2023
Sale Method:	Private Placement
Bond Purchaser:	City National Bank
Bond 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 \$73 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. High Tech High (the "Borrower") was awarded \$6,500,000 of QSCB allocation on April 25, 2012 pursuant to Resolution No. 12-18 and \$5,253,325 of QSCB allocation on May 30, 2012 pursuant to Resolution No. 12-25. In a letter sent March 21, 2013, HTH unconditionally released \$250,000 of the allocation back to CSFA. Thus, HTH currently has a QSCB allocation of \$11,503,325.

CSFA previously approved Resolution No. 12-53 authorizing the issuance of an amount not to exceed \$11,503,325 of QSCBs on behalf of the Borrower on December 12, 2012. The Borrower is seeking this approval due to the change in structure of the anticipated

financing, which includes the contemplation of a private placement with City National Bank instead of a public offering.

II. Financial Structure

CSFA will issue the Bonds, the proceeds of which will be loaned to the Borrower pursuant to a Loan Agreement by and between CSFA and the Borrower, through a private placement with City National Bank. The Bonds will be sold as taxable obligations with a single “bullet” maturity on June 30, 2023. At the time that the principal is due, the Borrower expects to have a balance of \$3.3MM to refinance. Prior to this date, the Bonds will pay semi-annual interest only. CSFA, acting at the request of the Borrower, will elect for the Department of the Treasury to transfer to the trustee on a periodic basis a federal subsidy payment (based on current law) equal to the lesser of (i) 100% of the interest payable on the Bonds; or (ii) the interest that would have been payable on the Bonds if it were computed based on the rate applicable for qualified tax credit bonds in effect at the time of sale.

III. Security and Source of Payment

The Bonds are limited obligations of the Authority primarily payable from moneys received by the bond trustee through the Intercept and other moneys received directly from, or on behalf of the Borrower pursuant to the Loan Agreement. Payment obligations of the Borrower under the Loan Agreement are primarily limited to gross revenues of the Borrower related to the High Tech High North County Elementary Campus and certain other revenues from other campuses of the Borrower and affiliate groups of the Borrower. The High Tech High North County Elementary Campus will be subject to a deed of trust as security for the Bonds. No interest in any other facility of the Borrower will be used to support the Bonds.

IV. The Borrower

High Tech High was originally conceived by a group of about 40 civic and high tech industry leaders in San Diego, assembled by the Economic Development Corporation and the Business Roundtable, who met regularly from 1996 - 1998 to discuss the challenge of finding qualified individuals for the high-tech work force. In particular, members were concerned about the “digital divide” that resulted in low numbers of women and ethnic minority groups entering the fields of math, science, and engineering. Gary Jacobs, Director of Education Programs at Qualcomm, and Kay Davis, Director of the Business Roundtable, were key participants in these discussions.

In late 1998 the group voted to start a charter school and engaged Larry Rosenstock, then President of Price Charities in San Diego, as the founding principal. The founding group was clear about its intent: to create a school where students would be passionate about learning and would acquire the basic skills of work and citizenship. Rosenstock, a former carpentry teacher, lawyer, and high school principal who had recently directed the U.S. Department of Education’s New Urban High School project, brought a vision and a sense of the design principles by which this mission might be accomplished (see Design Principles, below).

From January 1999 to the opening of the Gary & Jerri-Ann Jacobs High Tech High in September of 2000, Rosenstock and the founding group, led by Gary Jacobs, worked in

tandem. Rosenstock located a site, prepared the charter application, hired staff, and oversaw the development of the program, while Jacobs and the business community took the lead in addressing issues of financing and facilities development. High Tech High was established in April 1999. Its flagship school opened in San Diego in September 2000. With significant support from the William and Melinda Gates Foundation in its early years, High Tech High quickly became recognized for its innovative academic programs and inspired a group of charter schools across the country to emulate its model. In 2003, High Tech Middle was opened, followed by High Tech High International in 2004, and High Tech Middle Media Arts and High Tech High Media Arts in 2005. Explorer Elementary, founded in 1999, became affiliated with High Tech High's parent, HTH Learning, when it moved to the Liberty Station campus in 2005. In the midst of the opening of the San Diego schools, High Tech High was the 1st charter school to be approved by the California Commission on Teacher Credentialing to operate a teacher credentialing program and the first charter schools in California permitted to join a SELPA (Special Education Local Plan Area) and conduct its own special education programs.

In 2006, High Tech High was the first organization to be approved for a new chartering model in California, the statewide benefit charter. As a condition of the initial charter, High Tech High was required to open a minimum of two schools by the fall of 2007. High Tech High Chula Vista opened in September 2007 in leased space in the newly opened Matre Dei private school. High Tech High North County opened in the same month in a temporary campus assembled on the property where its permanent facility was soon to be built. High Tech High Chula Vista moved into its permanent home in January 2009 and High Tech High North County moved its operations into its permanent home in August 2009.

In 2007, HTH Learning opened the High Tech High Graduate School of Education on its San Diego campus. The High Tech High Graduate School of Education offers masters degrees in Teacher Leadership and School Leadership and a certificate program in Leading Schools. The GSE is a potent resource for teachers and staff employed by High Tech High and furthers the broader goals of the organization to inspire and lead positive change in K-12 education in the US and abroad.

In July 2009, High Tech High Graduate School of Education became a separate 501(c)3 organization and began the process for accreditation as an Institute of Higher Education through WASC. The High Tech High Graduate School of Education is the first post-graduate program to be fully imbedded in a K-12 learning environment. High Tech Middle North County was opened in August 2009 in the temporary campus space vacated by High Tech High North County. It became the third school added under the SBC-High Tech High charter.

In September 2011, two new schools were opened under the SBC-High Tech High charter in Chula Vista. With the addition of High Tech Elementary Chula Vista and High Tech Middle Chula Vista, the Chula Vista campus was extended to serve the entire K-12 continuum. In the fall of 2012, the High Tech High Graduate School of Education was awarded Candidacy status by WASC, the final step prior to full accreditation.

V. Preliminary Sources and Uses

Sources	
Borrower Equity	5,700,000
Sale of Bonds	11,503,325
<i>Total Sources</i>	\$17,203,325

Uses	
Land (including related legal)	\$5,584,546
Design/Entitlements/Miscellaneous	\$1,623,355
Construction	\$7,535,450
FF&E	915,300
Costs of Issuance	500,000
Revenue Fund Deposit	300,000
Owner Contingency	744,674
<i>Total Uses</i>	\$ 17,203,325

VI. Project Description

The bond proceeds will be used to build a new elementary school (K-5) on land acquired adjacent to the existing the middle and high school campus. Plans include constructing a 38,000 square foot LEEDS certified facility on a 5.6 acre parcel, containing approximately 22 classrooms. The facility is expected to accommodate up to 460 students, with a target full enrollment of 420 students. The site will also include a playground, recreation area, and other site improvements. The projected opening date for the new facility is set for August 2014. The Borrower intends to continue its award-winning tradition of creating school facilities that achieve rigorous environmental standards. The Facility has been designed to meet LEED Certification and California High Performing Schools (CHPS) standards.

VII. Borrower Financial Data

Attached at Exhibit A is a schedule of the Borrower's historic assets and liabilities, revenues and expenses, as well as enrollment history and projections.

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 the California School Finance Authority approve Resolution #13-36 in an amount not to exceed \$11,503,325 for High Tech High subject to final financing terms acceptable to CSFA.

EXHIBIT A

HTH LEARNING AND CONTROLLED AFFILIATES CONSOLIDATED STATEMENT OF FINANCIAL POSITION JUNE 30, 2012

ASSETS	
Current assets	
Cash and cash equivalents	\$ 15,466,072
Accounts receivable	9,762,871
Other current assets	129,746
Total current assets	<u>25,358,689</u>
Capital assets	
Property and equipment	109,614,830
Less accumulated depreciation	<u>(17,351,119)</u>
Capital assets, net	<u>92,263,711</u>
Long-term assets	
Debt service reserve funds	1,592,751
Sinking funds	371,715
Deferred bond issuance charges	1,967,775
Investments	3,550,717
Other long-term assets	3,677,518
Total long-term assets	<u>11,160,476</u>
Total Assets	<u>\$ 128,782,876</u>
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable and accrued expenses	\$ 2,670,656
Deferred revenue	869,754
Interest on long term debt	1,404,071
Bonds payable, current portion	473,603
Total current liabilities	<u>5,418,084</u>
Long-term liabilities	
Loan payable	20,812,340
Bonds payable, less current portion	50,624,944
Total long-term liabilities	<u>71,437,284</u>
Total liabilities	<u>76,855,368</u>
Net assets	
Unrestricted	41,358,091
Temporarily restricted	10,569,417
Total net assets	<u>51,927,508</u>
Total Liabilities and Net Assets	<u>\$ 128,782,876</u>

The notes to the financial statements are an integral part of this statement.

HTH LEARNING AND CONTROLLED AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Federal and state support and revenues			
General purpose entitlement	\$ 16,519,655	\$ -	\$ 16,519,655
Categorical block grant	2,231,929	-	2,231,929
Special education entitlements	2,709,997	-	2,709,997
Other federal revenues	1,239,343	-	1,239,343
Other state revenues	2,229,645	-	2,229,645
Total federal and state support and revenues	24,930,569	-	24,930,569
Local support and revenues			
Payments in lieu of property taxes	8,611,881	-	8,611,881
Grants and contributions	1,258,883	6,791,430	8,050,313
Tuition and other service fees	690,918	-	690,918
Investment income, net	115,397	-	115,397
Other local revenues	1,455,554	-	1,455,554
Total local support and revenues	12,132,633	6,791,430	18,924,063
Donor restrictions satisfied	721,585	(721,585)	-
Total Support and Revenues	37,784,787	6,069,845	43,854,632
EXPENSES			
Program services			
K-12 Instruction	22,463,018	-	22,463,018
M.Ed. Instruction	469,094	-	469,094
Education facilities	3,091,592	-	3,091,592
Dissemination	271,607	-	271,607
Supporting services			
Management and general	8,371,245	-	8,371,245
Fundraising	275,679	-	275,679
Depreciation and amortization	4,197,435	-	4,197,435
Total Expenses	39,148,293	-	39,148,293
CHANGE IN NET ASSETS	(1,363,506)	6,069,845	4,706,339
Net Assets - Beginning	42,721,597	4,499,572	47,221,169
Net Assets - Ending	\$ 41,358,091	\$ 10,569,417	\$ 51,927,508

The notes to the financial statements are an integral part of this statement.