

\$25,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
SCHOOL FACILITY REVENUE BONDS
(ESCUELA POPULAR DEL PUEBLO)
SERIES 2017 (TAX-EXEMPT)

EXECUTIVE SUMMARY
RESOLUTION 17-12

Borrower:	149 N. White Road, LLC.
Project User:	Escuela Popular Del Pueblo
Loan Amount:	Not to exceed \$25,000,000
Expected Issuance:	June 2017
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 (Tax-Exempt Series)
Project Location:	See "Project Information" section
Counties Served:	Santa Clara County
District in which Project is Located:	East Side Union High School District
Charter Authorizer:	East Side Union High School District
Est. Annual Payment:	\$ 1,915,925.00
Anticipated Rating:	Not Applicable
Structure:	\$ 24,840,000 (Tax-Exempt)
Sale Method:	Public Limited Offering
Underwriter:	Piper Jaffray & Co.
Bond Counsel:	Orrick, Herrington, & Sutcliffe LLP
Trustee:	Wilmington Trust, National Association

*Not to exceed amount.

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, 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 East Side 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 East Side 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 classes for grades K – 8 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 classes will move to the improved Site. The intent is that the campus will be zoned to create identity for grade level activities.

School Site	Location	Purpose	Amount
Escuela Popular Del Pueblo	149 North White Rd. San Jose, CA 95127	New Construction, Modular Units, Closing Costs	\$21,765,033
Total Estimated Project Costs			\$21,765,033

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 new facilities to be constructed with proceeds of the Bonds (the “Facility”), subject to the Ground Lease, and its rights under the Leases, which have been assigned to the Trustee, to be secured by a leasehold mortgage in respect of the related real property (the “Leasehold Deed of Trust”). 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 one tax-exempt series of \$24,840,000. The Bonds will have a final maturity of July 1, 2050.

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 Leasehold 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 2017A (Tax-Exempt)	Series 2017B (Taxable)	Total
Bond Proceeds:			
Par Amount	\$24,840,000.00	\$0.00	\$24,840,000.00
Equity	\$0.00	\$967,325.17	\$967,325.17
Total	\$24,840,000.00	\$967,325.17	\$25,807,325.17
Uses:	Series 2017A (Tax-Exempt)	Series 2017B (Taxable)	Total
Project Fund Deposits:			
Escuela Popular Del Pueblo	\$21,765,033.00	\$0.00	\$21,765,033.00
	\$21,765,033.00	\$0.00	\$21,765,033.00
Other Fund Deposits:			
Debt Service Reserve Fund	\$1,372,745.83	\$543,179.17	\$1,915,925.00
Capitalized Interest	\$1,190,855.17	\$0.00	\$1,190,855.17
Delivery Date Expenses:			
Cost of Issuance	\$0.00	\$424,146.00	\$424,146.00
Underwriter's Discount	\$496,800.00	\$0.00	\$496,800.00
	\$496,800.00	\$424,146.00	\$920,946.00
Other Uses of Funds:			
Contingency	\$14,566.00	\$0.00	\$14,566.00
Total	\$24,840,000.00	\$967,325.17	\$25,807,325.17

Cost of Issuance	Budgeted Amount
Issuer Fee	\$22,420.00
Issuer Counsel	\$12,000.00
Issuer Agent for Sale	\$6,000.00
Issuer Admin Fee	\$3,726.00
Bond Counsel Fee	\$165,000.00
Underwriter Counsel Fee	\$75,000.00
Borrower's Counsel Fee	\$80,000.00
Trustee Fee	\$10,000.00
Trustee's Counsel Fee	\$0.00
Contingency	\$50,000.00
Total COI	\$424,146.00

**Numbers based on par amount of \$24,480,000*

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, Exhibits A and B contain 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. 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 17-12 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
5-Year Budget Projections and Coverage Ratios

**Escuela Popular Del Pueblo - Consolidated
Historical & Projected Income Statement**

	Audited FY2016	Forecasted FY2017	Forecasted FY2018	Forecasted FY2019	Forecasted FY2020	Forecasted FY2021	Forecasted FY2022
Enrollment	1205	1074	1150	1215	1275	1310	1310
Revenues:							
State aid/LCFF formula	\$ 10,427,265	\$ 10,305,131	\$ 11,190,882	\$ 12,297,342	\$ 13,435,771	\$ 14,455,332	\$ 14,455,332
Federal revenues	231,357	369,271	411,490	464,544	492,238	525,822	554,773
Other state revenues	1,267,283	1,224,594	955,943	956,677	1,028,750	1,086,049	1,094,261
Local revenues	165,226	137,220	138,793	140,407	142,210	143,623	145,270
Total Revenue	12,091,131	12,036,217	12,697,108	13,858,970	15,098,970	16,210,825	16,249,636
Expenses							
Program services	8,193,909	8,508,010	8,612,487	9,187,977	9,764,919	10,296,013	10,826,788
Support services	2,137,787	2,743,550	3,651,841	3,779,176	4,427,229	4,466,754	4,488,521
Total Expenses	10,331,696	11,251,560	12,264,328	12,967,153	14,192,148	14,762,767	15,315,308
Change in Net Assets	1,759,435	784,657	432,780	891,817	906,822	1,448,058	934,327
Net Assets - Beginning	4,449,999	6,209,433	6,994,090	7,426,870	8,318,687	9,225,509	10,673,567
Net Assets - Ending	6,209,434	6,994,090	7,426,870	8,318,687	9,225,509	10,673,567	11,607,895
Proforma Coverage:							
	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Change in Net Assets	1,759,435	784,657	432,780	891,817	906,822	1,448,058	934,327
Plus: Depreciation	3,682	3,976	48,153	44,789	44,789	44,789	37,448
Plus: Emmanuel Baptist Lease ⁽¹⁾	344,500	326,580	338,010	-	-	-	-
Plus: Series 2017 Debt Service	-	-	879,298	1,308,046	1,914,613	1,913,513	1,911,550
Proforma Net Income Available for Debt Service	2,107,617	1,115,213	1,698,242	2,244,652	2,866,223	3,406,360	2,883,326
Debt Service Coverage Ratio							
Series 2017 A&B Debt Service	-	-	879,298	1,308,046	1,914,613	1,913,513	1,911,550
Total	-	-	879,298	1,308,046	1,914,613	1,913,513	1,911,550
Annual Coverage	NA	NA	1.93	1.72	1.50	1.78	1.51

⁽¹⁾ Assumes Escuela Popular terminates lease by end of FY18 pursuant to Lease Amendment

Days Cash on Hand:	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Unrestricted Cash & Investments ⁽²⁾	5,098,273	4,273,410	4,102,308	4,695,544	5,271,014	6,045,186	6,827,897
Days Cash on Hand	180	139	123	133	136	150	163

⁽²⁾ Incorporates approximately \$970,000 cash contribution to Costs of Issuance & the Debt Service Reserve Fund upon closing of 2017 Bonds

**Exhibit B
Historical and Projected Enrollment**

Escuela Popular de Pueblo - Enrollment Projections						
	Current FY2017	Projected FY2018	Projected FY2019	Projected FY2020	Projected FY2021	Projected FY2022
Accelerated Family Learning Center:						
K	55	60	60	60	60	60
1	37	40	40	40	40	40
2	33	40	40	40	40	40
3	40	40	40	40	40	40
4	25	40	40	40	40	40
5	24	30	40	40	40	40
6	23	30	40	40	40	40
7	20	30	30	40	50	50
8	23	30	30	40	50	50
9	60	70	70	70	80	80
10	12	10	10	10	10	10
11	4	5	10	10	10	10
12	4	5	5	5	10	10
Total	360	430	455	475	510	510
Center for Training & Careers:						
9	573	600	640	680	680	680
10	63	40	40	40	40	40
11	31	40	40	40	40	40
12	47	40	40	40	40	40
Total	714	720	760	800	800	800
Consolidated	1,074	1,150	1,215	1,275	1,310	1,310