

\$25,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(ESCUELA POPULAR DEL PUEBLO)
SERIES 2015A (TAX-EXEMPT) AND 2015B (TAXABLE)

EXECUTIVE SUMMARY
RESOLUTION 15-31

Borrower:	149 N. White Road, LLC. (the “Borrower”)
Project User:	Escuela Popular Del Pueblo
Loan Amount:	Not to exceed \$25,000,000
Expected Issuance:	December 2015
Project:	The proceeds of the bonds will be used to finance and refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and equipping of educational facilities located in Santa Clara County.
Bond Type:	School Facility Revenue Bonds (Taxable and Tax Exempt Series)
Project Location:	See “Project Information” section
Counties Served:	Santa Clara County
District in which Project is Located:	East Side Union high
Charter Authorizer:	East Side Union High
Est. Annual Payment:	\$1,596,000
Anticipated Rating:	Not Applicable
Structure:	\$ 22,005,000 (Tax-Exempt) and \$410,000 (Taxable)
Sale Method:	Public Limited Offering
Underwriter:	Piper Jaffray & Co.
Bond Counsel:	Orrick, Herrington, & Sutcliffe LLP
Trustee:	Wilmington Trust, N.A.

I. Use of Bond Proceeds / Project Information

Escuela Popular currently operates high school classes for both Schools in space rented from the Alum Rock Union Elementary School District (“Alum Rock Union ESD”) at 149 North White Road in San José California. Escuela Popular has leased the property, a former public middle school campus that consists of approximately 8.47 acres of land and existing improvements

totaling approximately 54,460 square feet of building space, fields, parking lots, landscaped areas, playgrounds, and a track (collectively, the "Site"), from Alum Rock Union ESD pursuant to a School Building and Ground Lease, dated March 15, 2010 (the "Ground Lease"), by and between the Alum Rock Union ESD, as landlord, and Escuela Popular. In connection with the issuance of the Bonds, Escuela Popular will assign its interest in the Ground Lease to the Borrower. The Borrower will then lease the Site, together with the improvements to be constructed thereon, to Escuela Popular pursuant to the Leases.

The Borrower will use the proceeds of the Bonds to make improvements (collectively, the "Project") on the Site, which will include the demolition of three existing buildings, removal of a small parking lot, and the addition of three new prefabricated buildings (two 2-story buildings and one single-story building) for a total of 24 new classrooms. The Project will also include the addition of two new parking lots, one of which includes a student drop-off area with access via White Road. The new parking areas will increase available parking from 130 spaces to between 200 and 228 spaces. A new play area will be added to the central courtyard and the track and field will be reconfigured to accommodate the added parking and new buildings. The Project will include furnishing and equipping the new buildings, as well as interior detailing of the existing buildings.

Escuela Popular currently operates elementary school classes for the Family Learning Center in space rented from Emmanuel Baptist Church at 469 N. White Road in San José California, near the Site. Upon completion of the Project, these elementary school classes will move to the existing buildings at the Facility. While upgrades to the existing buildings are not included in the Project, interior detailing will convert these structures for use by elementary students. The new classrooms will be primarily occupied by the high school students. The campus will be zoned to create identity for grade level activities.

II. Escuela Popular del Pueblo/149 N. White Road, LLC

Escuela Popular Del Pueblo ("Escuela Popular" or the "Lessee") is a non-profit public benefit corporation that was incorporated in the State of California on October 2, 2000. Escuela Popular comprises two charter schools: a grade K-12 charter school and a grade 9-12 charter school. Both schools were granted a five-year charter under the sponsorship of the East Side Union High School District ("ESUHSD") pursuant to the terms of the Charter Schools Act of 1992. The majority of Escuela Popular's students are recent immigrants who are monolingual Spanish speakers. Escuela Popular has implemented innovative dual language programs in each of its schools to better serve these students.

The Borrower, 149 N. White Road, LLC, is a single purpose entity with no assets other than the Facility and its rights under the Leases, which have been assigned to the Trustee. The Borrower was formed on August 14, 2015 for the purpose of owning the Facility and is not expected to have any other assets or revenue available to it to make payments due under the Loan Agreement. Therefore, no financial information with respect to the Borrower has been provided in the offering statement.

III. Financial Structure

The Bonds are expected to be issued in two series: (1) Series A (Tax-Exempt) will be approximately \$22,005,000 and (2) Series B (Taxable) will be approximately \$410,000. The Bonds will have a final maturity of July 1, 2045.

IV. Security and Source of Payment

The Bonds will be payable out of Payments under the Indenture, consisting primarily of Loan Repayments under the Loan Agreement. The obligations of the Borrower under the Loan Agreement are secured by: (i) the rent payments received under the Lease, (ii) real property described in the Deed of Trust on the Facility and (iii) the Reserve Account. The Reserve Account will be funded initially by proceeds of the Bonds.

As additional security for the Bonds, in connection with the issuance of the Bonds, Escuela Popular will provide instructions to the State Controller's Office to make an apportionment to the Trustee with respect to each School in amounts and on dates provided in a written notice sufficient in the aggregate to repay the Bonds and pay necessary and incidental costs. Funds received by the Trustee pursuant to such Intercept will be held in trust and will be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture, including if necessary, the payment of debt service on the Bonds. Under the laws of the State of California, no party, including Escuela Popular, the Borrower or any of their respective creditors will have any claim to the money apportioned or to be apportioned to the Trustee by the State Controller pursuant to the Intercept.

V. Preliminary Sources and Uses/Cost 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:	Series 2015A (Tax-Exempt)	Series 2015B (Taxable)	Total
Bond Proceeds:			
Par Amount	\$22,005,000.00	\$410,000.00	\$22,415,000.00
Uses:	Series 2015A (Tax-Exempt)	Series 2015B (Taxable)	Total
Project Fund Deposits:			
Escuela Popular Accelerated Family Learning Center--New Construction	\$20,000,000.00	\$0.00	\$20,000,000.00
	\$20,000,000.00	\$0.00	\$20,000,000.00
Other Fund Deposits:			
Debt Service Reserve Fund	\$1,567,267.23	\$29,201.53	\$1,596,468.76
Delivery Date Expenses:			
Cost of Issuance	\$0.00	\$369,847.00	\$369,847.00
Underwriter's Discount	\$440,100.00	\$8,200.00	\$448,300.00
	\$440,100.00	\$378,047.00	\$818,147.00
Other Uses of Funds:			
Contingency	-\$2,367.23	\$2,751.47	\$384.24
Total	\$22,005,000.00	\$410,000.00	\$22,415,000.00

<u>Cost of Issuance:</u>	<u>Estimated Amount</u>
Issuer Fee	\$21,207.50
STO Agent for Sale fee	\$6,000.00
Issuer Application Fee (Reimburse to Borrower)	\$1,500.00
Issuer's Annual Fee (paid upfront)	\$3,362.25
Issuer Counsel Fee	\$7,000
Bond Counsel Fee & Expenses	\$95,000.00
Underwriter Counsel Fee	\$75,000.00
Borrower's Counsel Fee	\$65,000.00
Trustee Fee	\$5,000.00
Trustee's Counsel Fee	\$2,000.00
CDLAC Fee	\$3,362.25
Contingency	\$50,000.00
Total Costs	\$334,432.00

VI. Borrower Financial Data

Exhibit A contains financial and operational information for Escuela Popular del Pueblo.

VII. 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, is 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.

VIII. Bond Sales Restrictions

The following sales restrictions will apply to the financing given that the bonds are not rated. 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 QIBs and AIs
3. Bonds purchases will be required to execute an initial Investor Letter
4. Subsequent transfers of bonds will be limited to QIBs and AIs Sales restrictions conspicuously noted on bond and described in detail in offering materials, if any, as well as in the bond documents
5. 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
6. 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 15-31 authorizing the Issuance of School Facility Revenue Bonds in an Amount Not to Exceed \$25,000,000 to Finance and Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and Equipping of Educational Facilities Located in Santa Clara County, California for 149 N. White Road, LLC.

Exhibit A – Financial and Operational Information

Approved Multiyear Budget

ESCUELA POPULAR DEL PUEBLO

As of May 31, 2015

		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
		Current Forecast	Current Forecast	Preliminary Budget	Preliminary Budget	Preliminary Budget	Preliminary Budget
SUMMARY							
Revenue							
	General Block Grant	9,409,833	11,067,714	11,893,585	12,520,862	12,878,087	13,405,289
	Federal Revenue	340,594	349,507	373,016	402,430	426,371	451,216
	Other State Revenues	646,282	1,058,668	499,357	507,151	515,657	523,331
	Local Revenues	76,961	24,545	25,291	26,062	26,855	27,673
	Fundraising and Grants	53,290	50,000	51,500	53,045	54,636	56,275
	Total Revenue	10,526,960	12,550,435	12,842,750	13,509,550	13,901,607	14,463,785
Expenses							
	Compensation and Benefits	6,295,040	7,503,513	7,912,886	8,367,580	8,853,157	9,196,324
	Books and Supplies	512,235	523,674	543,395	564,286	585,942	608,389
	Services and Other Operating Expenditures	2,775,684	3,608,604	4,231,924	4,309,405	4,382,162	4,463,449
	Capital Outlay	-	-	-	-	-	-
	Total Expenses	9,582,960	11,635,792	12,688,205	13,241,271	13,821,260	14,268,162
Operating Income (excluding Depreciation)		944,000	914,643	154,545	268,279	80,347	195,623
Operating Income (including Depreciation)		931,358	910,959	154,545	268,279	80,347	195,623
Fund Balance							
	Beginning Balance (Unaudited)	3,456,025	4,483,366	5,394,325	5,548,870	5,817,149	5,897,496
	Audit Adjustment	(14,379)	-	-	-	-	-
	Beginning Balance (Audited)	3,441,646	4,483,366	5,394,325	5,548,870	5,817,149	5,897,496
	Operating Income (including Depreciation)	931,358	910,959	154,545	268,279	80,347	195,623
Ending Fund Balance (including Depreciation)		4,373,004	5,394,325	5,548,870	5,817,149	5,897,496	6,093,119
Ending Fund Balance as a % of Expenses		46%	46.4%	44%	44%	43%	43%

Financial Position (As of 2013-14)

ESCUELA POPULAR DEL PUEBLO STATEMENT OF FINANCIAL POSITION JUNE 30, 2014

	Escuela Popular Accelerated Family Learning Center	Escuela Popular Center For Training and Careers	Elimination	Total
ASSETS				
Current assets:				
Cash (Note 3)	\$ 524,602	\$ 2,080,684	\$ -	\$ 2,605,286
Accounts receivable (Note 4)	453,735	650,308	-	1,104,043
Due from E.P.A.F.L.C.	-	818,377	(818,377)	-
Prepaid expenses	27,130	29,506	-	56,636
Total current assets	1,005,467	3,578,875	(818,377)	3,765,965
Fixed assets, net of depreciation (Note 5)	6,175	11,468	-	17,643
Total assets	\$ 1,011,642	\$ 3,590,343	\$ (818,377)	\$ 3,783,608
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 132,168	\$ 100,384	\$ -	\$ 232,552
Due to E.P.C.T.C.	818,377	-	(818,377)	-
Accrued expenses	57,469	51,942	-	109,411
Total current liabilities	1,008,014	152,326	(818,377)	341,963
Total liabilities	1,008,014	152,326	(818,377)	341,963
Net assets:				
Temporarily restricted	95,976	192,702	-	288,678
Unrestricted	(92,348)	3,245,315	-	3,152,967
Total net assets	3,628	3,438,017	-	3,441,645
Total liabilities and net assets	\$ 1,011,642	\$ 3,590,343	\$ (818,377)	\$ 3,783,608