

\$3,500,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
SCHOOL FACILITY REVENUE BONDS
(HTH LEARNING PROJECT)
SERIES 2016
EXECUTIVE SUMMARY
RESOLUTION 16-04

Borrower:	HTH Learning (the “Borrower”)
Project User:	High Tech High (the “Lessee”) operating High Tech High North County Middle School
Loan Amount:	Not to exceed \$3,350,000
Expected Issuance:	March 16, 2016
Project:	The proceeds of the bonds will be used to refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and equipping of educational facilities located in San Marcos in San Diego County.
Bond Type:	School Facility Revenue Bonds
Project Location:	See “Project Information” section
Counties Served:	San Diego
District in which Project is Located:	San Marcos Unified School District
Charter Authorizer:	Statewide Benefit Charter
Est. Annual Payment:	\$287,600
Anticipated Rating:	Not Applicable
Structure:	15 year, fully amortized, fixed rate locked at 3.60%
Sale Method:	Private Placement
Purchaser:	City National Bank
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Trustee:	The Bank of New York Mellon Trust Company, N.A.

I. Use of Bond Proceeds / Project Information

The Project will include refinancing the costs of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of certain charter school educational facilities operated by HTH Learning, for the benefit of public charter schools operated by its affiliate, High Tech High, including classroom and administrative spaces and related appurtenant facilities at its High Tech High North County Middle School located in San Marcos.

II. High Tech High Learning / High Tech High (HTH)

HTH Learning, a California nonprofit public benefit corporation was founded in 2001 with a mission to manage and support the growth of schools operated by its affiliate, High Tech High. Since a critical need of all charter schools are functionally appropriate facilities, HTH Learning has from its inception stepped forward to plan and finance facilities for High Tech High to use. HTH Learning also has served as an incubator for new initiatives related to the High Tech High schools, including the High Tech High Graduate School of Education and many of the dissemination programs that bring over 3,000 educators to High Tech High schools each year to view, experience, and receive technical assistance from High Tech High staff.

High Tech High (HTH) is a 501(c)(3) nonprofit, public benefit corporation. The charter schools operated by HTH were granted charters by the San Diego Unified School District and the California State Board of Education. The charter schools receive per-pupil funding as the primary source of operating income. HTH currently serves approximately 5,250 students in five high schools, four middle schools, and four elementary schools in the county of San Diego.

High Tech High began in 2000 as a single charter high school launched by a coalition of San Diego business leaders and educators. It has evolved into an integrated network of schools spanning grades K-12, housing a comprehensive teacher certification program. An affiliate operates a new, innovative Graduate School of Education, the first in the country to be fully imbedded within K-12 schools.

At each school, HTH strives to achieve its goals to 1) serve a student body that mirrors the ethnic and socioeconomic diversity of the local community 2) integrate technical and academic education to prepare students for post-secondary education in both high tech and liberal arts fields 3) increase the number of educationally disadvantaged students in math and engineering who succeed in high school and post-secondary education and 4) graduate students who will be thoughtful, engaged citizens.

III. Financial Structure

The Bonds are expected to be issued in one series. The series will be tax-exempt and will be approximately \$3,350,000 with a fixed rate tied to 15-year Treasury and amortized over 15 years. The Bonds will have a final maturity of January 1, 2031. It is anticipated that the bonds will be set at a tax-exempt rate of 3.60%.

IV. Security and Source of Payment

The Bonds will be payable from and secured by Payments under the Indenture, consisting primarily of Loan Repayments under the Loan Agreement. The obligations of the Borrower under the Loan Agreement are payable from and secured by Gross Revenues, being all of the revenues, income, cash receipts and other money, solely with respect to any school operated by the Lessee at the Facility and held by the Borrower, received by the Borrower, or received by the Trustee on behalf of the Borrower pursuant to the Indenture, that are legally available for payment of the obligations of the Borrower under the Loan Agreement, and by the Deeds of Trust on each Facility. As further security for the Bonds, in connection with the issuance of the Bonds, the Borrower will provide instructions to the State Controller's Office to make an apportionment to the Trustee in amounts and on dates provided in a written notice sufficient to repay the Bonds and pay necessary and incidental costs. Funds received by the Trustee pursuant to the Intercept described in clause (i) of the definition of Payments 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 state law, no party, including the Borrower or any of its 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 2016 (Tax-Exempt)
Bond Proceeds:		
	Par Amount	\$3,269,000.00
Uses:		Series 2016 (Tax-Exempt)
Project Fund Deposits:		
	Loan Refinance	\$3,204,319.20
		\$3,204,319.20
Delivery Date Expenses:		
	Cost of Issuance	\$64,680.80
		\$64,680.80
Total		\$3,269,000.00

<u>Cost of Issuance</u>	<u>Budgeted Amount</u>
Issuer Fees:	
CSFA Application Fee	\$1,500.00
CSFA Issuance Fee	\$4,903.50
CSFA 1st Year Pre-Paid Annual Fee	\$500.00
State Treasurer's Office Counsel Fees	\$5,000.00
Attorney General Office Fee	\$3,000.00
Bond Counsel Fee*	\$20,000.00
Borrower's Counsel Fee	
Trustee Fee - Initial	\$500.00
Trustee 1st Year Pre-Paid Annual Fee	\$1,500.00
Trustee's Counsel Fee	\$3,000.00
City National Bank - Loan Origination Fee 50%	\$20,000.00
TEFRA Publication	\$350.00
Miscellaneous Fees	\$0.00
Contingency	\$4,427.30
Total COI	\$64,680.80

VI. Borrower Financial Data

Exhibit A contains financial information for High Tech High Learning.

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

CSFA's standard transfer restrictions for an unrated financing have been incorporated in the governing documents: The Bonds will be issued only in Authorized Denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof, and they may not be transferred to any person except an Accredited Investor or an Approved Institutional Buyer. In addition, City National Bank, as the initial private placement purchaser of the Bonds, will deliver a standard form of CSFA Investor Letter at closing. These transfer restrictions will be conspicuously noted on the Bonds and in the bond documents, and there will be physical delivery of the Bonds. Further, Bond Payments will be made pursuant to Section 17199.4 of the Education Code.

IX. Staff Recommendation

Staff recommends CSFA approve Resolution Number 16-04 authorizing the Issuance of School Facility Revenue Bonds in an Amount Not to Exceed \$3,500,000 to Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and Equipping of Educational Facilities Located in San Diego County, California for HTH Learning.

EXHIBIT A

2014-15 Financial Position
HTH Learning and Controlled Affiliates
Consolidated Statement of Financial Position (Audited)
June 30, 2015

ASSETS

Current Assets	
Cash and cash equivalents	\$ 10,533,074
Investments	1,851,361
Accounts receivable	3,742,063
Prepaid expenses	48,993
Contributions receivable, current portion	<u>83,965</u>
Total current assets	16,259,456
Capital Assets	
Property and equipment	164,414,285
Less accumulated depreciation	<u>(28,065,763)</u>
Capital assets, net	136,348,522
Long-term Assets	
Capital project sinking funds	3,023,686
Debt service reserve funds	1,592,750
Deferred bond issuance charges	1,916,763
Contributions receivable, long-term portion	3,425,617
Other investments	<u>14,240,994</u>
Total long-term assets	<u>24,199,810</u>
Total Assets	<u>\$ 176,807,788</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 3,779,485
Line of credit, construction in progress	4,830,000
Interest payable on long term debt	1,768,775
Deferred revenue	142,609
Bonds payable, current portion	<u>783,103</u>
Total current liabilities	11,303,972
Long-term Liabilities	
Notes payable	20,812,340
Bonds payable	<u>60,201,704</u>
Total long-term liabilities	81,014,044
Net Assets	
Unrestricted	79,806,451
Temporarily restricted	<u>4,683,321</u>
Total net assets	<u>84,489,772</u>
Total Liabilities and Net Assets	<u>\$ 176,807,788</u>

MULTI-YEAR BUDGET PROJECTION MODEL
HTH LEARNING & CONTROLLED AFFILIATES, ON A CONSOLIDATED BASIS

Code Object Title	2015-16*** Projected	2016-17 Projected	2017-18 Projected	2018-19 Projected
1000 Certificated Salaries	22,363,579	22,622,650	22,695,555	22,922,509
2000 Classified Salaries	6,919,272	7,001,143	7,007,071	7,077,142
3000 Employee Benefits - Budget	7,623,769	8,029,593	8,390,503	8,862,667
4300 Materials and Supplies	2,060,526	1,898,847	1,897,709	1,935,662
4400 Equipment - Noncapital	787,000	440,500	449,310	458,296
4700 Food services for students	422,006	430,446	439,055	447,836
5100 Contracted Instructional Services	1,102,024	1,124,064	1,073,717	1,095,192
5117 CMO Management & Facility Services	-	-	-	-
5200 Travel & conferences	476,903	348,800	298,656	304,628
5400 Insurance	313,970	320,250	326,656	333,191
5520 Communications	103,375	105,445	107,555	109,704
5550 Utilities & Contract Maintenance	1,098,968	1,120,947	1,143,365	1,166,233
5555 Other Facility Expense	487,765	497,521	507,474	517,622
5800 Other services and operating expenses	2,127,783	2,154,503	2,136,138	2,178,860
5801 Depreciation & Amortization	5,253,045	5,253,045	5,253,045	5,253,045
5802 Authority and Trustee Fees	24,090	27,400	27,400	27,400
5817 FLHB LC Carrying Charge	203,791	203,791	203,791	203,791
5818 Bond Interest	3,751,759	3,497,553	3,430,902	3,364,785
5919 QSCB Interest Subsidy	(1,190,130)	(1,128,512)	(1,129,117)	(1,129,117)
7290 Charter Oversight Fees 1%	411,433	427,066	435,608	444,321
9999 Expends from Restricted Sources	<u>2,225,235</u>	<u>2,225,235</u>	<u>2,225,235</u>	<u>2,225,235</u>
Total Unrestricted Expenditures	56,566,163	56,600,287	56,919,628	57,799,002
LCFF BASE	40,842,095	42,441,038	43,842,880	44,895,108
Includes prop tax & EPA (split below)				
8000 LCFF BASE STATE AID PORTION	22,535,537	24,134,480	24,986,103	25,235,692
8010 LCFF LOCAL PROP TAX	11,004,378	11,004,378	11,554,597	12,132,325
8012 LCFF EDUCATION PROTECTION ACCT	7,302,180	7,302,180	7,302,180	7,302,180
8300 Other State	6,778,187	4,035,349	3,979,442	3,714,219
8100 Federal Grants and Entitlements	3,036,923	2,956,735	2,976,944	2,997,556
8600 Grants & Donations	243,200	246,435	248,899	251,389
8617 Annual Appeal	351,000	361,480	365,097	368,748
8947 Student Lunch Sales	305,900	315,077	321,379	324,593
8820 GSE Tuition	196,000	205,800	216,090	226,895
8933 GSE Dissemination	682,373	689,197	696,089	703,050
8810 Credentialing Income	296,500	370,625	374,331	378,074
8900 Technical Assistance Contract	658,347	658,347	-	-
8970 Interest Earned	441,686	254,540	263,768	273,458
8980 Miscellaneous local income	1,292,735	1,312,267	1,335,189	1,348,541
9999 Revenues Released from Restriction	2,225,235	2,225,235	2,225,235	2,225,235
Total Unrestricted Income	<u>57,350,181</u>	<u>56,072,125</u>	<u>56,845,343</u>	<u>57,481,955</u>
Net Profit/(Loss)	784,018	(528,162)	(74,285)	(317,047)
Debt Service Coverage Ratio				
Net Income	784,018	(528,162)	(74,285)	(317,047)
Add: Depreciation & Amortization	5,253,045	5,253,045	5,253,045	5,253,045
Add: Interest Payable LT Debt	2,561,629	2,369,041	2,301,785	2,235,668
Less: One Time Gifts*	-	-	-	-
Income Available for Debt Service	8,598,692	7,093,924	7,480,545	7,171,666
Maximum Annual Debt Service (MADS)	4,905,655	4,905,655	4,905,655	4,905,655
DSCR Ratio	175%	145%	152%	146%
Required DSCR Ratio	120%	120%	120%	120%

* Forecast does not include Hale gift nor any income from Hale property which will be set aside for future Hale modernization.

** MADS based upon 2019-20 Debt Service representing maximum annual P&I commitment.

*** 2015-16 does not include the one-time gain in equity from the NMTC winddown (2015 refinance)