

\$25,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY (AUTHORITY)
CHARTER SCHOOL REVENUE BONDS
(HAYWARD TWIN OAKS MONTESSORI SCHOOL PROJECT)
SERIES 2024 \$25,000,000 (TAX-EXEMPT AND TAXABLE)
ITEM #6 RESOLUTION 24-44
STAFF SUMMARY

EXECUTIVE SUMMARY			
Applicant/Borrower:	HTOM Facilities LLC	Par Amount Requested:	Not-to-Exceed * \$25,500,000
Financing Term: Fixed rate, up to 40-year financing, 10-year par call, with taxable bonds amortized first		Projected Interest Rate: 5.25%	
Applicant Description: HTOM Facilities LLC is a California limited liability company the sole member of which will be, at the time of issuance, Hayward Twin Oaks Montessori School, a California nonprofit public benefit corporation and organization described in Section 501(c)(3) of the Internal Revenue Code of 1986. The Borrower was formed for the specific purpose of supporting Hayward Twin Oaks Montessori School.			
Type of Financing: Tax-Exempt and Taxable Revenue Bonds			
Project User:	Hayward Twin Oaks Montessori School	County Served:	Alameda
District in Which Project is Located:	Hayward Unified School District	Charter Authorizer:	Hayward Unified School District
Financing Description: Proceeds will be used to finance and refinance the cost of acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and equipping of educational facilities located in Hayward, California; pay capitalized interest; fund-related working capital and a debt service reserve fund, if necessary; and pay certain costs of issuance.			
Project Site: 951 Palisade Street, Hayward, CA 94542			
Financing Team:		Financing Details:	
Bond Counsel:	Kutak Rock LLP	Type of Issue:	Charter School Revenue Bonds
Underwriter:	Herbert J. Sims & Co., Inc.	Tax Status:	Tax-Exempt & Taxable
Borrower's Counsel:	Musick Peeler	Maturity:	Not to exceed 2064
Underwriter's Counsel:	Ballard Spahr LLP	Credit Enhancement:	Yes
Issuer's Counsel:	Office of the Attorney General	Credit Rating:	Unrated
Project Consultant:	First Tryon Advisors	Fees:	See Costs of Issuance Table
Bond Trustee:	Wilmington Trust, NA		
CSFA Analyst: Robby Biegler		Date of Staff Report: September 19, 2024	
Date of CSFA Board Meeting: September 26, 2024		Resolution Number: 24-44	
Staff Recommendation: Staff recommends the Authority Board approve Resolution Number 24-44 authorizing the issuance of revenue bonds in an amount not to exceed \$25,500,000 to finance and refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and equipping of certain educational facilities located in Alameda County for use by Hayward Twin Oaks Montessori School.			

BACKGROUND AND HISTORY

Hayward Twin Oaks Montessori School (HTOM) is a Grades 1-12 Montessori school located on two campuses in Hayward and Castro Valley. HTOM was founded in 2021 following the merger of two pre-existing Montessori schools, Golden Oaks Montessori of Hayward (established in 2009) and Silver Oak High School Public Montessori Charter of Hayward (established in 2013). The merger occurred after the two preexisting schools' boards decided a single school would provide more continuity than separate schools. The charter revision allowing the merger was approved by Hayward Unified School District (HUSD) in 2020 and the merger was finalized on July 1, 2021. The school's current charter expires on June 30, 2026. The school's demographics include:

	School Year		
	2022	2023	2024
Enrollment	520	582	617
Free or Reduced Lunch	33%	51%	60%
Students with Disabilities	15%	17%	17%
English Learners	12%	15%	15%
Socio Economically Disadvantages	38%	31%	60%

The school's historical, current, and projected enrollment are highlighted below:

Grade	Historical			Projected				
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
1	52	48	47	50	55	55	56	60
2	43	51	49	47	50	51	55	60
3	48	47	53	44	50	51	51	60
4	44	49	52	50	50	51	51	50
5	35	55	54	50	50	51	51	50
6	37	39	45	45	50	51	51	50
7	29	58	53	70	55	56	58	60
8	28	32	66	60	65	65	60	60
9	51	51	49	75	60	60	60	60
10	61	60	52	45	50	52	55	50
11	46	55	52	45	50	52	52	50
12	46	37	45	44	50	52	52	50
Total Enrollment	520	582	617	625	635	647	654	660
<i>% Change</i>	<i>N/A</i>	<i>19.1%</i>	<i>6.0%</i>	<i>0.1%</i>	<i>1.6%</i>	<i>1.8%</i>	<i>1.1%</i>	<i>0.9%</i>

HTOM has modest projected enrollment growth (about 1% annually) attributable to previous, more dramatic enrollment growth in 22-23 (19.1%) and 23-24 (6.0%) as well as ongoing growth efforts and the appeal of a single East Bay 1-12 Montessori school.

PROJECT DESCRIPTION

The proceeds of the bonds will be used to (1) finance and refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of certain charter school educational facilities for HTOM, located at 951 Palisade Street, Hayward, 94542; (2) to pay certain expenses incurred in connection with the issuance of the Bonds; and (3) to fund all or a portion of a debt service reserve fund, capitalized interest and related working capital in connection with the Bonds.

A deposit to the Reserve Account for the Series 2024 Bonds in an amount of the Reserve Account Requirement is expected to be funded in whole or in part by proceeds of an award under the Authority's Charter School Facilities Credit Enhancement Program or another similar program administered by the Authority, if approved by the Authority.

Facilities Information				
Site	Landlord	Location	Purpose	Amount
Hayward Twin Oaks Montessori	HTOM Facilities LLC	951 Palisade Street Hayward, 94542	Purchase	\$16,500,000
Total Estimated Project Costs				\$16,500,000

HTOM operates at two facilities. Grades 1-6 are located at 2652 Vergil Court in Castro Valley on a campus occupied under a facilities use agreement with HUSD. The 951 Palisade Street facility serves grades 7-12 and is located at 951 Palisade Street in Hayward. The Palisade Street campus is on 4.5 acres and has 14 classrooms, 10 offices, a gym, a kitchen, three playground areas, and around 21,660 square feet. HTOM leases the Palisade facility from an affiliate of Red Hook Capital Partners (RHCP), a private developer. The current lease expires on August 18, 2047. The lease has a purchase option window that runs from August 2024 through August 2029. RHCP is a real estate investment and development firm that helps schools and other organizations manage, develop, and acquire facilities. Several CSFA conduit issuances have facilitated RHCP-enabled acquisitions.

Before the merger, from July 2014 to June 2019, Silver Oak High School Public Montessori Charter of Hayward rented its location from the YMCA of the East Bay. RHCP purchased the facility from the YMCA in October 2021 on behalf of Silver Oak and renovated it. HTOM occupied the facility post-renovation (after the merger with Golden Oak) beginning in August 2022. After the acquisition, through a separate project, HTOM may in the future build out the Palisade facility, likely funded through a capital campaign, so that grades 1-6 and 7-12 can merge into a single campus. In connection with the current proposed financing, HTOM does not commit to building out the Palisade facility.

FINANCING

Borrower: HTOM Facilities LLC, a California limited liability company whose sole member is HTOM, is the Borrower. The Borrower was formed for the specific purpose of holding real property for the benefit of HTOM as its sole member.

Security and Source of Payment: The Series 2024 Bonds and the interest thereon are secured by and payable solely out of certain revenues and income received by the Authority or the Trustee pursuant to the Loan Agreement, from certain funds and account established under the Indenture, and the Borrower's Deed of Trust pledging its fee interest in the HTOM campus. HTOM, as the lessee, is required to maintain certain financial covenants under its lease agreements with the Borrower. As additional security and in connection with the issuance of the bonds, HTOM will provide instructions to

the State Controller’s Office to make an apportionment in the amounts, and on the dates provided, in a written notice sufficient in the aggregate to repay the bonds and pay necessary and incidental costs (the “Intercept”). Funds received by the Trustee under the Intercept will be applied solely for the uses and purposes outlined in the Indenture, including the payment of debt service on the Bonds. Under the laws of the State of California, no party, including HTOM, the Borrower, or any of their respective creditors will have any claim to the money apportioned or to be apportioned to the Trustee by the State Controller’s Office under the Intercept.

Preliminary Sources and Uses and Preliminary 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 these figures are subject to change between the time the board packets are distributed and are further subject to final pricing. Members will be provided updated figures should significant changes occur before the board meeting date.

Sources and Uses*

Sources:	Series 2024	Enhancement Grant	Total
Bond Proceeds			
Par Amount:	\$20,010,000		\$20,010,000
Original Issue Discount	(\$141,000)		(\$141,000)
Other Sources:			
Enhancement Grant	\$0.00	\$1,209,000	\$1,209,000
Total:	\$19,869,000	\$1,209,000	\$21,078,000
Uses:	Series 2024	Enhancement Grant	Total
Project Fund Deposit			
Acquisition	\$16,500,000		\$16,500,000
Cost of Issuance	\$670,400		\$670,400
Underwriter Discount	\$207,600		\$207,600
Capitalized Interest Fund	\$1,491,000		\$1,491,000
Debt Service Reserve Fund		\$1,209,000	\$1,209,000
Working Capital	\$1,000,000		\$1,000,000
Total	\$19,869,000	\$1,209,000	\$21,078,000

Costs of Issuance*

Expense	Amount
Issuer Fee	\$43,950
Annual Admin Fee	2,985
Agent-for-Sale Fee	6,500
CDIAC Fee	3,000
Issuer's Counsel Fee	10,000
Financial Adviser Fee	180,000
Bond Counsel Fee	125,000
Borrower's Counsel Fee	80,000
Underwriters/Disclosure Counsel Fee	100,000
Trustee/Trustee Counsel Fee	10,000
Financial Printer Fee	5,000
Underwriter's Discount	207,600
Title Insurance Fee	40,000
Appraiser Fee	6,500
Contingency Budget	57,465
Total	\$878,000

**Estimates based on principal amount of \$25,000,000.*

Credit Enhancement: If funds are available, there will be a not-to-exceed \$1,400,000 credit enhancement award for the Borrower, on behalf of HTOM, for this financing that will be before the Authority Board as a subsequent agenda item at the September 26, 2024 meeting. If approved, the enhancement awards will fund up to \$1,400,000 of the financing's debt service reserve fund, reducing the overall borrowing cost for the Borrower. *The actual award amount will be finalized at the time of pricing of the bonds.*

SALES RESTRICTIONS

The following sales restrictions will apply to the financing given the likely below-investment-grade rating.

1. Bonds will be in minimum denominations of \$250,000;
2. Bonds will be privately placed or publicly offered initially to Qualified Institutional Buyers (QIBs) and Accredited Investors (AIs).
3. Initial Bond purchasers will be required to execute an Investor Letter;
4. Subsequent transfers of Bonds will be limited to QIBs and AIs;
5. Sales restrictions will be conspicuously noted on the bond and described in detail in offering materials, if any, as well as in the bond 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. Bond payments will be made via the intercept mechanism outlined in Education Code section 17199.4.

OTHER PROJECT DATA

Tax Equity and Fiscal Responsibility Act (TEFRA): The TEFRA Notice was published on the Authority's Webpage on September 19, 2024. The TEFRA hearing will take place on September 26, 2024, before the Board meeting, and no comments are anticipated. If any are received, they will be reported at the meeting.

Due Diligence Undertaken to Date: The financial, operating, and other information concerning the Borrower, the Project, and related matters presented in this Staff Summary were provided by the Borrower, HTOM, and the Underwriter. The analysis contained herein was prepared by Authority Staff for the limited purpose of determining financial feasibility pursuant to Education Code section 17183.5 and providing the Authority Board with information concerning certain aspects of the Project. The review was undertaken by Authority staff, the recommendation of Authority Staff to the Authority Board to approve the financing, or any approval by the Authority Board are not intended to and did not include all of the due diligence activities and other investigations necessary or desirable for the purpose of making an investment decision relating to the making of the financing by the Lender, and should not be relied on by any party for such purpose.

Borrower Financial Data: HTOM Facilities LLC will operate as a single-purpose entity of which HTOM will be the sole member at the time of issuance of the Bonds, with no assets other than the Facilities owned by it and its rights under the lease, which will be assigned to the Trustee. The LLC was formed for the purpose of supporting HTOM, including by owning facilities, and is not expected to have any other assets or revenue available to make payments due under the Loan Agreement. The Lessee, HTOM, is a California nonprofit public benefit corporation and organization described in Section 501(c)(3) of the Code.

STAFF RECOMMENDATION

Staff recommends the board adopt Resolution 24-44 authorizing the issuance of revenue bonds in an amount not to exceed \$25,000,000 to finance and/or refinance the acquisition, construction, expansion, renovation, furnishing, and equipping of certain educational facilities located in Alameda County for use by Hayward Twin Oaks Montessori School.

1. **Applicant / Borrower:** HTOM Facilities LLC
2. **Project:** Acquisition of Facility and related costs
3. **Amount of Financing:** Not to exceed \$25,000,000
4. **Maturity:** 40 years (Not-to-exceed 40 years)
5. **Repayment/Security:** Intercept of Lease Payments and Deed of Trust on Real Property
6. **Preliminary Interest Rate:** 5.25%
7. **Preliminary Cost of Issuance:** The preliminary Cost of Issuance is \$878,000
8. **Not an Unconditional Commitment:** The Authority resolution shall not be construed as an unconditional commitment to finance the Project, but rather the Authority's approval pursuant to the resolution conditioned upon entry by the Authority and Borrower into a loan agreement, in form and substance satisfactory to the Authority and its counsel.
9. **Limited Time:** The Board's approval expires 12 months from the date of its adoption. Thus, the Authority must issue the bonds no later than 12 months from that date. Once the approval has expired, the item must return to the Board for new approval.

**APPENDIX A:
SCHOOL GOVERNANCE**

School Leadership

Member	Position
Yanira Ledezma	Superintendent
Alex Muerle	Secondary School Principal
Emily Ahsoon	Elementary School Principal
Melanie Carlton	Director of Mental Health
Kimberly Nieves	Human Resources Director

Board of Directors

Member	Role
Jamilla McCallum	Co-Chair
Luz Casquejo Johnston	Co-Chair
Rick McMahon	Treasurer
Stephanie Lancet	Secretary
Quinn King	Member
Pavah Singh	Member

APPENDIX B: HISTORICAL FINANCIALS AND BUDGET PROJECTIONS

<i>Fiscal year ending 6/30</i>	Audit	Unaudited	Budget	Projection	Projection	Projection	Projection
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Enrollment	582	617	625	635	647	654	660
Revenue							
State Revenue	\$7,212,063	\$8,549,366	\$9,286,544	\$9,949,395	\$10,002,321	\$10,558,135	\$11,027,003
Federal Revenue	678,375	877,666	182,975	185,392	190,654	196,074	201,656
Local Revenue	181,973	256,765	210,211	216,518	223,013	229,704	236,595
Total Revenue	\$8,072,411	\$9,683,797	\$9,679,730	\$10,351,305	\$10,415,988	\$10,983,913	\$11,465,254
Expenses							
Certified Salaries	\$3,233,193	\$3,528,554	\$3,794,409	\$3,908,241	\$4,025,489	\$4,146,253	\$4,270,641
Classified Salaries	1,646,450	1,213,051	1,192,294	1,228,063	1,264,905	1,302,852	1,341,937
Benefits	1,472,758	1,461,492	1,624,536	1,673,272	1,723,471	1,775,175	1,828,430
Books and Supplies	117,556	176,989	174,104	179,327	184,707	190,248	195,956
Services and Other Operating Expenses	2,602,012	2,143,518	1,224,324	1,261,054	1,298,886	1,337,852	1,377,988
Lease Expense	0	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Depreciation	61,781	79,817	79,817	82,212	84,678	87,218	89,835
Other Outgoing	169,994	3,370	1,638	---	---	---	---
Total Expenses	\$9,303,744	\$10,106,791	\$9,591,122	\$9,832,169	\$10,082,136	\$10,339,598	\$10,604,787
Net Income	(\$1,231,333)	(\$422,994)	\$88,608	\$710,428	\$552,146	\$862,606	\$1,078,759
Plus: Depreciation	61,781	79,817	79,817	82,212	84,678	87,218	89,835
Plus: Lease Expense		1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Net Income Available for Debt Service	(\$1,169,552)	\$1,156,823	\$1,668,423	\$2,074,346	\$1,918,531	\$2,231,531	\$2,450,301
Pro Forma Lease Payment	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Lease Coverage Ratio	N/A	0.77x	1.11x	1.38x	1.28x	1.49x	1.63x
Ending Unrestricted Liquidity*	\$735,577	\$309,870	\$1,478,293	\$2,052,639	\$2,471,170	\$3,202,701	\$4,153,002
Daily Cash Expenses	\$25,490	\$27,690	\$26,277	\$26,937	\$27,622	\$28,328	\$29,054
Days Cash on Hand (DCOH)	29	11	56	76	89	113	143

* Note: Includes adjustment for one time receivable event of \$1MM in FY 2025