

**\$13,500,000\***  
**California School Finance Authority**  
**Charter School Revenue Bonds**  
**(Prepa Tec Middle School Project)**  
**Series 2017A (Tax-Exempt) and Series 2017B (Taxable)**

**EXECUTIVE SUMMARY**  
**RESOLUTION 17-02**

|  |   |
|--|---|
| <b>Borrower/Owner:</b>                       | Alta Public Schools Foundation (“Borrower”) / PTMS LLC (“Owner”)  |
| <b>Sole Member of Borrower:</b>              | Alta Public Schools Foundation  |
| <b>Project Users:</b>                        | Prepa Tec Los Angeles Middle School (the “Charter School”)  |
| <b>Issuance Amount:</b>                      | Not to exceed \$13,500,000 (\$9,415,000* in tax-exempt bonds, and \$59,000* in taxable bonds)   |
| <b>Expected Issuance:</b>                    | March 2017  |
| <b>Project:</b>                              | The bond proceeds will be used by the Borrower to finance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of educational facilities for the benefit of the Charter School |
| <b>Bond Type:</b>                            | Charter School Revenue Bonds (the “Bonds”)  |
| <b>Project Location:</b>                     | 8001 Santa Fe Avenue, Huntington Park, California, 90255  |
| <b>County:</b>                               | Los Angeles   |
| <b>District in which Project is Located:</b> | Los Angeles Unified School District   |
| <b>Charter Authorizer:</b>                   | Los Angeles Unified School District   |
| <b>Est. Annual Payment:</b>                  | Approximately \$700,000   |
| <b>Expected Rating:</b>                      | Non-rated   |
| <b>Structure:</b>                            | Term Bonds expected to have a final maturity of 2052  |
| <b>Sale Method:</b>                          | Limited Public Offering   |
| <b>Underwriter:</b>                          | Stifel, Nicolaus & Company, Incorporated  |
| <b>Bond Counsel:</b>                         | Orrick, Herrington and Sutcliffe LLP  |
| <b>Trustee:</b>                              | U.S. Bank National Association  |

## I. Use of Bond Proceeds/Project Information

The proceeds of the Bonds will be used to (1) finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of the charter school educational facility known as Prepa Tec Los Angeles Middle School, located at 8001 Santa Fe Avenue, Huntington Park, California, 90255, (2) pay certain expenses incurred in connection with the issuance of the Bonds, and (3) fund a debt service reserve fund and a repair and replacement fund with respect to the Bonds.

| Site                                 | Landlord | Location                          | Purpose          | Amount             |
|--------------------------------------|----------|-----------------------------------|------------------|--------------------|
| Prepa Tec Los Angeles Middle School  | PTMS LLC | 8001 Santa Fe Avenue, Los Angeles | New Construction | \$7,500,000        |
| Prepa Tec Los Angeles Middle School  | PTMC LLC | 8001 Santa Fe Avenue, Los Angeles | Refinancing      | \$1,000,000        |
| <b>Total Estimated Project Costs</b> |          |                                   |                  | <b>\$8,500,000</b> |

## II. Alta Public Schools Foundation/Prepa Tec Middle School

Alta Public Schools Foundation (the “Borrower”) is a California nonprofit public benefit corporation and a 509(a)3 organization described in Section 501(c)(3) of the Code. The Borrower is organized and operated exclusively for charitable purposes and was formed by Alta Public Schools, a California nonprofit public benefit corporation (“APS”) in 2011 as a support organization for APS.

In August 2013, APS opened its second school, Prepa Tec Los Angeles Middle School (“Prepa Tec Middle”), under a charter authorized by LAUSD, initially serving 91 students in grades 6 and 7. In 2015-16, Prepa Tec Middle to serve 373 students in grades 6-8. In 2016-17, Prepa Tec Middle is serving 425 students in grades 6-8 at multiple charter school facilities in sites leased from private parties. Upon completion of the Project, Prepa Tec Middle expects to move all of its students out of its current locations into the bond-financed Facility by Fall 2017.

## III. Financial Structure

The California School Finance Authority Charter School Revenue Bonds (Alta Public Schools – Obligated Group) Series 2017A and 2017B (Taxable), in the aggregate principal amount of not to exceed \$13,500,000 (the “Bonds”) will be issued by the Authority pursuant to an Indenture of Trust (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The Authority will loan the proceeds of the Bonds to the Borrower. Interest on the Bonds is expected to be payable semi-annually on the first day of each November and May commencing November 1, 2017.

#### IV. Security and Sources of Payment

The Bonds will be payable through an intercept pursuant to California Education Code Section 17199.4(a) of funds allocated to the Charter School and a pledge of the gross revenues of the Borrower. In addition, the property will be subject to a deed of trust to secure the Bonds. No other revenues, nor any interest in separate facilities, will be used to support the Bonds.

#### V. Preliminary Sources and Uses/Costs 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 and Uses

| <b>Sources:</b>                 | <b>Series 2017A (Tax-Exempt)</b> | <b>Series 2017B (Taxable)</b> | <b>Total</b>           |
|---------------------------------|----------------------------------|-------------------------------|------------------------|
| <b>Bond Proceeds:</b>           |                                  |                               |                        |
| Par Amount                      | \$9,415,000.00                   | \$590,000.00                  | \$10,005,000.00        |
| <b>Uses:</b>                    | <b>Series 2017A (Tax-Exempt)</b> | <b>Series 2017B (Taxable)</b> | <b>Total</b>           |
| <b>Project Fund Deposits:</b>   |                                  |                               |                        |
| Prepa Tec Project               | \$7,500,000.00                   |                               | \$7,500,000.00         |
| Refinance Umpqua Line of Credit | \$1,000,000.00                   |                               | \$1,000,000.00         |
|                                 | <b>\$8,500,000.00</b>            | <b>\$0.00</b>                 | <b>\$8,500,000.00</b>  |
| <b>Other Fund Deposits:</b>     |                                  |                               |                        |
| Debt Service Reserve Fund       | <b>\$727,427.55</b>              | <b>\$45,584.95</b>            | <b>\$773,012.50</b>    |
| <b>Delivery Date Expenses:</b>  |                                  |                               |                        |
| Cost of Issuance                | \$120,203.22                     | \$356,300.03                  | \$476,503.25           |
| Underwriter's Discount          | \$63,096.79                      | \$187,028.21                  | \$250,125.00           |
|                                 | <b>\$183,300.01</b>              | <b>\$543,328.24</b>           | <b>\$726,628.25</b>    |
| <b>Other Uses of Funds:</b>     |                                  |                               |                        |
| Contingency                     | <b>\$4,272.44</b>                | <b>\$1,086.81</b>             | <b>\$5,359.25</b>      |
| <b>Total</b>                    | <b>\$9,415,000.00</b>            | <b>\$590,000.00</b>           | <b>\$10,005,000.00</b> |

## Cost of Issuance

| Cost of Issuance:                         | Budgeted Amount     |
|---|---------------------|
| <b>Issuer Fee</b>                         | \$24,503.25         |
| <b>Agent-for-Sale Fee</b>                 | \$6,000.00          |
| <b>Financial Advisor Fee</b>              | \$75,000.00         |
| <b>Bond Counsel Fee</b>                   | \$135,000.00        |
| <b>Borrower's Counsel Fee</b>             | \$80,000.00         |
| <b>Underwriter's/Disclosure Counsel</b>   | \$95,000.00         |
| <b>Trustee Fee</b>                        | \$5,500.00          |
| <b>Trustee's Counsel Fee</b>              | \$1,000.00          |
| <b>Financial Printer Fee</b>              | \$4,500.00          |
| <b>Miscellaneous COI (<i>specify</i>)</b> |                     |
| <b>Contingency</b>                        | \$5,000.00          |
| <b>Appraiser</b>                          | \$15,000.00         |
| <b>Title Insurance</b>                    | \$30,000.00         |
| <b>Total COI</b>                          | <b>\$476,503.25</b> |

*\*Numbers are based on a preliminary par amount of \$10,005,000*

### **VI. Borrower Financial Data**

Pursuant to Section 17183.5 of the CSFA Act, financing through the Authority is to be provided only to projects demonstrated by the participating party to be financially feasible. In demonstration feasibility, the participating party may take into account all of its funds, and may base future projections upon historical experience or reasonable expectations, or a combination thereof. Nothing in Section 17183.5 shall be construed to imply that any project is required to produce revenue in order to be financed under this chapter. Pursuant to this provision, Exhibit A contains financial and operational information for Alta Public Schools.

### **VII. Due Diligence Undertaken to Date**

No information was disclosed that questions the financial viability or legal integrity of the Borrower. Standard opinions of counsel to the Borrower (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.

### **VIII. Bond Sales Restrictions**

The following sales restrictions will apply to the financing given that the bonds will be unrated. 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. Initial bond purchasers will be required to execute an Investor Letter;
4. Subsequent transfers of bonds will be limited to QIBs and AIs;
5. Sales restrictions conspicuously noted on bond and described in detail in offering materials, if any, as well as in the bond documents;
6. 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
7. 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 17-02 Authorizing the Issuance of School Facility Revenue Bonds in an Amount Not To Exceed \$13,500,000 to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing and/or Equipping of Educational Facilities Located in Los Angeles County, California for use by Alta Public Schools.

## Exhibit A 5-Year Budget Projections

|   | 2015-16             | 2016-17             | 2017-18             | 2018-19             | 2019-20             |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | Budget              | Forecast            | Forecast            | Forecast            | Forecast            |
| <i>Revenue COLA (other than LCFF funds)</i> | n/a                 | 0.00%               | 0.00%               | 0.00%               | 0.00%               |
| <i>Expense COLA</i>                         | n/a                 | 2.00%               | 2.00%               | 2.00%               | 2.00%               |
| <i>Enrollment</i>                           | 372.00              | 420.00              | 476.00              | 486.00              | 486.00              |
| <i>ADA</i>                                  | 354.46              | 399.00              | 452.20              | 461.70              | 461.70              |
| <b>Revenues</b>                             |                     |                     |                     |                     |                     |
| <b>State Aid - Revenue Limit</b>            |                     |                     |                     |                     |                     |
| 8011 LCFF State Aid                         | 2,469,027           | 2,905,819           | 3,392,099           | 3,470,315           | 3,678,357           |
| 8012 Education Protection Account           | 75,696              | 66,500              | 76,000              | 85,500              | -                   |
| 8019 State Aid - Prior Year                 | (8,095)             | -                   | -                   | -                   | -                   |
| 8096 In Lieu of Property Taxes              | 673,102             | 757,681             | 858,705             | 876,745             | 876,745             |
|   | <u>3,209,730</u>    | <u>3,730,000</u>    | <u>4,326,804</u>    | <u>4,432,561</u>    | <u>4,555,103</u>    |
| <b>Federal Revenue</b>                      |                     |                     |                     |                     |                     |
| 8181 Special Education - Entitlement        | 68,181              | 76,748              | 86,981              | 88,809              | 88,809              |
| 8182 Special Education - Discretionary      | -                   | -                   | -                   | -                   | -                   |
| 8220 Federal Child Nutrition                | 189,354             | 213,147             | 241,567             | 246,642             | 246,642             |
| 8290 Title I, Part A - Basic Low Income     | 95,287              | 107,260             | 121,562             | 124,116             | 124,116             |
| 8291 Title II, Part A - Teacher Quality     | 1,179               | 1,327               | 1,504               | 1,536               | 1,536               |
| 8292 Title II, Part D - EETT                | -                   | -                   | -                   | -                   | -                   |
| 8293 Title III - Limited English            | -                   | -                   | -                   | -                   | -                   |
| 8294 Title V, Part B - PCSG                 | 87,369              | -                   | -                   | -                   | -                   |
| 8295 Charter Facility Incentive Grant       | -                   | -                   | -                   | -                   | -                   |
| 8296 Other Federal Revenue                  | -                   | -                   | -                   | -                   | -                   |
|   | <u>441,370</u>      | <u>398,483</u>      | <u>451,614</u>      | <u>461,102</u>      | <u>461,102</u>      |
| <b>Other State Revenue</b>                  |                     |                     |                     |                     |                     |
| 8311 State Special Education                | 200,896             | 226,140             | 256,292             | 261,676             | 261,676             |
| 8520 Child Nutrition                        | 38,312              | 43,126              | 48,876              | 49,903              | 49,903              |
| 8545 School Facilities (SB740)              | 172,470             | 299,250             | 339,150             | 346,275             | 346,275             |
| 8550 Mandated Cost                          | 124,984             | 140,689             | 159,448             | 162,797             | 162,797             |
| 8560 State Lottery                          | 57,423              | 64,639              | 73,257              | 74,796              | 74,796              |
| 8598 Prior Year Revenue                     | -                   | -                   | -                   | -                   | -                   |
| 8599 Other State Revenue                    | 146,370             | 122,850             | 122,850             | 122,850             | 122,850             |
|   | <u>740,455</u>      | <u>896,693</u>      | <u>999,873</u>      | <u>1,018,297</u>    | <u>1,018,297</u>    |
| <b>Other Local Revenue</b>                  |                     |                     |                     |                     |                     |
| 8634 Food Service Sales                     | -                   | -                   | -                   | -                   | -                   |
| 8650 Lease and Rental Income                | -                   | -                   | -                   | -                   | -                   |
| 8660 Interest Revenue                       | -                   | -                   | -                   | -                   | -                   |
| 8689 Other Fees and Contracts               | 80                  | 90                  | 102                 | 104                 | 104                 |
| 8698 ASB Fundraising                        | -                   | -                   | -                   | -                   | -                   |
| 8699 School Fundraising                     | 2,198               | 2,474               | 2,804               | 2,863               | 2,863               |
| 8980 Contributions, Unrestricted            | 500                 | -                   | -                   | -                   | -                   |
| 8990 Contributions, Restricted              | -                   | -                   | -                   | -                   | -                   |
|   | <u>2,778</u>        | <u>2,564</u>        | <u>2,906</u>        | <u>2,967</u>        | <u>2,967</u>        |
| <b>Total Revenue</b>                        | <b>\$ 4,394,333</b> | <b>\$ 5,027,741</b> | <b>\$ 5,781,197</b> | <b>\$ 5,914,928</b> | <b>\$ 6,037,469</b> |

## Projected Net Income & Base Rent Coverage

### Projected Net Income & Base Rent Coverage Ratio

|  | 2016-17             | 2017-18             | 2018-19             | 2019-20             | 2020-21             |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>ENROLLMENT</b>                      |                     |                     |                     |                     |                     |
| Enrollment                             | 425                 | 486                 | 486                 | 486                 | 486                 |
| ADA                                    | 404                 | 462                 | 462                 | 462                 | 462                 |
| <b>REVENUE</b>                         |                     |                     |                     |                     |                     |
| Primary State Funding                  | \$ 3,932,539        | \$ 4,493,391        | \$ 4,507,870        | \$ 4,649,781        | \$ 4,649,781        |
| Federal Revenue                        | 469,115             | 522,171             | 522,171             | 522,171             | 522,171             |
| Other State Revenue                    | 434,586             | 502,500             | 502,500             | 502,500             | 502,500             |
| School Facilities (SB740)              | 327,038             | 346,275             | 346,275             | 346,275             | 346,275             |
| Other Local Revenue                    | 46,459              | 600                 | 600                 | 600                 | 600                 |
| <b>Total Revenues</b>                  | <b>\$ 5,209,738</b> | <b>\$ 5,864,937</b> | <b>\$ 5,879,416</b> | <b>\$ 6,021,327</b> | <b>\$ 6,021,327</b> |
| <b>EXPENSES</b>                        |                     |                     |                     |                     |                     |
| Certificated Salaries                  | \$ 1,451,140        | \$ 1,633,505        | \$ 1,682,510        | \$ 1,732,985        | \$ 1,784,975        |
| Classified Salaries                    | 470,760             | 544,763             | 560,175             | 576,049             | 592,400             |
| Benefits                               | 552,514             | 796,249             | 806,871             | 817,812             | 829,081             |
| Books and Supplies                     | 429,988             | 565,318             | 568,758             | 572,266             | 575,845             |
| Operations                             | 252,401             | 175,400             | 178,908             | 182,486             | 186,136             |
| Subagreement Services                  | 176,422             | 160,900             | 164,118             | 167,400             | 170,748             |
| Rent/Base Rent                         | 408,000             | 760,181             | 745,813             | 773,013             | 707,938             |
| Other Facility Costs                   | 70,400              | 52,000              | 53,040              | 54,101              | 55,183              |
| Professional Fees                      | 359,497             | 336,678             | 337,958             | 339,264             | 340,595             |
| CMO Management Fees                    | 468,876             | 527,844             | 470,353             | 481,706             | 481,706             |
| Depreciation/Amortization              | 2,303               | 28,768              | 42,000              | 42,000              | 42,000              |
| Interest Expense                       | 40,570              | -                   | -                   | -                   | -                   |
| <b>Total Expenses</b>                  | <b>\$ 4,682,873</b> | <b>\$ 5,581,605</b> | <b>\$ 5,610,503</b> | <b>\$ 5,739,082</b> | <b>\$ 5,766,607</b> |
| <b>Net Operating Income</b>            | <b>\$ 526,865</b>   | <b>\$ 283,331</b>   | <b>\$ 268,912</b>   | <b>\$ 282,244</b>   | <b>\$ 254,720</b>   |
| Add Back: Depreciation/Amortization    | 2,303               | 28,768              | 42,000              | 42,000              | 42,000              |
| Add Back: Rent/Base Rent               | 408,000             | 760,181             | 745,813             | 773,013             | 707,938             |
| Add Back: CMO Management Fee           | 468,876             | 527,844             | 470,353             | 481,706             | 481,706             |
| <b>(A) NOI Available for Base Rent</b> | <b>\$ 1,406,045</b> | <b>\$ 1,600,124</b> | <b>\$ 1,527,078</b> | <b>\$ 1,578,963</b> | <b>\$ 1,486,363</b> |
| Bond Debt Service                      | -                   | 760,181             | 745,813             | 773,013             | 707,938             |
| <b>(B) Base Rent</b>                   | <b>\$ -</b>         | <b>\$ 760,181</b>   | <b>\$ 745,813</b>   | <b>\$ 773,013</b>   | <b>\$ 707,938</b>   |
| <b>(A/B) Base Rent Coverage Ratio</b>  | <b>N/A</b>          | <b>2.10x</b>        | <b>2.05x</b>        | <b>2.04x</b>        | <b>2.10x</b>        |

### Projected Cash Position & Days Cash on Hand

|                                     | 2016-17             | 2017-18             | 2018-19             | 2019-20             | 2020-21             |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>(C) Ending Cash Balance</b>      | <b>\$ 549,343</b>   | <b>\$ 832,675</b>   | <b>\$ 1,101,587</b> | <b>\$ 1,383,831</b> | <b>\$ 1,638,551</b> |
| Total Expenses                      | \$ 4,682,873        | \$ 5,581,605        | \$ 5,610,503        | \$ 5,739,082        | \$ 5,766,607        |
| Less: (Depreciation/Amortization)   | (2,303)             | (28,768)            | (42,000)            | (42,000)            | (42,000)            |
| Less: (Rent/Base Rent)              | (408,000)           | (760,181)           | (745,813)           | (773,013)           | (707,938)           |
| Add: Maximum Annual Base Rent       | 773,013             | 773,013             | 773,013             | 773,013             | 773,013             |
| <b>(D) Operating Expenses</b>       | <b>\$ 5,045,582</b> | <b>\$ 5,565,669</b> | <b>\$ 5,595,703</b> | <b>\$ 5,697,082</b> | <b>\$ 5,789,682</b> |
| <b>(365° C/D) Days Cash on Hand</b> | <b>40 days</b>      | <b>55 days</b>      | <b>72 days</b>      | <b>89 days</b>      | <b>103 days</b>     |