

Public School Credit Enhancement Board

June 1, 2017

1 Office of the Governor



Approval of April 25, 2017 Minutes



Executive Session

3 Office of the Governor



Review and Action of Application #3 Great Hearts Academies



- Great Hearts Academies operates 22 charter schools throughout the Phoenix area
- Total enrollment = 11,414 students
- Great Hearts provides a curriculum that includes significant exposure to the arts, an intense focus on math and science, and an intentional school culture with an honor code, uniforms, and a full athletic program
- Great Hearts schools have received numerous awards and recognition

Applicant Overview



\$36 million for refunding of existing debt and funding new facilities construction that will increase enrollment capacity

Total Request



- Expand capacity by 1,086 students
- \$16 million to expand Maryvale Preparatory Academy to serve grades K-12
 - Maryvale Preparatory Academy began in 2012 with the special mission to bring a Great Hearts education to the underserved families of West Phoenix
 - Began with 140 students in K-3 and has grown to serve 450 students in K-7
- \$19.9 million to refinance Great Hearts' Veritas Campus in Phoenix
 - \$800,000 of anticipated savings from the refinancing will be used to convert existing office space into ten additional classrooms to increase enrollment capacity by about 280 students

Impact of Proposed Financing



Requirement	AMS
Assigned a letter grade of A, or an equivalent successor classification	Verified
Proven instructional strategies and curricula that demonstrate high academic outcomes	Materials Provided
Verifiable enrollment demand, including the placement of prospective pupils on a waiting list	Attestation
Sound financial plan that contemplates operational costs and future enrollment growth	Financial Documents
Commitment to provide technical assistance to an underperforming school	Letter Submitted

Achievement District Qualification



- Great Hearts meets the Board criteria for conditional approval for credit enhancement
- Underlying credit rating of BBB- is expected to be assigned to the proposed financing

Eligibility for Credit Enhancement



- If approved as submitted, approximately 10% of the program's total capacity will be used to enhance the financing
- The program would remain in compliance with the maximum program leverage and credit rating ratios

Impact on Credit Enhancement Program



The Board has the following two options:

1. Approval of the application to qualify as an Achievement District School
(Staff recommendation)
2. Denial of the application to qualify as an Achievement District School

If the Board approves the application to qualify as an Achievement District School, the Board has the following three options regarding the application for credit enhancement:

1. Approval of credit enhancement for the full amount of the proposed financing of \$36 million
2. Approval of credit enhancement for an amount that is less than the full amount of the proposed financing
 - a. The amount that is proposed to be used for new projects is \$16 million
 - b. The average size of an enhanced financing was assumed to be \$10 million in initial credit rating analysis of the program
3. Denial of credit enhancement for any portion of the proposed financing

Recommendation



Public Comments



Adjourn

