

Arizona Public School Credit Enhancement Eligibility Board

July 27, 2021

1 OFFICE OF THE GOVERNOR



Agenda Item II

Acknowledgment of April 16, 2021 Minutes

2 OFFICE OF THE GOVERNOR



Agenda Item III

Staff Reports

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Quarterly Report



Quarterly Report Update

- A.R.S. § 15-2158 requires the Arizona School Facilities Board staff to submit, within 30 days after the last day of each calendar quarter, a quarterly report on the implementation of the Arizona Public School Credit Enhancement Program.
- Included in this report are:
 - The name of the public school or charter by or on behalf of which the debt obligation was issued.
 - The date of the issuance.
 - The original amount of the issuance.
 - The interest rate of the issuance.
 - The term length of the issuance.
 - The credit rating of the issuance.
 - The amount of principal and interest due on the debt obligation in the current fiscal year.
 - The purpose for which the debt obligation was issued, separately delineated for obligations to construct new capital facilities, renovate existing capital facilities or refinance existing debt obligations.
 - The current outstanding principal of the debt obligation.
 - A listing of all guaranteed financings subject to section 15-2156 in the prior quarter, including the amounts disbursed for payment of principal and interest for the financings and the terms and conditions to which the school is subject.
 - The current balance of the Arizona Public School Credit Enhancement Fund.
 - The current program leverage ratio.



Credit Enhancement Program Dashboard



App #	Applicant	Date Approved	Approved Amount	Adjustment to Approved Amount	Revised Approved Amount	Guaranteed Amount Issued	Date Issued	Description
1	Agribusiness and Equine Center	4/25/2017	16,968,531	(16,968,531)	-	-	-	CANCELLED
2	Academy of Math and Sciences	4/25/2017	24,808,821	(1,343,821)	23,465,000	23,465,000	7/6/2017	Series 2017A
3	GreatHearts Academies	6/1/2017	35,970,811	(1,730,811)	34,240,000	34,240,000	7/13/2017	Series 2017A & Series 2017B
4	Basis Schools, Inc.	8/3/2017	53,344,683	(49,514,683)	3,830,000	3,830,000	10/17/2017	Series 2017C
5	American Leadership Academy	10/18/2017	14,000,000	(14,000,000)	-	-	-	CANCELLED
6	GreatHearts Academies	10/18/2017	19,500,000	-	19,500,000	19,500,000	11/22/2017	Series 2017C & Series 2017D
7	Agribusiness and Equine Center	10/18/2017	17,000,000	(11,880,000)	5,120,000	5,120,000	12/14/2017	Series 2017A
8	Basis Schools, Inc.	11/2/2017	35,000,000	(3,250,000)	31,750,000	31,750,000	12/21/2017	Series 2017F
9	Academy of Math and Sciences	12/7/2017	25,300,000	(435,000)	24,865,000	24,865,000	1/24/2018	Series 2018A
10	Vista College Preparatory	6/21/2018	12,000,000	(1,500,000)	10,500,000	10,500,000	10/4/2018	Series 2018A & 2018B
11	Highland Prep	9/12/2019	12,000,000	(1,710,000)	10,290,000	10,290,000	10/17/2019	Series 2019
12	Paradise Schools	10/9/2019	15,500,000	(1,215,000)	14,285,000	14,285,000	10/31/2019	Series 2019
13	Legacy Traditional Schools	10/21/2019	38,000,000	355,000	37,645,000	37,645,000	12/5/2019	Series 2019A
14	Candeo Schools	12/18/2019	22,000,000	2,400,000	19,600,000	19,600,000	2/13/2020	Series 2020A & Series 2020B
15	Legacy Traditional Schools	10/9/2020	45,000,000	5,000	44,995,000	44,995,000	11/3/2020	Series 2020
16	GreatHearts Academies	3/12/2021	52,420,159	20,159	52,400,000	52,400,000	6/10/2021	Series 2021A
			438,813,005	(100,767,687)	332,485,000	332,485,000		

Total Enhancement Capacity ¹	350,000,000	Program Participation Fees ²	2018	2019	2020	2021	
1 Agribusiness and Equine Center	-	350,000,000					
2 Academy of Math and Sciences	23,465,000	326,535,000	Academy of Math and Sciences	28,516	58,319	57,238	56,856
3 GreatHearts Academies	34,240,000	292,295,000	GreatHearts Academies	39,947	85,188	83,988	83,300
4 Basis Schools, Inc.	3,830,000	288,465,000	Basis Schools, Inc.	1,968	9,575	9,575	9,575
5 American Leadership Academy	-	288,465,000					
6 GreatHearts Academies	19,500,000	268,965,000	GreatHearts Academies	5,281	48,750	48,750	48,306
7 Agribusiness and Equine Center	5,120,000	263,845,000	Agribusiness and Equine Center	2,738	12,800	12,681	12,562
8 Basis Schools, Inc.	31,750,000	232,095,000	Basis Schools, Inc.	0	81,580	79,375	79,375
9 Academy of Math and Sciences	24,865,000	207,230,000	Academy of Math and Sciences	0	58,129	61,813	61,413
10 Vista College Preparatory	10,500,000	196,730,000	Vista College Prep	0	12,833	12,833	12,833
11 Highland Prep	10,290,000	186,440,000	Highland Prep	0	0	18,222	-
12 Paradise Schools	14,285,000	172,155,000	Paradise Schools	0	0	23,808	-
13 Legacy Traditional Schools	37,645,000	134,510,000	Legacy Traditional Schools	0	0	53,853	94,112
14 Candeo Schools	19,600,000	114,910,000	Candeo Schools	0	0	18,783	-
15 Legacy Traditional Schools	44,995,000	69,915,000	Legacy Traditional Schools				-
16 GreatHearts Academies	52,400,000	17,515,000	GreatHearts Academies				-
Remaining Enhancement Capacity	17,515,000		Total:	78,450	367,173	480,919	458,332

Number of Borrowers: 9 **332,485,000** 95.0%

¹ - The fund currently has \$106,672,922 but can enhance 3.5x the fund balance.

² - Fees are calculated by calendar year

GreatHearts Arizona Closing Update



GreatHearts Arizona Closing Update

- On March 12, 2021, the Board approved GreatHearts Arizona for an enhancement amount not to exceed \$52,420,159 to refinance existing debt and to construct, renovate, and to construct additional classroom space.
- On June 10, 2021, Series 2021A GreatHearts Arizona Project Bonds were issued for \$52,400,000.

Agenda Item IV(a)

Program Funding Obligation to State Treasurer



Program Funding Obligation to State Treasurer

On February 2, 2017, the Board authorized a Program Funding Obligation payment to the State Treasurer not to exceed \$80 million. Each year that the Program Funding Obligation is outstanding, the Board is required to make a debt service payment to the State Treasurer on July 1st.

For FY2020-2021 the interest available for transfer to the general fund is \$946,962 and is a combination of the following:

- \$393,346 for interest earned on \$80 million guarantee, and
- \$553,616 for the 1% additional earnings of the amount of \$80 million that has been dedicated for outstanding credit enhancements

Confirmation of Approval of Highland Prep Application Granted on April 16, 2021



Confirmation of Approval of Highland Prep Application Granted on April 16, 2021

On April 16th, 2021 the Board approved Highland Prep of an enhancement not to exceed \$17,494,841.

Since receiving approval, construction costs for both the Highland Prep Surprise campus and Highland Prep West campus have risen substantially. Highland Prep is requesting that the Board confirm the approval of the guaranteed financing that was given on April 16, 2021.

The par amount of the bonds presented at the April 16 meeting for this application was \$17,494,841 and has risen by 6.95% to \$18,705,000. The Maximum Annual Debt Service presented was \$968,126 and has risen by 10.74% to \$1,072,076. Highland Prep believes it has the financial ability to handle these increases based on financial projections provided.

JULY 22, 2021

CREDIT ENHANCEMENT UPDATE:

HIGHLAND PREP

Surprise, Arizona





REQUEST BACKGROUND

- As a result of construction cost escalation over the past 120 days, the cost of the projects at both the Highland Prep campus ("HP Surprise") and Highland Prep West campus ("HP West") have risen to a greater extent than is usually encountered in normal market conditions.
- Highland Prep priced its bonds on July 22, 2021, and will settle on the bonds on July 29, 2021 in order to meet the land seller's closing deadline of July 30, 2021.
- Highland Prep must sign a closing document for the CEEB that indicates no material adverse change has occurred to the project numbers and application since the date of CEEB approval on April 16, 2021.
- Based on the construction cost increases, the 2021 bond par from pricing day was \$18,705,000. Of this amount, \$17,490,000 will be enhanced by CEEB. \$1,215,000 of bonds are nonrated and unenhanced. This is a 6.95% increase in par over what was presented in April.
- The Maximum Annual Debt Service (MADS) on the 2021 bonds plus the annual credit enhancement fee is \$1,072,076 or a 10.74% increase from the \$968,126 presented at the April CEEB meeting.
- We are asking CEEB to acknowledge the construction cost increases and attendant increase in the bond par (combined CEEB enhanced bonds and unenhanced) and debt service. As demonstrated on last slide, HP is very capable of handling this debt.



COST INCREASES TO PROJECT SINCE APRIL, 16, 2021 CEEB PRESENTATION

CEEB vs CURRENT				
	CEEB Amount	Current	% Change	Notes
HP West- Property Purchase	\$3,915,000	3,215,000		School putting in cash of \$700k
HP West- Construction	8,084,500	10,625,100		
HP West- Architectural Fees	485,000	710,760		
HP West- Permits, Contingencies, etc.	290,595	290,595		
HP West- Equipment	-	500,000		
HP Surprise- Construction	2,500,000	3,374,901		
HP Surprise- Architectural Fees	150,000	251,620		
HP Surprise- Permits, Contingencies, etc.	100,500	141,500		
Bond Size Par	\$17,500,000	\$18,705,000¹	6.95%	Sized at \$16,975,000 in presentation
Maximum Annual Debt Service	\$968,126	\$1,072,076	10.74%	Includes annual CEEB fee

1) Final bond par– priced on 7/22/2021.

2) \$17,490,000 in bonds backed by the CEEB and rated "AA-" along with \$1,215,000 of non-rated, unenhanced bonds.

3) Bond closing set for 7/29/2021



PROJECTED DEBT SERVICE COVERAGE

HIGHLAND PREP AND HIGHLAND PREP WEST						
Fiscal Years Ended June 30:	2021	2022	2023	2024	2025	2026
	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)
Enrollment	428	450	625	800	925	1,000
State Equalization Program	\$ 3,754,813	\$ 4,019,519	\$ 5,887,813	\$ 7,071,175	\$ 8,195,072	\$ 8,766,869
Other State Revenue	280,000	284,200	363,463	434,200	488,463	517,790
Local Revenue	102,722	103,749	154,787	155,835	157,393	155,835
Federal Revenue	175,000	175,000	475,000	500,000	525,000	355,000
Total Revenue	\$ 4,312,535	\$ 4,582,469	\$ 6,881,062	\$ 8,161,210	\$ 9,365,928	\$ 9,795,494
Employee Costs	1,646,978	1,696,387	2,543,757	3,038,585	3,406,515	3,967,022
Academic Supplies	145,059	147,235	174,443	201,685	224,443	235,019
Administrative Supplies	21,236	21,554	46,878	47,206	45,368	47,542
Marketing and Advertising	31,250	31,719	62,194	57,677	57,194	59,915
Accounting/Computer Maintenance/Legal/Audit	109,684	111,329	194,684	192,215	202,999	212,661
Special Education - Contract	82,529	83,767	107,529	133,767	160,023	167,657
Athletics/After School/Student Activities	45,756	46,443	90,756	80,185	97,753	102,437
Curriculum/Textbooks	136,296	138,341	186,296	238,851	265,416	278,080
Insurance	22,814	23,156	47,814	39,980	48,740	51,075
Utilities	91,137	92,504	166,137	167,504	194,704	204,033
Building and Grounds Maintenance	47,915	48,634	97,915	98,634	102,365	107,270
Furniture	137,135	139,192	202,135	289,192	292,973	307,011
AV / Computer Equipment	71,035	72,100	106,035	124,484	151,758	159,029
Equipment Rental	22,546	22,884	37,546	39,511	48,167	50,475
Professional Development/Training/Travel	6,472	6,569	21,472	11,341	13,826	14,488
Food Service	46,671	47,371	46,671	47,371	48,081	50,278
Dues and Fees	4,291	4,356	4,291	4,356	4,421	4,623
Miscellaneous	13,243	13,441	13,243	13,441	13,643	14,266
Bond Interest - 2019 Issuance	440,642	480,700	480,700	473,700	466,300	458,700
Bond Interest - 2021 Issuance	-	-	368,025	736,050	736,050	736,050
Bond Fees	-	-	43,726	43,726	43,726	43,726
Depreciation and Amortization	334,327	334,327	817,660	817,660	817,660	817,660
Contingency	40,000	40,000	80,000	80,000	80,000	80,000
Total Expense	\$ 3,497,015	\$ 3,602,008	\$ 5,939,907	\$ 6,977,120	\$ 7,522,125	\$ 8,169,018
Change in Net Assets	\$ 815,520	\$ 980,461	\$ 941,156	\$ 1,184,090	\$ 1,843,803	\$ 1,626,476
+ Depreciation	334,327	334,327	817,660	817,660	817,660	817,660
+ Interest	440,642	480,700	848,725	1,209,750	1,202,350	1,194,750
Income Available for Debt Service	\$ 1,590,489	\$ 1,795,488	\$ 2,607,541	\$ 3,211,500	\$ 3,863,813	\$ 3,638,886
Series 2019 Bond Debt Service	440,642	480,700	655,700	658,700	656,300	658,700
Series 2021 Proposed Debt Service	-	-	368,025	736,050	1,026,050	1,027,350
Pro-Forma Annual Debt Service	440,642	480,700	1,023,725	1,394,750	1,682,350	1,686,050
Pro-Forma Annual Debt Service Coverage	3.61x	3.74x	2.55x	2.30x	2.30x	2.16x

Public Comment



Adjourn

