

**CALIFORNIA SCHOOL FINANCE AUTHORITY  
EDUCATIONAL FACILITIES REVENUE BONDS  
(TRI-VALLEY LEARNING CORPORATION PROJECT), SERIES 2012A  
(TAX-EXEMPT BONDS)**

**CALIFORNIA SCHOOL FINANCE AUTHORITY  
EDUCATIONAL FACILITIES SUBORDINATE REVENUE  
CERTIFICATES OF PARTICIPATION  
(TRI-VALLEY LEARNING CORPORATION PROJECT), SERIES 2012B  
(DIRECT SUBSIDY QUALIFIED SCHOOL CONSTRUCTION BONDS)**

***EXECUTIVE SUMMARY***

**RESOLUTION 12-07**

<b>Borrower:</b>	Livermore Valley Charter School and Livermore Valley Charter Preparatory High School, each operated as Tri-Valley Learning Corporation
<b>Total Par Amount:</b>	Not to exceed \$40,000,000
<b>Expected Issuance:</b>	April 2012
<b>Project:</b>	Acquisition of 15 buildings totaling approximately 98,400 sq. ft. on 9.88 acres and improvements to classrooms, and office space including a music room, a state-of-the-art science classroom, uniquely designed special education facilities, a library, a computer lab, a general-purpose classroom, and centralized office space for the school's administration to operate a K-12 grade Charter School.
<b>Issuance Type:</b>	<u>Series 2012A:</u> Tax-Exempt Bonds <u>Series 2012B:</u> Direct Subsidy QSCB Certificates of Participation
<b>Expected Rating(s):</b>	<u>Series 2012A:</u> BBB- on Tax-Exempt Bonds <u>Series 2012B:</u> Non-rated, privately placed QSCB Certificates of Participation
<b>Structure:</b>	<u>Series A Senior Bonds:</u> Fixed-rate revenue bonds fully amortized with a 35-year final maturity. <u>Series B Subordinate QSCB Certificates of Participation:</u> Direct Subsidy Qualified School Construction Bonds with a final principal payment date not to exceed 22 years or as set by the Fed
<b>Sale Method:</b>	<u>Series 2012A:</u> Publicly Offered <u>Series 2012B:</u> Private Placement
<b>Underwriter and Placement Agent:</b>	Westhoff, Cone & Holmstedt
<b>Bond and Disclosure Counsel:</b>	Orrick Herrington & Sutcliffe LLP

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## I. Background

In January 2012, Tri-Valley requested an allocation of \$15 million in QSCB's, and was approved by the Board at the February 2012 meeting. The current proposal for the QSCB's consists of a private placement, with an additional sale of not to exceed \$25 million in tax-exempt bonds to be rated by a credit rating agency and be publicly offered.

## II. Structure

### **Series A Senior Bonds:**

***Final Maturity:*** Not to exceed 35 years

***Debt Service Reserve Fund:*** A Reserve Fund will be funded from Bond proceeds in the amount of Maximum Annual Debt Service (MADS).

***Payment Dates:*** Bond interest payments will be due each June 1 and December 1 commencing December 1, 2012. Bond interest payments will be intercepted by the State Controller on behalf of investors. See section III below.

***Principal Repayment:*** The Bonds are expected to be sold as serial and term bonds ranging in maturity from June 1, 2013 through the final maturity.

***Denominations:*** The Bonds will be issued in authorized denominations of \$5,000 or any integral multiple in excess thereof.

**Series B QSCBs:** Interest payments payable solely from refundable tax credits from the United States Department of Treasury. Principal payments will be set aside annually, beginning in 2018, from available funds after Senior Bond Debt Service and all School operating expenses, in a Trustee-held fund until the final maturity date of the QSCBs.

## III. Security and Source of Payment

**Series A Senior Bonds Revenue Pledge:** The Bonds will be secured by a Gross Revenue pledge of and State Payments through a State Intercept. All funds necessary to pay interest, principal and other Bond-related expenses will be paid directly to the Bond Trustee.

**Series B QSCBs:** QSCB limited to net revenues only after all obligations are of Senior Bonds and operating expenses of the school are paid. QSCB's have no right of acceleration. There is no event of default if an interest payment or sinking fund payment is late or missed.

***Liquidity Fund:***

Pursuant to the Loan Agreement, TVLC will establish and maintain a Liquidity Fund relating to the senior Bonds. At the end of each fiscal year, 50% of TVLC's annual surplus until the Liquidity Fund has a maximum balance equal to Maximum Annual Debt Service on the Senior Bonds will be deposited into the Liquidity Fund and held by the Trustee.

**IV. The Borrower**

Tri-Valley Learning Corporation (TVLC) currently operates two charter schools in Livermore, California: Livermore Valley Charter School (LVCS), a kindergarten through eighth-grade charter school at 543 Sonoma Avenue, and Livermore Valley Charter Preparatory High School (LVCP), located at 2451 Portola Avenue. Both schools are housed in temporary facilities owned by the Livermore Valley Joint Unified School District. Each TVLC school operates under a separate charter that has been approved by the State Board of Education. The schools are currently in good standing with their authorizer and in compliance with the terms of their charters with the State Board of Education.

Enrollment currently includes 932 students in grades K through 8, and approximately 200 high school freshman and sophomores. Based on this year's P-1 attendance reports the schools' average daily attendance (of 1,093) results in a 97% ADA rate. TVLC has plans for Livermore Valley Charter Preparatory High School to grow over the next five years to reach full capacity enrollment of 1,080 students in grades nine through twelve by the 2014-15 school year.

LVCS was founded in 2004 by a collaborative group of parents and educators in response to the Livermore school district's decision to close two magnet schools due to budget cuts. Together, parents and educators endeavored to create a school that embraced proven and innovative teaching techniques to best prepare children for the 21st century.

LVCS began operation in 2005, and has the highest performing K-5 and grade 6-8 programs in the Livermore area. In 2010, LVCS had an Academic Performance Index score of 902, with a statewide rank of 9 and similar schools ranked of 7, with 10 being the highest score. Additionally, for the last six years, the school has met all Adequate Yearly Progress criteria. The school currently has a waitlist of over 680 students. The extraordinary parent and staff commitment to volunteerism and financial support for the benefit of the schools has continued and strengthened since opening day at the Livermore Valley Charter School. This same unwavering support for choice in education, led to the Livermore Valley Charter School community to begin discussing the possibility of a charter high school in May 2006. They wanted to provide students attending the Livermore Valley Charter School, with an opportunity to remain in the same educational system. The High School opened its doors in August 2010.

The Livermore Valley Charter Preparatory High School's philosophy of education is a natural progression from that of the Livermore Valley Charter School. The High School provides a college preparatory education in an individualized, creative, collaborative,

experiential and emotionally supportive environment that challenges every student to reach his or her potential.

**V. Preliminary Sources and Uses**

<b>Sources</b>	
Qualified School Construction Bonds	\$ 15,000,000
Tax Exempt Bonds	\$22,850,000
<b>Total Sources</b>	<b>\$37,850,000</b>

  

<b>Uses</b>	
Project Budget, including Property Acquisition	\$35,401,415
Reserve Fund	1,767,655
Cost of Issuance and UW Discount	\$680,930
<b>Total Uses</b>	<b>\$37,850,000</b>

**VI. The Project**

TVLC intends to purchase most of the Montevina office park development located on North Canyons Parkway at its intersection with Constitution Drive in the City of Livermore ("Montevina"). The real estate to be acquired includes (a) 15 of the 16 buildings totaling 98,400 square feet on 9.88 acres within Phase I, and (b) a vacant 12.4-acre parcel comprising Phase II of Montevina. Montevina comprises one and two-story office buildings ranging in size from 3,600 to 13,200 square feet, averaging 6,560 square feet per building.

Of the 16 Phase I buildings, 14 of the buildings have never been sold and are in shell condition with no interior walls, finished ceilings, bathrooms, or floor coverings, but the electrical panels and roof-mounted HVAC units have been installed. Four of the 14 buildings are two-story with installed elevators. The 15th building is at 3252 Constitution Drive and was previously sold.

The 16th building in Phase I of Montevina is at 3110 Constitution Drive and will be leased by TVLC with an option to purchase.

**VII. Borrower Financial Data**

Attached as Exhibit A is a schedule of historic revenues for the Borrower as well as an enrollment history for the Tri Valley and associated affiliate schools.

**VIII. Due Diligence Undertaken to Date**

No information was disclosed to question the financial viability or legal integrity of the Borrower. Standard opinions of counsel relating 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.

**IX. Staff Recommendation**

Staff recommends CSFA approve Resolution Number 12-07 in an amount not to exceed \$40,000,000 for the Borrower.

**Exhibit A**  
**Historical Revenue and Enrollment – Tri-Valley Learning Corporation**

Grade	Historical Enrollment by Grade				
	2007-08	2008-09	2009-10	2010-11	2011-12
TK/K - LVCS	100	100	100	100	100
1st - LVCS	100	100	100	100	100
2nd - LVCS	100	100	100	100	100
3rd - LVCS	80	100	100	100	100
4th - LVCS	80	80	100	100	100
5th - LVCS	81	82	82	108	108
6th - LVCS	108	108	108	108	108
7th - LVCS	108	108	108	108	108
8th - LVCS	101	102	97	108	108
9th - LVCP	0	0	0	79	106
10th - LVCP	0	0	0	0	92
11th - LVCP	0	0	0	0	0
12th - LVCP	0	0	0	0	0
<b>Total</b>	<b>858</b>	<b>880</b>	<b>895</b>	<b>1011</b>	<b>1130</b>

**Livermore Valley Charter School**  
**Historical Financials**

Fiscal Year Ending June 30	2006	2007	2008	2009	2010	2011
	Audited	Audited	Audited	Audited	Audited	Audited
<b>Average Daily Attendance</b>	<b>560</b>	<b>715</b>	<b>828</b>	<b>854</b>	<b>860</b>	<b>899</b>
<b>REVENUES</b>						
Donated Property and Services	\$ 5,000	\$ 52,645	\$ 3,600	\$ -	\$ -	\$ -
Federal Revenue	\$ 182,815	\$ 116,428	\$ 57,798	\$ -	\$ 55,420	\$ 16,265
State Aid Portion of General Purpose Block Grant	\$ 1,286,725	\$ 1,969,632	\$ 2,346,410	\$ 2,007,445	\$ 1,769,577	\$ 1,936,656
Categorical Block Grant	\$ 165,853	\$ 292,800	\$ 385,731	\$ 317,097	\$ 401,119	\$ 414,083
All Other State Revenue	\$ 417,980	\$ 579,359	\$ 539,986	\$ 966,120	\$ 1,192,940	\$ 981,299
Cash In-Lieu of Property Taxes	\$ 1,524,757	\$ 1,887,101	\$ 2,364,226	\$ 2,507,711	\$ 2,339,533	\$ 2,413,601
Interest Income	\$ 9,156	\$ 19,123	\$ 17,527	\$ 16,973	\$ 5,268	\$ 8,753
All Other Local Revenue	\$ 244,869	\$ 835,267	\$ 344,610	\$ 347,122	\$ 880,431	\$ 1,580,999
Net Assets Released from Restrictions		\$ (170,898)	\$ 74,842	\$ 10,939	\$ (199,883)	\$ -
<b>Total Revenues</b>	<b>\$ 3,837,155</b>	<b>\$ 5,581,457</b>	<b>\$ 6,134,730</b>	<b>\$ 6,173,407</b>	<b>\$ 6,444,405</b>	<b>\$ 7,342,903</b>
<b>EXPENSES</b>						
Personnel - Dedicated	\$ 2,628,218	\$ 3,258,094	\$ 3,063,229	\$ 3,216,246	\$ 3,164,343	\$ 3,095,207
Personnel - Discretionary	\$ 292,024	\$ 362,010	\$ 340,359	\$ 357,360	\$ 351,594	\$ 355,767
Books & Supplies - Dedicated	\$ 144,589	\$ 219,785	\$ 222,925	\$ 230,910	\$ 319,019	\$ 248,269
Books & Supplies - Discretionary	\$ 52,578	\$ 109,892	\$ 111,462	\$ 115,455	\$ 159,510	\$ 114,576
Services & Other Operating Expenses	\$ 230,028	\$ 677,670	\$ 687,351	\$ 711,973	\$ 983,643	\$ 896,876
Capital Outlay & Other Expenses	\$ 295,751	\$ 824,193	\$ 835,968	\$ 865,913	\$ 1,196,322	\$ 1,558,478
<b>Total Expenses</b>	<b>\$ 3,643,188</b>	<b>\$ 5,451,645</b>	<b>\$ 5,261,294</b>	<b>\$ 5,497,856</b>	<b>\$ 6,174,431</b>	<b>\$ 6,269,173</b>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>						
Private Grants and Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Assets Released from Restrictions	\$ -	\$ 170,898	\$ (74,842)	\$ (10,939)	\$ 199,883	\$ -
<b>Increase in Temporarily Restrictred Net Assets</b>	<b>\$ -</b>	<b>\$ 170,898</b>	<b>\$ (74,842)</b>	<b>\$ (10,939)</b>	<b>\$ 199,883</b>	<b>\$ -</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 193,967</b>	<b>\$ 300,710</b>	<b>\$ 798,594</b>	<b>\$ 664,612</b>	<b>\$ 469,857</b>	<b>\$ 1,072,271</b>
<b>NET ASSETS</b>						
Net Assets - Beginning of the Year	\$ -	\$ 193,967	\$ 494,677	\$ 1,293,271	\$ 1,957,883	\$ 2,328,456
Net Assets - End of the Year	\$ 193,967	\$ 494,677	\$ 1,293,271	\$ 1,957,883	\$ 2,427,740	\$ 3,669,498

**Livermore Valley Charter Preparatory High School**  
*Historical Financials*

Fiscal Year Ending June 30	2010 Audited	2011 Audited
<b>Average Daily Attendance</b>	-	<b>71</b>
<b>REVENUES</b>		
Donated Property and Services	\$ -	\$ -
Federal Revenue	\$ 48,822	\$ 343,346
State Aid Portion of General Purpose Block Grant	\$ -	\$ 248,511
Categorical Block Grant	\$ -	\$ -
All Other State Revenue	\$ -	\$ 44,753
Cash In-Lieu of Property Taxes	\$ -	\$ 191,931
Interest Income	\$ 268	\$ -
All Other Local Revenue	\$ 16,735	\$ 81,745
Net Assets Released from Restrictions	\$ -	\$ -
<b>Total Revenues</b>	<b>\$ 65,825</b>	<b>\$ 910,286</b>
<b>EXPENSES</b>		
Personnel - Dedicated	\$ -	\$ -
Personnel - Discretionary	\$ -	\$ -
Books & Supplies - Dedicated	\$ -	\$ -
Books & Supplies - Discretionary	\$ -	\$ -
Services & Other Operating Expenses	\$ -	\$ -
Capital Outlay & Other Expenses	\$ -	\$ 911,745
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ 911,745</b>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Private Grants and Contributions	\$ -	\$ -
State Revenue	\$ -	\$ -
Net Assets Released from Restrictions	\$ 199,883	\$ -
<b>Increase in Temporarily Restrcted Net Assets</b>	<b>\$ 199,883</b>	<b>\$ -</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 199,853</b>	<b>\$ -</b>
<b>NET ASSETS</b>		
Net Assets - Beginning of the Year	\$ -	\$ 199,853
Net Assets - End of the Year	\$ 199,853	\$ 198,394