

\$18,000,000*
California School Finance Authority
Charter School Revenue Bonds
(Prepa Tec Middle School Project)
Series 2018A (Tax-Exempt) and Series 2018B (Taxable)

EXECUTIVE SUMMARY
RESOLUTION 18-21

Borrower:	Alta Public Schools Foundation (“Borrower”)
Owner of Financed Facility:	PTMS LLC (“Owner”)
Sole Member of Borrower:	Alta Public Schools Foundation
Project User:	Prepa Tec Middle School (Alta Public Schools) (the “Charter School”)
Ground Lessor:	Alta Public Schools
Issuance Amount:	Not to exceed \$18,000,000
Expected Issuance:	October 2018
Project:	The bond proceeds will be used by the Borrower to finance and refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of educational facilities for the benefit of the Charter School
Bond Type:	Charter School Revenue Bonds (the “Bonds”)
Project Location:	8001 Santa Fe Avenue, Huntington Park, California, 90255
County:	Los Angeles
District in which Project is Located:	Los Angeles Unified School District
Charter Authorizer:	Los Angeles Unified School District
Est. Annual Payment:	Approximately \$1,000,000
Expected Rating:	Non-rated
Structure:	Term Bonds expected to have a final maturity of 2054
Sale Method:	Limited Public Offering
Underwriter:	Stifel, Nicolaus & Company, Incorporated
Bond Counsel:	Orrick, Herrington and Sutcliffe LLP
Trustee:	U.S. Bank National Association

I. Use of Bond Proceeds/Project Information

The proceeds of the Bonds will be used to (1) finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of the charter school educational facility known as Prepa Tec Los Angeles Middle School, located at 8001 Santa Fe Avenue, Huntington Park, California, 90255, (2) pay certain expenses incurred in connection with the issuance of the Bonds, and (3) fund a debt service reserve fund and a capitalized interest fund with respect to the Bonds.

Site	Landlord	Location	Purpose	Amount
Prepa Tec Los Angeles Middle School	PTMS LLC	8001 Santa Fe Avenue, Los Angeles, CA	New Construction	\$11,869,363.00
Prepa Tec Los Angeles Middle School	PTMC LLC	8001 Santa Fe Avenue, Los Angeles, CA	Refinancing	\$1,100,000.00
Total Estimated Project Costs				\$12,969,363.00

II. Alta Public Schools Foundation/Prepa Tec Middle School

Alta Public Schools Foundation (the "Borrower") is a California nonprofit public benefit corporation and a 509(a)3 organization described in Section 501(c)(3) of the Code. The Borrower is organized and operated exclusively for charitable purposes and was formed by Alta Public Schools ("APS"), a California nonprofit public benefit corporation, in 2011 as a support organization for APS. PTMS LLC is a single member limited liability company, the sole member of which is the Borrower, formed for the purpose of financing the Project.

In August 2013, APS opened its second school, Prepa Tec Los Angeles Middle School ("Prepa Tec Middle" or "PTMS"), under a charter authorized by LAUSD, initially serving 91 students in grades 6 and 7. As of Fall 2018, Prepa Tec Middle is serving over 380 students in grades 6-8 at multiple charter school facilities in sites leased from private parties. Upon completion of the Project, Prepa Tec Middle expects to move all of its students out of its current locations into the bond-financed Facility by Fall 2019.

III. Financial Structure

The California School Finance Authority Charter School Revenue Bonds (Alta Public Schools – Obligated Group) Series 2018A and 2018B (Taxable), in the aggregate principal amount of not to exceed \$18,000,000 (the "Bonds") will be issued by the Authority pursuant to an Indenture of Trust (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Authority will loan the proceeds of the Bonds to the Borrower. Interest on the Bonds is expected to be payable semi-annually on the first day of each November and May commencing May 1, 2019.

IV. Security and Sources of Payment

The Bonds will be payable through an intercept pursuant to California Education Code Section 17199.4(a) of funds allocated to the Charter School and a pledge of the gross revenues of the Borrower. The land upon which the charter school facility will be constructed was acquired by Alta Public Schools from the County of Los Angeles through a sale of tax-defaulted property process pursuant to the provisions of Chapter 8 of the Revenue and Taxation Code of the State of California. In connection with the issuance of the Bonds, Alta Public Schools will enter into a ground lease with PTMS LLC for a term significantly longer than the maturity date of the Bonds (expected to be 99 years) pursuant to which PTMS LLC will lease the land upon which the charter school facility will be constructed by and at the expense of PTMS LLC. PTMS LLC, as owner of the newly constructed tenant improvements, will in turn lease the financed facility back to Alta Public Schools for use and occupancy by Prepa Tec Middle School. As additional security for the Bonds, the fee interest in the property will be subject to a deed of trust from Alta Public Schools, as fee owner and ground lessor, and the leasehold interest of PMTS LLC, as owner of the financed facility, sub-landlord and ground lessee will be subject to a leasehold deed of trust. Upon initial issuance of the Bonds, no other revenues, nor any interest in other facilities, will be pledged or available to repay the Bonds.

V. Preliminary Sources and Uses/Costs 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 and Uses

Sources:	Series 2018A (Tax-Exempt)	Series 2018B (Taxable)	Total
Bond Proceeds:			
Par Amount	\$15,070,000	\$820,000	\$15,890,000
Uses:	Series 2018A (Tax-Exempt)	Series 2018B (Taxable)	Total
Project Fund Deposits:			
Prepa Tec Project	\$12,969,363	\$0	\$12,969,363
	\$12,969,363	\$0	\$12,969,363
Other Fund Deposits:			
Capitalized Interest Fund	\$837,327	\$52,070	\$889,397
Debt Service Reserve Fund	\$963,309	\$52,416	\$1,015,725
Delivery Date Expenses:			
Cost of Issuance	\$179,888	\$433,441	\$613,329
Underwriter's Discount	\$116,512	\$280,738	\$397,250
	\$296,400	\$714,178	\$1,010,579
Other Uses of Funds:			
Contingency	\$3,601	\$1,335	\$4,936
Total	\$15,070,000	\$820,000	\$15,890,000

Cost of Issuance

Cost of Issuance:	Budgeted Amount
Issuer Fee	\$26,123.75
Agent-for-Sale Fee	\$6,000.00
Financial Advisor Fee	\$85,000.00
Bond Counsel Fee	\$175,000.00
Borrower's Counsel Fee	\$118,000.00
Underwriter's/Disclosure Counsel	\$95,000.00
Trustee Fee	\$5,500.00
Trustee's Counsel Fee	\$1,000.00
Financial Printer Fee	\$5,000.00
Contingency	\$32,205.25
Appraiser	\$14,500.00
Title Insurance	\$50,000.00
Total COI	\$613,329.00

VI. Borrower Financial Data

Pursuant to Section 17183.5 of the CSFA Act, financing through the Authority is to be provided only to projects demonstrated by the participating party to be financially feasible. In demonstration feasibility, the participating party may take into account all of its funds, and may base future projections upon historical experience or reasonable expectations, or a combination thereof. Nothing in Section 17183.5 shall be construed to imply that any project is required to produce revenue in order to be financed under this chapter. Pursuant to this provision, Exhibit A contains financial and operational information for Alta Public Schools.

VII. Due Diligence Undertaken to Date

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

Additionally, the Prepa Tec Middle School facility project is a "by right development" within the County of Los Angeles, as the underlying zoning allows charter school use "by right". The Department of Regional Planning and Building and Safety agencies have both reviewed and approved the plans. The project has garnered all necessary approvals and is ready to begin construction.

VIII. Bond Sales Restrictions

Per Bond Issuance Guidelines adopted by the CSFA board, and given that the bonds will be Unrated, the following sales restrictions will apply to the Alta Public Schools financing: <http://treasurer.ca.gov/csfa/financings/guidelines.pdf>.

1. Bonds will be in minimum denominations of \$100,000;
2. Bonds will be privately placed or publicly offered initially to QIBs and AIs;
3. Initial bond purchasers will be required to execute an Investor Letter;
4. Subsequent transfers of bonds will be limited to QIBs and AIs;
5. Sales restrictions conspicuously noted on bond and described in detail in offering materials, if any, as well as will be in the bond documents;
6. 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

IX. Staff Recommendation

Staff recommends CSFA approve Resolution Number 18-21 Authorizing the Issuance of Charter School Revenue Bonds in an Amount Not to Exceed \$18,000,000 to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing and/or Equipping of Educational Facilities Located in Los Angeles County for use by Alta Public Schools.

Exhibit A
5-Year Enrollment and Budget Projections

	Projected 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
ENROLLMENT					
Enrollment	380	420	420	420	420
ADA	361.0	399.0	399.0	399.0	399.0
ADA %	95.0%	95.0%	95.0%	95.0%	95.0%
REVENUE					
Primary State Aid Revenue	\$ 3,663,227	\$ 4,121,967	\$ 4,312,259	\$ 4,459,801	\$ 4,605,211
Federal Revenue	568,083	627,881	627,881	627,881	627,881
Other State Revenue	423,548	454,027	454,027	454,027	454,027
SB740 Revenue (85% Funding)	266,360	389,005	389,005	389,005	389,005
Other Local Revenue	20,000	20,000	20,000	20,000	20,000
Total Revenues	\$ 4,941,218	\$ 5,612,880	\$ 5,803,172	\$ 5,950,714	\$ 6,096,124
EXPENSES					
Certificated Salaries	\$ 1,304,633	\$ 1,343,772	\$ 1,384,085	\$ 1,425,608	\$ 1,468,376
Classified Salaries	469,365	437,096	450,209	463,715	477,627
Benefits	638,790	686,293	731,948	766,443	802,943
Books and Supplies	478,470	514,929	518,256	521,650	525,112
Operations	133,309	135,975	138,695	141,469	144,298
Subagreement Services	194,000	195,200	196,424	197,672	198,946
Existing Rent	417,820	-	-	-	-
Base Rent	-	905,375	956,475	989,275	1,014,675
Other Facility Costs	76,700	67,834	69,191	70,574	71,986
Professional Fees	311,270	320,351	321,669	323,014	324,386
Subordinated CMO Mgmt. Fees	568,745	441,850	457,073	468,877	480,510
Depreciation/Amortization	20,640	20,640	20,640	20,640	20,640
Other Outgo	75,000	-	-	-	-
Total Expenses	\$ 4,688,742	\$ 5,069,315	\$ 5,244,666	\$ 5,388,937	\$ 5,529,498
Net Operating Income	\$ 252,476	\$ 543,565	\$ 558,506	\$ 561,777	\$ 566,626
Add Back: Depreciation/Amortization	20,640	20,640	20,640	20,640	20,640
Add Back: Existing Rent/Base Rent	417,820	905,375	956,475	989,275	1,014,675
(A') NOI Avail. after Mgmt Fees	\$ 690,936	\$ 1,469,580	\$ 1,535,621	\$ 1,571,692	\$ 1,601,941
Add Back: CMO Management Fee	568,745	441,850	457,073	468,877	480,510
(A) NOI Available for Base Rent	\$ 1,259,681	\$ 1,911,430	\$ 1,992,695	\$ 2,040,569	\$ 2,082,451

Base Rent Coverage Ratios

					A+B+C+D	F/E		H/E	
	A	B	C	D	E	F	G	H	I
11/1	Principal	Interest	Less: (Cap Interest)	Existing Fac'l Rent	Base Rent	NOI After CMO Fees	Covg. After Fees	NOI for Base Rent	Base Rent Covg.
2019	\$ -	\$ 889,397	\$ (889,397)	\$ 417,820	\$ 417,820	\$ 690,936	1.65x	\$ 1,259,681	3.01x
2020	65,000	840,375	-	-	905,375	1,469,580	1.62x	1,911,430	2.11x
2021	120,000	836,475	-	-	956,475	1,535,621	1.61x	1,992,695	2.08x
2022	160,000	829,275	-	-	989,275	1,571,692	1.59x	2,040,569	2.06x
2023	195,000	819,675	-	-	1,014,675	1,601,941	1.58x	2,082,451	2.05x
2024	205,000	807,975	-	-	1,012,975	1,601,941	1.58x	2,082,451	2.06x
2025	220,000	795,675	-	-	1,015,675	1,601,941	1.58x	2,082,451	2.05x
2026	230,000	783,563	-	-	1,013,563	1,601,941	1.58x	2,082,451	2.05x
2027	240,000	771,488	-	-	1,011,488	1,601,941	1.58x	2,082,451	2.06x
2028	255,000	758,888	-	-	1,013,888	1,601,941	1.58x	2,082,451	2.05x
2029	270,000	745,500	-	-	1,015,500	1,601,941	1.58x	2,082,451	2.05x
2030	280,000	731,325	-	-	1,011,325	1,601,941	1.58x	2,082,451	2.06x
2031	295,000	716,625	-	-	1,011,625	1,601,941	1.58x	2,082,451	2.06x
2032	310,000	701,138	-	-	1,011,138	1,601,941	1.58x	2,082,451	2.06x
2033	330,000	684,863	-	-	1,014,863	1,601,941	1.58x	2,082,451	2.05x
2034	345,000	667,538	-	-	1,012,538	1,601,941	1.58x	2,082,451	2.06x
2035	365,000	649,425	-	-	1,014,425	1,601,941	1.58x	2,082,451	2.05x
2036	385,000	630,263	-	-	1,015,263	1,601,941	1.58x	2,082,451	2.05x
2037	405,000	610,050	-	-	1,015,050	1,601,941	1.58x	2,082,451	2.05x
2038	425,000	588,788	-	-	1,013,788	1,601,941	1.58x	2,082,451	2.05x
2039	445,000	566,475	-	-	1,011,475	1,601,941	1.58x	2,082,451	2.06x
2040	470,000	543,113	-	-	1,013,113	1,601,941	1.58x	2,082,451	2.06x
2041	495,000	518,438	-	-	1,013,438	1,601,941	1.58x	2,082,451	2.05x
2042	520,000	492,450	-	-	1,012,450	1,601,941	1.58x	2,082,451	2.06x
2043	550,000	465,150	-	-	1,015,150	1,601,941	1.58x	2,082,451	2.05x
2044	575,000	436,275	-	-	1,011,275	1,601,941	1.58x	2,082,451	2.06x
2045	605,000	406,088	-	-	1,011,088	1,601,941	1.58x	2,082,451	2.06x
2046	640,000	374,325	-	-	1,014,325	1,601,941	1.58x	2,082,451	2.05x
2047	675,000	340,725	-	-	1,015,725	1,601,941	1.58x	2,082,451	2.05x
2048	710,000	305,288	-	-	1,015,288	1,601,941	1.58x	2,082,451	2.05x
2049	745,000	268,013	-	-	1,013,013	1,601,941	1.58x	2,082,451	2.06x
2050	785,000	228,900	-	-	1,013,900	1,601,941	1.58x	2,082,451	2.05x
2051	825,000	187,688	-	-	1,012,688	1,601,941	1.58x	2,082,451	2.06x
2052	870,000	144,375	-	-	1,014,375	1,601,941	1.58x	2,082,451	2.05x
2053	915,000	98,700	-	-	1,013,700	1,601,941	1.58x	2,082,451	2.05x
2054	965,000	50,663	-	-	1,015,663	1,601,941	1.58x	2,082,451	2.05x
Total	\$ 15,890,000	\$ 20,284,959	\$ (889,397)	\$ 417,820	\$ 35,703,383	\$ 56,529,957	-	\$ 73,842,806	-