

\$25,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(ESCUELA POPULAR DEL PUEBLO)
SERIES 2016A (TAX-EXEMPT) AND 2016B (TAXABLE)

EXECUTIVE SUMMARY
RESOLUTION 16-17

Borrower:	149 N. White Road, LLC. (the “Borrower”)
Project User:	Escuela Popular Del Pueblo
Loan Amount:	Not to exceed \$25,000,000
Expected Issuance:	October 2016
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 56,460 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 and potential additional parking on adjacent Eastside Union High School District property, 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 and anticipated additional parking on adjacent Eastside Union High School District property, 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 on the Site are anticipated to provide approximately 102 parking spaces. Adjacent parking for an additional 100 spaces is anticipated to be provided via an arrangement with Eastside Union High School District. A new play area will be added to the central courtyard and the track and field will be reconfigured to accommodate the 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 improved Site. The intent is that 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, 2046.

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 16-17 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

ESCUELA POPULAR DEL PUEBLO

Multiyear Budget Summary
As of May 31, 2016

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Audited Actuals	Current Forecast	Preliminary Budget	Preliminary Budget	Preliminary Budget	Preliminary Budget
SUMMARY						
Revenue						
General Block Grant	9,409,833	10,399,174	11,173,849	11,935,840	12,327,618	12,696,883
Federal Revenue	374,476	198,080	436,004	465,650	493,037	520,965
Other State Revenues	644,543	1,247,423	816,642	846,095	873,469	900,882
Local Revenues	83,258	87,639	38,736	39,898	41,095	42,328
Fundraising and Grants	53,290	50,000	51,500	53,045	54,636	56,275
Total Revenue	10,565,399	11,982,316	12,516,731	13,340,528	13,789,855	14,217,334
Expenses						
Compensation and Benefits	6,272,061	6,920,248	7,176,760	7,589,761	8,036,890	8,515,745
Books and Supplies	514,149	574,755	631,565	655,498	680,299	705,998
Services and Other Operating Expenditures	2,758,192	2,719,656	4,405,146	4,167,665	4,238,105	4,314,704
Capital Outlay	-	-	-	-	-	-
Total Expenses	9,544,402	10,214,659	12,213,472	12,412,923	12,955,293	13,536,447
Operating Income (excluding Depreciation)	1,020,997	1,767,657	303,259	927,605	834,562	680,887
<i>Operating Income (including Depreciation)</i>	1,008,354	1,763,974	303,259	927,605	834,562	680,887
Fund Balance						
Beginning Balance (Unaudited)	3,441,646	4,450,000	6,213,974	6,517,233	7,444,838	8,279,400
Audit Adjustment	-	-	-	-	-	-
Beginning Balance (Audited)	3,441,646	4,450,000	6,213,974	6,517,233	7,444,838	8,279,400
Operating Income (including Depreciation)	1,008,354	1,763,974	303,259	927,605	834,562	680,887
Ending Fund Balance (including Depreciation)	4,450,000	6,213,974	6,517,233	7,444,838	8,279,400	8,960,288
Ending Fund Balance as a % of Expenses	47%	61%	53%	60%	64%	66%

**ESCUELA POPULAR DEL PUEBLO
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015**

	Escuela Popular Accelerated Family Learning Center	Escuela Popular Center For Training and Careers	Elimination	Total
ASSETS				
Current assets:				
Cash (Note 3)	\$ 78,964	\$ 3,874,990	\$ -	\$ 3,953,954
Accounts receivable (Note 4)	415,680	380,874	-	796,554
Due from E.P.A.F.L.C.	-	118,377	(118,377)	-
Prepaid expenses	17,068	63,231	-	80,299
Total current assets	511,712	4,437,472	(118,377)	4,830,807
Fixed assets, net of depreciation (Note 5)	61,616	89,916	-	151,532
Total assets	<u>\$ 573,328</u>	<u>\$ 4,527,388</u>	<u>\$ (118,377)</u>	<u>\$ 4,982,339</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 77,839	\$ 342,427	\$ -	\$ 420,266
Due to E.P.C.T.C.	118,377	-	(118,377)	-
Accrued expenses	41,712	70,362	-	112,074
Total current liabilities	237,928	412,789	(118,377)	532,340
Total liabilities	237,928	412,789	(118,377)	532,340
Net assets:				
Temporarily restricted (Note 8)	53,932	54,942	-	108,874
Unrestricted	281,468	4,059,657	-	4,341,125
Total net assets	335,400	4,114,599	-	4,449,999
Total liabilities and net assets	<u>\$ 573,328</u>	<u>\$ 4,527,388</u>	<u>\$ (118,377)</u>	<u>\$ 4,982,339</u>

**Escuela Popular del Pueblo
Enrollment by Grade by School
2012-13 through 2019-2020**

Escuela Popular Accelerated Family Learning Center								
Grade Level	2012-13	2013-14	2014-15⁽¹⁾	2015-16⁽¹⁾	2016-17⁽¹⁾	2017-18⁽¹⁾	2018-19⁽¹⁾	2019-20⁽¹⁾
Kindergarten	47	47	52	62	60	60	60	60
1 st Grade	37	39	45	34	40	40	40	40
2 nd Grade	37	35	36	43	40	40	40	40
3 rd Grade	29	34	34	34	40	40	40	40
4 th Grade	24	22	35	29	40	40	40	40
5 th Grade	15	21	24	34	40	40	40	40
6 th Grade	25	12	22	23	20	40	40	40
7 th Grade	19	21	14	26	20	20	40	40
8 th Grade	13	18	19	16	20	20	20	40
9 th Grade	42	50	65	62	60	60	60	60
10 th Grade	18	16	17	14	10	10	10	10
11 th Grade	2	7	5	2	10	10	10	10
12 th Grade	9	8	12	4	10	10	10	10
Totals	317	330	380	383	410	430	450	470

Escuela Popular/Center for Training and Careers								
Grade Level	2012-13	2013-14	2014-15⁽¹⁾	2015-16⁽¹⁾	2016-17⁽¹⁾	2017-18⁽¹⁾	2018-19⁽¹⁾	2019-20⁽¹⁾
9 th Grade	792	852	738	624	640	640	640	640
10 th Grade	45	63	78	67	40	40	40	40
11 th Grade	41	31	26	36	40	40	40	40
12 th Grade	29	30	48	37	40	40	40	40
Totals	907	976	890	764	760	760	760	760

⁽¹⁾ The distribution between grade levels is subject to the applicable School's discretion.