

\$7,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY (AUTHORITY)
CHARTER SCHOOL REVENUE BONDS
(STOCKTON COLLEGIATE INTERNATIONAL SCHOOLS PROJECT)
SERIES 2024A AND SERIES 2024B (TAXABLE)
ITEM # 8 RESOLUTION 24-46
STAFF SUMMARY

EXECUTIVE SUMMARY			
Applicant/Borrower:	Stockton Collegiate Facilities, LLC	Par Amount Requested:	Not-to-Exceed * \$7,000,000
Financing Term: Fixed rate, up to 40-year financing, 10-year par call, with taxable bonds amortized first		Projected Interest Rate: 5.75%	
<p>Applicant Description: Stockton Collegiate Facilities, LLC is a California limited liability company the sole member of which will be, at the time of issuance, Stockton Collegiate International Schools, 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 Stockton Collegiate International Schools (SCIS).</p>			
Type of Financing: Tax-Exempt and Taxable Revenue Bonds			
Project User:	Stockton Collegiate International Schools	County Served:	San Joaquin
District in Which Project is Located:	Stockton Unified School District	Charter Authorizer:	Stockton Unified School District
<p>Financing Description: Proceeds will be used to finance and/or refinance the cost of acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of educational facilities located in Stockton, CA; and a debt service reserve fund, if necessary; and pay certain costs of issuance.</p>			
Project Site: 1) 340 East Main Street, Stockton, California, 2) 400 East Main Street, Stockton, California			
Financing Team:		Financing Details:	
Bond Counsel:	Orrick Herrington & Sutcliffe LLP	Type of Issue:	Charter School Revenue Bonds
Underwriter:	PNC Capital Markets LLC	Tax Status:	Tax-Exempt & Taxable
Borrower's Counsel:	Musick, Peeler, & Garrett LLP	Maturity:	Not to exceed 2064
Underwriter's Counsel:	Ice Miller LLP	Credit Enhancement:	Yes
Issuer's Counsel:	Office of the Attorney General	Credit Rating:	Unrated
Master Trustee and Bond Trustee:	U.S. Bank Trust Company, National Association	Fees:	See Costs of Issuance Table
CSFA Analyst: Mita Parikh		Date of Staff Report: September 20, 2024	
Date of CSFA Board Meeting: September 26, 2024		Resolution Number: 24-46	
<p>Staff Recommendation: Staff recommends the Authority Board approve Resolution Number 24-46 authorizing the issuance of Revenue Bonds in an amount not to exceed \$7,000,000 to finance and refinance the acquisition, construction, improvement, installation, furnishing, and equipping of certain educational facilities located in San Joaquin County for use by Stockton Collegiate International Schools.</p>			

BACKGROUND AND HISTORY

Stockton Collegiate International Schools (SCIS) is a nonprofit public-benefit corporation established in June 2009 to operate two public charter schools, Stockton Collegiate International Elementary and Stockton Collegiate International Secondary. Both schools were authorized by Stockton Unified School District in August 2009 and opened their doors to students on September 7, 2010. According to information providing by the schools, SCIS was created to bring the continuum of International Baccalaureate (IB) programs to Stockton under one K-12 umbrella. The school's mission is to serve students who are typically underrepresented in academically rigorous programs, such as IB. SCIS is an IB World School, authorized to offer three of the four IB programs: the Primary Years Program, the Middle Years Program, and the Diploma Program. The school is one of about 400 schools worldwide that offer at least three of the IB programs. SCIS currently serves approximately 830 students in the 2024-2025 school year. Charter terms and demographic information is highlighted below.

NCES Code	County	District	School	Charter Expiration	Status
39-68676-0120725	San Joaquin	Stockton Unified	Stockton Collegiate International Elementary	6/30/2027	Active
39-68676-0120733	San Joaquin	Stockton Unified	Stockton Collegiate International Secondary	6/30/2027	Active

School	American Indian/Alaska Native	Asian	Native Hawaiian/Other Pacific Islander	Black or African American	White	Hispanic/Latino	Two or More Race Categories	Unspecified
Elementary	0.0%	13.4%	0.0%	8.1%	3.6%	67.1%	6.7%	1.1%
Secondary	0.0%	11.2%	<1%	5.7%	7.8%	63.0%	7.4%	4.5%
TOTAL	0.0%	12.3%	<1%	6.9%	5.7%	65.1%	7.1%	2.8%

The historical, current, and projected enrollment are below:

Grade	Historical			
	2020-21	2021-22	2022-23	2023-24
K	60	44	50	50
1st	65	59	50	50
2nd	88	74	61	52
3rd	93	83	74	71
4th	77	82	77	73
5th	74	74	75	79
6th	93	73	75	75
7th	98	87	75	75
8th	94	91	77	78
9th	73	73	60	72
10th	59	67	60	52
11th	56	52	56	54
12th	40	34	47	47
Total	970	893	837	828

Grade	Current	Projected				
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
K	46	50	50	50	50	50
1st	52	50	50	50	50	50
2nd	51	52	52	52	52	52
3rd	63	75	75	75	75	75
4th	71	78	78	78	78	78
5th	77	78	78	78	78	78
6th	80	78	78	78	78	78
7th	80	78	78	78	78	78
8th	79	78	78	78	78	78
9th	76	78	78	78	78	78
10th	61	60	60	60	60	60
11th	44	56	56	56	56	56
12th	50	47	47	47	47	47
Total	830	858	858	858	858	858

SCIS is projecting approximately 3.5% enrollment growth attributable to participation in the Stockton Charter Collective working to increase community understanding of charters and extending SCIS marketing outreach. *The decline in enrollment during the 21/22 school year was a planned decrease. SCIS reduced the number of classes at kindergarten, first, and second grades and began the decrease in the number of sections at the sixth, seventh, and eighth grades to most effectively use facilities and staff to provide high quality academic programs.*

PROJECT DESCRIPTION

Proceeds of the Bonds will be used to (1) finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of the charter school educational facilities located 340 East Main Street, Stockton, California (the “Main Street Building”) and 400 East Main Street, Stockton, California (the “Market Street Building”), (2) pay certain expenses incurred in connection with the issuance of the Bonds with respect to the Bonds. Each school operated by Stockton Collegiate International Schools is a California charter school in good standing with its charter authorizer, Stockton Unified School District. Highlighted below is a breakdown of how bond proceeds will be spent. The Main Street Building is on .16 acres and has 7 classrooms, and is approximately 15,000 square feet, while the Market Street Building is on 2.06 acres and has 42 classrooms, and around 83,124 square feet.

Site	Landlord	Location	Purpose	Amount
Stockton Collegiate International Secondary School	N/A – Owned Facility	340 E. Main St, Stockton, CA 95202	Science, Art, and Music classrooms for grades 6-12	\$ 1,511,250
Stockton Collegiate International Elementary and Secondary Schools*	Leased - San Joaquin County	400 E. Main St, Stockton, CA 95202	Classrooms for grades K-12	\$ 4,533,750
Total Estimated Project Costs				\$6,045,000

*There are classrooms used by both the Elementary School and Secondary School at 400 E Main St.

FINANCING

Borrower: Stockton Collegiate Facilities, LLC a California limited liability company whose sole member is SCIS, is the Borrower. The Borrower was formed for the specific purpose of holding real property for the benefit of SCIS 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 Bond Trustee pursuant to the Loan Agreement, from certain funds and account established under the Indenture, the Borrower’s Deed of Trust for pledging its fee interest in the Secondary School Building, and a Reserve Account that will be established under the Indenture. The Borrower and SCIS will enter into a school loan agreement relating to the Main Street Classroom Building, and, if permissible, SCIS will enter a Leasehold Deed of Trust for its leasehold interest in the Main Street Classroom Building securing SCIS’s obligations under the school loan agreement, the loan made pursuant to the school loan agreement. SCIS, 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, SCIS 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 Bond 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 SCIS, the Borrower, or any of their respective creditors will have any claim to the money apportioned or to be apportioned to the Bond Trustee by the State Controller’s Office under the Intercept. Existing amounts due by SCIS under the lease for the building is not expected to be paid through 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 A (Tax-Exempt)	Series 2024 B (Taxable)	Total
Bond Proceeds			
Par Amount:	\$ 6,675,000.00	\$ 325,000.00	\$ 7,000,000.00
Total:	\$ 6,675,000.00	\$ 325,000.00	\$ 7,000,000.00
Uses:	Series 2024A (Tax-Exempt)	Series 2024B (Taxable)	Total
Project Fund Deposits			
Project #1: Project Fund	\$ 6,045,000.00	\$	\$ 6,045,000.00
Total:	\$ 6,045,000.00	\$	\$ 6,045,000.00
Other Fund Deposits			
Debt Service Reserve Fund	\$ 502,887.50	\$	\$ 502,887.50
Delivery Date Expenses			
Cost of Issuance	\$ 88,805.10	\$ 231,144.90	\$ 319,950.00
Underwriter's Discount	\$ 34,694.91	\$ 90,305.09	\$ 125,000.00
Total:	\$ 123,500.01	\$ 321,449.99	\$ 444,950.00
Other Uses of Funds			
Additional Proceeds (Agent-for-sale fee)	\$ 3,612.49	\$ 3,550.01	\$ 7,162.50
Total:	\$ 6,675,000.00	\$ 325,000.00	\$ 7,000,000.00

Cost of Issuance	Budgeted Amount
Issuer Fee	\$12,000.00
Annual Admin Fee	\$1,050.00
Agent-for-Sale Fee	\$6,500
Issuer's Counsel Fee	\$20,000.00
Bond Counsel Fee	\$110,000.00
Borrower's Counsel Fee	\$80,000.00
Underwriter's/Disclosure Counsel Fee	\$80,000.00
Trustee Fee	\$2,900.00
Trustee's Counsel Fee	\$2,500.00
Financial Printer Fee	\$6,500.00
Underwriter Fee	\$125,000.00
Contingency	\$5,000.00
Total COI	\$451,450.00

Credit Enhancement: If funds are available, there will be a not-to-exceed \$700,000 credit enhancement award for the Borrower, on behalf of SCIS, for this financing that will be before the Authority Board as subsequent agenda items at the September 26, 2024, meeting. If approved, the enhancement awards will fund up to \$700,000 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 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 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, SCIS, 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 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: Stockton Collegiate Facilities, LLC will operate as a single-purpose entity of which SCIS will be the sole member at the time of issuance of the Bonds, with no assets other than the Secondary School Building owned by it and its rights under the lease, which will be assigned to the Master Trustee. The Borrower was formed for the purpose of supporting SCIS, including by owning

facilities, and is not expected to have any other assets or revenue available to make payments due under the Loan Agreement, other than what is received from SCIS under a lease for the Secondary School Building or a loan relating to the Main Street Classroom Building. The Lessee, SCIS, 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 24-46 authorizing the issuance of revenue bonds in an amount not to exceed \$7,000,000 to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and/or equipping of certain educational facilities located in San Joaquin County for use by Stockton Collegiate International Schools and Stockton Collegiate Facilities, LLC

1. **Applicant / Borrower:** Stockton Collegiate Facilities, LLC
2. **Project:** Financing and/or Refinancing Acquisition and Construction Facilities and related costs
3. **Amount of Financing:** Not to exceed \$7,000,000
4. **Maturity:** 40 years (Not-to-exceed 40 years)
5. **Repayment/Security:** Intercept of Lease and School Loan Payments, Deed of Trust on Secondary School Building, and Leasehold Deed of Trust on Main Street Classroom Building
6. **Preliminary Interest Rate:** 5.75%
7. **Preliminary Cost of Issuance:** The preliminary Cost of Issuance is \$451,450
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, CSFA 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

Lisa Lee	Chief Executive Officer
Josh Thom	Head of School
Katherine Luu	Principal
Brenda Keen	Associate Principal

Board of Directors

Paul Canepa	Board President
Tom Bowe	Board Secretary
Scott Luhn	Board Treasurer

APPENDIX B: HISTORICAL FINANCIALS AND BUDGET PROJECTIONS

SCIS

Multi-year Projection
As of Jun FY2024

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
		2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
REVENUE							
LCFF Entitlement							
8011	Charter Schools General Purpose Entitlement - State Aid	6,776,467	6,921,118	7,323,403	7,598,394	7,900,288	8,211,154
8012	Education Protection Account Entitlement	1,218,454	1,560,206	1,605,919	1,655,381	1,710,009	1,766,268
8096	Charter Schools in Lieu of Property Taxes	1,487,812	1,550,176	1,550,176	1,550,176	1,550,176	1,550,176
	SUBTOTAL - LCFF Entitlement	9,482,733	10,031,500	10,479,498	10,803,952	11,160,473	11,527,598
Federal Revenue							
8181	Special Education - Entitlement	62,053	52,780	51,240	51,240	51,240	51,240
8220	Child Nutrition Programs	121,293	123,719	126,194	128,718	131,292	133,918
8291	Title I	168,666	168,666	168,666	168,666	168,666	168,666
8292	Title II	19,852	19,852	19,852	19,852	19,852	19,852
8294	Title IV	20,000	20,000	20,000	20,000	20,000	20,000
8299	Federal One-Time Revenue	404,155	-	-	-	-	-
	SUBTOTAL - Federal Revenue	796,020	385,017	385,952	388,476	391,050	393,676
Other State Revenue							
8381	Special Education - Entitlement (State)	715,431	714,793	713,627	713,627	713,627	713,627
8382	Special Education Reimbursement (State)	61,124	63,422	63,422	63,422	63,422	63,422
8520	Child Nutrition - State	121,293	123,719	126,194	128,718	131,292	133,918
8545	School Facilities Apportionments	1,030,696	1,038,250	1,058,392	1,090,991	1,126,994	1,164,072
8550	Mandated Cost Reimbursements	22,127	22,742	24,512	25,269	26,101	26,960
8560	State Lottery Revenue	197,524	226,873	226,873	226,873	226,873	226,873
8590	State One-Time Revenue	617,696	418,526	-	-	-	-
8591	Prop 28 Arts & Music in Schools	119,327	128,873	129,992	129,992	129,992	129,992
8593	ELO-Program	451,298	395,831	410,483	426,122	426,256	426,256
	SUBTOTAL - Other State Revenue	3,336,514	3,133,029	2,753,495	2,805,015	2,844,557	2,885,120
Local Revenue							
8639	All Other Sales	4,000	4,000	4,000	4,000	4,000	4,000
8660	Interest	2,920	2,920	2,920	2,920	2,920	2,920
8676	After School Program Revenue	28,200	27,450	27,450	27,450	27,450	27,450
8699	All Other Local Revenue	14,250	27,250	27,250	27,250	27,250	27,250
8701	Test Fees	1,000	1,000	1,000	1,000	1,000	1,000
	SUBTOTAL - Local Revenue	50,370	62,620	62,620	62,620	62,620	62,620
Fundraising and Grants							
8802	Donations - Private	850	35,350	35,350	35,350	35,350	35,350
8803	Fundraising	500	500	500	500	500	500
	SUBTOTAL - Fundraising and Grants	1,350	35,850	35,850	35,850	35,850	35,850
TOTAL REVENUE		13,666,987	13,648,016	13,717,415	14,095,912	14,494,550	14,904,864