

\$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

Borrower/Owner:	Alta Public Schools Foundation (“Borrower”) / PTMS LLC (“Owner”)
Sole Member of Borrower:	Alta Public Schools Foundation
Project Users:	Prepa Tec Los Angeles Middle School (the “Charter School”)
Issuance Amount:	Not to exceed \$13,500,000 (\$9,415,000* in tax-exempt bonds, and \$59,000* in taxable bonds)
Expected Issuance:	March 2017
Project:	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
Bond Type:	Charter School Revenue Bonds (the “Bonds”)
Project Location:	8001 Santa Fe Avenue, Huntington Park, California, 90255
County:	Los Angeles
District in which Project is Located:	Los Angeles Unified School District
Charter Authorizer:	Los Angeles Unified School District
Est. Annual Payment:	Approximately \$700,000
Expected Rating:	Non-rated
Structure:	Term Bonds expected to have a final maturity of 2052
Sale Method:	Limited Public Offering
Underwriter:	Stifel, Nicolaus & Company, Incorporated
Bond Counsel:	Orrick, Herrington and Sutcliffe LLP
Trustee:	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
Total Estimated Project Costs				\$8,500,000

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

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

Cost of Issuance

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

**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
Revenues					
State Aid - Revenue Limit					
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
	3,209,730	3,730,000	4,326,804	4,432,561	4,555,103
Federal Revenue					
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	-	-	-	-	-
	441,370	398,483	451,614	461,102	461,102
Other State Revenue					
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
	740,455	896,693	999,873	1,018,297	1,018,297
Other Local Revenue					
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	-	-	-	-	-
	2,778	2,564	2,906	2,967	2,967
Total Revenue	\$ 4,394,333	\$ 5,027,741	\$ 5,781,197	\$ 5,914,928	\$ 6,037,469

Projected Net Income & Base Rent Coverage

Projected Net Income & Base Rent Coverage Ratio

	2016-17	2017-18	2018-19	2019-20	2020-21
ENROLLMENT					
Enrollment	425	486	486	486	486
ADA	404	462	462	462	462
REVENUE					
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
Total Revenues	\$ 5,209,738	\$ 5,864,937	\$ 5,879,416	\$ 6,021,327	\$ 6,021,327
EXPENSES					
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	-	-	-	-
Total Expenses	\$ 4,682,873	\$ 5,581,605	\$ 5,610,503	\$ 5,739,082	\$ 5,766,607
Net Operating Income	\$ 526,865	\$ 283,331	\$ 268,912	\$ 282,244	\$ 254,720
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
(A) NOI Available for Base Rent	\$ 1,406,045	\$ 1,600,124	\$ 1,527,078	\$ 1,578,963	\$ 1,486,363
Bond Debt Service	-	760,181	745,813	773,013	707,938
(B) Base Rent	\$ -	\$ 760,181	\$ 745,813	\$ 773,013	\$ 707,938
(A/B) Base Rent Coverage Ratio	N/A	2.10x	2.05x	2.04x	2.10x

Projected Cash Position & Days Cash on Hand

	2016-17	2017-18	2018-19	2019-20	2020-21
(C) Ending Cash Balance	\$ 549,343	\$ 832,675	\$ 1,101,587	\$ 1,383,831	\$ 1,638,551
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
(D) Operating Expenses	\$ 5,045,582	\$ 5,565,669	\$ 5,595,703	\$ 5,697,082	\$ 5,789,682
(365° C/D) Days Cash on Hand	40 days	55 days	72 days	89 days	103 days