

**CHARTER SCHOOL FACILITIES PROGRAM  
PROPOSITION 1D FUNDING ROUND  
STAFF SUMMARY REPORT – MAY 2010**

<b>Applicant/Obligor:</b>	High Tech High
<b>Project School:</b>	High Tech High Entrepreneur
<b>CDS (County – District – School) Code:</b>	Not yet available
<b>Proposed Project Location:</b>	To be determined; (Around Hunte Parkway & Discovery Falls Drive, Chula Vista, CA)
<b>Type of Project:</b>	New Construction
<b>County:</b>	County of San Diego
<b>District in which Project is Located:</b>	Sweetwater Union High School District
<b>Charter Authorizer:</b>	State Board of Education
<b>Total OPSC Project Cost:</b>	\$49,156,744
<b>State Apportionment (50% Project Cost):</b>	\$24,578,372
<b>Lump Sum Contribution:</b>	\$0
<b>Total CSFP Financed Amount:</b>	\$24,578,372
<b>Length of CSFP Funding Agreement:</b>	30 years
<b>Assumed Interest Rate:</b>	3.00%
<b>Estimated Annual CSFP Payment:</b>	\$1,253,970
<b>First Year of Occupancy of New Project:</b>	2013-14

**Staff Recommendation:** High Tech High (HTH), as a charter management organization (CMO), is applying for facilities funding under Proposition 1D for High Tech High Entrepreneur (HTH Entrepreneur) to be located in the Sweetwater Union High School District (SUHSD). The school has not yet opened, and has uniform financial/enrollment projections based on HTH's standard high school model. Staff recommends that the California School Finance Authority (CSFA) Board determine that HTH, on the behalf of HTH Entrepreneur, is financially sound for the purposes of the Charter School Facilities Program (CSFP or the Program). Staff recommends that the CSFA Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.

**Application Highlights:** Below, staff has highlighted key criteria that were evaluated when conducting our financial soundness review of HTH and HTH Entrepreneur. Detailed information is contained in the body of the report.

<b>Criteria</b>	<b>Comments</b>
<b>Eligibility Criteria</b>	HTH Entrepreneur met all eligibility criteria. The school has not yet opened but HTH, as CMO, launched its first charter school in September 2000 and currently is operating nine charter schools in total; therefore, it meets the Program's requirement for two years of charter school experience in California. HTH Entrepreneur received its charter in July 2007 from the State Board of Education, which is valid through June 2012. A renewal of this charter will be necessary before operations commence in September 2013.
<b>Demographic Information</b>	HTH Entrepreneur plans to serve 312 students in grades 9 and 10 when open in 2013-14. Enrollment for HTH Entrepreneur is projected to increase to 560 students in 2015-16, serving grades 9 through 12. Currently, HTH enrolls 3,586 students from grades 9 to 12 on nine campuses. HTH anticipates total enrollment of 5,046 in 2015-16 at 11 schools.
<b>Debt Service Coverage</b>	Debt service coverage for HTH is projected to be 337.5% and 297.3% in 2014-15 and 2015-16, the first and second year of CSFP lease payments.
<b>Other Financial Factors</b>	<ol style="list-style-type: none"> <li>1. For HTH, facilities costs as % of Projected Revenues: an average of 14% in 2014-15 and 2015-16.</li> <li>2. For HTH, projected Contributions as % of Revenues: an average of 10.7% in 2014-15 and 2015-16.</li> <li>3. CSFP lease would be supported by HTH, as CMO and co-borrower.</li> </ol>
<b>Student Performance</b>	Since HTH Entrepreneur will not open until 2013-14, no student performance metrics exist for the school. Six of eight HTH schools met all AYP criteria and four of eight schools met all API growth targets.

**Program Eligibility:** HTH Entrepreneur received its initial charter on July 1, 2007. The school's charter will expire on June 30, 2012. The school has not yet opened and therefore does not have two years of experience. However, HTH, as CMO, has been providing charter school management in California since its first school's opening in September 2000 and thus meets the experience requirements of the Program.

The High Tech High organization holds a statewide benefit charter granted by the State Board of Education in 2007. High Tech High Chula Vista, High Tech High North County and High Tech Middle North County are currently in operation under that charter. HTH plans to open an elementary school and a middle school under this charter in September 2011, and HTH Entrepreneur under this charter in September 2013.

**Legal Status Questionnaire:** Staff reviewed HTH's responses to the questions contained in the Legal Status Questionnaire (LSQ). HTH responded that it does not have any civil or criminal matters to report and answered "No" to the questions.

**Project Description:** HTH has requested funding for acquisition of land and construction of a permanent high school facility for HTH Entrepreneur to accommodate a maximum of 560 students in grades 9-12. The site for the new facility has not yet been identified, but is planned to be in the area of Chula Vista within the boundaries of SUHSD. HTH Entrepreneur is expected to occupy the CSFP-financed facility in 2013-14 and therefore the school's lease payment obligation would begin in 2014-15.

HTH's high school model includes beginning school operations serving grades 9 and 10, and subsequently adding grades 11 and 12 in the next two years. HTH has implemented this approach for the six high schools opened to date, of which three have been open long enough to grow to support grades 9-12. HTH Entrepreneur targets individual school self-sufficiency from State revenues by the third year. Contributions in the amount of \$267,500 and \$162,500 are anticipated in 2013-14 and 2014-15, respectively, from start-up grant funds. Beginning in the fourth year of operations, HTH anticipates an ongoing \$80,000 per year of school-level fundraising revenues for HTH Entrepreneur.

**Charter School Curriculum:** HTH's curriculum is based on three program design principles – personalization, adult world connection, and common intellectual mission. Using these three program design principles, HTH prepares students to achieve competency in six learning areas: collaboration, technology, communication, art and design, ethics and responsibility, and habits of mind. In addition to the core HTH design principles and meeting state academic standards, HTH Entrepreneur will feature a focus on entrepreneurship and building business skills.

**Management Experience for Schools Open Less than Two Years:** Although HTH Entrepreneur does not plan to commence operations until 2013-14, HTH Entrepreneur meets the minimum instructional requirements of two years through HTH, as CMO.

**Charter Management Organization:** HTH is a 501(c)(3) nonprofit public benefit California corporation, incorporated in 2000. HTH currently operates nine charter schools in the San Diego area, serving grades K-12. HTH anticipates growing to 11 schools serving over 5,000 students by 2015-16. HTH will serve as co-borrower and guarantor on HTH Entrepreneur's application.

HTH is responsible for developing new charter schools, back-office management, fundraising, and advocacy initiatives for High Tech High schools across California. HTH's management costs are paid through fundraising grants and donations and through a management fee equal to 8% of individual school revenues. The organization has stated that school management fees will be paid subordinate to any CSFP lease payments.

**Board Experience:** HTH is governed by a board of directors led by Gary Jacobs, Chairman of the organization. Mr. Jacobs founded High Tech High in September 2000. He also serves as Chair of the Dean's Advisory Council for the Social Sciences at University of California at San Diego and is a member of the CREATE Advisory Board, UCSD's K-12 educational outreach program. He also co-founded the Gary and Jerri-Ann Jacobs Graduate Fellowship in Social Sciences Endowment. Mr. Jacobs is also a board member of the San Diego Symphony, the Del Mar Schools Education Foundation, Congregation Beth

EI, NTC Foundation for Arts and Culture, Lawrence Family Jewish Community Center, the San Diego Center for Jewish Culture, and the UCSD Board of Overseers.

<b>NAME</b>	<b>OCCUPATION</b>	<b>ROLE</b>
Gary Jacobs	President/CEO, Jacobs Investment LLC	Chair
Kay Davis	Former Trustee, SDUSD	Secretary
Rod Dammeyer	President, CAC LLC	Director
Michael McCraw	President/CEO, Southern California SBDC	Director
Julie Umansky	VP/Executive Director, Legal Defense Fund	Director

**Staff Experience:** Larry Rosenstock, Founding Principal and CEO of High Tech High, was a teacher of carpentry in urban high schools for eleven years. He also served as staff attorney at the Harvard Center for Law and Education and served as Executive Director of the Rindge School for Technical Arts (Cambridge, MA) for six years.

Ben Daley, COO of HTH, joined HTH to teach physics as a founding faculty member in 2000-01. Prior to becoming COO, Mr. Daley was Chief Academic Officer, responsible for development and refinement of all aspects of HTH's academic program. Mr. Daley graduated from Haverford College and earned an M.A. in science education at the University of California, Santa Barbara.

Kay McElrath, CFO of HTH, has over 23 years of educational finance experience and became CFO in 2007. Prior to joining HTH, Ms. McElrath managed a regional performing arts company, worked as an accountant for the Salt Lake County Treasurer and served as Assistant Manager for the Des Moines Convention Center. Ms. McElrath earned a Bachelor's degree from Iowa State University.

**Academic Performance:** Because of its implications for student enrollment stability and growth, staff views student performance as a leading indicator of a charter school's financial position. Schools with improving student performance trends, especially if those trends exceed threshold goals set by the school or the California Department of Education (CDE), are viewed favorably. In order to measure student performance, staff utilizes Academic Performance Index (API) and Adequate Yearly Progress (AYP) trend data generated by the CDE. The API is also used as an indicator for measuring AYP per the No Child Left Behind Act of 2001. Any school not meeting AYP targets would face additional mandates and corrective actions if the school is a recipient of federal Title I funds.

As HTH Entrepreneur has no student performance data, staff evaluated the academic performance of HTH's other schools. API data for HTH's schools are shown from 2005-06 through 2008-09. These schools have demonstrated respectable academic performance to date compared to similar schools and state averages.

<b>API Base Rank (10=Best): Similar Schools/Statewide</b>				
<b>School</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
High Tech High	9/9	9/9	10/9	8/8
High Tech Middle	9/10	10/10	8/9	9/9
High Tech High International	8/8	8/8	10/9	9/8
High Tech High Media Arts	na	4/8	2/6	1/5
High Tech Middle Media Arts	na	7/9	9/9	4/8
Explorer Elementary	8/10	2/10	10/10	9/10
High Tech High Chula Vista	na	na	na	3/6
High Tech High North County	na	na	na	5/8

HTH schools' AYP performance has also been satisfactory. Existing schools seem to follow a trend of meeting AYP in every year of operation, although two schools did not meet all AYP criteria in 2008-09.

<b>API Growth Scores / Met All Growth Targets</b>				
<b>School</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
High Tech High	829 / Yes	807 / No	785 / No	797 / No
High Tech Middle	876 / Yes	847 / No	847 / No	817 / No
High Tech High International	789 / Yes	783 / Yes	786 / No	772 / No
High Tech High Media Arts	777 / na	717 / No	713 / No	757 / Yes
High Tech Middle Media Arts	856 / na	840 / No	815 / No	782 / No
Explorer Elementary	912 / Yes	929 / Yes	922 / Yes	920 / Yes
High Tech High Chula Vista	na	na	737 / na	758 / Yes
High Tech High North County	na	na	764 / na	778 / Yes

<b>AYP Performance - Met AYP Targets</b>				
<b>School</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
High Tech High	Yes	Yes	Yes	Yes
High Tech Middle	Yes	Yes	Yes	No
High Tech High International	Yes	Yes	Yes	Yes
High Tech High Media Arts	Yes	Yes	Yes	Yes
High Tech Middle Media Arts	Yes	Yes	Yes	No
Explorer Elementary	Yes	Yes	Yes	Yes
High Tech High Chula Vista	na	na	No	Yes
High Tech High North County	na	na	Yes	Yes

The existing HTH schools, based on API results, have performed well relative to similar school and statewide rankings. However, there has been a slight decline collectively in HTH's schools rankings from 2007-08 to 2008-09. HTH noted that the CMO has not experienced any major problems in attracting students to meet its growth schedules.

**Fundraising and Contribution Revenue:** HTH has funded its growth in part through successful fundraising from private donors. HTH raised \$3.44 million, \$7.84 million, and \$2.87 million in private contributions and grants for the past three years ending 2008-09 according to the audited financial statements of HTH. For 2009-10, HTH has raised 7.31 million through March 31, 2010. HTH reports that the organization will receive \$231,000 from the Bill & Melinda Gates Foundation in 2010-11 under their existing grants to help fund

new school start-up costs of HTH. HTH's track record of fundraising and the commitments of the Bill & Melinda Gates Foundation suggest that HTH will achieve its contribution goals.

**Enrollment:**

School	Opened	2009-10 Enrollment	2009-10 P-2 ADA	2009-10 P-2 ADA (%)
High Tech High	2000-01	550	519	94.4%
High Tech Middle	2003-04	332	320	96.4%
High Tech High International	2004-05	396	369	93.2%
High Tech High Media Arts	2005-06	392	381	97.2%
High Tech Middle Media Arts	2005-06	336	319	94.9%
Explorer Elementary	2005-06*	340	328	96.5%
High Tech High Chula Vista	2007-08	468	431	92.1%
High Tech High North County	2007-08	448	382	85.3%
High Tech Middle North County	2007-08	324	308	95.1%
<b>Total</b>		<b>3,586</b>	<b>3,357</b>	<b>93.6%</b>

\*HTH began operating Explorer Elementary in 2005-06. Explorer Elementary was an established public school prior to its charter conversion.

HTH Entrepreneur plans to occupy the CSFP-financed facilities in 2013-14. The projected enrollment is to the facility capacity of 560 students. Enrollment would grow by adding one grade per year beginning with 312 students in 9<sup>th</sup> and 10<sup>th</sup> grades in 2013-14.

Currently, HTH serves more than 3,500 students and the average daily attendance for all schools is approximately 94% as of the 2009-10 P-2 ADA report. HTH anticipates expanding to a total of eleven schools in the San Diego area by 2013-14, serving over 5,000 students. This growth projection is anticipated to enable HTH to reach a scale at which both individual schools and the CMO would be sustainable on public revenues without relying on grants and contributions. In order to reach its growth targets, HTH also plans to obtain philanthropic investment totaling \$10 million over the next five years to fund its upfront and ongoing capital requirements.

**Financial Analysis:** Below we have highlighted selected financial data and credit indicators to evaluate HTH's ability to meet its CSFP obligation based on projected financials provided by HTH. Staff's financial review of HTH is based on four years of audited financial statements (2005-06 through 2008-09), the 2009-10 2nd interim budget, and financial projections from 2010-11 through 2015-16, as provided by HTH. Staff's analysis of financial performance includes expenses for capital outlay and loan repayment; therefore, our results may differ from audited figures presented by school representatives.

High Tech High	Actual FY 2007-08	Actual FY 2008-09	2nd Interim FY 2009-10	Projected FY 2010-11	Projected FY 2011-12	Projected FY 2012-13	Projected FY 2013-14	Projected FY 2014-15	Projected FY 2015-16
<b>ENROLLMENT PROJECTIONS</b>									
Enrollment	2,551	2,889	3,586	3,775	4,471	4,471	5,046	5,046	5,046
Average Daily Attendance	2,437	2,737	3,375	3,627	4,296	4,296	4,848	4,848	4,848
Average Daily Attendance (%)	96%	95%	94%	96%	96%	96%	96%	96%	96%
<b>FINANCIAL PROJECTIONS</b>									
Total Revenues Available for CSFP Payment	\$ 29,591,352	\$ 28,489,481	\$ 35,551,650	\$ 29,076,546	\$ 32,768,446	\$ 33,656,367	\$ 37,051,165	\$ 38,133,325	\$ 39,079,579
Total Expenses Paid Before CSFP Payment	25,016,898	30,024,668	27,684,920	29,366,128	33,585,050	34,106,371	37,003,217	38,615,077	40,065,385
Accounting Adjustments	2,561,940	3,509,790	3,915,360	3,915,360	4,713,280	4,713,280	4,713,837	4,714,078	4,714,280
Net Revenues Available for CSFP Payment	\$ 7,136,394	\$ 1,974,603	\$ 11,782,090	\$ 3,625,778	\$ 3,896,676	\$ 4,263,276	\$ 4,761,786	\$ 4,232,326	\$ 3,728,474
CSFP Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,253,970	\$ 1,253,970
Net Revenues After CSFP Payment	\$ 7,136,394	\$ 1,974,603	\$ 11,782,090	\$ 3,625,778	\$ 3,896,676	\$ 4,263,276	\$ 4,761,786	\$ 2,978,356	\$ 2,474,504
<b>FINANCIAL INDICATORS</b>									
Net Revenues Available for CSFP Payment	\$ 7,136,394	\$ 1,974,603	\$ 11,782,090	\$ 3,625,778	\$ 3,896,676	\$ 4,263,276	\$ 4,761,786	\$ 4,232,326	\$ 3,728,474
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	337.5%	297.3%
Contributions	\$ 7,843,383	\$ 2,871,752	\$ 6,540,000	\$ 3,540,491	\$ 3,896,700	\$ 3,917,295	\$ 4,156,793	\$ 4,158,355	\$ 4,120,316
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5.9%	-31.2%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.3%	3.2%
Contributions / Revenues	26.5%	10.1%	18.4%	12.2%	11.9%	11.6%	11.2%	10.9%	10.5%
Net Revenues After CSFP Payment / Revenues	24.1%	6.9%	33.1%	12.5%	11.9%	12.7%	12.9%	7.8%	6.3%
Revenues / ADA	\$ 12,143	\$ 10,410	\$ 10,534	\$ 8,017	\$ 7,628	\$ 7,834	\$ 7,643	\$ 7,866	\$ 8,061
Expenses / ADA	\$ 10,265	\$ 10,971	\$ 8,203	\$ 8,097	\$ 7,818	\$ 7,939	\$ 7,633	\$ 8,224	\$ 8,523
Surplus (Deficit) / ADA	\$ 1,877	\$ (561)	\$ 2,331	\$ (80)	\$ (190)	\$ (105)	\$ 10	\$ (358)	\$ (462)
Net Working Capital	\$ 14,996,779	\$ 11,718,008							
Net Working Capital / Expenses	59.9%	39.0%							

**Assets / Liabilities:** Based on HTH and its controlled affiliates' audited financial statements as of June 30, 2009, HTH had aggregate liabilities of \$61.5 million, of which \$57.2 million were outstanding bonds. Corresponding interest payments on those bonds totaled \$72.6 million and will be paid through final maturity in 2047-48. HTH has issued four series of bonds in 2005 and 2008 to finance educational facilities construction including HTH Chula Vista and HTH Media Arts, among others. In addition, HTH has loans payable of \$20.8 million in the form of new market tax credits (NMTCs) to Revolution Community Ventures 1, LLC which partially funded construction costs for the HTH North County Project. The loan is segregated into two loan amounts (\$16.7 million and \$4.1 million) bearing two interest rates (5.31% and 3.87%). The payments on HTH's long-term debt, on average, are \$3.36 million annually from 2009-10 through 2013-14. In addition, HTH reports that the organization will pursue additional borrowing for its non-CSFP-associated schools. HTH anticipates issuing \$11.95 million in Qualified School Construction Bonds which will utilize a direct-pay letter of credit from City National Bank along with a stand-by letter of credit from the Federal Home Loan Bank. The bonds will be issued to fund the construction of High Tech Elementary Chula Vista and High Tech Middle Chula Vista.

**Performance / Change in Net Assets:** Based on its audited financials, HTH's main source of revenue from 2005-06 to 2008-09 were per-ADA State apportionments received by its schools, with private contributions and government grants also representing significant levels of funding. Revenue growth was based primarily on enrollment growth. Contributions and grants represented 70.3%, 15.4%, 26.5%, and 10.1% of total annual revenues from 2005-06 to 2008-09, respectively. The organization's primary expenses were teacher salaries and benefits as well as services and operating expenditures. For the three years ending with 2008-09, HTH increased its accrual-based net assets of the aggregate organization by \$2.63 million, \$7.14 million, and \$1.97 million respectively.

HTH's financial projections are based upon the following assumptions: (1) project occupancy in 2013-14; (2) increases in enrollment as described above; (3) per ADA funding rates for general purpose block grants of \$4,778 (K-3), \$4,855 (4-6), \$5,003 (7-8), and \$5,845 (9-12) in 2009-10; (4) projected ADA rates of 96% (5) revenue growth (cost of living adjustments on State Aid) of 0.7% in 2010-11, 2.4% in 2011-12 and 3.00% in subsequent

years; (6) growth in salaries and benefits per teacher of 0% in 2010-11 and 2011-12, 1.5% and 2.0% in 2012-13 and 2013-14, and 3.0% annually thereafter. Expense categories other than salaries and benefits, such as books and supplies, services and miscellaneous expenses, while increased for the effects of enrollment growth, are also escalated for inflation through 2015-16.

In 2005-06 and 2006-07, HTH utilized grants, donations and bond financing to acquire capital assets worth a combined \$40.44 million. HTH received grants and donations of \$31.86 million in 2005-06 and \$3.44 million in 2006-07. HTH also issued \$13.25 million in educational revenue bonds in 2005-06. For 2007-08, HTH recorded a gain in net revenues of \$4.57 million on \$29.59 million in revenues and \$25.02 million in expenses. Revenues in 2007-08 are inclusive of \$7.84 million in contributions. For 2008-09, HTH recorded a loss in net assets of \$1.54 million on \$28.49 million in revenues (of which \$2.87 million were contributions) and \$30.02 million in expenses. For the current year of 2009-10, HTH is projecting an increase to net assets of \$8.29 million on \$35.55 million in revenues and \$27.26 million in expenses. Contributions for 2009-10 were expected to be \$6.54 million for the full year, however HTH has raised \$7.31 million through March 31, 2010. HTH is anticipating net losses of \$289,582, \$816,604, \$450,004, \$481,753, and \$985,806 for 2010-11, 2011-12, 2012-13, 2014-15 and 2015-16. The decreases in net assets in projected years can be attributable to large depreciation expenses of, on average, \$4.4 million per year. These expenses are added back into our financial analysis as adjustments due to their lack of impact on HTH's cash position. When added back, projected net assets are expected to increase by \$3.63 million, \$3.90 million, \$4.26 million, \$4.76 million, \$4.23 million, and \$3.73 million, prior to payment of the CSFP lease. In 2014-15 and 2015-16, increases in net assets after CSFP lease payments are projected to be \$2.98 million and \$2.47 million.

In projected years 2010-11 through 2015-16, HTH anticipates receiving sizable contributions of \$3.54 million, \$3.90 million, \$3.92 million, \$4.16 million, \$4.16 million, and \$4.12 million, respectively. HTH estimates contributions remaining a similar portion of its revenues in comparison to 2008-09 with contributions accounting for, on average, 10.7% of projected revenue in 2014-15 and 2015-16.

HTH Entrepreneur is projected to open in 2013-14 with revenues of \$2.39 million and expenditures of \$1.78 million. This would result in an operating surplus of \$604,973. For 2014-15 and 2015-16, HTH Entrepreneur projects operating deficits of \$600,545 and \$591,359, on projected revenues of \$3.28 million and \$4.05 million and expenses of \$3.88 million and \$4.65 million after the projected CSFP payments.

**CSFP Applications:** In the prior Proposition 1D funding round, HTH Quarry Falls received preliminary apportionment for project costs of \$35.4 million. HTH is currently in the process of withdrawing the HTH Quarry Falls application and therefore staff has excluded CSFP lease payments attributable to HTH Quarry Falls from HTH's debt service coverage calculation.

**Debt Service Coverage:** Based on OPSC's estimated project cost of \$49,156,744, HTH's financial projections indicate that HTH would be able to afford the projected annual CSFP lease payment of \$1.25 million, as evidenced by the debt service coverage ratios of 337.5%



and 297.3% calculated for 2014-15 and 2015-16. Projected debt service coverage does decline to 5.9% and less than 0% in 2014-15 and 2015-16 if contributions are excluded from HTH's projected revenue. When evaluating HTH Entrepreneur's ability to afford the CSFP lease payment on a stand-alone basis, staff calculated projected debt service coverage ratios of less than 100% for both 2014-15 and 2015-16.

Facilities Cost: The CSFP lease payments in addition to HTH's current facility costs are expected to be 14% of projected revenues in 2014-15 and 2015-16. This is within staff's preferred range of 10%-15%. It should be noted that HTH does have refinancing risk associated with its NMTCs issuance along with the Series 2005 bonds.

Although not included in the financial projections, HTH expects to receive additional donations for HTH Entrepreneur's facility and also expects reductions in project costs of approximately \$13 million from CSFP's current estimates. As a conservative approach, staff has based its financial analysis on the current project cost estimates provided by OPSC.

The following table shows projected bond debt service payments attributable to HTH's facilities.

**High Tech High Facility Financing Cost Summary**

Financing	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Ser 2005	739,516	739,516	739,516	739,516	739,516	976,869*	976,869*
NMTCs	1,045,907	1,045,907	1,045,907	1,045,907	1,045,907	1,045,907	1,045,907
Ser 2008A	268,350	268,350	268,350	268,350	303,350	306,294	303,944
Ser 2008 B&C	1,301,707	1,299,557	1,296,394	1,307,219	1,280,513	1,281,988	1,282,913
QSCBs	-	-	504,167	615,000	633,450	652,454	652,454
CSFP	-	-	-	-	-	1,253,970	1,253,970
	<b>\$3,355,480</b>	<b>\$3,353,330</b>	<b>\$3,854,334</b>	<b>\$3,975,992</b>	<b>\$4,002,736</b>	<b>\$5,517,482</b>	<b>\$5,516,057</b>

\*Assumes \$11.2 million bullet maturity in 2014-15 is refunded at an interest cost of 6.0%, amortized over 20 years

The following table shows projected lease payments paid to HTH, as CMO, from its individual schools for their facilities. These projected lease payments are accounted for as an expense to the school and revenue to HTH but have no net impact to HTH's financial projections.

**Facility Leases with HTH Learning (Parent Organization)**

Facility	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
HTH Chula Vista	1,248,000	1,248,000	1,248,000	1,248,000	1,248,000	1,248,000	1,248,000
HTH North County	825,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
HTM North County	150,000	200,000	200,000	200,000	200,000	200,000	200,000
HTH	730,598	730,598	730,598	730,598	730,598	730,598	730,598
HTH International	525,333	525,333	525,333	525,333	525,333	525,333	525,333
HTH Media Arts	619,853	619,853	619,853	619,853	619,853	619,853	619,853
HTM	582,330	582,330	582,330	582,330	582,330	582,330	582,330
HTM Media Arts	638,576	638,576	638,576	638,576	638,576	638,576	638,576
Explorer	109,823	113,118	116,512	120,007	123,607	123,607	123,607
<b>Total</b>	<b>\$5,429,513</b>	<b>\$5,757,808</b>	<b>\$5,761,202</b>	<b>\$5,764,697</b>	<b>\$5,768,297</b>	<b>\$5,768,297</b>	<b>\$5,768,297</b>

Liquidity: As of June 30, 2009, HTH reported net assets of approximately \$37.6 million and cash totaling \$8.0 million. Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. HTH's NWC for 2007-08 was \$15.0 million, or 59.9% of total expenses, and decreased to \$11.7 million for 2008-09, or 39.0% of total expenses. HTH's financials indicate strong liquidity as staff considers NWC equivalent to at least 5.0% of total expenses to be sufficient.

**Strengths, Weaknesses and Mitigants**

- + HTH projects debt service coverage of 337.5% and 297.3% in 2014-15 and 2015-16 that meets the coverage requirement. HTH Entrepreneur's projected debt service coverage ratios on a stand-alone basis fall short of the 100% debt service requirement.
- +/- Debt service coverage of close to or less than 0% when excluding contributions indicates HTH's high reliance on contributions. However, HTH's fundraising history provides sufficient evidence to support projected contribution assumptions.
- + Support from HTH as co-borrower/guarantor. HTH's net working capital position of \$11.7 million as of June 30, 2009 indicates a strong financial backstop for HTH Entrepreneur.
- + HTH has shown good academic performance.
- Although following HTH's standard school growth model, HTH Entrepreneur has not yet opened and thus it has no financial, enrollment, or academic track records.

**Staff Recommendation:** Staff recommends that the California School Finance Authority Board determine that High Tech High, on behalf of High Tech High Entrepreneur, is financially sound for the purposes of the Charter School Facilities Program Preliminary and Advance Apportionment, but not for purposes of Final Apportionment under the Program. This determination as it relates to an Advance Apportionment is in place for six months and assumes no financial, operational, or legal material findings within this time period. Staff recommends that the CSFA Board direct staff to immediately notify the Office of Public School Construction and the State Allocation Board regarding this determination.