

\$14,285,000 (Preliminary)
CALIFORNIA SCHOOL FINANCE AUTHORITY
EDUCATIONAL FACILITY REVENUE BONDS
(COASTAL ACADEMY CHARTER SCHOOL, INC. PROJECT)
EXECUTIVE SUMMARY

RESOLUTION 12-52

Borrower:	Coastal Academy Charter School, Inc. (Borrower)
Project User:	Coastal Academy Charter School, Inc., a charter school operated under the same name, a California nonprofit public benefit corporation
Loan Amount:	Not to exceed \$16,000,000
Expected Issuance:	January 28, 2013
Project:	The bond proceeds will be used to (i) acquire a new site in Oceanside, California, and (ii) construct a new facility consisting of two buildings. Coastal Academy Charter School, Inc. anticipates an occupancy date of January 2014.
Bond Type:	Educational Facility Revenue Bonds (Taxable and Tax Exempt Series) (the "Bonds")
Project Locations:	4096 Calle Platino, Oceanside, California
County:	San Diego
District in which Project is Located:	Oceanside Unified School District
Charter Authorizer:	Oceanside Unified School District
Est. Annual Payment:	Approximately \$1,000,000
Expected Rating:	BB-
Structure:	Term Bonds maturing in 2022 (Taxable), 2032 (Tax-Exempt), and 2042 (Tax Exempt), respectively
Sale Method:	Public Offering
Underwriter:	RBC Capital Markets, LLC
Bond Counsel:	Stradling Yocca Carlson & Rauth

I. Background

Coastal Academy Charter School, Inc. (the Borrower) is requesting conduit bond financing, not to exceed \$16 million, for purposes of (i) purchasing a site at 4096 Calle Platino, Oceanside, California, and (ii) new construction of an approximately 37,400 square foot main building and an approximately 2,700 square foot multi-purpose building. The Borrower will retain ownership of the site solely for the purpose of the charter school.

II. The Project User and the Borrower

Borrower: The project user and the Borrower are the same, Coastal Academy Charter School, Inc., a charter school which began operating in the 2003-04 school year. The Borrower currently serves approximately 940 students in grades K-8 and operates under a charter issued by the Oceanside Unified School District. The school's current operations are located at 4183 Avenida de la Plata, Oceanside, CA 92056. The Borrower has executed a purchase agreement and expects to move into the facility in January 2014. The Borrower and project user is a California nonprofit public benefit corporation with a five-member board of directors.

The Borrower provides a variety of educational programs available to meet the needs of its students. Students are served on one of three tracks: A, B or C. The Track programs combine independent study, non-classroom-based study, and in-class instruction, all under the supervision of California credentialed teachers. The Borrower is currently one of the highest performing elementary schools in its district and one of the highest performing schools in its County, as measured by the State Department of Education Academic Performance Index ("API"), with a score of 857 out of 1000.

Related Entities: "The Classical Academies" is a term used to describe a family of three schools: Classical Academy, Classical Academy High School and Coastal Academy. The three schools are overseen by an Executive Director and a team of 12 professionals who serve all three school sites. Each school or school site is managed by an on-site Principal. The Classical Academies is not a separate legal entity or corporation, but exists in name only. The Board of Directors for each of the three corporations is the same. However, Board meetings for each school are conducted separately, and concurrently, and are open to the public.

Classical Academy, Inc. is a K-8 elementary public charter school in Escondido, California, and opened in 1999 as the first charter school in the "Classical Academies" family. Classical Academy High School, Inc. is a 9-12 public charter high school in Escondido, California, and opened in 2006. Each of these two schools is a separate and distinct 501(c)(3) public benefit corporation, operating under a charter issued by a separate and distinct authorizing school District. (Escondido Union School District and Escondido High School District, respectively.) About 80% to 90% of the incoming 9th grade class at Classical Academy High School is composed of students from one of the two elementary campuses. Many students graduating from Coastal Academy Charter School in Oceanside (the Borrower) go on to attend Classical Academy High School.

III. Financial Structure

The Authority will issue Tax Exempt and Taxable Educational Facility Revenue Bonds in one or more series (collectively the "Bonds"). The Authority will loan the proceeds of the Bonds to the Borrower to finance the project. The site will be operated by the Borrower, a nonprofit public benefit corporation, solely for the benefit of the charter school.

The Bonds will be dated on the date of delivery, will be in authorized in denominations of \$100,000 and any integral multiple \$5,000 in excess thereof, and currently are expected to mature on June 1 of 2023, 2032, and 2042, respectively with mandatory sinking fund payments prior to maturity. The Bonds are expected to bear interest payable semi-annually on July 1 and January 1 of each year, commencing on July 1, 2013, until maturity or earlier redemption. Bond transfers will be restricted to Qualified Institutional Buyers and Accredited Investors. The Borrower will make annual debt service payments through of approximately \$1,000,000 through the State's intercept of its general purpose block grant and categorical grant revenues.

IV. Security and Source of Payment

The Bonds are limited obligations payable through the intercept of the Borrower's revenue limit, block grant and categorical block grant apportionments pursuant to California Education Code, Section 17199.4(a) and a pledge of the gross revenues of the Borrower. In addition, the property will be subject to a deed of trust for security on the bonds. No interest in separate facilities will be used to support the bonds.

V. Preliminary Sources and Uses

SOURCES:

Series 2013A	\$14,010,000
Series 2013B (Taxable)	285,000
Total Sources	<u>\$14,285,000</u>

USES:

Project Costs	
Land Acquisition	\$ 1,953,666
Construction	6,600,000
Jurisdictional Fees	750,645
Development Costs	1,332,550
Insurance	25,000
Contingencies	428,651
Furniture, Fixtures, and Equipment	477,000
Total Project Costs	<u>\$11,567,512</u>
Debt Service Reserve Fund	1,078,517
Capitalized Interest	1,078,517
Transaction Costs	560,454
Total Uses	<u>\$14,285,000</u>

VI. Project Description

For purposes of establishing a permanent expanded facility having enhanced capacity for up to 1,200 students, the project consists of the Borrower's acquisition of a new site and construction of an approximately 37,400 square foot main building and an approximately 2,700 square foot multi-purpose building. The facility will provide 20 classrooms, a library, administrative office area, teacher offices and a multi-purpose room.

VII. Borrower Financial Data

Attached at Exhibit A is a schedule of the Borrower's historic assets and liabilities, revenues and expenses, as well as enrollment history and projections.

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, has the full authority to enter into all documents which are valid and binding, etc.) will be delivered at closing.

IX. Staff Recommendation

Staff recommends CSFA approve Resolution Number 12-52 in an amount not to exceed \$16,000,000 for Coastal Academy Charter School, Inc. subject to final financing terms acceptable to CSFA.

Exhibit A
STATEMENTS OF FINANCIAL POSITION (BALANCE SHEET)
Coastal Academy Charter School, Inc.

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$1,331,272	\$823,729	\$385,757	\$218,981
Accounts receivables	533,392	681,747	1,465,433	1,761,385
Prepaid expenses	53,081	41,915	109,801	110,446
Total current assets	<u>1,864,664</u>	<u>1,735,476</u>	<u>1,960,991</u>	<u>2,090,812</u>
Fixed assets; net of depreciation	148,226	111,593	147,659	200,565
Noncurrent assets:				
Deposits	64,386	60,641	73,810	148,810
Advances	--	230,000	200,000	150,000
Total noncurrent assets	<u>64,386</u>	<u>290,641</u>	<u>273,810</u>	<u>298,810</u>
Total assets	<u>\$2,130,357</u>	<u>\$1,949,625</u>	<u>\$2,382,460</u>	<u>\$2,590,187</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$50,763	\$297,945	\$80,324	\$13,668
Accrued expenses	--	--	140,519	203,138
Accrued payroll taxes and benefits	217,760	129,478	--	--
Capital loans payable	278,844	--	--	--
Current portion of long-term debt	50,000	--	--	--
Deferred revenue	--	--	79,176	--
Short-term loans	--	--	400,000	100,000
Total current liabilities	<u>597,367</u>	<u>427,423</u>	<u>700,019</u>	<u>316,806</u>
Total liabilities	<u>597,367</u>	<u>427,423</u>	<u>700,019</u>	<u>316,806</u>
Net assets				
Restricted	198,698	4,294	--	--
Unrestricted	1,336,292	1,517,908	1,682,441	2,273,381
Total net assets	<u>1,532,990</u>	<u>1,522,202</u>	<u>1,682,441</u>	<u>2,273,381</u>
Total liabilities and net assets	<u>\$2,130,357</u>	<u>\$1,949,625</u>	<u>\$2,382,460</u>	<u>\$2,590,187</u>

⁽¹⁾ Adapted from the Borrower's audited financial statements for the Fiscal Years shown.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Coastal Academy Charter School, Inc.

	<u>2013⁽¹⁾</u>	<u>2014⁽¹⁾</u>	<u>2015⁽¹⁾</u>	<u>2016⁽¹⁾</u>
REVENUES				
Revenue limit sources:				
State apportionments	\$2,758,057	\$2,866,430	\$3,202,816	\$3,292,717
In-lieu of property taxes	1,838,705	1,910,954	2,135,211	2,195,145
Federal revenues	0	0	0	0
State revenues	612,715	651,126	703,629	743,614
Local revenues:				
Donations	0	0	0	0
Fundraising	0	0	0	0
Interest	1,200	1,200	1,200	1,200
Miscellaneous	661,338	200,000	200,000	200,000
Transfer to temporarily restricted net assets	0	0	0	0
Total Revenues	<u>5,872,015</u>	<u>5,629,710</u>	<u>6,242,856</u>	<u>6,432,676</u>
EXPENSES				
Certified salaries	\$1,622,674	\$1,741,354	\$1,863,595	\$1,954,503
Classified salaries	942,923	971,211	1,000,347	1,030,357
Employee benefits	848,959	885,614	919,636	943,825
Books and supplies	189,959	221,265	245,895	258,050
Travel and conferences	23,880	31,000	32,000	32,500
Dues and memberships	30,150	31,000	32,000	32,500
Insurance	20,896	25,075	60,175	63,184
Operation and housekeeping services	60,346	63,363	76,000	79,800
Rental, leases, repairs and non-capitalized improvements	620,035	391,492	153,573	155,982
Professional/consulting services and operating expenditures	631,261	279,285	310,417	337,315
Communications	86,975	91,523	96,317	101,374
Depreciation	34,909	34,909	34,909	34,909
Debt service	0	309,938	953,850	955,637
Other outgo	0	0	0	0
Total Expenses	<u>5,112,967</u>	<u>5,077,029</u>	<u>5,778,714</u>	<u>5,979,936</u>
CHANGE IN NET ASSETS INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>759,049</u>	<u>552,681</u>	<u>464,142</u>	<u>452,740</u>
INCREASE (DECREASE) IN NET ASSETS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET ASSETS, BEGINNING OF YEAR	<u>2,273,381</u>	<u>3,032,430</u>	<u>3,585,111</u>	<u>4,049,253</u>
NET ASSETS, ENDING OF YEAR	<u>\$3,032,430</u>	<u>\$3,585,111</u>	<u>\$4,049,253</u>	<u>\$4,501,993</u>

(1) Budgeted.

HISTORICAL AND PROJECTED ENROLLMENT INFORMATION BY ACADEMIC YEAR (2007-2017)
Coastal Academy Charter School

Grade	School Year					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
K	71	83	71	97	119	108
1	54	64	79	79	105	128
2	59	53	69	78	77	115
3	70	70	66	80	88	98
4	59	73	70	80	90	98
5	66	59	75	80	85	108
6	60	72	69	77	89	95
7	66	54	63	64	86	95
8	<u>37</u>	<u>63</u>	<u>53</u>	<u>63</u>	<u>63</u>	<u>95</u>
Total	542	591	615	698	802	940

Grade	School Year			
	2013-14	2014-15	2015-16	2016-17
K	110	110	112	112
1	110	110	112	112
2	130	110	111	112
3	119	130	111	111
4	101	141	133	111
5	101	141	144	133
6	110	140	142	144
7	98	111	142	142
8	98	98	113	142
Total	977	1092	1120	1119