

\$14,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
SCHOOL FACILITY REVENUE BONDS
(HTH LEARNING PROJECT)
SERIES 2015
EXECUTIVE SUMMARY
RESOLUTION 15-29

Borrower:	HTH Learning (the “Borrower”)
Project User:	High Tech High (the “Lessee”) operating High Tech Elementary and High Tech High North County
Loan Amount:	Not to exceed \$14,000,000
Expected Issuance:	October 27, 2015
Project:	The proceeds of the bonds will be used to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and equipping of educational facilities located in San Diego County.
Bond Type:	School Facility Revenue Bonds
Project Location:	See “Project Information” section
Counties Served:	San Diego
District in which Project is Located:	San Diego Unified School District
Charter Authorizer:	Statewide Benefit Charter
Est. Annual Payment:	\$1,012,240
Anticipated Rating:	Not Applicable
Structure:	\$11,650,000 - Fixed Rate tied to 15-year Treasury, Amortized over 15 years
Sale Method:	Private Placement
Purchaser:	City National Bank
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Trustee:	The Bank of New York Mellon Trust Company, N.A.

I. Use of Bond Proceeds / Project Information

The Project will include financing and/or refinancing the costs of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of certain charter school educational facilities operated by HTH Learning, for the benefit of public charter schools operated by its affiliate, High Tech High, including classroom and administrative spaces and related appurtenant facilities. Below is a project breakdown associated with this financing.

School Site	Location	Purpose	Amount
High Tech High North County	1420 San Marcos Blvd. San Marcos, CA 92078	Refinance an Outstanding Loan (NMTC)	\$2,500,000
High Tech Elementary	2150 Cushing Rd., San Diego, CA 92106	Refinance an Outstanding Loan (City Line of Credit)	\$8,000,000
High Tech Elementary	2150 Cushing Rd., San Diego, CA 92106	Reimbursement Borrower Project OOP	\$917,000
Total Estimated Project Costs			\$11,417,000

II. High Tech High Learning / High Tech High (HTH)

HTH Learning, a California nonprofit public benefit corporation was founded in 2001 with a mission to manage and support the growth of schools operated by its affiliate, High Tech High. Since a critical need of all charter schools are functionally appropriate facilities, HTH Learning has from its inception stepped forward to plan and finance facilities for High Tech High to use. HTH Learning also has served as an incubator for new initiatives related to the High Tech High schools, including the High Tech High Graduate School of Education and many of the dissemination programs that bring over 3,000 educators to High Tech High schools each year to view, experience, and receive technical assistance from High Tech High staff.

High Tech High (HTH) is a 501(c)(3) nonprofit, public benefit corporation. The charter schools operated by HTH were granted charters by the San Diego Unified School District and the California State Board of Education. The charter schools receive per-pupil funding to help support operations. HTH currently serves approximately 5,250 students in five high schools, four middle schools, and four elementary schools in the county of San Diego.

High Tech High began in 2000 as a single charter high school launched by a coalition of San Diego business leaders and educators. It has evolved into an integrated network of schools spanning grades K-12, housing a comprehensive teacher certification program. An affiliate operates a new, innovative Graduate School of Education, the first in the country to be fully imbedded within K-12 schools.

At each school, HTH strives to achieve its goals to 1) serve a student body that mirrors the ethnic and socioeconomic diversity of the local community 2) integrate technical and academic education to prepare students for post-secondary education in both high tech and liberal arts fields 3) increase the number of educationally disadvantaged students in math and engineering who succeed in high school and post-secondary education and 4) graduate students who will be thoughtful, engaged citizens.

III. Financial Structure

The Bonds are expected to be issued in one series. The series will be tax-exempt and will be approximately \$11,650,000 with a fixed rate tied to 15-year Treasury and amortized over 15 years. The Bonds will have a final maturity of October 1, 2030.

IV. Security and Source of Payment

The Bonds will be payable from and secured by Payments under the Indenture, consisting primarily of Loan Repayments under the Loan Agreement. The obligations of the Borrower

under the Loan Agreement are payable from and secured by Gross Revenues, being all of the revenues, income, cash receipts and other money, solely with respect to any school operated by the Lessee at the Facility and held by the Borrower, received by the Borrower, or received by the Trustee on behalf of the Borrower pursuant to the Indenture, that are legally available for payment of the obligations of the Borrower under the Loan Agreement, and by the Deeds of Trust on each Facility. As further security for the Bonds, in connection with the issuance of the Bonds, the Borrower will provide instructions to the State Controller's Office to make an apportionment to the Trustee in amounts and on dates provided in a written notice sufficient to repay the Bonds and pay necessary and incidental costs. Funds received by the Trustee pursuant to the Intercept described in clause (i) of the definition of Payments will be held in trust and will be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture, including if necessary, the payment of debt service on the Bonds. Under state law, no party, including the Borrower or any of its creditors will have any claim to the money apportioned or to be apportioned to the Trustee by the State Controller pursuant to the Intercept.

V. Preliminary Sources and Uses/Cost of Issuance

Below are the preliminary sources and uses, and detailed information about the costs of issuance for board consideration. Please note that these figures are subject to change between the time of board packets being distributed and the time of the board meeting – members will be provided updated figures should they change before the board meeting date.

Sources:		Series 2015A
Bond Proceeds:		
	Par Amount	\$11,650,000
Uses:		Series 2015A
Project Fund Deposits:		
	HTH North County Loan Refinance (NMTC)	\$2,500,000
	High Tech Elementary-City Loan Refinance	\$8,000,000
	High Tech Elementary- Borrower OOP Reimbursement	\$917,000
		\$11,417,000
Cost of Issuance:		
		\$233,000
		Total \$11,650,000

<u>Cost of Issuance:</u>	<u>Estimated Amount</u>
Issuer Fee	\$15,825.00
STO Agent for Sale fee	\$6,000.00
Issuer Application Fee (Reimburse to Borrower)	\$1,500.00
Issuer's Annual Fee (paid upfront)	\$1,747.50
Issuer Counsel Fee	\$7,000.00
Bond Counsel Fee & Expenses	\$55,000.00
Trustee Counsel Fee	\$3,000.00
Trustee Fee	\$500.00
Investor's Counsel - Kutak Rock	\$50,000.00
Loan Origination Fee – City National Bank 50%	\$58,250.00
Ticor Title Company	\$15,000.00
Contingency	\$19,177.50
Total Costs	\$233,000.00

VI. Borrower Financial Data

Exhibit A contains financial and operational information for High Tech High.

VII. 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, is a 501(c)(3) organization, has the full authority to enter into all documents which are valid and binding, etc.) will be delivered at closing.

VIII. Bond Sales Restrictions

CSFA's standard transfer restrictions for an unrated financing have been incorporated in the governing documents: The Bonds will be issued only in Authorized Denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof, and they may not be transferred to any person except an Accredited Investor or an Approved Institutional Buyer. In addition, City National Bank, as the initial private placement purchaser of the Bonds, will deliver a standard form of CSFA Investor Letter at closing. These transfer restrictions will be conspicuously noted on the Bonds and in the bond documents, and there will be physical delivery of the Bonds. Further, Bond Payments will be made pursuant to Section 17199.4 of the Education Code.

IX. Staff Recommendation

Staff recommends CSFA approve Resolution Number 15-29 authorizing the Issuance of School Facility Revenue Bonds in an Amount Not to Exceed \$14,000,000 to Finance and Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and Equipping of Educational Facilities Located in San Diego County, California for HTH Learning.

Exhibit A – Financial and Operational Information

2013-14 Financial Position	
ASSETS	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 8,390,847
Accounts receivable	6,153,487
Prepaid expenses	66,462
Construction project funds	9,163,706
Contributions receivable, current portion	<u>83,967</u>
Total current assets	23,858,469
<u>Capital Assets</u>	
Property and equipment	150,585,156
Less accumulated depreciation	<u>(23,781,753)</u>
Capital assets, net	126,803,403
<u>Long-term Assets</u>	
Capital project sinking funds	1,820,081
Debt service reserve funds	1,592,750
Deferred bond issuance charges	1,935,023
Contributions receivable, long-term portion	3,509,583
Other investments	<u>14,240,994</u>
Total long-term assets	<u>23,098,431</u>
Total Assets	<u><u>\$ 173,760,303</u></u>
LIABILITIES AND NET ASSETS	
<u>Current Liabilities</u>	
Accounts payable	\$ 2,784,017
Accrued expenses	1,000,419
Interest payable on long term debt	1,707,945
Deferred revenue	252,542
Bonds payable, current portion	<u>11,394,614</u>
Total current liabilities	17,139,537
<u>Long-term Liabilities</u>	
Notes payable	20,812,340
Bonds payable	<u>50,220,000</u>
Total long-term liabilities	71,032,340
<u>Net Assets</u>	
Unrestricted	80,813,138
Temporarily restricted	<u>4,775,288</u>
Total net assets	<u>85,588,426</u>
Total Liabilities and Net Assets	<u><u>\$ 173,760,303</u></u>

Approved FY 2016 Budget (Related Schools)

2015-16 Adopted Budgets

HTH Learning & Controlled Affiliates, on a consolidated basis

NOTE: The adopted budgets do not include the equity gained from the unwind of the New Market Tax Credit structure

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Revenue Limit Sources			
Local Control Funding Formula State Aid	22,535,537	0	22,535,537
Education Protection Account	7,302,180	0	7,302,180
In Lieu of Property Tax	<u>11,004,378</u>	<u>0</u>	<u>11,004,378</u>
Total Revenue Limit Sources	40,842,095	0	40,842,095
Federal Revenues			
No Child Left Behind	1,269,246	0	1,269,246
Special Education - Federal	900,076	0	900,076
Child Nutrition - Federal	<u>90,572</u>	<u>0</u>	<u>90,572</u>
Total Federal Revenues	2,259,894	0	2,259,894
Other State Revenues			
Special Education - State	2,159,144	0	2,159,144
Child Nutrition - State	7,548	0	7,548
Mandated Cost Block Grant	2,988,201	0	2,988,201
Lottery	711,585	0	711,585
All Other State Revenues	<u>0</u>	<u>639,504</u>	<u>639,504</u>
Total Other State Revenues	5,866,478	639,504	6,505,982
Other Local Revenues			
All Other Local Revenues	<u>4,883,451</u>	<u>1,778,220</u>	<u>6,661,671</u>
Total Other Local Revenues	4,883,451	1,778,220	6,661,671
Other Financing Sources and Uses			
Restricted Fund Balance Prior Year	<u>0</u>	<u>347,500</u>	<u>347,500</u>
Total Other Financing Sources and Uses	<u>0</u>	<u>347,500</u>	<u>347,500</u>
Total Revenues	<u>53,851,918</u>	<u>2,765,224</u>	<u>56,617,142</u>
Expenses			
Certificated Salaries			
Teachers' Salaries	(18,808,683)	(86,923)	(18,895,606)
Certificated Pupil Support	(1,203,686)	0	(1,203,686)
Certificated Administrators	(2,233,343)	0	(2,233,343)
Other Certificated	<u>(147,867)</u>	<u>(332,640)</u>	<u>(480,507)</u>
Total Certificated Salaries	<u>(22,393,579)</u>	<u>(419,563)</u>	<u>(22,813,142)</u>

Non-certificated Salaries			
Instructional Aides	(2,101,850)	0	(2,101,850)
Classified Support & Custodial	(1,080,006)	0	(1,080,006)
Classified Administrators	(1,576,974)	0	(1,576,974)
Clerical and Office	(2,261,586)	(151,702)	(2,413,288)
Other - Noon Duty and Security	<u>0</u>	<u>0</u>	<u>0</u>
Total Non-certificated Salaries	(7,020,416)	(151,702)	(7,172,118)
Employee Benefits			
STRS	(2,324,382)	(2,869)	(2,327,251)
PERS	(636,057)	(4,860)	(640,917)
Social Security & Medicare	(800,351)	(41,615)	(841,966)
Health Benefits	(2,828,593)	(32,026)	(2,860,619)
Unemployment Insurance	(313,513)	(6,230)	(319,743)
Workers' Compensation	(644,059)	(25,541)	(669,600)
Other Employee Benefits	<u>(134,593)</u>	<u>(34,550)</u>	<u>(169,143)</u>
Total Employee Benefits	(7,681,548)	(147,691)	(7,829,239)
Books and Supplies			
Books and Reference Materials	(158,964)	0	(158,964)
Materials and Supplies	(1,900,952)	(3,504)	(1,904,456)
Noncapitalized Equipment	(787,000)	0	(787,000)
Food	<u>(422,006)</u>	<u>0</u>	<u>(422,006)</u>
Total Books and Supplies	(3,268,922)	(3,504)	(3,272,426)
Services and Other Operating			
Travel and Conference	(476,898)	(157,464)	(634,362)
Dues and Memberships	(12,500)	0	(12,500)
Insurance	(313,976)	0	(313,976)
Operations and Housekeeping	(1,347,598)	0	(1,347,598)
Rentals, leases, repairs and non-cap improvements	(53,487)	(83,968)	(137,455)
Prof/consulting svcs and operating expends	(4,223,563)	(971,717)	(5,195,280)
Communications	<u>(106,351)</u>	<u>(996)</u>	<u>(107,347)</u>
Total Services and Other Operating	(6,534,373)	(1,214,145)	(7,748,518)
Depreciation			
Depreciation Expense	<u>(5,108,651)</u>	<u>0</u>	<u>(5,108,651)</u>
Total Depreciation	(5,108,651)	0	(5,108,651)
Other Outlay			
Reservation for Principal Repayment	(2,358,775)	0	(2,358,775)
Long-Term Debt Interest	(2,479,065)	0	(2,479,065)
Total Other Outlay	<u>(4,837,840)</u>	<u>-</u>	<u>(4,837,840)</u>
Total Expenses	<u>(56,845,329)</u>	<u>(1,936,605)</u>	<u>(58,781,934)</u>
Change in Net Assets	<u>(2,993,411)</u>	<u>828,619</u>	<u>(2,164,792)</u>

Multi-Year Financial Projections

MULTI-YEAR BUDGET PROJECTION MODEL				
HTH LEARNING & CONTROLLED AFFILIATES, ON A CONSOLIDATED BASIS				
		2016-17	2017-18	2018-19
Object Code	Object Title	Projected	Projected	Projected
1000	Certificated Salaries	21,168,493	21,566,054	21,889,545
2000	Classified Salaries	6,359,283	6,460,738	6,589,953
3000	Employee Benefits - Budget	6,705,343	7,214,733	7,575,470
4300	Materials and Supplies	1,474,269	1,473,119	1,502,581
4400	Equipment - Noncapital	403,909	403,909	411,987
4700	Food services for students	350,909	350,909	357,927
5200	Travel & conferences	94,404	94,336	96,223
5400	Insurance	307,937	313,647	319,920
5520	Communications	94,744	94,601	96,493
5550	Utilities & Contract Maintenance	971,114	1,017,386	1,037,734
5555	Other Facility Expense	489,288	496,602	506,534
5630	Equipment Lease	27,181	27,160	27,703
5800	Other services and operating expenses	2,496,647	2,493,355	2,543,222
5801	Depreciation & Amortization	5,006,663	4,546,663	4,546,663
5802	Authority and Trustee Fees	16,631	16,631	16,964
5817	FLHB LOC Carrying Charge	270,883	270,883	276,301
5818	Bond Interest	3,865,395	3,821,693	3,898,127
5919	QSCB Interest Subsidy	(1,346,661)	(1,346,661)	(1,373,594)
5816	Ordinary Interest	2,500	2,500	2,550
5890	R & M - Facilities	340,956	340,956	347,775
7290	Charter Oversight Fees 1%	384,497	365,141	372,444

9999	Expend from Restricted Sources	83,965	83,965	85,644
	Total Unrestricted Expenditures	49,568,350	50,108,320	51,128,165
		-	-	-
	LCFF BASE	39,111,411	39,742,442	40,537,291
	Includes prop tax & EPA (split below)	-	-	-
8000	LCFF BASE STATE AID PORTION	21,424,781	21,946,893	22,741,742
8001	LCFF SUPPLEMENTAL	2,640,804	2,706,825	2,760,962
8010	LCFF LOCAL PROP TAX	10,294,573	10,284,227	10,284,227
8012	LCFF EDUCATION PROTECTION ACCT	7,392,057	7,511,322	7,511,322
		-	-	-
8300	Other State	2,807,543	2,803,701	2,859,775
8100	Federal Grants and Entitlements	1,806,887	1,805,418	1,841,526
8560	Lottery Income	713,079	719,228	733,613
8600	Grants & Donations	732,662	732,662	747,315
8617	Annual Appeal	516,185	515,554	525,865
8620	Donation from HTH Learning - Pt Loma	4,500	4,500	4,590
8620	Donation from HTH Learning - NC	-	-	-
8947	Student Lunch Sales	267,535	267,535	272,886
8820	GSE Tuition	126,238	130,025	132,626
8933	GSE Dissemination	548,974	548,974	559,953
8810	Credentialing Income	155,998	155,998	159,118
8970	Interest Earned	223,456	261,351	266,578
8980	Miscellaneous local income	840,197	839,974	856,773
8995	Developer Fees	24,000	-	-
8945	HTH Investment	-	-	-
9999	Revenues Released from Restriction			

		83,965	83,965	85,644
	Total Unrestricted Income	50,603,434	51,318,152	52,344,515
	Net Profit/(Loss)	1,035,084	1,209,832	1,216,350
	Debt Service Coverage Ratio			
	Net Income	1,035,084	1,209,832	1,216,350
	Add: Depreciation & Amortization	5,006,663	4,546,663	4,546,663
	Add: Interest Payable LT Debt	2,518,734	2,475,032	2,524,533
	Income Available for Debt Service	8,560,481	8,231,527	8,287,546
	MADS **	5,157,707	5,157,707	5,157,707
	DSCR Ratio	1.66	1.60	1.61
	Required DSCR Ratio	1.20	1.20	1.20
* Forecast does not include Hale gift nor any income from Hale property which will be set aside for future Hale modernization.				