

\$55,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(SUMMIT PUBLIC SCHOOLS – OBLIGATED GROUP)
SERIES 2017

EXECUTIVE SUMMARY
RESOLUTION 17-21

Borrower:	Community High School Foundation, Inc.
Project Users:	Summit Public Schools, as operator of Summit Shasta, Summit Denali, SPS Home Office
Loan Amount:	Not to exceed \$55,000,000
Expected Issuance:	September 2017
Project:	The bond proceeds will be used by the Borrower to finance and refinance the acquisition, construction, improvement and equipping of property for use by Community High School Foundation, Inc. and Summit Public Schools
Bond Type:	Charter School Revenue Bonds
Project Location:	Daly City, Sunnyvale and Redwood City, California
County:	San Mateo & Santa Clara
District in which Project is Located:	Jefferson Union High School District, Fremont Union High School District
Charter Authorizer:	Jefferson Union High School District & Santa Clara County Office of Education
Est. Annual Payment:	Approximately \$2.04 million
Expected Rating:	N/A
Structure:	Term Bonds amortized over 35 years with a final maturity date of June 1, 2053
Sale Method:	Public Offering
Underwriter:	Stifel, Nicolaus & Company, Inc.
Trustee:	Wilmington Trust, National Association
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP

*Not to Exceed Amount

I. Use of Bond Proceeds / Project Information

The Applicant is requesting the issuance of Charter School Revenue Bonds to finance and refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of the charter school educational facilities located at (a)(i) 895 Campus Drive, Daly City, California, 94015, (Shasta New Facility) comprising Summit Public School: Shasta, with approximately 32,000 square feet, six individual buildings, three building classroom learning spaces and a gymnasium with a full basketball court, (ii) 699 Serramonte Blvd., Daly City, California 94105, (Shasta Existing Facility) comprising Summit Public School: Shasta, to remove existing portable classrooms and restore vacant field, (b)(i) 824 San Aleso Avenue, Sunnyvale, California, 94085, (Denali New Facility) comprising Summit Public School: Denali, with 1.52 acres, twelve regular classroom spaces, two STEM classrooms, one resource center and two flexible open learning spaces, (ii) 539 East Weddell Drive, Sunnyvale, California, 94089, (Denali Existing Facility) comprising Summit Public School: Denali to remove existing portable classrooms and restore as play space, and (c) 780 Broadway, Redwood City, California, 94063, comprising the Summit Home Office Project, with a 12,000 square foot building with various conference rooms, meeting spaces and individual work spaces.

Site	Landlord	Location	Purpose	Amount
Summit Public School: Shasta	895 Campus Drive LLC	895 Campus Drive, Daly City, CA 94015 (Shasta New Facility) 699 Serramonte Blvd., Daly City, CA 94105 (Shasta Existing Facility)	Construction, renovation, improvement	\$12,270,523
Summit Public School: Denali	824 San Aleso LLC	824 San Aleso Avenue, Sunnyvale, CA 94085 (Denali New Facility) 539 East Weddell Drive, Sunnyvale, California, 94089, (Denali Existing Facility)	Acquisition, construction, renovation, improvement	\$26,000,000
Summit Home Office Project	EdFuture LLC	780 Broadway, Redwood City, CA 94063	Renovation, improvement	\$4,855,590
Total Estimated Project Costs				\$43,126,113*

**Less \$16,800,000 in equity contributions.*

II. 895 Campus Drive LLC/824 San Aleso LLC/EdFuture LLC/Community High School Foundation, Inc.

895 Campus Drive LLC/824 San Aleso LLC/EdFuture LLC

The proceeds of the Bonds will be loaned to Community High School Foundation, Inc. (CHSF or Borrower), a California nonprofit public benefit corporation that is the sole member of 895 Campus Drive, LLC, 824 San Aleso, LLC and EdFuture, LLC (Landlords or Lessors).

The 895 Campus Drive Facility will be leased from 895 Campus Drive, LLC to Summit Public Schools (Lessee) operating Summit Shasta. The 895 Campus Drive Facility is subject to a Ground Lease between CHSF as tenant and Jefferson Union High School District as ground lessor.

The 824 San Aleso Facility is currently owned by a private landlord (Pace Family Partnership II). Summit entered into a Purchase and Sale Agreement (PSA) on April 14th, 2017, and negotiated a price of \$13.5 million. The PSA has a closing deadline of September 21st, 2017. Proceeds of the Bonds will be used for the acquisition of the Summit Denali Facility under the PSA. The 824 San Aleso Facility will then be leased from 824 San Aleso, LLC to Summit Public Schools as Lessee operating Summit Denali.

The EdFuture Facility is subject to a private lease to Summit Public Schools (SPS) as lessee by a private landlord (780 Broadway LLC). The improvements funded by bond proceeds for the 780 Broadway site will be owned by EdFuture, LLC and leased to the Summit Home Office.

Community High School Foundation, Inc.

CHSF is a California nonprofit public benefit corporation with Federal 501(c)(3) status. SPS is a charter management organization serving eleven schools, eight in California, and three in Washington. The eight California Schools are Summit Denali, Summit Everest, Summit K2, Summit Prep, Summit Rainier, Summit Shasta, Summit Tahoma, and Summit Tamalpais. The eight aforementioned California schools operated by SPS occupy a diverse socio-economic and geographic region of the Bay Area, with campuses in Contra Costa, San Mateo and Santa Clara Counties. The schools operated by SPS seek out students with slightly lower test scores than their peer schools. Approximately 50% of the overall SPS student body are eligible for Free/Reduced Priced Lunch; 80% are non-white; 11% receive special education, 100% of graduates are eligible for 4-year colleges with a 98% acceptance rate.

SPS is led by CEO Diane Tavenner, who is also Board Chair of the California Charter Schools Association (CCSA). Summit's Board consists of experts in the areas of technology, education, investment, public affairs, and nonprofit organizations.

III. Financial Structure

The Bonds are expected to be issued in one series which will be issued in the approximate aggregate principal amount of \$55,000,000. The Bonds will be amortized over 35 years with a final maturity date of June 1, 2053.

IV. Security and Source of Payment

The Bonds will be payable out of Payments under the Indenture, dated as of September 1, 2017 (the "Indenture"), between the Authority and Wilmington Trust, National Association (the "Bond Trustee"), consisting primarily of moneys received by the Bond Trustee with respect to the Intercept and Loan Repayments received by the Bond Trustee pursuant to the Loan Agreement, dated as of September 1, 2017 (the "Loan Agreement"), between the Authority and CHSF, and acknowledged and agreed to by 895 Campus Drive, LLC, 824 San Aleso, LLC and EdFuture, LLC. The obligations of the Borrower under the Loan Agreement are secured by: (i) the rent payments received under the lease or leases entered into between the Summit Public Schools and each of 895 Campus Drive, LLC, 824 San Aleso, LLC and EdFuture, LLC (and potentially additional leases in the future due to an obligated group structure), and (ii) the real property described in the Deed of Trust or Leasehold Deed of Trust in respect of Summit Public School: Shasta, Summit Public School: Denali and Summit Public Schools: Home Office. The Intercept will be utilized from Summit Everest, Summit K2, Summit Prep, Summit Rainer, Summit Tahoma and Summit Tamalpais to pay amounts due relating to the Summit Public Schools: Home Office.

V. Preliminary Sources and Uses/Costs of Issuance

Below are the preliminary estimated 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 the board packets are distributed and the time the board meets – members will be provided updated figures should they change before the board meeting date.

Sources:		Total
Bond Proceeds:		
Par Amount	\$	32,335,000.00
Original Issue Premium/(Discount)		171,590.60
Equity Contributions:		
Summit Equity Contribution		800,000.00
Chan-Zuckerberg Institute Philanthropy		16,000,000.00
Total Sources		\$ 49,306,590.60
Uses:		Total
Project Fund Deposits:		
Summit Home Office Project	\$	4,855,590.00
Summit Denali Project		26,000,000.00
Summit Shasta Project		<u>12,270,523.00</u>
Subtotal:		43,126,113.00
Other Fund Deposits:		
Debt Service Reserve Fund		2,051,217.50
Capitalized Interest Fund		2,853,453.62
Delivery Date Expenses:		
Cost of Issuance		538,187.75
Underwriter's Discount		<u>727,537.50</u>
Subtotal:		1,265,725.25
Other Uses of Funds:		
Contingency		10,081.23
Total		\$ 49,306,590.60

Cost of Issuance	
Issuer Fee (CSFA)	\$31,017.75
Issuer Counsel Fee (AG Office)	\$10,000.00
Agent-for-Sale Fee (PFD)	\$6,000.00
Bond Counsel Fee (Orrick)	\$200,000.00
Borrower's Counsel Fee (Kutak)	\$45,000.00
Underwriter's Counsel & Disclosure Counsel (Stradling)	\$75,000.00
Trustee (Wilmington Trust)	\$12,000.00
Trustee's Counsel Fee (Taboada Rochlin)	\$1,000.00
Ratings Agency - Moody's	\$60,000.00
Financial Printer & Roadshow Fee	\$6,000.00
<u>Miscellaneous COI</u>	
Appraisal	\$22,000.00
Title Insurance & Escrow Fees	\$64,670.00
Contingency	\$5,500.00
Total COI	\$538,187.75

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 of 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 Summit 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

Per Bond Issuance Guidelines adopted by the CSFA board, and given that the bonds may be Unrated, the following sales restrictions may apply to the Summit Public Schools financing: <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 17-21 Authorizing the Issuance of Charter School Revenue Bonds in an Amount Not to Exceed \$55,000,000 to Finance and Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and/or Equipping of Educational Facilities Located in San Mateo and Santa Clara Counties, California for use by Community High School Foundation, Inc. and Summit Public Schools at educational facilities sites including an administrative office.

Exhibit A
5-Year Budget Projections and Coverage Ratios
(Summit Public Schools – Obligated Group)

	Budget 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22
Enrollment					
Enrollment (Grades 9-12)	663	761	858	870	852
ADA	628.9	722.4	815.0	826.5	809.4
ADA%	94.9%	94.9%	95.0%	95.0%	95.0%
Revenues					
LCFF Revenue	\$ 5,640,746	\$ 6,819,191	\$ 7,968,763	\$ 8,375,591	\$ 8,390,747
Other Federal Income	167,082	208,844	244,161	259,670	259,910
Other State Income	6,829,905	7,391,751	8,699,219	9,414,757	9,731,773
SB740 Revenues*	110,687	108,606	819,313	830,852	813,733
Other Local Income	101,884	118,169	129,387	130,931	129,739
Donations, Philanthropy & Grants	2,588,000	2,424,000	2,415,000	2,178,000	2,158,000
Total Revenues	\$ 15,438,305	\$ 17,070,560	\$ 20,275,844	\$ 21,189,801	\$ 21,483,902
Expenses					
Certificated Salaries	\$ 2,394,352	\$ 2,740,519	\$ 3,299,279	\$ 3,697,095	\$ 3,832,387
Classified Salaries	3,861,940	4,415,124	4,676,258	4,861,589	5,054,278
Employee Benefits	1,490,317	1,768,678	2,073,720	2,328,408	2,432,731
Books & Supplies	660,603	849,810	869,685	853,049	864,730
Operating Services	1,371,140	1,533,500	1,675,290	1,721,899	1,761,656
SPS Management Fees	1,529,685	1,828,337	2,120,749	2,199,645	2,216,277
Base Rent (Existing Facility Rent)	394,601	72,808	-	-	-
Base Rent (Ground/Building Rent)	228,000	300,000	300,000	300,000	300,000
Base Rent (2017 Bond Debt Service)	-	-	2,044,900	2,040,900	1,718,650
Depreciation	469,373	-	-	-	-
Total Expenses	\$ 12,400,012	\$ 13,508,776	\$ 17,059,881	\$ 18,002,585	\$ 18,180,709
Net Income	\$ 3,038,293	\$ 3,561,784	\$ 3,215,963	\$ 3,187,215	\$ 3,303,194
Add Back: Depreciation	469,373	-	-	-	-
Add Back: Base Rent	622,601	372,808	2,344,900	2,340,900	2,018,650
Net Operating School Revenues	\$ 4,130,267	\$ 3,934,592	\$ 5,560,863	\$ 5,528,115	\$ 5,321,844
Base Rent Coverage	6.63x	10.55x	2.37x	2.36x	2.64x

*SB740 Revenues assume the lesser of (A) 90% of \$1,117/ADA, or (B) 75% of Facilities Costs.

**Exhibit B
Enrollment Projections**

	2017-18	2018-19	2019-20	2020-21	2021-22
Summit Shasta					
Grade 9	140	120	110	110	120
Grade 10	110	136	117	107	107
Grade 11	102	107	132	114	104
Grade 12	108	99	104	129	111
Subtotal - Shasta	460	462	463	460	442
Summit Denali*					
Grade 9	110	110	110	110	110
Grade 10	93	105	105	105	105
Grade 11	-	84	100	100	100
Grade 12	-	-	80	95	95
Subtotal - Denali	203	299	395	410	410
Total Obligated Group Schools					
Grade 9	250	230	220	220	230
Grade 10	203	241	222	212	212
Grade 11	102	191	232	214	204
Grade 12	108	99	184	224	206
Total	663	761	858	870	852

*Represents grades 9-12 only. Denali grades 6-8 will not be pledged.