



# Presentation to the California School Finance Authority

**Charter School Revenue Bonds  
Series 2023**

*September 28, 2023*

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**SCHOLARSHIP PREP**  
PUBLIC SCHOOLS

## Participants

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**SCHOLARSHIP PREP**  
PUBLIC SCHOOLS

**(Borrower)**

- **Jason Watts**, *Executive Director & Co-Founder*



**(Municipal Advisor)**

- **Karl Yoder**, *Managing Partner*

**KUTAKROCK**  
ATTORNEYS AT LAW

**(Borrower's Counsel)**

- **Jessica Shaham**, *Partner*

**Stradling**

**(Bond Counsel)**

- **Kerrigan Bennett**, *Shareholder*

**STIFEL**  
**(Underwriter)**

- **Guillermo Garcia**, *Managing Director*  
- **Nate Keninitz**, *Vice President*  
- **Josh Bauer**, *Associate*

# Overview of the 2023 Bonds

Series 2023 Bonds (Scholarship Prep Public Schools – Obligated Group - Issue No. 2)	
<b>Issuer</b>	California School Finance Authority
<b>Borrower</b>	Scholarship Prep Facility Holdings #3, LLC
<b>Obligor</b>	Scholarship Prep d/b/a Scholarship Prep Public Schools
<b>Tax Status</b>	<b><u>2023A</u></b> : Tax Exempt   <b><u>2023B</u></b> : Taxable
<b>Par Amount</b>	\$21,145,000* ( <u>2023A</u> : \$20,560,000   <u>2023B</u> : \$585,000)
<b>Term</b>	6/1/63 (40 years)*
<b>Rating</b>	Non-Rated
<b>Sales Restrictions</b>	Qualified Institutional Buyers & Accredited Investors; Minimum denominations of \$250,000; Investor Letter for Initial Purchasers
<b>Use of Proceeds</b>	<ol style="list-style-type: none"> <li><b>I. Acquisition SP South Bay Campus (\$20.15M<sup>(1)</sup>)</b></li> <li><b>II. Debt Service Reserve Fund (MADS)</b> <ol style="list-style-type: none"> <li>I. to be 100% funded from the CSFA Credit Enhancement Grant Program</li> </ol> </li> <li><b>III. Cost of Issuance</b></li> </ol>

# History and Organization

- Founded in 2015, Scholarship Prep d/b/a Scholarship Prep Public Schools (“Scholarship Prep”) is a charter network serving students in TK-8 across three counties (Los Angeles, Orange, and San Diego)
- The network operates **3 individually chartered schools** and serves approximately **1,600 students** as of the 2023-24 school year

Charter School	Grades	1st School Year	2023-24 Enrollment <sup>(1)</sup>	Homeless/ Foster Youth*	FRL%*	Charter Expires	No. of Renewals	Authorizer
<b>OBLIGATED GROUP SCHOOLS</b>								
Scholarship Prep Santa Ana (“SPSA”)	TK-8	2016-17	660	22.2%	91.8%	6/30/2028	1	OCBOE
Scholarship South Bay (“SPSB”)	TK-8	2019-20	403	8.6%	90.4%	6/30/2027	n/a	LAUSD
<b>TOTAL OBLIGATED GROUP</b>			<b>1,063</b>	<b>16.9%</b>	<b>91.3%</b>			
<b>NON OBLIGATED SCHOOL</b>								
Scholarship Prep Oceanside (“SPO”)	TK-8	2017-18	559	11.2%	73.7%	6/30/2025	n/a	SDCOE
		<b>Total Network</b>	<b>1,622</b>	<b>15.0%</b>	<b>85.3%</b>		<b>1</b>	

- In 2021, Scholarship Prep Santa Ana was one of two schools that received the first **7-year renewals** in the State due to the school’s eligibility as a “High Performing” charter school

\*As of 2022-23 School Year.  
 (1) As of 9/25/2023.

# Our Mission & Vision

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## Our Mission

*We are committed to creating community change by operating university-inspired, trauma-informed public schools for all students, especially those experiencing homelessness or those in the foster care system.*



## Our Vision

*We will create school communities where scholarship is standard, equity is essential, and partnerships are power.*

**REACH HIGHER, DREAM BIGGER**

# CREATING COMMUNITY CHANGE



# Student Demographics – 2022-23

- **The Obligated Group Schools’ demographics:**
  - **Over 90%** qualify for free or reduced price meals
  - **17%** homeless/foster youth
  - **99%** students of color

2022-23 Demographics	Obligated Group Schools			Non-obligated School	Total Network Average
	SPSB	SPSA	OG Average	SPO	
African American	21.4%	1.2%	<b>9.0%</b>	5.0%	<b>7.7%</b>
Asian	3.4%	1.3%	<b>2.1%</b>	5.9%	<b>3.4%</b>
Hispanic	72.5%	96.9%	<b>87.4%</b>	64.3%	<b>79.6%</b>
White	1.7%	0.6%	<b>1.0%</b>	21.4%	<b>8.0%</b>
Other	1.0%	0.0%	<b>0.4%</b>	3.4%	<b>1.4%</b>
Free-Reduced Lunch	90.4%	91.8%	<b>91.3%</b>	73.7%	<b>85.3%</b>
English Language Learner	13.5%	44.5%	<b>32.5%</b>	13.8%	<b>26.1%</b>
Student with Disabilities	11.3%	10.1%	<b>10.6%</b>	12.7%	<b>11.3%</b>
Homeless/Foster Youth	8.6%	22.2%	<b>16.9%</b>	11.2%	<b>15.0%</b>

# Obligated Group Historical & Projected Enrollment

## SPSA Enrollment

Grade Level	Historical		Current	Projected	
	2021-22	2022-23	2023-24	2024-25	2025-26
TK/K	75	106	102	103	103
1st	51	78	82	79	79
2nd	63	56	77	79	79
3rd	66	65	56	78	78
4th	60	74	60	77	77
5th	57	67	74	77	77
6th	58	87	67	76	76
7th	41	61	87	75	75
8th	48	49	55	74	74
<b>Total</b>	<b>519</b>	<b>643</b>	<b>660</b>	<b>718</b>	<b>718</b>
% Change		23.9%	2.6%	8.8%	0.0%

## SPSB Enrollment

Grade Level	Historical		Current	Projected	
	2021-22	2022-23	2023-24	2024-25	2025-26
TK/K	44	67	53	56	56
1st	55	44	54	41	41
2nd	32	53	45	41	41
3rd	30	34	45	41	41
4th	31	33	30	35	35
5th	27	36	27	35	35
6th	36	55	52	35	35
7th	31	51	51	46	46
8th	35	34	46	46	46
<b>Total</b>	<b>321</b>	<b>407</b>	<b>403</b>	<b>376</b>	<b>376</b>
% Change		26.8%	-1.0%	-6.7%	0.0%

## Combined OG Enrollment

Grade Level	Historical		Current	Projected	
	2021-22	2022-23	2023-24	2024-25	2025-26
TK/K	119	173	155	159	159
1st	106	122	136	120	120
2nd	95	109	122	120	120
3rd	96	99	101	119	119
4th	91	107	90	112	112
5th	84	103	101	112	112
6th	94	142	119	111	111
7th	72	112	138	121	121
8th	83	83	101	120	120
<b>Total</b>	<b>840</b>	<b>1,050</b>	<b>1,063</b>	<b>1,094</b>	<b>1,094</b>
% Change		25.0%	1.2%	2.9%	0.0%

\*Current year, 2023-24, enrollment figures are as of 9/25/2023.

# Project Breakdown

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School	Landlord	Location	Purpose	Amount
Scholarship Prep South Bay	Scholarship Prep Facility Holdings #3, LLC	24910 S. Avalon Blvd., Wilmington, 90744	Acquisition	\$19,000,000
			Transfer Taxes <sup>(1)</sup>	\$1,151,400
<b>Total</b>				<b>\$21,151,400</b>

*(1) Represents transfer taxes due under the City of Los Angeles's new Measure ULA transfer tax assessment.*



# Security for the Series 2023 Bonds

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- **Revenue Pledge:** Gross Revenues of the Obligated Group Members
  - Gross School Revenues of the Obligated Group Schools are pledged to secure Scholarship Prep's obligations under the Leases
- **Real Estate:** Deed of Trust on the Facility
  - Fee Simple mortgage on the SP South Bay Facility
- **Debt Service Reserve Fund:** Sized at maximum annual debt service (MADS) and expected to be fully funded with a reserve fund grant from CSFA
- **State Intercept Mechanism:** CSFA's CA State Intercept program will enable the bond trustee to receive direct payments from the State Controller for amounts due under the Leases (which will be used to pay debt service)
- **Insurance Coverage:** Property & casualty, 12 months business interruption, general liability, worker's compensation
- **Covenants:**
  - **Liquidity:** 45 days of consolidated cash on hand
  - **Base Rent Coverage Ratio:** 1.10x

# Obligated Group Financial Projections

Scholarship Prep - OBLIGATED GROUP (Orange County + South Bay)						
Financial Projections						
	Actual 2022-23	Projected 2023-24	Projected 2024-25	Projected 2025-26	Projected 2026-27	Projected 2027-28
Grades Served	TK-8	TK-8	TK-8	TK-8	TK-8	TK-8
<b>Enrollment</b>	<b>1,050</b>	<b>1,119</b>	<b>1,094</b>	<b>1,094</b>	<b>1,094</b>	<b>1,094</b>
<b>Average Daily Attendance ("ADA")</b>	<b>975.36</b>	<b>1,041.47</b>	<b>1,018.49</b>	<b>1,018.49</b>	<b>1,018.49</b>	<b>1,018.49</b>
Local Control Funding Formula	13,367,914	15,261,998	15,590,932	16,082,534	16,604,796	17,190,849
Federal Revenue	4,787,521	2,184,659	1,251,829	1,251,829	1,251,829	1,251,829
SB740 Facility Grant	1,222,305	1,501,595	1,425,865	1,442,432	1,459,024	1,475,984
Other State Revenue	2,330,487	5,537,953	5,195,128	4,311,514	4,135,695	4,229,592
Other Local Revenue	419,912	5,183	5,062	5,062	5,062	5,062
<b>Total Revenue</b>	<b>22,128,139</b>	<b>24,491,388</b>	<b>23,468,816</b>	<b>23,093,372</b>	<b>23,456,406</b>	<b>24,153,317</b>
Certificated Salaries	5,451,613	5,401,703	5,160,478	5,173,319	5,226,816	5,300,812
Non-Cert Salaries	3,000,811	3,178,581	3,094,054	3,134,741	3,186,355	3,241,566
Employee Benefits	3,130,368	3,431,620	3,390,951	3,427,256	3,479,703	3,535,339
Books & Materials	2,558,481	2,720,591	2,652,990	2,706,050	2,807,502	2,903,884
Services & Ops (ex Base Rent)	3,767,965	5,736,531	4,045,859	4,721,081	4,693,020	4,877,395
Depreciation	164,602	108,184	110,347	112,554	114,805	117,101
Other Outgo	128,708	-	-	-	-	-
Base Rent:	-	-	-	-	-	-
OC Grand 2020 Bond Base Rent *	458,000	932,250	1,110,604	1,106,250	1,106,208	1,106,083
South Bay 2023 Bond Base Rent *	-	799,614	1,377,325	1,497,325	1,498,925	1,494,825
<b>Total Expenditures</b>	<b>18,660,548</b>	<b>22,309,072</b>	<b>20,942,609</b>	<b>21,878,577</b>	<b>22,113,335</b>	<b>22,577,005</b>
<b>Revenues Less Expenditures</b>	<b>3,467,591</b>	<b>2,182,316</b>	<b>2,526,207</b>	<b>1,214,795</b>	<b>1,343,072</b>	<b>1,576,312</b>

# Obligated Group Projected Covenants

Scholarship Prep - OBLIGATED GROUP (Orange County + South Bay)						
Financial Projections						
	Actual 2022-23	Projected 2023-24	Projected 2024-25	Projected 2025-26	Projected 2026-27	Projected 2027-28
<b>Revenues Less Expenditures</b>	<b>3,467,591</b>	<b>2,182,316</b>	<b>2,526,207</b>	<b>1,214,795</b>	<b>1,343,072</b>	<b>1,576,312</b>
Add Back: Depreciation	164,602	108,184	110,347	112,554	114,805	117,101
Add Back: OC 2020 Bond Base Rent *	458,000	932,250	1,110,604	1,106,250	1,106,208	1,106,083
Add Back: SB 2023 Bond Base Rent *	-	799,614	1,377,325	1,497,325	1,498,925	1,494,825
<b>Net Income Available For Rent Payments</b>	<b>4,090,193</b>	<b>4,022,364</b>	<b>5,124,483</b>	<b>3,930,924</b>	<b>4,063,010</b>	<b>4,294,322</b>
<b>Total 2023 Bond - Base Rent *</b>	<b>458,000</b>	<b>1,731,864</b>	<b>2,487,929</b>	<b>2,603,575</b>	<b>2,605,133</b>	<b>2,600,908</b>
<b>Base Rent Coverage Ratio</b>	<b>8.93x</b>	<b>2.32x</b>	<b>2.06x</b>	<b>1.51x</b>	<b>1.56x</b>	<b>1.65x</b>
	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2026-27</b>
Beginning Cash Balance	5,443,624	10,896,594	11,826,610	13,676,790	14,970,988	16,138,562
Plus: Net Income	3,467,591	2,182,316	2,526,207	1,214,795	1,343,072	1,576,312
Plus: Depreciation	164,602	108,184	110,347	112,554	114,805	117,101
Net Cash Flow - Other Operating Activities	2,175,063	(1,297,986)	(786,374)	(33,151)	(90,304)	(91,278)
Net Cash Flow - Investing Activities	208,212	-	-	-	(200,000)	-
Net Cash Flow - Financing Activities	(562,498)	(62,498)	-	-	-	-
<b>Ending Cash Balance</b>	<b>10,896,594</b>	<b>11,826,610</b>	<b>13,676,790</b>	<b>14,970,988</b>	<b>16,138,562</b>	<b>17,740,697</b>
Total Expenditures	18,660,548	22,309,072	20,942,609	21,878,577	22,113,335	22,577,005
Less: Amortization	-	-	-	-	-	-
Less: Depreciation	(164,602)	(108,184)	(110,347)	(112,554)	(114,805)	(117,101)
<b>Operating Expenses</b>	<b>18,495,946</b>	<b>22,200,888</b>	<b>20,832,262</b>	<b>21,766,022</b>	<b>21,998,529</b>	<b>22,459,904</b>
<b>Days Cash On Hand</b>	<b>215 days</b>	<b>194 days</b>	<b>240 days</b>	<b>251 days</b>	<b>268 days</b>	<b>288 days</b>

- **Minimum Base Rent Coverage Ratio Requirement: 1.10x**
- **Minimum Days Cash on Hand Requirement: 45 days of consolidated cash on hand**

**Questions?**

**Thank you for  
your  
consideration!**



**SCHOLARSHIP PREP**

PUBLIC SCHOOLS

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