

Memorandum



CITY OF DALLAS

DATE March 2, 2012

TO Honorable Members of the Budget, Finance, & Audit Committee: Jerry R. Allen (Chair), Tennell Atkins (Vice Chair), Monica R. Alonzo, Scott Griggs, Ann Margolin

SUBJECT Uplift Education Financing Bond and TEFRA Approval

On Monday, March 5, 2012, at the Budget, Finance, and Audit Committee meeting, you will be briefed on Uplift Education Financing Bond and TEFRA Approval. The briefing will be provided by Ms. Yasmin Bhatia, Chief Executive Officer of Uplift Education. The briefing material is attached for your review.

Please contact me if you need additional information.

A handwritten signature in blue ink that reads "Jeanne Chipperfield". The signature is fluid and cursive.

Jeanne Chipperfield
Chief Financial Officer

Attachment

C: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Rosa A. Rios, Acting City Secretary
Thomas P. Perkins, Jr., City Attorney
Craig D. Kinton, City Auditor
C. Victor Lander, Administrative Judge
A.C. Gonzalez, First Assistant City Manager
Ryan S. Evans, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Edward Scott, City Controller
Stephanie Pegues-Cooper, Assistant to the City Manager

UPLIFT EDUCATION

Financing

Bond and TEFRA Approval

**Budget, Finance and Audit Committee
March 5, 2012**

DISCUSSION MATERIALS

SUBJECT

- The North Texas Education Finance Corporation (the "*Issuer*"), a nonstock nonprofit corporation duly created by the City of Dallas, Texas, is empowered pursuant to Chapter 53, Texas Education Code, to, with the consent of the City of Dallas, issue and execute revenue bonds or other obligations to loan or otherwise provide funds to a borrower in order to enable the borrower to acquire, construct, enlarge, extend repair, renovate, or otherwise improve an educational facility or any facility incidental, subordinate, or related to or appropriate in connection with an educational facility, or for acquiring land to be used for those purposes, or to create operating and debt service reserves for and to pay issuance costs related to the bonds or other obligations.
- Uplift Education ("*Uplift*") has requested that the Issuer issue bonds in one or more series, (a) in an aggregate principal amount not to exceed \$90,000,000, (b) with a stated maturity of not more than 40 years, and (c) with an interest rate no greater than 15% per annum, for the benefit of Uplift, to finance and refinance a portion of the costs of acquiring, constructing, improving and equipping certain educational facilities in Dallas, Arlington, Fort Worth and Irving, Texas (collectively, the "*Project*").

BACKGROUND OF UPLIFT

- Uplift Education is a Texas nonprofit corporation which was incorporated on February 29, 1996 for educational and charitable purposes and to operate schools and other educational support operations that benefit schools. Uplift currently operates nine charter schools in Dallas, Arlington and Irving and expects to open other additional schools in Dallas and Fort Worth in the 2012-13 school year. Uplift serves a diverse community of over 5,700 students from kindergarten to 12th grade. Uplift has over 590 members on its faculty and staff.
- Uplift is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "*Code*") and is exempt from federal income taxation under Section 501(a) of the Code.

- The mission of Uplift is to create and sustain public schools of excellence that empower each student to reach their highest potential in college and the global marketplace and that inspire in students a life-long love of learning, achievement and service in order to positively change their world.

Each Uplift school provides free college preparatory education. Uplift's goal is to completely close the achievement gap between students, regardless of their ethnic or socio-economic background, while ensuring that 100% of its students graduate and enroll in college.

- Uplift's model for education delivery is grounded in a culture of high expectations for students and staff; dedicated school leaders and teachers who strive to do whatever it takes to move students forward; extended hours and school years to ensure more "time on task"; rigorous use of data to set and monitor organization, school and classroom goals; a formal "Road to College" program and dedicated staff who strive to ensure that Uplift students are accepted to and can pay for college; and a dual board structure with the Uplift Board and supporting Advisory School Boards for each campus to support local culture and focus on school and student performance.
- Uplift intends to use funds to finance and/or refinance the cost of acquiring, constructing, improving and equipping certain properties and facilities to be used for educational, administrative, athletic, science and classroom purposes at multiple locations in Dallas, Arlington, Fort Worth and Irving. Table Two to Appendix A hereto identifies the planned use of bond proceeds.
- Appendix A attached hereto provides additional information about Uplift and its schools.

ISSUER ACTION

- Uplift has advised the Issuer that it can realize substantial cost savings by utilizing tax-exempt bonds and qualified school construction bonds issued by the Issuer to finance the Project.
- The Issuer is a statutorily created authority organized for the purpose of financing educational facilities. The Issuer has no taxing power, no

police powers, and no powers of eminent domain. The issuer is a “conduit” financing entity that issues bonds under one or more bond indentures and loans the proceeds to a borrower pursuant to one or more loan agreements; the loans are usually secured by revenues and/or property pledged from the user.

- Uplift has requested the Issuer to issue Bonds for its benefit. With the approval of the City of Dallas, the Issuer intends to enter into two indentures, each between the Issuer and The Bank of New York Mellon Trust Company, National Association (the “Trustee”) and two loan agreements between the Issuer and Uplift pursuant to which the Issuer will loan the proceeds of the Bonds to Uplift.
- Pursuant to its organizational documents, the Issuer may only issue debt with the prior approval of the City of Dallas. Additionally, under the Internal Revenue Code, Uplift requires the approval of the City of Dallas in order for the Bonds to qualify as tax-exempt obligations under the Internal Revenue Code (after the publication of notice of a public hearing and the holding of a public hearing). Notice of the public hearing will be published in the *Dallas Morning News* on February 29, 2012 in the legal classifieds section and the hearing will be set for 7:00 p.m. on March 15, 2012 in the gymnasium of Peak Preparatory, 4600 Bryan Street, Dallas, Texas 75204. Members of the general public may attend or submit written comments prior to the hearing regarding the Project or the Bonds to the Issuer c/o Joseph E. Eckert, McCall, Parkhurst & Horton L.L.P., 717 North Harwood, Suite 900, Dallas, Texas 75201.
- The City of Dallas is not being asked to make a loan, guarantee the credit of Uplift, or to provide funds or credit support for the financing in any manner. The Bonds will not be a debt or liability of the City. This request is being made in order to comply with the organizational documents of the Issuer and the Internal Revenue Code. The source of repayment for the Bonds is loan payments required to be made by Uplift.

RECOMMENDATION

- Forward Uplift's request to the City Council, with a recommendation to approve an item on the March 28, 2012 City Council Agenda.

PROPOSED UPLIFT BOND ISSUE TIMELINE

- February 22 - Council approves EFC
- February 27 - EFC board meets
- February 29 - Public Hearing called
- March 5 - City of Dallas Finance Committee meets
- March 15 - Public Hearing held
- March 28 – Review of Public Hearing comments and City Council action
- April 17 - Price bonds
- April 25 – Bond issuance

APPENDIX A

UPLIFT AND THE CHARTER SCHOOLS

General

Uplift Education ("*Uplift*") is a Texas non-profit corporation which was incorporated on February 29, 1996 for educational and charitable purposes and to operate school and other educational support operations that benefit schools. Uplift is an organization described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "*Code*"). Uplift currently operates nine charter schools throughout the Dallas/Fort Worth, Texas area, expects to open three additional charter schools in 2012-13 (collectively with Uplift's existing charter schools, the "*Charter Schools*") and is currently pursuing an expansion plan that contemplates opening additional charter schools in the future. The Charter Schools operate (or, in the case of the schools opening in 2012-13, will operate) pursuant to five open enrollment charters granted by the Texas State Board of Education (the "*State Board of Education*") under Subchapter D, Chapter 12 of the Texas Education Code (the "*Charter Schools Act*"). The respective schools operating under a particular charter contract collectively constitute a "*District*." Uplift is governed by a single board of directors (the "*Uplift Board*") which is supported by advisory school boards of directors for each of the Charter Schools (together, the "*Advisory School Boards*"). See "**Governance and Management**" below.

TABLE 1: UPLIFT EDUCATION – CHARTER SCHOOLS

Charter School (Year Opened) and Present Address	Service Area	Grades Offered	Current Enrollment	Waiting List as of 08/31/11	Charter Expiration Date	Charter Maximum Enrollment*	Approx. % Free/Reduced** as of 08/31/11
Uplift Education - North Hills Preparatory (1997-98) 606 E. Royal Lane Irving, Texas (<i>"North Hills Preparatory"</i>)	Irving	K-12	1,450	2,244	7/31/11**	5,000	6.97%
Uplift Education - Peak Preparatory (2004-05) 4600 Bryan St. Dallas, Texas (<i>"Peak Preparatory"</i>)	East Dallas	K-12	1,007	1,000	7/31/19	5,000	92.44%
Uplift Education - Summit International Preparatory (2007-08) 1100 Roosevelt Street Arlington, Texas (<i>"Summit International Preparatory"</i>)	Arlington	K-12	754	401	7/31/13	4,000	70.50%
Uplift Education - Hampton Preparatory (2007-08) 8915 South Hampton Road Dallas, Texas (<i>"Hampton Preparatory"</i>)	Southwest Dallas	K-2 5-12 (plans to expand to K-12 by 2013-14)	717	558	7/31/13	5,000	72.34%
Uplift Education - Williams Preparatory (2007-08) 1750 Viceroy Drive Dallas, Texas (<i>"Williams Preparatory"</i>)	West Dallas	K-12	1,007	863	7/31/13	5,000	93.50%

Charter School (Year Opened) and Present Address	Service Area	Grades Offered	Current Enrollment	Waiting List as of 08/31/11	Charter Expiration Date	Charter Maximum Enrollment*	Approx. % Free/Reduced** as of 08/31/11
Uplift Education - Laureate Primary Preparatory (2010-11) 2020 N. Lamar Street Dallas, Texas (<i>"Laureate Primary Preparatory"</i>)	East Dallas	K-3, 6 (with plans to develop into K-5 by 2013-14)	258	117	Operates under the Peak charter	Operates under the Peak charter	77.90%
Uplift Education - Heights Preparatory (2010-11) 2650 Canada Drive Dallas, Texas (<i>"Heights Preparatory"</i>)	West Dallas	K 6-8 (with plans to expand to K-12 by 2016-17)	262	90	Operates under the Williams charter	Operates under the Williams charter	92.45%
Uplift Education - Infinity Preparatory (2011-12) 1401 S. MacArthur Irving, TX 75060-5848 (<i>"Infinity Preparatory"</i>)	Irving	K-1 6 (with plans to expand to 6-12 by 2017-18)	209	57	Operates under the North Hills charter	Operates under the North Hills charter	66.67%
Uplift Education - Pinnacle Preparatory (2011-12) 753 W. Illinois Ave Dallas, TX 75224-1862 (<i>"Pinnacle Preparatory"</i>)	East Dallas	K-1 (with plans to expand to K-5 by 2015-16)	90	0	Operates under the Peak charter	Operates under the Peak charter	87.38%
Uplift Mighty Preparatory (2012-13) 3700 Wichita Street Fort Worth, TX 76119-2866 (<i>"Mighty Preparatory"</i>)	Fort Worth	K-2 (with plans to expand to K-12 by 2017-18)	–	–	Operates under the Summit charter	Operates under the Summit charter	–
Uplift Meridian Preparatory (2012-13) 1801 S. Beach St. Fort Worth, TX 76105-2122 (<i>"Meridian Preparatory"</i>)	Fort Worth	K-1 6-7 (with plans to expand to K-5 by 2016-17)	–	–	Operates under the Summit charter	Operates under the Summit charter	–
Laureate Secondary Preparatory (2012-13) 2625 Elm Street Dallas, TX 75226-1400 (<i>"Laureate Secondary Preparatory"</i>)	East Dallas	6-7 9 (with plans to expand to 6-12 by 2015-16)	–	–	Operates under the Peak and Summit charters	Operates under the Peak and Summit charters	–
			5,754	5,330			

Source: Uplift.

*Uplift is permitted to apply for increases in the maximum enrollment allowed under its charters.

**This column shows the approximate percentage of the respective student body qualifying for free or reduced cost lunches.

*** Although the North Hills Preparatory charter has a stated expiration date of July 31, 2011, it has received authority from the Texas Education Agency ("TEA") to operate indefinitely until such time as it may rescind such authority.

2012 Projects

Uplift will use the proceeds of the Series 2012 Bonds for: (i) financing and/or refinancing the expansion of and improvements to certain of its existing educational facilities; (ii) financing and/or refinancing the acquisition and expansion of and improvements to certain of its existing education facilities; (iii) making a Debt Service Reserve Fund deposit; and (iv) paying costs of issuance for the Series 2012 Bonds (collectively, the "2012 Projects").

TABLE 2: ESTIMATED 2012 PROJECT COSTS

2012 Projects	Approx. Amount	City	Year Opened
Hampton Preparatory Improvements (Convert cafeteria and gym to classrooms)	\$ 4,150,125	Dallas	2007
Heights Preparatory Leasehold Improvements (Develop a new secondary school)	10,828,639	Dallas	2010
Infinity Preparatory Improvements (Facility acquisition and renovations, classroom addition designs)	10,910,044	Irving	2011
Laureate Primary Improvements (Facility renovations)	1,546,556	Dallas	2010
Laureate Secondary Preparatory Improvements (Land acquisition, renovations and design plans)	10,609,699	Dallas	2012
Meridian Preparatory Improvements (Acquire land and renovate existing building)	7,229,408	Ft. Worth	2012
Mighty Preparatory Improvements (Land acquisition, renovations, design new secondary building)	8,947,110	Ft. Worth	2012
North Hills Preparatory Improvements (Build student activity center and replace a chiller)	1,240,000	Irving	1997
Peak Preparatory Improvements (Build a primary school building and replace a roof)	7,750,772	Dallas	2004
Pinnacle Preparatory Improvements (Facility acquisition and renovations and campus planning)	5,892,239	Dallas	2011
Summit International Preparatory Leasehold Improvements (Build a primary school and future campus planning)	7,070,456	Arlington	2007
Williams Preparatory Improvements (Roof and chiller replacement)	558,600	Dallas	2007
Total Estimated Cost of 2012 Projects	\$76,733,648		

Some of the Dallas projects are eligible for QSCB and they are Hampton, Heights, and Peak. Current plans are to use \$15 million for QSCB or 20% of the projects. The total projects in Dallas including the QSCB projects total \$41.3 million or 53.9%. Projects in Arlington, Ft. Worth, and Irving are a total of \$35.1 million or 46.1%. Expansion of our existing schools account for 65.1% of the bond expenditures and the three new schools to open in 2012-13 school year account for 34.9%.

Facilities

The following table provides information regarding Uplift's facilities, including the years in which various Uplift building were constructed, specialty rooms related to such buildings, existing aggregate square footage, and the number of classrooms at each building. The table also shows, in the far right-hand column, new construction and improvements (and related square footage and classrooms, if applicable) for the 2012 Projects.

TABLE 3: FACILITIES

Building (Year Built) (Special Rooms)	Existing Aggregate Square Footage	Classrooms	2012 Projects Approximate Square Footage
Uplift Education - North Hills Preparatory (Owned) (22.126 acres)			
Main Building - Incl. middle and high rooms (1986) (Café, Kitchen, Music Room)	60,000	35	
Gym (2002)	6,565		
Student Activity Center (2012)			13,300
Kindergarten (2003) (Performing Arts)	7,650	4	
Primary Building (2006) (Language, Art, Music, Library, Multi-Purpose)	30,000	24	
High School (2010-11) (Science Labs, Library, Art)	15,244	7	
Uplift Education - Peak Preparatory (Owned) (9.45 acres)			
Middle School Building (1975) (Library)	18,866	10	
High School Building (2000)	18,465	9	
Primary School (2007)	13,675	10	
High School (2007) (Library)	21,118	10	
Gym (2004)	10,000		
Portables	4,500	6*	
New Primary School Building (2012)		29	39,200
* To be removed upon completion of the new primary school building.			
Uplift Education - Summit International Preparatory (Leased) (18.8 acres)			
Primary & Administrative Building (1980)	11,258	4	
Gym (1985)	4,220*		
Administrative Building (Converted in 2010)	2,825		
Primary & Administrative Building (1957)	2,375*	4	
Secondary Building (2000)	1,250*		
Portables (8)	12,000	16	
New High School Building (2010)	34,903	26	
Cafeteria Building / Multipurpose (2010)	9,728		
New Primary School Building (2012)		29	40,300
Special Classrooms (1995)	4,050	2	
* To be torn down to complete the new primary school building.			
Uplift Education - Williams Preparatory (Owned) (12.832 acres)			
Main Building (1981)	60,697	20	
Primary Building (1979)	11,424		
New Primary Building (2010) (Café, Kitchen, Library, Special Ed., Classrooms)	41,073	30	
Uplift Education - Hampton Preparatory (Owned) (17.60 acres)			
Main Building (1999) (Library, Multi-Purpose, Classrooms)	78,000	33	
Cafenasium - including main building classrooms (2012)		7	14,050

Building (Year Built) (Special Rooms)	Existing Aggregate Square Footage	Classrooms	2012 Projects Approximate Square Footage
(Café, Kitchen) Portables (3)		6	4,500
Laureate Primary Preparatory (Leased) (1.048 acres)			
Main Building (1985) (Multi-Purpose, Classrooms)	24,537	15	
Heights Preparatory (Leased) (1.60 acres)			
Main Building (1972) (Library, Cafeteria, Multi-Purpose)	10,800	6	
New Secondary Classroom Building w/ Library, Cafetorium, Art and Music		35	62,400
Infinity Preparatory (Owned) (9.56 acres)			
Main Building (1982)*		27	82,180
Phase I (2011)*		14	
Phase II (2012)		6	
Phase III (2013)		7	
Pinnacle Preparatory (Owned) (2.78 acres)			
Main Building (1982)*		22	31,752
Phase I (2011)*		5	
Phase II (2012)		9	
Phase III (2013)		8	
Laureate Secondary Preparatory (Owned) (2.256 acres)			
Main Building (1923) (Library, Gym and Cafeteria) Renovated in Phases		6	85,386
Uplift Meridian Preparatory (Owned) (7.24 acres)			
Main Building (1961) (Library, Cafeteria and Multi-Purpose) Renovated in Phases		32	71,800
Uplift Mighty Preparatory (Owned) (10 acres)			
Classroom Building (plans dated 1962)		12	15,525
Gym Building (plans dated 1976) (w/Cafeteria)		5	19,500

Source: Uplift.

Leased Facilities

Uplift has executed a lease (the "*Summit Lease*") with an individual landlord, with respect to facility at which Summit operates Summit International Preparatory. The Summit Lease is a 50-year lease (through July 31, 2057), which restricts the use of the facility to the operation of a school unless consent of the landlord is obtained. The landlord can terminate the lease upon an event of default (as defined in the Summit Lease). The Summit Lease includes a purchase option between July 2009 and July 2013 for \$5,200,000 less any base rent paid by the tenant. If the purchase option is exercised, the facility must be operated as a school for at least 15-years. Rental payments under the Summit Lease range between \$117,000-\$150,000 depending upon the year.

Uplift has executed a lease (the "*Heights Lease*") with the Housing Authority of the City of Dallas, with respect to the facility at which Uplift operates Heights Preparatory. The Heights Lease is a 50-year lease (through October 31, 2059), which restricts the use of the facility to the operation of a school and related activities. The landlord can terminate the lease only for cause in the event that the lessee fails to operate a school that offers an opportunity to apply for admission to students residing in West Dallas in accordance with applicable laws. The Heights Lease grants Uplift the option to lease either or both of two additional unplatted vacant properties as described in the Heights Lease if such option is exercised within five years of the effective date of the Heights

Lease. Rental payments under the Heights Lease are one dollar per year for the first five years of the term of the Heights Lease and ten dollars per year for each year thereafter.

Uplift has executed a lease (the "*Laureate Primary Lease*") with 2020 Garage Land, L.P., with respect to facility at which Uplift operates Laureate Primary Preparatory. The Laureate Primary Lease is a 20-year lease (through June 30, 2030), which restricts the use of the facility to the operation of a charter school or private school serving grades between pre-kindergarten and 12th grade and other ancillary uses. The landlord can terminate the lease upon an event of default (as defined in the Laureate Primary Lease). Rental payments under the Laureate Primary Lease are calculated based on a "Basic Rent" component and an "Additional Rent" component as defined in the Laureate Primary Lease. The Basic Rent component ranges between \$11.00 per rentable square foot per year to \$17.00 per rental square foot per year depending upon the year.