

\$33,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
EDUCATIONAL FACILITY 2018 TAX-EXEMPT
LOAN
(HIGH TECH HIGH MESA PROJECT)
EXECUTIVE SUMMARY
RESOLUTION 18-07

Borrower:	HTH Learning (the “Borrower”)
Project User:	High Tech High as operator of High Tech High Mesa and anticipated but yet-to-be-established middle school and elementary school
Loan Amount:	Not-to-exceed \$33,000,000
Expected Issuance:	July 2018
Project:	The proceeds of the Loan will be used to finance and refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of certain charter school educational facilities and pay certain expenses incurred in connection with the Loan and the financing of the Borrower’s Project.
Debt Type:	Educational Facility 2018 Tax-Exempt Loan
Project Location:	See “Project Information” section
County Served:	San Diego
District in which Project is Located:	See “Borrower Information” section
Charter Authorizer:	State Board of Education
Est. Annual Payment:	\$1,301,923
Anticipated Rating:	N/A
Structure:	Up to \$33,000,000 Tax-Exempt Fixed Rate Loan
Sale Method:	Private Placement
Lender/Purchaser:	City National Bank
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Trustee:	N/A

*Not-to-exceed Amount

I. Use of Loan Proceeds / Project Information

The Borrower's Project, High Tech High Mesa, is a new high school campus under the High Tech High Statewide Benefit Charter. High Tech High Mesa is planned to open in fiscal year 2018-19 to serve exclusively 9th grade students. In fiscal year 2019-20, expansion of the High Tech High Mesa campus is planned to serve elementary and middle school students. The project site is located at the former Hale Jr. High School in central San Diego (Clairemont Mesa): 5331 Mt. Alifan Drive, San Diego, California 92111. The former high school is now vacant. The proceeds of the Loan will be used to fund renovations and new construction at the vacant high school on the project site.

Site	Landlord	Location	Purpose	Amount
High Tech High Mesa	HTH Learning	5331 Mt. Alifan Drive, San Diego (Clairemont Mesa), California 92111	New Construction	\$31,371,638
Total Estimated Project Costs				\$31,371,638

II. High Tech High Learning / High Tech High

HTH Learning, a California nonprofit public benefit corporation, was founded in 2001 with a mission to manage and support the growth of schools operated by its affiliate, High Tech High. All charter schools need functionally appropriate facilities. HTH Learning has from its inception stepped forward to plan and finance facilities for High Tech High to use. HTH Learning also has served as an incubator for new initiatives related to the High Tech High schools, including the High Tech High Graduate School of Education and many of the dissemination programs that bring over 3,000 educators to High Tech High schools each year to view, experience, and receive technical assistance from High Tech High staff.

High Tech High (HTH) is a 501(c)(3) nonprofit, public benefit corporation. The charter schools operated by HTH were granted charters by the San Diego Unified School District and the California State Board of Education. The charter schools receive per-pupil funding as the primary source of operating income. HTH currently serves approximately 5,250 students in five high schools, four middle schools, and four elementary schools in the county of San Diego.

High Tech High began in 2000 as a single charter high school launched by a coalition of San Diego business leaders and educators. It has evolved into an integrated network of schools spanning grades K-12, housing a comprehensive teacher certification program. An affiliate operates a new, innovative Graduate School of Education, the first in the country to be fully imbedded within K-12 schools.

At each school, HTH strives to achieve its goals to 1) serve a student body that mirrors the ethnic and socioeconomic diversity of the local community 2) integrate technical and academic education to prepare students for post-secondary education in both high tech and liberal arts fields 3) increase the number of educationally disadvantaged students in math and engineering who succeed in high school and post-secondary education and 4) graduate students who will be thoughtful, engaged citizens.

III. Financial Structure

The Tax-Exempt Loan shall be structured at a 4.15% fixed interest rate for a 60-month term.

IV. Security and Source of Payment

The Loan will be payable by the Borrower from the Borrower’s cash on hand for Fiscal Year 2019-20 and thereafter from revenues derived by the Borrower from a lease of the financed facility (the “Lease”) to High Tech High. Rent payments under the Lease will be payable from revenues of High Tech High derived initially from the operation of High Tech High Mesa and, during the term of the Loan, additional revenues of High Tech High derived from the operation of a middle school and an elementary school to be established pursuant to the Statewide Benefit Charter (see Exhibit A). Collateral for the Loan will include a Deed of Trust filed against the Borrower’s fee interest in the property.

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 2018A (Tax-Exempt)	Total
Loan Proceeds:		
Par Amount	\$31,371,637.68	\$31,371,637.68
Uses:	Series 2018A (Tax-Exempt)	Total
Project Fund Deposits:		
New Money	\$30,799,342.56	\$30,799,342.56
	\$30,799,342.56	\$30,799,342.56
Other Fund Deposits:		
Debt Service Reserve Fund	\$0.00	\$0.00
Delivery Date Expenses:		
Costs of Issuance	\$572,295.12	\$572,295.12
	\$572,295.12	\$572,295.12
Total	\$31,371,637.68	\$31,371,637.68

Estimated Costs of Issuance

Costs of Issuance:	Budgeted Amount
Issuer Fee	\$47,450.00
Financial Advisor Fee (including expenses)	\$29,458.76
Bond Counsel Fee	\$60,000.00
Borrower's Counsel Fee	\$35,000.00
Bank Counsel	\$70,000.00
Bank Fee	\$301,886.36
Miscellaneous: appraisal, environmental, flood, Title, printer, and contingency	\$28,500.00
Total COI	\$572,295.12

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 High Tech High – Mesa, High Tech Middle – Mesa, and High Tech Elementary - Mesa.

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. Sales Restrictions

Given that the Loan will be made by City National Bank, the following restrictions will apply:

1. There will be a single Promissory Note for the full amount of the Loan;
2. The Loan will be initially privately placed with and thereafter held by a single QIB;
3. The initial Holder of the Promissory Note will be required to execute an Investor Letter in the form set forth as an attachment to the Master Loan Agreement;
4. Subsequent transfers of the Promissory Note will be limited to a single QIB at any one time;
5. Transfer restrictions shall be conspicuously noted on the Promissory Note and described in detail in the Loan documents; and
6. Loan 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 18-07 Authorizing a Loan to the Authority in an Amount Not to Exceed \$33,000,000, the Issuance by the Authority of a Promissory Note Evidencing the Obligations of the Authority in Connection with Such Loan, and a Loan from the Authority to HTH Learning, to Finance a project at borrower's Educational facilities Located in San Diego County, providing the terms and conditions for such loans and promissory note and other matters relating thereto, and authorizing the execution of certain documents in connection therewith.

Exhibit A – 5 Year Financial Projections, Enrollment and Coverage Ratios

High Tech High - Mesa

	Unrestricted and Restricted Total					
Fiscal Year	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Grade Enrollment	9th ONLY	9th & 10th	9, 10 & 11th	All Grades		
Total Revenues	1,042,985	2,129,570	3,266,355	4,508,440	4,508,440	4,508,440
Total Operating Expenses	969,028	1,833,652	2,789,570	3,594,323	3,594,323	3,594,323
Net Excess (Deficit)	73,957	295,918	476,785	914,117	914,117	914,117
Enrollment	100	200	300	400	400	400

High Tech Middle - Mesa

	Unrestricted and Restricted Total					
Fiscal Year	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Grade Enrollment		6th ONLY	6th & 7th	All Grades	All Grades	
Total Revenues	0	927,198	1,934,540	2,991,028	3,075,749	3,075,749
Total Operating Expenses	0	783,384	1,436,062	2,147,580	2,139,580	2,139,580
Net Excess (Deficit)	0	143,814	498,478	843,448	936,169	936,169
Enrollment	0	96	192	288	288	288

High Tech Elementary - Mesa

	Unrestricted and Restricted Total					
Fiscal Year	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Grade Enrollment		K-1	K-2	K-3	K-4	K-5
Total Revenues	0	1,158,502	1,780,736	2,427,969	3,081,087	3,748,237
Total Operating Expenses	0	802,640	1,307,726	1,701,038	2,083,221	2,338,030
Net Excess (Deficit)	0	355,861	473,009	726,931	997,866	1,410,207
Enrollment	0	135	201	268	335	402

MESA SCHOOLS TOTAL

Net Excess (Deficit)	73,957	795,593	1,448,272	2,484,496	2,848,152	3,260,493
Enrollment	100	431	693	956	1,023	1,090

Debt Service Coverages

Loan Balance	31,371,638	31,371,638	31,225,289	30,036,642	**	**
Interest Debt Service	*	1,301,923	1,301,923	1,295,849	415,507	**
Net Excess (Deficit)	73,957	795,593	1,448,272	2,484,496	2,848,152	3,260,493
HTH Learning Cash On Hand		506,330				
Coverage		1.00	1.11	1.92	6.85	

**Accrued Interest Period; **Loan expected to be taken out with long-term debt*