

\$32,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
EDUCATIONAL FACILITY REVENUE BONDS
(RIVER SPRINGS CHARTER SCHOOL PROJECT)
SERIES 2017A (TAX-EXEMPT) AND 2017B (TAXABLE)
EXECUTIVE SUMMARY
RESOLUTION 17-32

Borrower:	River Springs Charter School, Inc. (the "Borrower")
Project User:	River Springs Charter School
Loan Amount:	Not to exceed \$32,000,000
Expected Issuance:	December 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 certain charter school educational facilities, pay certain expenses incurred in connection with the issuance of the Bonds, and fund a debt service reserve fund with respect to the Bonds.
Bond Type:	Educational Facility Revenue Bonds (Taxable and Tax-Exempt Series)
Project Location:	See "Project Information" section
Counties Served:	Riverside, Orange, San Bernardino, and San Diego Counties
District in which Project is Located:	See "Borrower Information" section
Charter Authorizer:	Riverside County Office of Education
Est. Annual Payment:	\$1,748,603
Anticipated Rating:	Baa3 (Anticipated)
Structure:	\$25,365,000 (Tax-Exempt) and \$585,000 (Taxable)
Sale Method:	Limited Public Offering
Underwriter:	Stifel, Nicolaus & Company, Incorporated
Bond Counsel:	Stradling Yocca Carlson and Rauth
Trustee:	U.S. Bank National Association

*Not-to-exceed Amount

I. Use of Bond Proceeds / Project Information

The Project will include (1) financing and/or refinancing the costs of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of certain charter school educational facilities to be located at (i) 26800 Newport Rd., Menifee, CA, 92584, (ii) 43040 Margarita Road, Temecula, CA 92592, and (iii) 5580 42nd St, Jurupa Valley CA 92509 (2) paying costs of issuance of the Bonds and (3) funding all or a portion of a debt service reserve fund deposit. The following table provides detail, by campus, on the use of bond proceeds.

Site	Landlord	Location	Purpose	Amount
Temecula Student Center	N/A	43040 Margarita Road, Temecula	Acquisition of existing Temecula Facility	\$11,050,000
Bear River Student Center	N/A	26800 Newport Road, Menifee	Acquisition of existing Bear River Facility	\$7,500,000
Flabob Airport Prep. Academy	Flabob Airport, LLC	5580 42nd Street, Jurupa Valley	Installation of twelve modular classroom buildings, a 4,000 square foot airplane hangar, and site improvements, totaling approximately 15,040 square feet	\$4,600,000
Total Estimated Project Costs				\$23,150,000

II. River Springs Charter School

River Springs Charter School, Inc. (River Springs or Borrower) is a California nonprofit public benefit corporation under Division 2 of Title 1 of the Corporations Code of the State of California. The Borrower operates under a charter agreement originally granted by the Riverside County Office of Education (RCOE) in 2006 and most recently renewed on February 13, 2013. The Charter currently expires on June 30, 2018. Although the Borrower expects the charter to be renewed on or before June 30, 2018, there can be no assurance that the renewal will be on similar terms. The RCOE is responsible for overseeing the Borrower and its compliance with the terms of the Charter and applicable laws.

The Borrower currently serves students in Kindergarten through 12th grade residing in Riverside County and the three contiguous counties (Orange, San Bernardino, and San Diego) through a network of California-credentialed Homeschool Education Specialists and Academy teachers at 15 regional student centers. Of the approximately 6,300 students served by the Borrower, the majority reside in Riverside County (96%) with additional populations of students residing in Orange County (1%), San Bernardino County (2%), and San Diego County (1%). River Springs projects are expected to serve 6,759 students by the 2019-20 school year. The Borrower is one of the largest charter schools in the State, based on enrollment. The Borrower is accredited by the Western Association of Schools and Colleges.

The Borrower offers a range of educational approaches to suit the needs of its students, including both homeschool programs (Homeschool) and academy programs (Academy). For the 2017-18 school year, River Springs anticipates that approximately 31% and 69% of its students will be served by the Homeschool and Academy programs, respectively. In the Homeschool program, students and their parents work with credentialed Homeschool Education Specialists to determine each student's goals and objectives, and to determine individualized curriculum and effective learning strategies. In the Academy programs, students attend class from two to five days a week and receive instruction from fully credentialed teachers. Each teacher in an

Academy program structures lessons and assignments working collaboratively with the parent, who oversees student work during home study days. For purposes of ADA calculations (due to the regulatory definition of non-classroom-based ADA) as explained more fully below, both the Homeschool and Academy models are considered to be non-classroom based programs.

III. Financial Structure

The Bonds will be issued in two series: (1) Series A (Tax-Exempt) will be approximately \$25,365,000, and (2) Series B (Taxable) will be approximately \$585,000. The Bonds will have a final maturity of July 1, 2052. The first principal and interest payment will be July 1, 2018.

IV. Security and Source of Payment

The Bonds will be payable from and secured by Payments under the Indenture, consisting primarily of Loan Repayments under the Loan Agreement. The obligations of the Borrower under the Loan Agreement are payable from and secured by the Gross Revenues of the Borrower and by the Deeds of Trust on each Facility. As further security for the Bonds, in connection with the issuance of the Bonds, the Borrower will provide instructions to the State Controller's Office to make an apportionment to the Trustee in amounts and on dates provided in a written notice sufficient to repay the Bonds and pay necessary and incidental costs. Funds received by the Trustee pursuant to the Intercept described in clause (i) of the definition of Payments 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 state law, no party, including the Borrower or any of its 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/Costs of Issuance

Below are the preliminary estimated sources and uses, and detailed information about the expected 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 and are further subject to final pricing. Members will be provided updated figures should significant changes occur before the board meeting date.

Estimated Sources & Uses

Sources	Series A (Tax-Exempt)	Series B (Taxable)	Total
Bond Amount	\$ 25,255,000	\$ 590,000	\$ 25,845,000
Total Sources	\$ 25,255,000	\$ 590,000	\$ 25,845,000

Uses	Series A (Tax-Exempt)	Series B (Taxable)	Total
Project Fund - Bear River	\$ 7,500,000	\$ -	\$ 7,500,000
Project Fund - Temecula	11,050,000	-	11,050,000
Project Fund - Flabob Airport Prep	4,600,000	-	4,600,000
Debt Service Reserve Fund	1,602,525	37,438	1,639,963
Cost of Issuance	502,475	552,562	1,055,038
Total Uses	\$ 25,255,000	\$ 590,000	\$ 25,845,000

Estimated Costs of Issuance

COI	Amount
UWD	646,125
Bond Counsel and Disclosure Counsel	125,000
Borrower's Counsel	75,000
Financial Consultant (DMS)	60,000
Issuance Fee	22,923
Annual Admin Fee	3,877
AG Fee (Attorney General)	15,000
PFD Fee	6,000
Trustee and Trustee's Counsel	10,000
Rating Fee (S&P)	50,000
LOM Fees	5,000
Appraisal Fees	5,000
Contingency Fee	25,000
Total	1,048,924

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 River Springs Charter School.

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 anticipated to receive a Baa3 rating. If the bonds receive a lower rating than what is anticipated, the Authority's sales restrictions will be applied accordingly. The sales restrictions can be viewed at: <http://treasurer.ca.gov/csfa/financings/guidelines.pdf>.

- Bonds will be in minimum denominations of \$25,000;
- Bonds may be publicly offered or privately placed;
- Bonds will be sold initially only to Qualified Institutional Buyers (QIB) and Accredited Investors (AI);
- Subsequent transfers of bonds are 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; and
- 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 17-32 Authorizing the Issuance of Educational Facility Revenue Bonds in an Amount Not to Exceed \$32,000,000 to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and /or Equipping of Educational Facilities Located in Riverside County, California for River Springs Charter School, Inc.

Exhibit A – 5 Year Financial Projections and Coverage Ratios

RIVER SPRINGS CHARTER SCHOOL, Inc. (A California Non-Profit Public Benefit Corporation)					
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS					
Fiscal Year Ending June 30					
	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22
REVENUES					
Local Control Funding Formula (LCFF) Revenues:					
State Aid Portion	\$ 44,211,335	\$ 47,366,951	\$ 49,840,926	\$ 53,212,796	\$ 55,882,597
Education Protection Account Portion	7,875,767	7,691,441	7,845,260	8,002,171	8,162,210
In-Lieu of Property Taxes Portion	8,132	8,132	8,132	8,132	8,132
Federal Revenues	2,669,807	2,804,900	2,946,825	3,095,937	3,252,590
Other State Revenue:					
Lottery Revenue	1,344,072	1,412,082	1,483,532	1,558,599	1,637,463
All Other State Revenue	1,896,405	1,112,516	1,134,765	1,157,461	1,180,610
Other Local Revenue:					
Special Education	3,028,327	3,119,783	3,213,997	3,311,062	3,411,054
Interest Income	46,444	47,847	49,292	50,781	52,314
All Other Local Revenue	1,045,718	1,077,298	1,109,831	1,143,349	1,177,878
TOTAL UNRESTRICTED REVENUES	\$ 62,126,007	\$ 64,640,949	\$ 67,632,560	\$ 71,540,288	\$ 74,764,848
UNRESTRICTED EXPENSES					
Salaries Certified	\$ 22,617,464	\$ 23,761,908	\$ 25,206,603	\$ 26,739,184	\$ 28,364,911
Salaries Classified	7,937,505	8,339,143	8,846,153	9,384,006	9,954,548
Employee Benefits	9,982,246	10,487,348	11,124,965	11,801,372	12,518,889
Books and Supplies	3,571,807	3,752,541	3,980,692	4,222,720	4,479,459
Services and Other Operating Expenses	6,869,429	7,217,023	7,655,808	8,121,287	8,615,057
Rent/Lease Expense	3,596,902	2,928,974	2,281,895	1,595,757	1,627,659
2015 Debt Service	2,117,325	2,121,681	2,119,725	2,121,719	2,122,400
2017 Debt Service	888,284	1,748,113	1,751,400	1,749,350	1,751,250
Depreciation and Amortization	1,575,000	1,566,750	1,558,500	1,550,250	1,542,000
Direct Support / Indirect Costs	520,952	550,665	576,943	612,231	640,529
TOTAL UNRESTRICTED EXPENSES	\$ 59,676,915	\$ 62,474,146	\$ 65,102,684	\$ 67,897,877	\$ 71,616,703
Increase in Unrestricted Net Assets	\$ 2,449,092	\$ 2,166,803	\$ 2,529,876	\$ 3,642,411	\$ 3,148,144
Add Back: Depreciation	\$ 1,575,000	\$ 1,566,750	\$ 1,558,500	\$ 1,550,250	\$ 1,542,000
Add Back: Debt Service	\$ 3,005,609	\$ 3,869,794	\$ 3,871,125	\$ 3,871,069	\$ 3,873,650
Income Available for Debt Service	7,029,701	7,603,347	7,959,501	9,063,730	8,563,794
Debt Service Coverage Ratio	2.34 x	1.96 x	2.06 x	2.34 x	2.21 x

Exhibit B – 5 Year Enrollment Projections

RIVER SPRINGS CHARTER SCHOOL, Inc.
(A California Non-Profit Public Benefit Corporation)
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Fiscal Year Ending June 30

	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22
Enrollment	6,573	6,704	6,838	6,975	7,114
Average Daily Attendance (ADA):	6,244	6,369	6,496	6,626	6,759
ADA %	0.95	0.95	0.95	0.95	0.95