

**CALIFORNIA SCHOOL FINANCE AUTHORITY
SCHOOL FACILITY REVENUE BONDS
(HIGH TECH HIGH POINT LOMA REFINANCING) SERIES 2014
EXECUTIVE SUMMARY**

RESOLUTION 14-25

Borrower:	HTH Learning
User of Facilities:	Bond proceeds will be used to refinance bonds used to improve the following facilities: 1) Gary and Jerri-Ann Jacobs High Tech High; 2) High Tech Middle; 3) High Tech High International; 4) High Tech Middle Media Arts; 5) High Tech High Media Arts; and 6) Explorer Elementary Charter School. High Tech High operates these schools.
Loan Amount:	Not to exceed \$13,500,000
Interest Rate:	3.46%
Expected Issuance:	October 2014
Maturity Date:	October 1, 2029 (right to pre-pay without penalty)
Use of Proceeds:	Bond proceeds will be used to refinance 2005 bonds issued through the California Municipal Finance Authority (CMFA)
Bond Type:	Tax-Exempt Bonds
Project Location:	Point Loma in San Diego
County:	San Diego
Charter Authorizer:	San Diego Unified School District
Expected Rating(s):	Non-Rated
Sale Method:	Private Placement
Bond Purchaser:	Irwin Mark Jacobs and Joan Klein Jacobs, as Trustees of the Jacobs Family Trust Dated June 2, 1980 (JFT)
Bond Counsel:	Orrick Herrington & Sutcliffe LLP

I. Financial Structure

CSFA will issue the Bonds, the proceeds of which will be loaned to the Borrower pursuant to a Loan Agreement by and between CSFA and the Borrower, through a private placement with the Irwin Mark Jacobs and Joan Klein Jacobs, as Trustees of the Jacobs Family Trust Dated June 2, 1980 (JFT). The Bonds will be sold as tax-exempt obligations. Debt service will be intercepted using the intercept mechanism outlined in section 17199.4 of the Education Code. The bonds will be set at a 3.46% interest rate, for 15 years, with an ability to pre-pay the bonds without penalties.

II. Security and Source of Payment

The Bonds are limited obligations of the Authority primarily payable from moneys received by the bond trustee through the Intercept and other moneys received directly from, or on behalf of the Borrower pursuant to the Loan Agreement. Payment obligations of the Borrower under the Loan Agreement are primarily limited to gross revenues of the following schools: 1) Gary and Jerri-Ann Jacobs High Tech High; 2) High Tech Middle; 3) High Tech High International; 4) High Tech Middle Media Arts; 4) High Tech High Media Arts; and 6) Explorer Elementary Charter School. The revenues generated from the facilities listed above are already subject to a deed of trust as security for the Bonds. No interest in any other facility of the Borrower will be used to support the Bonds.

III. The Borrower

High Tech High was originally conceived by a group of about 40 civic and high tech industry leaders in San Diego, assembled by the Economic Development Corporation and the Business Roundtable, who met regularly from 1996 - 1998 to discuss the challenge of finding qualified individuals for the high-tech work force. In particular, members were concerned about the “digital divide” that resulted in low numbers of women and ethnic minority groups entering the fields of math, science, and engineering. Gary Jacobs, Director of Education Programs at Qualcomm, and Kay Davis, Director of the Business Roundtable, were key participants in these discussions.

In late 1998 the group voted to start a charter school and engaged Larry Rosenstock, then President of Price Charities in San Diego, as the founding principal. The founding group was clear about its intent: to create a school where students would be passionate about learning and would acquire the basic skills of work and citizenship. Rosenstock, a former carpentry teacher, lawyer, and high school principal who had recently directed the U.S. Department of Education’s New Urban High School project, brought a vision and a sense of the design principles by which this mission might be accomplished (see Design Principles, below).

From January 1999 to the opening of the Gary & Jerri-Ann Jacobs High Tech High in September of 2000, Rosenstock and the founding group, led by Gary Jacobs, worked in tandem. Rosenstock located a site, prepared the charter application, hired staff, and oversaw the development of the program, while Jacobs and the business community took the lead in addressing issues of financing and facilities development. High Tech High was established in April 1999. Its flagship school opened in San Diego in September 2000. With significant support from the William and Melinda Gates Foundation in its early years, High Tech High quickly became recognized for its innovative academic programs and inspired a group of charter schools across the country to emulate its model. In 2003, High Tech Middle was opened, followed by High Tech High International in 2004, and High Tech Middle Media Arts and High Tech High Media Arts in 2005. Explorer Elementary, founded in 1999, became affiliated with High Tech High’s parent, HTH Learning, when it moved to the Liberty Station campus in 2005. In the midst of the opening of the San Diego schools, High Tech High was the 1st charter school to be approved by the California Commission on Teacher Credentialing to operate a teacher credentialing program and the first charter schools in California permitted to join a SELPA (Special Education Local Plan Area) and conduct its own special education programs.

In 2006, High Tech High was the first organization to be approved for a new chartering model in California, the statewide benefit charter. As a condition of the initial charter, High Tech High was required to open a minimum of two schools by the fall of 2007. High Tech High Chula Vista opened in September 2007 in leased space in the newly opened Matre Dei private school. High Tech High North County opened in the same month in a temporary campus assembled on the property where its permanent facility was soon to be built. High Tech High Chula Vista moved into its permanent home in January 2009 and High Tech High North County moved its operations into its permanent home in August 2009.

In 2007, HTH Learning opened the High Tech High Graduate School of Education on its San Diego campus. The High Tech High Graduate School of Education offers masters degrees in Teacher Leadership and School Leadership and a certificate program in Leading Schools. The GSE is a potent resource for teachers and staff employed by High Tech High and furthers the broader goals of the organization to inspire and lead positive change in K-12 education in the US and abroad.

In July 2009, High Tech High Graduate School of Education became a separate 501(c)3 organization and began the process for accreditation as an Institute of Higher Education through WASC. The High Tech High Graduate School of Education is the first post-graduate program to be fully imbedded in a K-12 learning environment.

High Tech Middle North County was opened in August 2009 in the temporary campus space vacated by High Tech High North County and moved into its permanent home in August 2011. It became the third school added under the SBC-High Tech High charter.

In September 2011, two new schools were opened under the SBC-High Tech High charter in Chula Vista. With the addition of High Tech Elementary Chula Vista and High Tech Middle Chula Vista, the Chula Vista campus was extended to serve the entire K-12 continuum.

In the fall of 2012, the High Tech High Graduate School of Education was awarded Candidacy status by WASC, the final step prior to full accreditation and was approved in the spring of 2013 to offer federal loan programs (Title IV).

High Tech Elementary North County, the sixth school authorized under the SBC-High Tech High charter, opened in temporary quarters in September 2013. Its permanent home opened in September 2014.

In spring 2013, HTH Learning acquired the former Hale Junior High campus from San Diego Unified School District with the intent to develop additional charter schools on the property in the 2017-2022 timeframe.

IV. Preliminary Sources and Uses

The proceeds of the bonds will be used to pay off the existing CMFA bonds. All cost of issuance related to the refinancing (CSFA Bond Issuance) will be paid by HTH.

V. Borrower Financial Data

Attached at Exhibit A is an excerpt from HTH Learning's Audit Report for the year ended June 30, 2013.

VI. 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.

VII. Bond Sales Restrictions

Per Bond Issuance Guidelines adopted by the CSFA board, and given no rating on the bonds, the following sales restrictions may apply to the HTH financing: <http://treasurer.ca.gov/csfa/financings/guidelines.pdf>.

1. Bonds will be in minimum denominations of \$250,000; and
2. Bonds will be privately placed or publicly offered initially to Qualified Institutional Buyers (QIB) and Accredited Investors (AI); and
3. Bonds purchases will be required to execute an initial Investor Letter; and
4. Subsequent transfers of bonds will be limited to QIBs and AIs; and
5. Sales restrictions conspicuously noted on bond and described in detail in offering materials, if any, as well as in the bond documents; and
6. Bond payments will be made via the intercept mechanism outlined in Section 17199.4 of the Education Code.

VIII. Staff Recommendation

Staff recommends the California School Finance Authority approve Resolution #14-25 in an amount not to exceed \$13,500,000 for HTH Learning subject to final financing terms acceptable to CSFA.

HTH LEARNING AND CONTROLLED AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

ASSETS

Current assets

Cash and cash equivalents	\$ 4,506,433
Accounts receivable	7,456,687
Prepaid expenses	90,139
Construction project reserve funds	5,650,000
Contributions receivable, current portion	83,967
Total current assets	<u>17,787,226</u>

Capital assets

Property and equipment	113,069,937
Less accumulated depreciation	(19,630,887)
Capital assets, net	<u>93,439,050</u>

Long-term assets

Debt service reserve funds	2,536,415
Deferred bond issuance charges	1,726,120
Contributions receivable, long-term portion	3,593,551
Other investments	14,291,901
Total long-term assets	<u>22,147,987</u>
Total Assets	<u>\$ 133,374,263</u>

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 2,075,350
Accrued expenses	1,283,952
Interest payable on long-term debt	1,396,275
Deferred revenue	220,628
Bonds payable, current portion	510,330
Total current liabilities	<u>5,486,535</u>

Long-term liabilities

Notes payable	20,812,340
Bonds payable	50,114,614
Total long-term liabilities	<u>70,926,954</u>
Total liabilities	<u>76,413,489</u>

Net assets

Unrestricted	46,924,056
Temporarily restricted	10,036,718
Total net assets	<u>56,960,774</u>
Total Liabilities and Net Assets	<u>\$ 133,374,263</u>

The notes to the financial statements are an integral part of this statement.

HTH LEARNING AND CONTROLLED AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Federal and state support and revenues			
General purpose entitlement	\$ 16,831,716	\$ -	\$ 16,831,716
Categorical block grant	2,543,364	-	2,543,364
Special education entitlements	2,842,250	-	2,842,250
Other federal revenues	1,279,381	-	1,279,381
Other state revenues	2,316,284	-	2,316,284
Total federal and state support and revenue	25,812,995	-	25,812,995
Local support and revenues			
Payments in lieu of property taxes	8,899,229	-	8,899,229
Grants and donations	7,675,516	391,066	8,066,582
Investment income, net	477,921	-	477,921
Tuition and fees			
M.Ed. tuition	130,656	-	130,656
Dissemination program revenue	804,847	-	804,847
Other local revenues	1,639,559	-	1,639,559
Total local support and revenues	19,627,728	391,066	20,018,794
Donor restrictions satisfied	923,765	(923,765)	-
Total Support and Revenues	46,364,488	(532,699)	45,831,789
Expenses			
Program services			
Instruction	19,514,381	-	19,514,381
Instructional support	4,582,306	-	4,582,306
Dissemination	629,665	-	629,665
Educational facilities	3,446,137	-	3,446,137
Management and general	7,801,046	-	7,801,046
Fundraising	327,924	-	327,924
Depreciation and amortization	4,497,064	-	4,497,064
Total Expenses	40,798,523	-	40,798,523
CHANGE IN NET ASSETS	5,565,965	(532,699)	5,033,266
Net Assets - Beginning	41,358,091	10,569,417	51,927,508
Net Assets - Ending	\$ 46,924,056	\$ 10,036,718	\$ 56,960,774

The notes to the financial statements are an integral part of this statement.