

**\$75,000,000\***  
**CALIFORNIA SCHOOL FINANCE AUTHORITY (CSFA)**  
**CHARTER SCHOOL REVENUE BONDS ON BEHALF OF HTH LEARNING**  
**SERIES 2020 (TAX-EXEMPT)**  
**RESOLUTION 20-13**

\*Not-to-Exceed Amount

**STAFF SUMMARY**

EXECUTIVE SUMMARY			
<b>Applicant/Borrower:</b>	HTH Learning	<b>Par Amount Requested:</b>	Not-to-Exceed *\$75,000,000
<b>Financing Term:</b> 30 years; subject to mandatory tender in 20 years		<b>Interest Rate:</b> Variable; however, fixed by swap to 2.54% (Estimated)	
<b>Applicant Description:</b> HTH Learning is a separate 501(c)(3) nonprofit public benefit corporation formed for the sole purpose of supporting the High Tech High network of schools.			
<b>Type of Financing:</b> Tax-Exempt Charter School Revenue Bonds (variable rate, swapped to fixed)			
<b>Project User:</b>	HTH Learning	<b>County Served:</b>	San Diego County
<b>District in Which Project is Located:</b>	San Diego Unified School District	<b>Charter Authorizer:</b>	San Diego Unified School District and the State Board of Education
<b>Project Description:</b> Refinancing of all outstanding High Tech High debt issuances through CSFA, except for HTH Learning's 2017 bond issuance. Additionally, \$1,000,000 in new proceeds are to be used for construction of a kitchen at the High Tech High Mesa campus.			
<b>Project Sites:</b> There are 14 school sites benefitting from this financing: (a) High Tech Elementary Chula Vista, located at 1949 Discovery Falls Drive, Chula Vista, California 91915; (b) High Tech Middle Chula Vista, located at 1949 Discovery Falls Drive, Chula Vista, California 91915; (c) High Tech Elementary North County, located at 1480 West San Marcos Blvd., San Marcos, California 92078; (d) High Tech Elementary Explorer, located at 2230 Truxtun Road, San Diego, California 92106; (e) High Tech Middle, located at 2359 Truxton Road, San Diego, California 92106; (f) High Tech Middle Media Arts, located at 2230 Truxton Road, San Diego, California 92106; (g) High Tech High, located at 2861 Womble Road, San Diego, California 92106, (h) High Tech High International, 2855 Farragut Road, San Diego, California 92106; (i) High Tech Elementary, located at 2150 Cushing Road, San Diego, California 92106; (j) High Tech High North County, located at 1420 West San Marcos Blvd., San Marcos, California 92078; (k) High Tech Middle North County, located at 1460 West San Marcos Blvd., San Marcos, California 92078; (l) High Tech Elementary Mesa, located at 5331 Mt. Alifan Drive #200, San Diego, CA 92111; (m) High Tech Middle Mesa, located at 5331 Mt. Alifan Drive #400, San Diego, CA 92111; and (n) High Tech High Mesa, located at 5331 Mt. Alifan Drive #900, San Diego, CA 92111.			

<b>Financing Team:</b>		<b>Financing Details:</b>	
Bond Counsel:	Orrick Herrington & Sutcliffe	<b>Type of Issue:</b>	Charter School Revenue Bonds (variable rate, swapped to fixed)
Financial Advisor:	Buck Financial Advisors	<b>Tax Status:</b>	Tax-Exempt
Purchaser	City National Bank	<b>Maturity:</b>	February 27, 2050
Purchaser's Counsel:	Kutak Rock	<b>Credit Enhancement:</b>	Tentative
Borrower's Counsel:	Procopio	<b>Credit Rating:</b>	No
Issuer's Counsel:	Attorney General's Office	<b>CSFA Fees:</b>	See Costs of Issuance Table
Issuer:	California School Finance Authority	<b>Other Fees:</b>	See Costs of Issuance Table
Bond/Master Trustee:	Wilmington Trust		
<b>CSFA Analyst:</b> Robby Biegler		<b>Date of Staff Report:</b> May 22, 2020	
<b>Date of CSFA Board Meeting:</b> May 28, 2020		<b>Resolution Number:</b> 20-13	
<p><b>Staff Recommendation:</b> Staff recommends the California School Finance Authority Board approve Resolution Number 20-13 authorizing the issuance of Charter School Revenue Bonds in an amount not to exceed \$75,000,000 to refinance outstanding issues of High Tech High and HTH Learning loans and bonds and finance new construction at High Tech High Mesa.</p>			

## BACKGROUND AND HISTORY

High Tech High (HTH) opened its first school, now referred to as Garry and Jerri-Ann Jacobs High Tech High, in 2000. The network now operates sixteen elementary, middle and high schools throughout San Diego County, serving approximately 5,300 students. All HTH charters are currently active and up for renewal in either 2022 or 2024. HTH Learning is the nonprofit public benefit corporation formed to own fee or leasehold interests in various properties and lease those properties to HTH.

The California School Finance Authority (CSFA) has issued debt for all sixteen HTH Learning campuses, through the issuance of seven bond transactions and one loan totaling \$107,704,000. Fourteen of these campuses are included in this financing. HTH Learning is the landlord for all but two of the campuses. The High Tech Chula Vista and High Tech North County campuses are separately owned by HTH. Both are stand-alone 501(c)(3) organizations and California nonprofit public benefit corporations. HTH Learning exists to own facilities and lease to HTH.

<b>CSFA HTH LIFETIME ISSUANCE</b>		
<b>Issuance</b>	<b>Issuance Date</b>	<b>Issuance Amount</b>
HTH Chula Vista (QSCB)	8/11/2010	\$12,000,000
HTH North County Middle School (QSCB)	4/28/2011	\$3,950,000
HTH North County Elementary (QSCB)	8/20/2013	\$11,500,000
HTH Learning (Bonds)	11/6/2014	\$11,000,000
HTH Learning 2015 (Bonds)	10/27/2015	\$11,650,000
HTH Learning 2016 (Bonds)	3/16/2016	\$3,269,000
HTH Learning 2017 (Bonds)	7/13/2017	\$22,835,000
HTH Mesa (Loan)	7/16/2018	\$31,500,000

## PROJECT DESCRIPTION

The proceeds of the bonds will be used to: 1) refinance outstanding issues of either HTH (Series 2010 QSCBs and 2013 QSCBs) or HTH Learning (Series 2014, Series 2015, Series 2016 and Series 2018) debt; 2) provide \$1,000,000 in new proceeds for construction of a kitchen at the High Tech Highs Mesa campus; and 3) pay costs of issuance.

HTH Learning Existing Financings to Be Refinanced					
Bond Deal	Site	Owner	Location	Bondholder/Lender	Amount
2010 QSCB	High Tech Elementary Chula Vista	High Tech High	1949 Discovery Falls Dr. Chula Vista	Public, LOC City National Bank	\$7,241,441
2010 QSCB	High Tech Middle Chula Vista	High Tech High	1949 Discovery Falls Dr. Chula Vista	Public, LOC City National Bank	
2013 QSCB	High Tech Elementary North County	High Tech High	1480 West San Marcos Blvd., San Marcos	City National Bank	\$9,324,490
2014 Bond	High Tech Elementary Explorer	HTH Learning	2230 Truxtun Road, San Diego	Jacobs	\$7,664,430
2014 Bond	High Tech Middle	HTH Learning	2359 Truxton Road, San Diego	Jacobs	
2014 Bond	High Tech Middle Media Arts	HTH Learning	2230 Truxton Road, 2 <sup>nd</sup> Floor, San Diego	Jacobs	
2014 Bond	High Tech High	HTH Learning	2861 Womble Road, San Diego	Jacobs	
2014 Bond	High Tech High International	HTH Learning	2855 Farragut Road, San Diego	Jacobs	
2015 Bond	High Tech Elementary	HTH Learning	2150 Cushing Road, San Diego	City National Bank	
2015 Bond	High Tech High North County	HTH Learning	1420 West San Marco Blvd., San Marcos	City National Bank	
2016 Bond	High Tech Middle North County	HTH Learning	1460 West San Marcos Blvd., San Marco	City National Bank	\$2,733,870
2018 Bond	High Tech Elementary Mesa	HTH Learning	5331 Mt. Alifan Dr. #400, San Diego	City National Bank	\$33,196,183
2018 Bond	High Tech Middle Mesa	HTH Learning	5331 Mt. Alifan Dr. #400, San Diego	City National Bank	
2018 Bond	High Tech High Mesa	HTH Learning	5331 Mt. Alifan Dr. #400, San Diego	City National Bank	
No Current Financing	High Tech High Mesa	HTH Learning	5331 Mt. Alifan Dr. #400, San Diego	N/A (Kitchen Upgrades)	\$1,000,000

HTH Learning intends to borrow up to \$75,000,000 from City National Bank (CNB) through the conduit issuance by CSFA. The financing will be a variable rate revenue bonds (Bonds) used to refinance all current outstanding debt issued through CSFA, with the exception of the 2017 issuance. The 2017 issuance will be excluded as it would contribute to negative arbitrage of approximately \$6,000,000. HTH Learning will also use \$1,000,000 of bond proceeds to update and upgrade the kitchen at HTH Mesa. The 2014, 2015 and 2016 bonds will have the terms extended from 15-years to 30-years, with a mandatory 20-year tender. The 2010 QSCB matures in 2020, the 2013 and 2018 QSCBs and bonds mature in 2023.

Due to the existing working relationship between the bank and the HTH network, CNB will purchase the bonds. CNB currently holds the 2010, 2013, 2015, 2016 and 2018 QSCBs and bonds, five of the six financings in this refinancing, and almost the entirety of the amount (\$62,021,059) being refinanced.

CSFA will issue the Bonds, the proceeds of which will be lent to HTH Learning. The loan will be secured by Obligation No. 1 issued pursuant to the Master Trust Indenture (MTI), under which HTH Learning will be the Obligated Group Representative. Loan repayments will be payable from the multiple lease payments from High Tech High, as operator of the charter schools, to LLC landlords, who will be members of the Obligated Group. Such lease payments will be subject to the State Intercept and will be sent directly to the Bond Trustee.

Additionally, since 2010, HTH or HTH Learning have closed multiple financings under separate documents instead of incorporating all in a single MTI. As this project will refinance all but the 2017 issuance, HTH Learning will incorporate an MTI that will bring fourteen of the sixteen schools involved in this financing under a common set of documents and leases.

**COVID Note and May Revise:** HTH will update their annual budget in June to reflect the education cuts set forth in the Governor's May Revise. HTH will implement several changes to minimize the impact to the schools. First, the organization is implementing a wage freeze across all staff. Second, there will be relief in employer costs associated with State Teacher Retirement System (STRS) and Public Employee Retirement System (PERS) benefits, helping to reduce expenses associated with contributions by 2%. Finally, this refinancing decreases the annual debt service and long-term maintenance contributions for HTH by over \$1 million annually. The estimated cost savings between the 19-20 and 20-21 leases (which reflect future HTH lease costs under this refinancing), are included as Appendix B.

**Credit Enhancement:** HTH received an \$870,000 Credit Enhancement Grant (CEG) from CSFA in 2013 to enhance \$11,500,000 in QSCBs issued for HTH North County. The 2013 QSCB issuance is part of this refunding. As such the \$870,000 grant will be returned to CSFA. HTH Learning intends to apply for credit enhancement for this financing and the application will be brought to a subsequent board meeting.

## FINANCING

The Bonds to be purchased by CNB will have a 30-year term, subject to mandatory tender in 20 years. The Bonds will accrue interest at a variable rate; however, HTH Learning and CNB will enter into a swap agreement to effectively fix the interest obligation of HTH Learning at a fixed interest rate prior to closing the financing (expected to be approximately 2.54%).

Two Limited Liability Companies (LLCs) will be established to be landlords and members of the Obligated Group under a Master Trust Indenture. The two LLCs are needed as two of the properties in the financing are owned or leased directly by HTH and the remainder by HTH Learning. The structure will qualify for SB 740 reimbursement. HTH Learning will be the Obligated Group Representative.

### **Security and Source of Payment**

The loan of the proceeds of the Bonds from CSFA to HTH Learning will be secured by Obligation No. 1 issued pursuant to the MTI, which is supported by the revenues of the LLC members and deeds of trust on property to be owned by the LLC members. The LLC members, as landlords of the school facilities, will receive lease payments from HTH for its use of the campuses. The lease payments are

expected to be sent directly to the Bond Trustee in the form of the State Intercept. Deeds of Trust will be entered into to secure all property interests owned by the LLC members (whether they be fee interests or leasehold interests) for the benefit of the Master Trustee in order to secure Obligation No. 1. Leases are payable solely from the fourteen schools financed under the MTI. HTH Learning will be required to maintain certain financial covenants contained in the leases as required by CNB.

**Preliminary Sources and Uses and Preliminary Costs of Issuance**

Below are the preliminary estimated sources and uses, and detailed information about the expected costs of issuance for board consideration. Please note these figures are subject to change between the time the board packets are distributed and the time the board meets, and are further subject to final pricing. Members will be provided updated figures should significant changes occur before the board meeting date.

<b>Sources and Uses</b>		
<b>Sources:</b>	<b>Series 2020 (Tax-Exempt)</b>	
<b>Bond Proceeds:</b>		
Par Amount		\$75,000,000
	<b>Total:</b>	<b>\$75,000,000</b>
<b>Uses:</b>	<b>Series 2020 (Tax-Exempt)</b>	
<b>Project Fund Deposits:</b>		
2010 QSCB		\$7,241,441
2013 QSCB		\$9,324,490
2014 CSFA		\$7,664,430
2015 CSFA		\$9,525,075
2016 CSFA		\$2,733,870
2018 CSFA		\$33,196,183
2020 Mesa Kitchen Loan		\$1,000,000
Contingency		\$2,932,506
		<b>\$73,617,995</b>
<b>Delivery Date Expenses:</b>		
Cost of Issuance		\$1,382,005
	<b>Total Cost of Issuance</b>	<b>\$1,382,005</b>
<b>Total:</b>		<b>\$75,000,000</b>

### Total Costs of Issuance\*

Expense	Amount
Financial Advisor Fee	\$187,500
Cash Flow Analysis	\$10,000
Bond Counsel	\$250,000
Borrower's Counsel	\$60,000
Lender's Counsel	\$175,000
CSFA Issuance Fee	\$56,250
CSFA 1st Admin Fee	\$11,250
CSFA Issuer Fee - PFD Fee	\$8,000
Issuer's Counsel (AG)	\$13,505
Trustee's Counsel Fee	\$2,500
Trustee & Dissemination Fee	\$10,000
Issuer Application Fee	\$3,000
Reimbursement	
Lender Commitment Fee	\$525,000
Title Insurance Estimate	\$50,000
Contingency	\$20,000
<b>Total</b>	<b>\$1,382,005</b>

\*Estimates based on a not-to-exceed Par Amount of \$75,000,000

### SALES RESTRICTIONS

The following sales restrictions will apply to the financing given the expected non-rating. The Authority's sales restrictions can be viewed at: <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 Qualified Institutional Buyers (QIBs) and Accredited Investors (AIs).
3. The initial Bond purchaser will be required to execute an Investor Letter;
4. Subsequent transfers of Bonds will be limited to QIBs and AIs;
5. Sales restrictions will be conspicuously noted on bond and described in detail in offering materials, if any, as well as 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.

## OTHER PROJECT DATA

**Tax Equity and Fiscal Responsibility Act (TEFRA):** The TEFRA Notice was published on the CSFA Webpage on May 21, 2020. The TEFRA hearing will take place on Thursday, May 28, 2020. Staff does not anticipate any comments but will provide an update to the Board if any are received.

**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 and/or its sole member has been duly organized, is in good standing, is a disregarded subsidiary of 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.

Additionally, in enacting chapter 1718.35 of the CSFA Act , it is the intent of the Legislature to provide financing only for projects demonstrated by the participating party to be financially feasible. In demonstrating financial 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 this section shall be construed to imply that any project is required to produce revenue in order to be financed under this chapter.

**Borrower Financial Data:** The Borrower is a California nonprofit public benefit corporation formed as a support organization for charter schools formed and controlled by High Tech High. The Borrower has received a determination letter from the Internal Revenue Service recognizing it as an entity described in Section 501(c)(3) of the Code.

Each limited liability company (one of which the Borrower is the sole member and one of which High Tech High is the sole member) is a single purpose entity with no assets other than the applicable Facility and its rights under the Lease, which will be assigned to the Trustee. Each limited liability company was formed for the purpose of owning its respective Facility and is not expected to have any other assets or revenue available to it to make payments due under the Loan Agreement.



## STAFF RECOMMENDATION

Staff recommends the California School Finance Authority's (CSFA) Board approve Resolution Number 20-13 authorizing the issuance of Charter School Revenue Bonds in an amount not to exceed \$75,000,000 to finance and refinance the acquisition, construction, expansion, remodeling, renovation, furnishing, and equipping of certain educational facilities located in San Diego County, California for HTH Learning.

1. **Applicant / Borrower:** HTH Learning
2. **Project:** Refunding and Construction
3. **Amount of Financing:** Not to exceed \$75,000,000
4. **Maturity:** February 27, 2050
5. **Repayment/Security:** Lease Payments and Deed of Trust on Real Property
6. **Interest Rate:** Variable; but a swap between HTH Learning and CNB will effectively fix the interest rate at a rate that is estimated to be 2.54%. This rate will be set prior to closing.
7. **Fees:** \$1,382,005 is the total Costs of Issuance
8. **Not an Unconditional Commitment:** The CSFA resolution shall not be construed as unconditional commitment to finance the Project, but rather CSFA's approval pursuant to the resolution conditioned upon entry by CSFA and the Borrower into a loan agreement, in form and substance satisfactory to CSFA and its counsel.
9. **Limited Time:** The Board's approval expires 12 months from the date of its adoption. Thus, CSFA must issue the bonds no later than 12 months from such date. Once the approval has expired, the item must return to the Board for new approval.
10. **Loan Agreement Covenants:** N/A

**APPENDIX A:  
SCHOOL GOVERNANCE**

**Officers**

Larry Rosenstock	CEO
Amanda Wyatt	CFO
Janie Griswold	Chief Learning Officer
Patrick Frost	General Counsel
Joanna Clark	Chief Operating Officer

**Board of Directors**

Gary Jacobs	Chair
Kay Davis	Secretary
Heather Lattimer	Trustee
Albert Lin	Trustee
Hector M. Perez	Trustee

**APPENDIX B:  
PROJECTED COST SAVINGS**

	Schools	19-20 Lease	20-21 Lease	Savings with Financing
1	High Tech High	\$730,598	\$493,813	(\$236,785)
2	High Tech High International	\$525,300	\$400,759	(\$124,541)
3	High Tech High North County	\$680,000	\$491,253	(\$188,747)
4	High Tech High Mesa	\$494,795	\$463,655	(\$31,140)
5	High Tech Middle	\$582,330	\$312,705	(\$269,625)
6	High Tech Middle Media Arts	\$638,576	\$371,983	(\$266,593)
7	High Tech Middle Chula Vista	\$442,945	\$320,703	(\$122,242)
8	High Tech Middle North County	\$324,000	\$260,527	(\$63,473)
9	High Tech Middle Mesa	\$309,247	\$241,448	(\$67,799)
10	High Tech Elementary	\$380,000	\$429,539	\$49,539
11	High Tech Elementary Explorer	\$149,775	\$360,620	\$210,845
12	High Tech Elementary Chula Vista	\$442,945	\$372,291	(\$70,654)
13	High Tech Elementary North County	\$345,000	\$288,250	(\$56,750)
14	High Tech Elementary Mesa	\$432,946	\$233,455	(\$199,491)
	<b>Debt Service + LTM</b>	<b>\$6,478,457</b>	<b>\$5,041,001</b>	<b>(\$1,437,456)</b>