

\$25,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE REFUNDING BONDS
(ASPIRE PUBLIC SCHOOLS -OBLIGATED GROUP)
SERIES 2015A (TAX-EXEMPT) AND 2015B (TAXABLE)

EXECUTIVE SUMMARY
RESOLUTION 15-30

Borrower:	College for Certain, Inc. (the "Borrower")
Project User:	Aspire Public Schools, operating Aspire River Oaks Charter School and Aspire Benjamin Holt College Preparatory Academy
Loan Amount:	Not to exceed \$25,000,000
Expected Issuance:	December 2015
Project:	The proceeds of the bonds will be used to finance and refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and equipping of educational facilities located in San Joaquin County.
Bond Type:	Charter School Revenue Refunding Bonds (Taxable and Tax- Exempt Series)
Project Location:	See "Project Information" section
Counties Served:	San Joaquin County
District in which Project is Located:	Lodi Unified School District
Charter Authorizer:	Lodi Unified School District
Est. Annual Payment:	\$1,510,341
Anticipated Rating:	BB+ or BBB-
Structure:	22,920,000 (Tax-Exempt) and \$385,000 (Taxable), Fixed Rate, interest-only through February 1, 2016
Sale Method:	Public Offering
Underwriter:	Stifel, Nicolaus, & Company, Incorporated
Bond Counsel:	Orrick, Herrington, & Sutcliffe LLP
Trustee:	MUFG Union Bank, N.A.

I. Use of Bond Proceeds / Project Information

The purpose of the proposed financing is to finance and refinance the acquisition, construction, improvement, equipping and furnishing of Aspire Benjamin Holt College Preparatory Academy (“Ben Holt”) and Aspire River Oaks Charter School (“ROCS”), both located in Stockton, CA (collectively, the “Facilities”). The Facilities will be owned by College for Certain II, LLC and leased to Aspire Public Schools (“Aspire” or the “Lessee”) under separate lease agreements between Aspire Public Schools and College for Certain II, LLC for Aspire to operate charter schools. The refinancing of the ROCS campus (the “ROCS Project”) will be done by prepaying Aspire’s obligations under the Capital Projects Sublease, dated as of January 1, 2005 between Aspire and the Lodi Unified School District (“Lodi USD”). Upon prepayment, the title of the River Oaks Campus facility will transfer to the Borrower. The refinancing of the Ben Holt campus will be done by prepaying Aspire’s obligations under the Capital Projects Sublease, dated as of January 1, 2005 between Aspire and the Lodi USD. Upon prepayment, the title of the Ben Holt Campus facility will transfer to the Borrower. Lodi USD will use the proceeds Aspire’s payment of the Capital Projects Subleases to current redeem 100% of the outstanding 2005 Certificates of Participation (currently outstanding amount of \$15,990,000) that were issued on behalf of Aspire on January 11, 2005 (“2005 COPs”).

Besides the refinancing of the 2005 COPs, the remaining 2015 Bond proceeds (about \$5 million), along with Borrower contributed funds (about \$2 million) will also be used to finance the expansion of the Ben Holt campus, including improvements and new construction of a school building and parking/land acquisition costs (the “Ben Holt Project”, together with the ROCS Project, the “Project”). It is currently anticipated that a new 6-12 charter will be approved by Lodi USD to permit Aspire to operate a new school (“Ben Holt II”) on the Facilities. Aspire has submitted a charter petition application to Lodi USD for Ben Holt II. The petition is expected to be approved by Lodi USD by mid-November 2015.

The Facilities financed and refinanced with proceeds of the Bonds will be leased to Aspire, a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”), from College For Certain II, LLC, a California limited liability company, as lessor (“Lessor”) pursuant to separate Lease Agreements, dated as of [As of Date] (each, a “Lease”) by and between the Lessee and the Lessor. The Facilities will be used by Aspire to operate charter schools. Aspire will make payments of Base Rent under the Leases from revenues derived solely from the charter school identified in such Lease.

II. Aspire Public Schools and College for Certain II, LLC

Aspire is a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Code. Founded in 1998, Aspire has designed and developed 38 charter schools, including 35 in the State of California and 3 charter schools in the State of Tennessee. As of November 1, 2015, more than 14,600 students are served by Aspire charter schools, including more than 14,000 students in the State of California. Aspire is currently the largest charter management organization (“CMO”) in the State of California. Within the State of California, there are 13 schools located in the Central Valley, 10 charter schools located in the San Francisco Bay Area, and 12 schools located in the Los Angeles metropolitan area. The 35 charter schools in the State of California are operated by Aspire through the authorization granted by 13 different charter authorizers. The 3 charter schools in the State of Tennessee are operated by separate limited liability companies, the sole member of which is Aspire. The revenues of the Tennessee schools are not linked to this transaction. Aspire is the recipient of all state and federal revenue for all of its charter schools.

College For Certain II, LLC is a California nonprofit public benefit corporation that supports ROCS and Ben Holt (collectively, the “Schools”), each a charter school organized under California Education Code (“EC”) 47600 et seq.

The Borrower is a party to the Master Indenture of Trust (the “Master Indenture”), as supplemented by a Supplemental Master Indenture for Obligation No. 1 (“Obligation No. 1”), each by and between the Borrower as representative of the Obligated Group, and MUFG Union Bank, N.A., as master trustee. However, the Borrower is not itself a Member of the Obligated Group.

III. Financial Structure

The Bonds are expected to be issued in two series: (1) Series A (Tax-Exempt) will be approximately \$22,920,000, and (2) Series B (Taxable) will be approximately \$385,000. The Bonds will have a final maturity of August 1, 2045. The Bonds will be interest-only through February 1, 2016 (the first principal payment will be August 1, 2016).

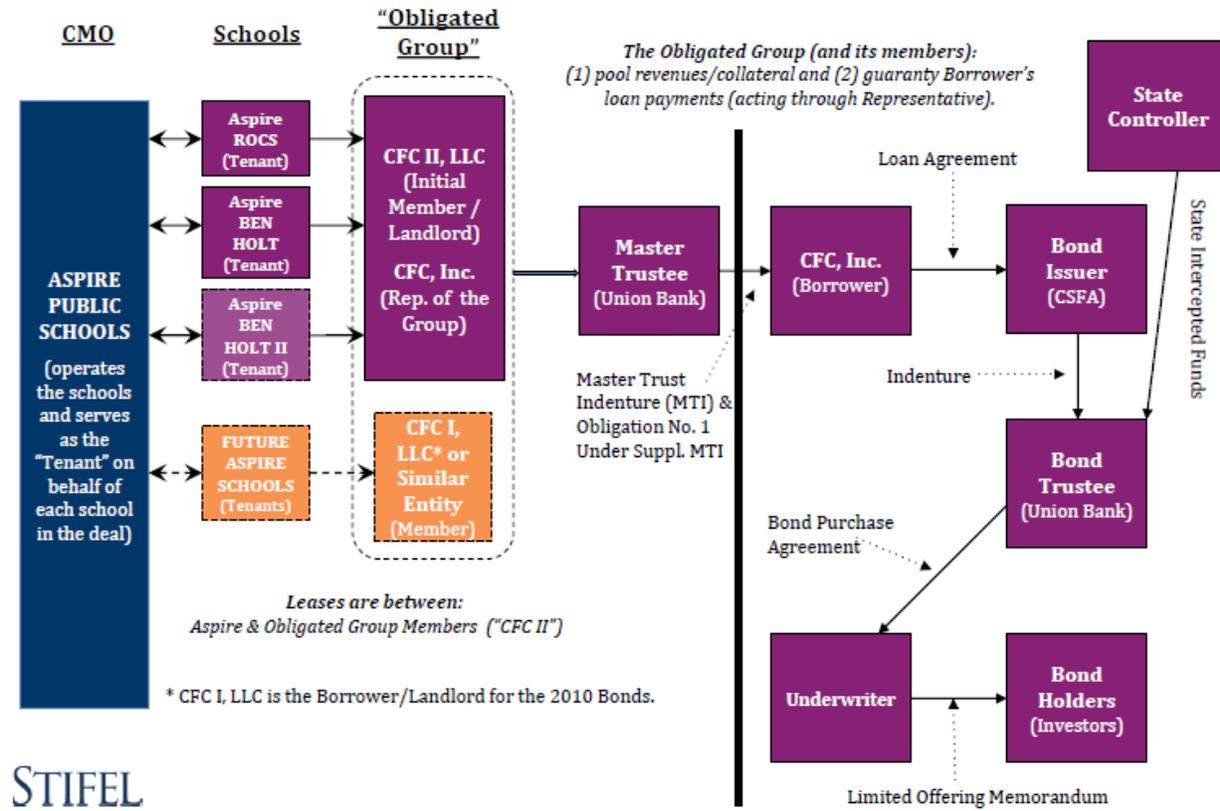
IV. Security and Source of Payment

The Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Trustee pursuant to the Loan Agreement, and Obligation No. 1 issued by the Borrower in an amount equal to the aggregate principal amount of the Bonds pursuant to the Master Indenture, as supplemented by Obligation No. 1.

As additional security for the Bonds, in connection with the issuance of the Bonds, Aspire will provide instructions to the State Controller’s Office to make apportionments to MUFG Union Bank, N.A., as bond trustee with respect to each of the Lessees in amounts and on dates provided in a written notice sufficient in the aggregate to repay the Bonds and pay necessary and incidental costs relating to the Bonds. Funds subject to these Intercepts by the State Controller are limited to funding apportioned for purposes of the charter school block grant or the local control funding formula.

V. Mechanics of the Obligated Group Structure

Pursuant to the Master Indenture, all Members of the Obligated Group are jointly and severally liable with respect to the payments due in respect of each Obligation issued under the Master Indenture. The Members of the Obligated Group are required to make payments on Obligation No. 1 in an amount sufficient to pay the principal of and premium, if any, and interest on the Bonds when due. Currently, the sole Member of the Obligated Group is College for Certain II, LLC. The Borrower serves as the representative of the Obligated Group. However, the Borrower is not a member of the Obligated Group and is not obligated to make payments of principal of and interest on the Bonds in such capacity.



VI. 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 (Tax-Exempt)	Series 2015B (Taxable)	Total
Par Amount	\$22,920,000.00	\$385,000.00	\$23,305,000.00
Net Premium	\$387,639.25	\$0.00	\$387,639.25
Total Sources	\$23,307,639.25	\$385,000.00	\$23,692,639.25
Uses:			
Project Fund Deposits:			
Aspire River Oaks Charter - Refinance	\$8,178,060.94	\$0.00	\$8,178,060.94
Aspire Benhamin Holt - Refinance	\$8,178,060.94	\$0.00	\$8,178,060.94
Aspire Benhamin Holt II - New Money	<u>\$5,000,000.00</u>	<u>\$0.00</u>	<u>\$5,000,000.00</u>
	\$21,356,121.88	\$0.00	\$21,356,121.88
Other Fund Deposits:			
Debt Service Reserve Fund	\$1,487,857.63	\$24,992.37	\$1,512,850.00
Delivery Date Expenses:			
Cost of Issuance	\$264,638.14	\$206,120.11	\$470,758.25
Underwriter's Discount	\$196,514.63	\$153,060.37	\$349,575.00
	\$461,152.77	\$359,180.48	\$820,333.25
Other Uses of Funds:			
Contingency	<u>\$2,506.97</u>	<u>\$827.15</u>	<u>\$3,334.12</u>
Total Uses	\$23,307,639.25	\$385,000.00	\$23,692,639.25

<u>Cost of Issuance:</u>	<u>Estimated Amount</u>
Issuer Fee	\$21,652.50
STO Agent for Sale fee	\$6,000.00
Issuer Application Fee (Reimburse to Borrower)	\$1,500.00
Issuer's Annual Fee (paid upfront)	\$3,495.75
Issuer Counsel Fee	\$7,000.00
Bond & Disclosure Counsel Fee	\$150,000.00
Borrower's Counsel Fee	100,000.00
Trustee Counsel Fee	\$5,000.00
Trustee Fee	\$10,000.00
Rating Agency – S&P	\$45,000.00
Financial Printer Fee	\$5,000.00
Appraisals	\$11,000.00
Title Insurance	\$25,000.00
Underwriter's Counsel	\$60,000.00
Contingency	\$20,110.00
Total Costs	\$470,758.25

VII. Borrower Financial Data

Exhibit A contains financial and operational information for Aspire Public 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, 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.

IX. Bond Sales Restrictions

The following sales restrictions will apply to the financing given the expected rating of BB+ or BBB-. Please note that if the financing achieves an investment grade rating of BBB-, item #1 below will change. The Authority's sales restrictions can be viewed at: <http://treasurer.ca.gov/csfa/financings/guidelines.pdf>.

1. 1. Bonds will be in minimum denominations of \$100,000 (BB category) / \$25,000 (BBB-)
2. Bonds may be publicly offered or privately placed
3. Bonds will be sold initially only to Qualified Institutional Buyers (QIB) and Accredited Investors (AI)
4. Subsequent transfers of bonds are limited to QIBs and AIs
5. Sales restrictions conspicuously noted on bond and described in detail in offering materials, if any, as well as in the bond documents
6. If the rating is BB+ or below or the bonds are unrated, one or more of the following will be required depending on the transaction, as requested by the financing team and approved by the Authority:
 - a. Traveling Investor Letter; or
 - b. Higher minimum denominations of \$250,000; or
 - c. Physical Delivery; or
 - d. Limited initial sale to QIBs, with subsequent transfers limited to QIBs as well; or
 - e. Other investor protection measures
7. Bond payments will be made via the intercept mechanism outlined in Section 17199.4 of the Education Code

X. Staff Recommendation

Staff recommends CSFA approve Resolution Number 15-30 authorizing the Issuance of School Facility Revenue Bonds in an Amount Not to Exceed \$25,000,000 to Finance and Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and Equipping of Educational Facilities Located in San Joaquin County, California for College for Certain, Inc.

Exhibit A – Financial and Operational Information

Statement of Revenue and Expenditures

Entire Aspire System:

UNRESTRICTED NET ASSETS:	2011-12	2012-13	2013-14
SUPPORT AND REVENUE:			
Private grants and contributions	2,693,150	2,481,669	3,307,813
Donated equipment, materials, and service	267,949	30,397	212,440
Federal Revenue	13,096,617	15,252,182	19,272,072
Revenue limit sources:			
State aid portion of general purpose block grant	48,687,301	37,871,099	53,499,716
State Revenue:			
Categorical block grant	8,388,677	8,941,805	4,728,100
All other state revenue	8,353,358	10,313,792	7,605,065
Local Revenue:			
Cash in-lieu of property taxes	12,609,137	13,276,798	18,444,723
Interest income	14,943	23,049	40,793
Gain on sale of Schoolzilla	-	1,247,466	-
All other local revenue	2,417,966	2,345,110	1,242,910
Subtotal	96,529,098	91,783,367	108,353,632
Net assets released from restrictions	20,482,724	31,359,080	42,824,146
Total support and revenue	\$ 117,011,822	\$ 123,142,447	\$ 151,177,778
PROGRAM EXPENSES:			
Educational programs	92,874,269	96,140,329	111,360,574
SUPPORTING SERVICES:			
Site support	9,578,818	9,725,955	10,119,976
Development and expansion	3,792,886	6,379,272	6,844,447
Administration and general	4,055,308	4,676,241	4,373,363
Total supporting services	17,427,012	20,781,468	21,337,786
Total expenses	110,301,281	116,921,797	132,698,360
Increase in Unrestricted Net Assets	6,710,541	6,220,650	18,479,418
TEMPORARILY RESTRICTED NET ASSETS			
Private grants and contributions	20,559,179	6,746,409	11,077,191
Federal and state revenue	10,005,229	27,272,258	31,468,751
Net assets released from restrictions	(20,482,724)	(31,359,080)	(42,824,146)
Increase in Temporarily Restricted Net Assets	10,081,684	2,659,587	(278,204)
INCREASE IN NET ASSETS	\$ 16,792,225	\$ 8,880,237	\$ 18,201,214
EBIDA	\$ 11,574,109	\$ 15,698,092	\$ 19,556,912

Related Schools:

	2011-12	2012-13	2013-14
SUPPORT AND REVENUE			
Private grants and contributions	10,322	30,878	9,857
Federal revenue	683,156	966,966	567,464
Revenue limit sources:			
State aid portion of general purpose block grant	4,273,832	3,286,065	4,352,133
State revenue:			
Categorical block grant	508,293	525,640	-
All other state revenue	556,429	438,958	214,725
Local revenue:			
Cash in-lieu of property taxes	1,213,303	1,286,775	1,391,916
Interest income	26	23	17
All other local revenue	196,846	164,219	201,769
Subtotal	7,442,207	6,699,524	6,737,881
Net assets released from restrictions	771,822	1,662,092	1,973,732
Total support and revenue	8,214,029	8,361,616	8,711,613
EXPENSES			
Program expenses	7,439,243	7,382,261	7,818,668
Supporting services	576,730	462,400	70,719
Total expenses	8,015,973	7,844,661	7,889,387
Increase (Decrease) in Unrestricted Net Assets	198,056	516,955	822,226
CHANGES IN TEMP. RESTRICTED NET ASSETS:			
Federal and state revenue	629,020	1,653,919	2,094,386
Interfund transfers	-	-	130,341
Net assets released from restrictions	(771,822)	(1,662,092)	(1,973,732)
Increase (Decrease) in Temp. Restricted Net Assets	(142,802)	(8,173)	250,995
INCREASE (DECREASE) IN NET ASSETS	\$ 55,254	\$ 508,782	\$1,073,221

Financial Position (As of 2013-14)

Entire Aspire System:

	2013-14
CURRENT ASSETS:	
Cash and equivalents	39,390,330
Cash held in trust	-
Restricted cash	3,695,292
Accounts receivable	24,481,112
Foundation grants receivable, current	6,014,287
Cash held at county or district	-
Prepaid expenses and deposits	257,051
Deferred loss, current	-
Deferred charges, current	-
Total current assets	73,838,072
NON-CURRENT ASSETS	
Restricted cash	7,757,817
Foundation grants receivable, net	830,512
Property and equipment, net	136,490,670
Deferred loss, net	-
Deferred charges, net	3,418,692
Other assets, net	1,051,794
TOTAL ASSETS	\$ 223,387,557
CURRENT LIABILITIES	
Accounts payable	6,720,434
Accrued expenses	7,901,952
Capital lease, current	635,000
Debt, current	2,070,896
Deferred revenue	-
Total current liabilities	17,328,282
LONG-TERM LIABILITIES	
Deferred rent due	695,531
Capital lease, net	15,990,000
Debt, net	116,745,506
Total liabilities	150,759,319
NET ASSETS	
Total net assets	72,628,238
TOTAL LIABILITIES AND NET ASSETS	\$ 223,387,557

Related Schools:

2013-14	
CURRENT ASSETS	
Cash and cash equivalents	\$ 2,694,981
Accounts receivable	1,631,393
Prepaid expenses/other current assets	-
Deferred loss	-
Total current assets	4,326,374
NONCURRENT ASSETS	
Property and equipment, net	14,250,053
Other assets, net	244,045
Deferred loss	-
Total Assets	\$ 18,820,472
CURRENT LIABILITIES	
Account payable	\$ 256,680
Accrued expenses	222,237
Capital leases, current portion	557,674
Total current liabilities	1,036,591
LONG-TERM LIABILITIES	
Capital leases	14,042,843
Total liabilities	15,079,434
NET ASSETS	
Unrestricted	3,488,510
Temporarily restricted	252,528
Total net assets	3,741,038
Total Liabilities & Net Assets	\$ 18,820,472

Approved FY 2016 Budget (Related Schools)

(1,117 students)

		2015-2016 Budget
Revenues		
State	LCFF - net state aid	\$5,554,393
	LCFF - education protection account	\$1,482,376
	LCFF - in lieu	\$1,499,230
	Lottery	\$194,673
	Mandate	\$593,601
	ASES grant	\$112,500
	SB740 facility grant	\$806,656
	State SpEd	\$257,482
	State nutrition	\$9,949
	Other state	-
Federal	Title I/II/III	\$163,457
	CSP grant	-
	CSFA facility grant	-
	Federal SpEd	\$134,288
	Federal nutrition	\$147,758
	Other federal	\$68,570
Local	Afterschool fees	\$27,433
	Donations	\$3,472
	Local nutrition	\$41,610
	Other local	\$61,734
	Interfund transfers in	\$260,803
Prior Year	Restricted sources with balances	\$1,887
Revenues - Total		\$11,421,873

		2015-2016
		Budget
Expenses - Personnel		
	Certificated salaries	\$3,470,155
	Stipends	\$151,990
	Substitutes	\$136,514
	Classified salaries	\$1,025,709
	Benefits & payroll taxes	\$1,483,113
Expenses - Personnel		\$6,267,481
Expenses - Operating		
Supplies	Books	\$40,000
	Materials	\$149,500
	Office Depot	\$45,000
	Janitorial Supplies	\$25,000
	Computers	\$49,000
	Equipment	\$21,000
	Furniture	\$12,500
	Food Services	\$181,177
Services	Travel & conferences	\$50,500
	Software	\$61,403
	Dues & memberships	\$5,500
	Insurance	\$77,169
	Repairs & maintenance	\$70,000
	Facilities contractors	\$30,160
	Education consultants	\$45,801
	Early college high school	\$114,000
	Authorizer oversight fees	\$82,421
	Other professional services	\$55,000
	Transportation	\$2,500
	Field trips	\$56,970
	Rent	\$12,348
	Leases	\$29,332
	Printing	\$28,126
	Utilities	\$231,084
	Communciations	\$39,434
	Special Education	-
	Other expenses	\$5,000
Base	Facility Allocation	-
	Home office contribution	\$655,272
	Regional office contribution	\$262,109
	Contribution to CFC	-
	Interest & Principal	\$1,218,324
	Depreciation & Amortization	-
	Interfund transfers out	\$155,885
Expenses - Operating		\$3,811,515
Expenses - Total		\$10,078,995
Surplus/(Deficit)		\$1,342,878

Projected Financials FY 2017- FY2023 Budget (Related Schools)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Enrollment							
Total enrollment	1,228	1,321	1,411	1,458	1,488	1,513	1,533
<i>Total ADA %</i>	<i>96.5%</i>						
Total ADA	1,185	1,275	1,362	1,407	1,436	1,460	1,479
Revenue Assumption							
LCFF Per ADA	\$ 8,194	\$ 8,443	\$ 8,624	\$ 8,830	\$ 9,046	\$ 9,255	\$ 9,475
<i>Annual LCFF Growth</i>		<i>3.03%</i>	<i>2.15%</i>	<i>2.39%</i>	<i>2.45%</i>	<i>2.32%</i>	<i>2.38%</i>
SB740 Per ADA	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750
Revenue							
LCFF Per-Pupil Funding	9,710,426	10,762,273	11,742,128	12,423,050	12,989,092	13,513,440	14,017,375
SB740	888,765	956,074	1,021,211	1,055,228	1,076,940	1,095,034	1,109,509
Other State Revenue	711,409	783,455	858,351	904,753	939,561	971,054	998,661
Federal Revenue	584,850	655,592	674,153	743,998	819,784	905,061	958,976
Local Revenue	133,053	131,540	129,210	126,472	122,913	118,002	114,829
Total Revenue	\$ 12,028,503	\$ 13,288,934	\$ 14,425,053	\$ 15,253,501	\$ 15,948,289	\$ 16,602,590	\$ 17,199,349
Expenses							
Personnel	7,262,800	7,918,307	8,797,328	9,506,139	9,963,730	10,359,170	10,790,462
Supplies	627,095	693,068	765,679	815,036	859,910	905,509	938,884
Services	1,217,543	1,327,297	1,443,593	1,520,996	1,582,314	1,639,067	1,693,504
Home Office Contribution	810,086	898,418	981,589	1,039,849	1,089,099	1,135,431	1,178,542
Regional Office Contribution	405,043	561,511	613,493	649,905	680,687	709,644	736,589
Rent	1,471,630	1,469,540	1,467,140	1,470,330	1,467,700	1,469,455	1,470,390
Total Expenses	\$ 11,794,197	\$ 12,868,141	\$ 14,068,822	\$ 15,002,255	\$ 15,643,440	\$ 16,218,276	\$ 16,808,372
Net Operating Income	\$ 234,306	\$ 420,793	\$ 356,231	\$ 251,246	\$ 304,849	\$ 384,314	\$ 390,978
Add Back: Depr. & Amort.	-	-	-	-	-	-	-
Add Back: Home Office Contr.	810,086	898,418	981,589	1,039,849	1,089,099	1,135,431	1,178,542
Add Back: Regional Office Contr.	405,043	561,511	613,493	649,905	680,687	709,644	736,589
Add Back: Rent	1,471,630	1,469,540	1,467,140	1,470,330	1,467,700	1,469,455	1,470,390
Net Income Available for Rent	\$ 2,921,065	\$ 3,350,262	\$ 3,418,453	\$ 3,411,330	\$ 3,542,335	\$ 3,698,844	\$ 3,776,499