

\$4,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY (CSFA)
EDUCATIONAL FACILITY 2019 TAX-EXEMPT REVENUE ANTICIPATION NOTES
(ENCORE EDUCATION CORPORATION)
EXECUTIVE SUMMARY
RESOLUTION 19-24
***Not-to-Exceed Amount**

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Encore Education Corporation	Par Amount Requested:	Not to Exceed \$4,000,000
Financing Term: Final Maturity of August 15, 2020		Interest Rate: 3.50%	
Estimated Source of Funds: Revenue Anticipation Notes: \$4,000,000		Estimated Use of Funds: Working Capital	
Applicant Description: Encore Public Schools			
Type of Financing: Revenue Anticipation Notes (“Notes” or “RANs”)			
Project Users:	Encore High School for Performing & Visual Arts (Hesperia Campus)	County Served:	San Bernardino
District in Which Project is Located:	Hesperia Unified School District	Charter Authorizers:	Hesperia Unified School District
Project Description:		Working capital for Encore High School for Performing & Visual Arts (Hesperia Campus)	
Project Name/Potential Project Sites:		For working capital, but main Borrower address is 16955 Lemon Street, Hesperia, CA 92345	
<p>Plan of Finance: \$4,000,000 for working capital for the Hesperia Campus</p> <p>Type of Issue: Limited Offering</p> <p>Tax Status: Tax-Exempt Revenue Anticipation Notes</p> <p>Maturity: August 15, 2020</p> <p>Credit Enhancement: No</p> <p>Credit Rating: N/A</p> <p>CSFA Fees: \$6,000 Issuance Fee</p> <p>Other Fees: See Cost of Issuance Table in Financing Structure Section</p>			

Estimated Sources of Funds:		Estimated Use of Funds:	
Estimated Sources of Funds		Estimated Use of Funds	
Total RANs Principal	\$4,000,000	Payoff Existing Factoring	\$3,500,000
Cash Contr. From School	\$104,500	Net Proceeds to School	\$438,263
Original Issue Discount	\$18,263	Cost of Issuance	\$184,500
Total	\$4,122,763	Total	\$4,122,763

Financing Team:

Financing Team:	
Underwriter:	Stifel Nicolaus
Bond Counsel:	Stradling, Yocca, Carlson & Rauth
Lender/Purchaser:	2016 Bond Holders (anticipated)
Financial Advisor:	Delta Managed Solutions, Inc
Issuer's Counsel:	Attorney General's Office
Issuer:	School Finance Authority

Public Benefits:
 By lowering the cost of borrowing for Encore Education Corporation, resources otherwise spent on outstanding financial obligations, may now be used for classroom and teaching expenses.

CSFA Staff: Robby Biegler and Jose Franco	Date of Staff Report: August 14, 2019
Date of CSFA Board Meeting: August 28, 2019	Resolution Number: 19-24

Support for Staff Recommendation:

1. Encore working capital needs are better met with the terms of a tax-exempt note than the current terms of factoring agreements.
2. Encore has the receivables to repay this Note on the eleven-month repayment schedule.
3. Encore has received, and has submitted to CSFA, formal consent from the active holders of the Encore bonds issued in 2016 approving this issuance of Notes.

Staff Recommendation:
 Staff recommends the California School Finance Authority approve Resolution Number 19-25 authorizing the issuance of Revenue Anticipation Notes in an amount not to exceed \$4,000,000 to finance working capital for Encore Education Corporation relating to Encore Jr./Sr. High School for the Performing and Visual Arts in San Bernardino County.

BACKGROUND AND HISTORY

Encore Education Corporation (“Encore”) was established in 2007 as a non-profit public benefit corporation to manage and operate public charter schools. Currently Encore operates two public charter schools: Encore Jr./Sr. High School for the Performing & Visual Arts (the “Hesperia Campus” or the Borrower”) and Encore High School for the Arts – Riverside (the “Riverside Campus”). Encore is governed by a five-member board and does not have a sole statutory member structure.

The Hesperia Campus opened in August 2008, and the charter was renewed for a term of five years beginning July 1, 2016. The current term runs through June 30, 2021. The Riverside Campus opened in August 2015; their charter was approved for a five-year term beginning July 1, 2015 and runs through June 30, 2020. The School has already begun the renewal process with Riverside Unified School District and anticipates renewal in Winter 2020.

CSFA issued \$17.4 million in bonds in 2016 to acquire the Hesperia Campus facility. Initially, Encore intended this current request for a loan to include both their Hesperia and Riverside Campuses. Encore, however, needed bondholder consent to incur additional debt. After conversation with the bondholders of the 2016 issuance, Encore decided to split their financings: a \$4,000,000 loan for the Riverside Campus and a \$4,000,000 issuance of Revenue Anticipation Notes (“RANs”) for the Hesperia Campus.

The 2016 bonds allow for Short-Term Indebtedness in a maximum amount of 25% of Operating Revenues. The 2019 RANs could be categorized as Short-Term Indebtedness; however, the issuance amount, approximately \$3.5 million, and a not-to-exceed amount of \$4 million, is greater than 25% of Operating Revenues (approximately \$2.8 million). Consequently, Encore has obtained consent from the 2016 bondholders to pursue the 2019 RANs. It should be noted the RANs are being proposed after ongoing dialogue with the current bondholders, who have indicated their greater willingness to provide consent for this proposal as opposed to a loan for both the Hesperia Campus and Riverside Campus. The 2016 bondholders are additionally the target audience for this RAN issuance.

Under the Indenture for the 2016 bonds, approval by a simple majority of active bondholders is required for consent. Encore received approval from 55.07% of bondholders, specifically:

Bondholder	Amount Held	% of Total Outstanding
American Century	\$4,200,000	24.08%
Nuveen	\$5,405,000	30.99%
Total Approvals	\$9,605,000	55.07%
	Total Outstanding	\$17,440,000

PROJECT DESCRIPTION

Encore Education Corporation wishes to obtain a tax-exempt RAN to fund working capital needs at the Hesperia Campus for the remainder of the 2019-20 fiscal year (FY). The loan would subsequently be repaid from San Bernardino Superintendent of Schools (SBSOS) intercepts of Local Control Funding Formula (LCFF) State Aid and Education Protection Account Advanced Apportionments payable to the Hesperia school between February 2020 and June 2020.

Encore had significant budget deficits that drove its net asset balance negative. Causes for the deficit included:

1. One-time legal settlement for \$1 million, split across the Riverside and Hesperia schools – paid out over five years (the \$1 million cost was recorded in its entirety in 2017-18 FY);
2. Staff cost increased substantially in preparation for additional enrollment/Average Daily Attendance (ADA) growth;
3. Enrollment growth not hitting targets, leading to loss of revenue; when staffing cuts were made to address enrollment drops, departmental heads replaced loss of staff with overtime and substitutes, which ultimately increased staff costs overall.

In Spring 2018, Encore imposed a corrective action plan to “rightsize” staffing, moved overtime/substitute authority back to head office only, and staff agreed to 4% across-the-board pay cut.

For 2019-20 FY, enrollment improved and staffing costs have been kept in line, resulting in substantial budget surplus for the just ending 2018-19 FY and projected for the 2019-20 FY. The Hesperia Campus has now opened for the 2019-20 school year at expected target enrollment levels and anticipates aligning closely with the 2019-20 approved July 1 Budget.

Currently the school is meeting their working capital needs through factoring. With these notes Encore intends to:

- Expedite the process of paying off all short term borrowing, estimated by June, 2021, and restore cash on hand to levels sufficient to avoid working capital borrowing (at least 45 days of cash-on-hand assuming stable ADA);
- Build up cash reserves, minimizing the borrowing cost of all required working capital.

Borrower	Authorizer	Location	Purpose	Amount
Encore High School for Performing & Visual Arts	Hesperia Unified School District	16955 Lemon Street, Hesperia, CA 92345	Working Capital	\$4,000,000
Total Estimated Project Costs				\$4,000,000

Encore will use approximately \$3,500,000 of the Note proceeds to pay-off existing factoring. The remaining funds, \$438,263, will be distributed as follows:

Certificated Salaries	\$ 101,833
Classified Salaries	91,113
Benefits	74,755
Materials & Supplies	26,410
Services and Operations	<u>144,151</u>
Total Use of Net Proceeds	\$ 438,263

It is CSFA policy that all transactions include the SCO level intercept. However, it is the request of the holders of the 2016 bonds that this issuance exclude the intercept to avoid confusion with the repayment of the 2016 bonds. Since this is only a one-year note, CSFA staff recommends waving the intercept for the Encore RANs.

The non-intercept plan for the RANs is for the County Office of Education to direct all of the state funding in the set-aside (repayment) months to the RANs trustee, and have a portion of those funds held under the indenture, with the remainder each month conveyed to the school. This establishes something of a second level intercept, which protects the State level intercept from the prior bond transaction, while providing a level of security for the RANs.

FINANCING STRUCTURE

CSFA Term Sheet
Encore Education Group
Board Meeting Date: August 28, 2019

Loan Amount:	Not-to-Exceed \$4,000,000
Type of Offering:	Private Placement
Underwriter:	Stifel Nicolaus
Expected Credit Rating:	N/A
Interest Rate:	3.50%* (fixed, payable at maturity)
Maturity:	August 15, 2020
Collateral:	LCFF Apportionment and all other available revenues
Closing Date:	September 19, 2019*
Conduit Transaction:	The Notes are special, limited obligations payable solely from payments made by the Borrower under the transaction documents and CSFA shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of CSFA for all or any portion of payment to be made pursuant to the Notes.

*Please note that Interest Rate and Closing Date are subject to change.

Security and Source of Payment

The RANs will be secured by a pledge on Gross School Revenues of the Hesperia Campus that is subordinate to the 2016 bonds. The SBSOS will Intercept all apportionment payments for LCFF payments payable by the State to the Borrower during the 2019-20 FY in respect of the school (the "Apportionment Funds") to be received in the 2019-20 FY on or after March 1, 2020 (the "Interceptable Revenues"), directly to the Trustee. The School will deliver the Intercept Directions to cause the

Interceptable Revenues to be deposited to the Trustee in amounts sufficient to fund the principal of and accrued interest on the Notes to maturity in the Revenue Fund on or about August 15, 2020.

Preliminary Sources and Uses and Preliminary Cost of Issuance

Below are the preliminary estimated sources and uses, and detailed information about the expected costs of issuance for Board consideration. Please note 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 2019	Total
Sources:		
Total RANs Principal	<u>\$4,000,000</u>	<u>\$4,000,000</u>
Cash Contr. From School	\$104,500	\$104,500
Plus: Original Issue Discount	\$18,263	\$18,263
Subtotal of Cash Contr. & Original Disc.	\$122,763	\$122,763
Total:	\$4,122,763	\$4,122,763
Uses:	Series 2019	Total
Uses:		
Payoff of Existing Factoring:	\$3,500,000	\$3,500,000
Net Proceeds to School:	<u>\$438,263</u>	<u>\$438,263</u>
Total:	\$3,938,263	\$3,938,263
Delivery Date Expenses:		
Costs of Issuance:	<u>\$184,500</u>	<u>\$184,500</u>
Total:	\$184,500	\$184,500
Total:	\$4,122,763	\$4,122,763

The \$122,763 is a combination of the cash contribution from Encore for costs of issuance in excess of 2% not included in RANs principal (\$104,500), as well as a small original issue premium on the notes (\$18,263). Currently, it is expected that the notes will be priced with a 4% coupon on a lower yield, thus resulting in a note price over 100% of par.

Estimated Cost of Issuance

Expense	Amount
Underwriter's Discount	\$80,000.00
CSFA Issuance Fees	\$6,000.00
CSFA Admin Fees	
Issuer's Counsel Fees	\$5,000.00
Financial Advisor Fee	\$32,500.00
Bond Counsel Fees	\$45,000.00
Borrower's Counsel Fees	\$7,500.00
Trustee Fees	\$1,500.00
Trustee's Counsel Fee	\$6,000.00
Contingency Fees	\$1,000.00
Total	\$184,500.00

PUBLIC BENEFITS

By lowering the cost of borrowing for Encore Education Corporation, resources otherwise spent on outstanding financial obligations can instead be used in the classroom. A comparison of the costs of the loan to Encore and the costs of factoring is included as Appendix D. Additionally, Appendix D includes outstanding factoring amounts owed by Encore through the end of the loan.

SALES RESTRICTIONS

Per Debt Issuance Guidelines adopted by the CSFA Board, and given that the notes will be unrated, the following sales restrictions will apply: <http://treasurer.ca.gov/csfa/financings/guidelines.pdf>.

1. Notes will be in minimum denominations of \$250,000;
2. Notes will be privately placed or publicly offered only to Qualified Investment Buyers (QIB)
3. Initial note purchasers will be required to execute an Investor Letter;
4. Subsequent transfers of notes will be limited to QIBs;
5. Sales restrictions will be conspicuously noted on note and described in detail in offering materials, if any, as well as in the note 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. Note payments will be made via the intercept mechanism outlined in Section 17199.4 of the Education Code

OTHER PROJECT DATA

Permits and Approvals

The Encore Board has approved this loan and CSFA staff was provided a copy of the resolution.

Bondholder consent was needed and obtained prior to CSFA approval. CSFA has documents on file reflecting that consent.

TEFRA

- Date of TEFRA Notice Publication: August 21, 2019
- Publications: CSFA Website
- Date of TEFRA Hearing: August 28, 2019
- Oral/Written Comments: None anticipated, will provide update to the Board if any are received

Eligibility Review

Applicant meets all of CSFA's eligibility criteria.

1. Project is a charter school in the State of California.
2. The Borrower is capable of meeting the obligations of the relevant financing agreements.
3. The Borrower and financing agreements have been vetted and meet all legal requirements.
4. Payments made by the Borrower to CSFA under the financing agreements are adequate to pay CSFA expenses connected to the financing and to make all scheduled proposed payments.
5. The proposed financing is appropriate for the project.

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, Appendix B contains financial and operational information for Encore High School for the Performing Arts.

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 (as applicable), has the full authority to enter into all documents which are valid and binding, etc.) will be delivered at closing.

STAFF RECOMMENDATION

Staff recommends the California School Finance Authority approve Resolution Number 19-24 authorizing the issuance of Revenue Anticipation Notes in an amount not to exceed \$4,000,000 to finance working capital for Encore Education Corporation relating to Encore Jr./Sr. High School for the Performing and Visual Arts in San Bernardino County.

1. **Applicant / Borrower:** Encore Education Corporation
2. **Project:** Working Capital
3. **Amount of Financing:** \$4,000,000
4. **Maturity:** August 15, 2020
5. **Repayment/Security:** The loan will be repaid from county-level intercepts of LCFF State Aid and Education Protection Account apportionments payable to the Borrower's Hesperia charter schools between February 2020 and June 2020. All apportionments would be based on the 2019-20 First and Second Principal Apportionment as certified by CDE.
6. **Interest Rate:** 4.00%
7. **Fees:** \$184,500
8. **Not an Unconditional Commitment:** The CSFA resolution shall not be construed as unconditional commitment to finance the Project, but rather CSFA's approval pursuant to the resolution conditioned upon entry by CSFA and the Borrower into a financing agreement, in form and substance satisfactory to CSFA and its counsel.
9. **Limited Time:** The Board's approval expires one year from the date of its adoption. Thus, Stifel Nicolaus, CSFA and Encore Education Corporation must enter into the financing agreement no later than one year from such date. Once the approval has expired, the item must return to the Board for new approval.
10. **Financing Agreement Covenants:** N/A

APPENDIX A: GOVERNANCE AND MANAGEMENT

Board of Directors

Lenny Esposito	Board President	Business Owner, Riverside
Suzanne Cherry	Vice President	Retail Manager, Apple Valley
Kelly Ahmed	Board Member	Doctor, Apple Valley
Rob Gabler	Board Member	Fireman, Riverside
Paula Gharib	Board Member	Retired Schoolteacher
Kathy Nielsen	Alternate Board Member	Retired Media Manager, Victorville
Mari Miller	Alternate Board Member	School Records Manager, Apple Valley

Officers

Denise Griffin	Chief Executive Officer and Founder
John Griffin	Chief Operating Officer

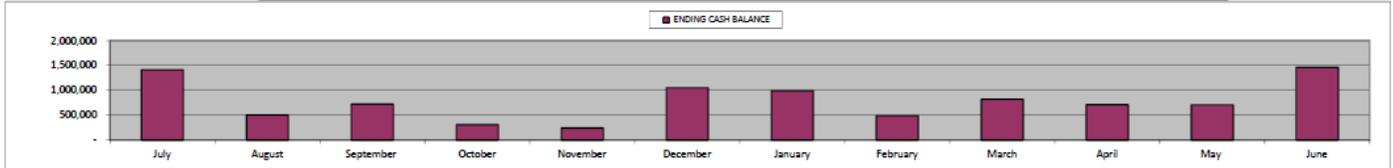
**APPENDIX B:
FINANCIAL PROJECTIONS, ENROLLMENT AND COVERAGE RATIOS**

Encore Schools 2019-20 Budget ENROLLMENT AND A.D.A. ASSUMPTIONS - HESPERIA ONLY						
	2019-20 (Year 1)		2020-21 (Year 2)		2021-22 (Year 3)	
	CBEDS ENRL	ADA	CBEDS ENRL	ADA	CBEDS ENRL	ADA
Total K-3 Enrollment	0	-	0	-	0	-
Total 4-6 Enrollment	0	-	0	-	0	-
Total 7-8 Enrollment	410	379.66	410	379.66	410	379.66
Total 9-12 Enrollment	607	562.08	607	562.08	607	562.08
TTL Enrollment/ADA	1017	941.74	1017	941.74	1017	941.74
TTL Grade 7 Enrollment	205	189.83	205	189.83	205	189.83
TTL Grade 8 Enrollment	205	189.83	205	189.83	205	189.83
TTL Grade 9 Enrollment	167	154.64	167	154.64	167	154.64
TTL Grade 10 Enrollment	191	176.87	191	176.87	191	176.87
TTL Grade 11 Enrollment	137	126.86	137	126.86	137	126.86
TTL Grade 12 Enrollment	112	103.71	112	103.71	112	103.71
TOTAL:	1,017	941.74	1,017	941.74	1,017	941.74

Encore Schools - Hesperia
2019-20 Budget
2019-20 Projected Monthly Cash Flow Statement

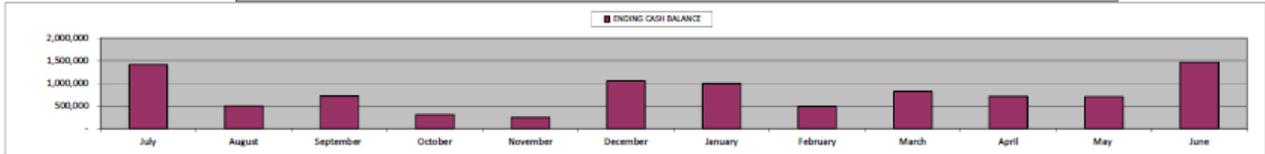
Description	2019-20 Budget	July	August	September	October	November	December	January	February	March	April	May	June	Accruals	Total For Year
BEGINNING CASH		1,380,063	1,415,174	498,936	721,919	307,010	243,946	1,055,668	994,253	493,461	822,758	707,735	706,601	1,462,881	1,380,063
General Purpose Block Grant	7,806,260	-	367,804	367,804	662,047	662,047	662,047	662,047	662,047	752,083	752,083	752,083	1,504,167	-	7,806,260
Education Protection Account	1,562,870	-	-	390,717	-	-	390,717	-	-	390,717	-	-	390,717	-	1,562,870
In-Lieu-Of Property Taxes	360,930	-	21,656	43,312	28,874	28,874	28,874	28,874	28,874	50,530	25,265	25,265	25,265	25,265	360,930
Prior Year Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Revenues	620,117	-	-	77,515	-	89,118	155,029	-	-	155,029	88,588	-	36,589	18,249	620,117
Other State Revenues	1,744,118	-	103,484	103,484	103,484	103,484	186,272	186,272	186,272	186,272	186,272	79,500	186,272	133,049	1,744,118
Other Local Revenues	36,416	910	910	3,311	3,311	3,311	3,311	3,311	3,311	3,311	3,311	3,311	3,311	1,490	36,416
TTL CASH INFLOWS	12,130,711	910	493,855	986,143	797,716	886,834	1,426,251	880,504	880,504	1,537,943	1,055,519	860,159	2,146,321	178,052	12,130,711
EXPENDITURES															
All Certificated Salaries	2,553,086	196,391	196,391	196,391	196,391	196,391	196,391	196,391	196,391	196,391	196,391	196,391	196,391	196,391	2,553,086
All Classified Salaries	2,284,331	186,476	186,476	186,476	186,476	186,476	186,476	186,476	186,476	186,476	186,476	186,476	186,476	46,619	2,284,331
All Benefits	1,874,198	148,337	148,337	148,337	148,337	148,337	148,337	148,337	148,337	148,337	148,337	148,337	148,337	94,151	1,874,198
All Materials & Supplies	662,144	33,107	146,291	52,098	30,103	99,875	47,007	9,396	53,773	78,623	28,019	18,770	10,019	55,062	662,144
All Services and Operations	3,766,952	311,318	311,318	311,318	311,318	311,318	311,318	311,318	311,318	311,318	311,318	311,318	311,318	31,132	3,766,952
All Capital Outlay	153,042	-	-	-	-	-	-	-	-	-	-	-	-	153,042	153,042
All Other Outgo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TTL CASH OUTFLOWS	11,293,752	875,630	988,814	894,620	872,626	942,398	889,529	851,919	896,296	921,146	870,542	861,293	852,541	576,398	11,293,752
	836,959														836,959
Accounts Receivable (net change)		(22,702)	23,721	576,461	-	-	-	-	-	-	-	-	-	-	577,480
EXISTING FACTORING															-
EXISTING REPAYMENT		(2,234,259)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(3,234,259)
NEW FACTORING		3,500,000	-	-	750,000	750,000	750,000	750,000	-	500,000	-	-	-	-	7,000,000
NEW FACTORING REPAYMENT		-	(195,000)	(195,000)	(840,000)	(470,000)	(475,000)	(840,000)	(485,000)	(750,000)	(300,000)	-	(500,000)	-	(5,050,000)
Net Change in Payables		(295,708)	-	-	-	-	-	-	-	-	-	-	-	-	(295,708)
Fixed Asset Acquisitions		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interschool Cash Advances/(Repayments)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
PAGA Settlement Payments		(37,500)	-	-	-	(37,500)	-	-	-	(37,500)	-	-	(37,500)	-	-
Other Cash Inflows/Outflows		-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET INFLOWS/OUTFLOWS		909,831	(421,279)	131,461	(340,000)	(7,500)	275,000	(90,000)	(485,000)	(287,500)	(300,000)	-	(537,500)	-	(1,002,487)
ENDING CASH BALANCE		1,415,174	498,936	721,919	307,010	243,946	1,055,668	994,253	493,461	822,758	707,735	706,601	1,462,881		
															47.4

Factoring Balance	4,358,033	3,913,033	3,468,033	3,128,033	3,158,033	3,433,033	3,343,033	2,858,033	2,608,033	2,308,033	2,308,033	2,308,033	1,808,033
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Encore Schools - Hesperia
2019-20 Budget
2020-21 Projected Monthly Cash Flow Statement

Description	2020-21 Budget	July	August	September	October	November	December	January	February	March	April	May	June	Accruals	Total For Year
BEGINNING CASH		1,462,881	35,416	289,766	580,942	556,203	572,671	633,710	775,874	1,279,324	1,253,546	795,539	901,306	1,426,758	1,462,881
General Purpose Block Grant	8,096,454	-	390,313	390,313	702,563	702,563	702,563	702,563	702,563	760,602	760,602	760,602	1,521,204	-	8,096,454
Education Protection Account	1,562,870	-	-	390,717	-	-	390,717	-	-	390,717	-	-	390,717	-	1,562,870
In-Lieu-Of Property Taxes	360,930	-	21,656	43,312	28,874	28,874	28,874	28,874	28,874	50,530	25,265	25,265	25,265	25,265	360,930
Prior Year Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Revenues	636,107	-	-	79,513	-	89,118	159,027	-	-	159,027	90,872	-	36,589	21,961	636,107
Other State Revenues	1,794,117	-	109,818	109,818	182,000	109,818	197,672	197,672	197,672	197,672	197,672	79,500	197,672	17,136	1,794,117
Other Local Revenues	103,500	2,588	2,588	9,409	9,409	9,409	9,409	9,409	9,409	9,409	9,409	9,409	9,409	4,234	103,500
TTL CASH INFLOWS	12,553,978	2,588	524,374	1,023,082	922,847	939,782	1,488,263	938,518	938,518	1,567,957	1,083,820	874,776	2,180,857	68,596	12,553,978
EXPENDITURES															
All Certificated Salaries	2,629,678	187,834	187,834	187,834	187,834	187,834	187,834	187,834	187,834	187,834	187,834	187,834	187,834	375,668	2,629,678
All Classified Salaries	2,352,860	180,989	180,989	180,989	180,989	180,989	180,989	180,989	180,989	180,989	180,989	180,989	180,989	180,989	2,352,860
All Benefits	1,976,684	142,896	142,896	142,896	142,896	142,896	142,896	142,896	142,896	142,896	142,896	142,896	142,896	261,931	1,976,684
All Materials & Supplies	667,298	33,365	81,160	46,896	35,000	73,228	14,638	83,769	122,482	43,650	29,241	15,607	85,778	2,486	667,298
All Services and Operations	3,640,485	300,867	300,867	300,867	300,867	300,867	300,867	300,867	300,867	300,867	300,867	300,867	300,867	30,087	3,640,485
All Capital Outlay	153,042	-	-	-	-	-	-	-	-	-	-	-	-	153,042	153,042
All Other Outgo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TTL CASH OUTFLOWS	11,420,048	845,951	893,746	859,482	847,586	885,814	827,224	896,355	935,068	856,236	841,827	828,193	898,364	1,004,203	11,420,048
	1,133,930														1,133,930
Accounts Receivable (net change)		26,755	23,721	127,577											178,052
EXISTING FACTORING															-
EXISTING REPAYMENT															-
NEW FACTORING			1,200,000	600,000	500,000			700,000	1,000,000						4,000,000
NEW FACTORING REPAYMENT		(150,000)	(600,000)	(600,000)	(600,000)		(600,000)	(600,000)	(500,000)	(700,000)	(700,000)		(758,033)	(5,008,033)	
Net Change in Payables		(423,354)										59,184		38,492	(325,680)
Fixed Asset Acquisitions															-
Interschool Cash Advances/(Repayments)															-
PAGA Settlement Payments		(37,500)				(37,500)				(37,500)				(37,500)	-
Other Cash Inflows/Outflows															-
NET INFLOWS/OUTFLOWS	(584,101)	623,721	127,577	(100,000)	(37,500)	(600,000)	100,000	500,000	(737,500)	(700,000)	59,184	(757,041)	(757,041)	(1,955,660)	
ENDING CASH BALANCE		35,416	289,766	580,942	556,203	572,671	633,710	775,874	1,279,324	1,253,546	795,539	901,306	1,426,758		
											Days Cash on Hand (All Cash)		45.6		
Factoring Balance		1,658,033	2,258,033	2,258,033	2,158,033	2,158,033	1,558,033	1,658,033	2,158,033	1,458,033	758,033	758,033			



APPENDIX C: MONTHLY LCFF REVENUE SUBJECT to SCO INTERCEPT

Encore Education Corporation (Hesperia Campus)
 \$4,000,000 2019 Revenue Anticipation Notes
 2019 Monthly Interceptable Revenues (San Bernardino County Intercept)

Monthly payments of LCFF State Aid and LCFF Education Protection Account (EPA) funding for the months from February through June 2020 are referred to as the P-1 First Principal Apportionment (Feb-May) and the P-2 Second Principal Apportionment (June) and are based on average daily attendance generated through the 2019-20 P-2 attendance period ending in April 2020.

To ensure compliance with Encore-Hesperia's outstanding 2016 facility bond issue and intercept of LCFF revenues at the State Controller level for 2016 bond payments, these 2019 RANs will instead have an intercept of revenues at the County Office of Education level.

In practice, as monthly apportionments are generated from February 2020 through June 2020, the 2016 bond payments will first be intercepted at the SCO level and transferred to UMB as the 2016 Bond Trustee for payment. The net remaining amounts shown below will then be transferred to the San Bernardino Superintendent of Schools (SBCSS), and the monthly draws shown below will be intercepted and transferred to the 2019 RANs Trustee (US Bank) for deposit into the RANs sinking fund for payment at maturity prior to any funds being released to the School.

The amount of County-level revenues available in each month (after the 2016 Bond payment is already made), will be approximately 1.4x coverage over the monthly RANs deposit into the sinking fund. If for any reason amounts are not sufficient in any month, the School is required to pay the shortfall from other sources or cash on hand. In no event will either the SCO or SBCSS be obligated to transfer any amount over what is received on Encore's behalf.

ENCORE - HESPERIA	February 2020	March 2020	April 2020	May 2020	June 2020	TOTAL 1st/2nd Apportionment
County-Level Revenues (after SCO Intercept of 2016 Bonds)	781,577	1,424,308	941,885	746,524	2,032,686	5,926,981
2019 RANs Sinking Fund (Principal)	543,000	953,000	643,000	518,000	1,343,000	4,000,000
2019 RANs Sinking Fund (Interest)	20,755	36,426	24,577	19,799	51,332	152,889
Total 2019 RANs Sinking Fund Payment	563,755	989,426	667,577	537,799	1,394,332	4,152,889
Coverage Ratio	1.39x	1.44x	1.41x	1.39x	1.46x	

**APPENDIX D:
COST of LOAN vs. FACTORING & FACTORING SCHEDULE THROUGH LIFE of
CSFA LOAN**

California School Finance Authority Loan Agreement (Encore Education Working Capital Financing)																																																																																			
COMPARISON WITH FACTORING																																																																																			
Factoring Fee (as % of amount):	7.2700%	FACTORING RESULTS																																																																																	
		Factoring Fee Rec'd:	511,682																																																																																
		Total Cost of Funds	511,682																																																																																
INPUTS		VS. LOAN RESULTS																																																																																	
Total Funding At Closing	\$ 4,000,000	Loan Costs	184,500																																																																																
Factoring Fee (paid at maturity)	511,682	Loan Interest:	152,889																																																																																
Total Future Receivables Paid:	\$ 4,511,682	Total Cost of Funds	337,389																																																																																
Closing Date:	9/1/2019	Amount Saved By School	174,293																																																																																
Final Maturity Date:	8/15/2020																																																																																		
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Date</u></th> <th style="text-align: right;"><u>Factoring Disbursement</u></th> <th style="text-align: right;"><u>Future Payment</u></th> <th style="text-align: right;"><u>Factoring Balance</u></th> <th style="text-align: right;"><u>Factoring Discount/Fees</u></th> <th style="text-align: right;"><u>Total Payments</u></th> </tr> </thead> <tbody> <tr> <td>9/1/2019</td> <td style="text-align: right;">438,263.00</td> <td></td> <td style="text-align: right;">438,263.00</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td>10/1/2019</td> <td style="text-align: right;">1,100,000.00</td> <td></td> <td style="text-align: right;">1,538,263.00</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td>11/1/2019</td> <td style="text-align: right;">1,000,000.00</td> <td></td> <td style="text-align: right;">2,538,263.00</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td>12/1/2019</td> <td style="text-align: right;">1,200,000.00</td> <td></td> <td style="text-align: right;">3,738,263.00</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td>1/1/2020</td> <td style="text-align: right;">1,100,000.00</td> <td style="text-align: right;">(438,263.00)</td> <td style="text-align: right;">4,400,000.00</td> <td style="text-align: right;">(31,861.72)</td> <td style="text-align: right;">(470,124.72)</td> </tr> <tr> <td>2/1/2020</td> <td style="text-align: right;">1,100,000.00</td> <td style="text-align: right;">(1,100,000.00)</td> <td style="text-align: right;">4,400,000.00</td> <td style="text-align: right;">(79,970.00)</td> <td style="text-align: right;">(1,179,970.00)</td> </tr> <tr> <td>3/1/2020</td> <td style="text-align: right;">1,100,000.00</td> <td style="text-align: right;">(1,000,000.00)</td> <td style="text-align: right;">4,500,000.00</td> <td style="text-align: right;">(72,700.00)</td> <td style="text-align: right;">(1,072,700.00)</td> </tr> <tr> <td>4/1/2020</td> <td></td> <td style="text-align: right;">(1,200,000.00)</td> <td style="text-align: right;">3,300,000.00</td> <td style="text-align: right;">(87,240.00)</td> <td style="text-align: right;">(1,287,240.00)</td> </tr> <tr> <td>5/1/2020</td> <td></td> <td style="text-align: right;">(1,100,000.00)</td> <td style="text-align: right;">2,200,000.00</td> <td style="text-align: right;">(79,970.00)</td> <td style="text-align: right;">(1,179,970.00)</td> </tr> <tr> <td>6/1/2020</td> <td></td> <td style="text-align: right;">(1,100,000.00)</td> <td style="text-align: right;">1,100,000.00</td> <td style="text-align: right;">(79,970.00)</td> <td style="text-align: right;">(1,179,970.00)</td> </tr> <tr> <td>7/1/2020</td> <td style="text-align: right;">-</td> <td style="text-align: right;">(1,100,000.00)</td> <td style="text-align: right;">-</td> <td style="text-align: right;">(79,970.00)</td> <td style="text-align: right;">(1,179,970.00)</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">7,038,263.00</td> <td style="text-align: right;">(7,038,263.00)</td> <td></td> <td style="text-align: right;">(511,681.72)</td> <td style="text-align: right;">(7,549,944.72)</td> </tr> </tbody> </table>						<u>Date</u>	<u>Factoring Disbursement</u>	<u>Future Payment</u>	<u>Factoring Balance</u>	<u>Factoring Discount/Fees</u>	<u>Total Payments</u>	9/1/2019	438,263.00		438,263.00	-	-	10/1/2019	1,100,000.00		1,538,263.00	-	-	11/1/2019	1,000,000.00		2,538,263.00	-	-	12/1/2019	1,200,000.00		3,738,263.00	-	-	1/1/2020	1,100,000.00	(438,263.00)	4,400,000.00	(31,861.72)	(470,124.72)	2/1/2020	1,100,000.00	(1,100,000.00)	4,400,000.00	(79,970.00)	(1,179,970.00)	3/1/2020	1,100,000.00	(1,000,000.00)	4,500,000.00	(72,700.00)	(1,072,700.00)	4/1/2020		(1,200,000.00)	3,300,000.00	(87,240.00)	(1,287,240.00)	5/1/2020		(1,100,000.00)	2,200,000.00	(79,970.00)	(1,179,970.00)	6/1/2020		(1,100,000.00)	1,100,000.00	(79,970.00)	(1,179,970.00)	7/1/2020	-	(1,100,000.00)	-	(79,970.00)	(1,179,970.00)	Total	7,038,263.00	(7,038,263.00)		(511,681.72)	(7,549,944.72)
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