

MEMORANDUM

Date: November 8, 2017

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution 17-29 – Approval of the Charter School Facility Program Recommendations

In November 2016, California voters approved Proposition 51 which apportioned \$500 million for charter school construction and rehabilitation through the Charter School Facility Program. By the June 5, 2017 deadline, the California School Finance Authority (Authority) and Office of Public School Construction (OPSC) received 186 applications. OPSC analyzed and ranked each applicant for eligibility and funding. Concurrently, Authority staff have been assessing financial soundness of each eligible applicant, following the framework established by statute, regulation, and the attached methodology. Given the various credit characteristics of the different obligors applying for funding, Authority staff is bringing similar credits in tranches for board approval. At its October meeting, the Authority found three schools financially sound for purposes of a Preliminary / Advance Apportionment.

For your review and consideration, staff provides summary findings for each recommended school in the attached and a list of schools under Exhibit A – CSFP Board Matrix. The determination of financial soundness lasts for 12 months.

1. **Application Eligibility & Review:** Confirmed that the submittal complied with application terms such as:
 - Application submitted in a timely manner;
 - Met eligibility requirements set forth in regulations:
 - Charter in place,
 - In good standing and compliance with the terms of its charter, and
 - Submitted a legal status questionnaire free of material responses; and
 - Submitted required Form 03-01 with signatures.
 - Met two-year requirement for charter school operations or experience

2. **Operational Analysis:** Determined whether minimum qualification were met and supported by assumption when needed as:
 - Description of the project including estimated costs, occupancy date and increased student capacity;

- Detailed business plan and/or charter petition completed;
- Complete applicant organizational information;
- Historic, current, and projected enrollment, Average Daily Attendance (ADA), retention rates, waitlists, and percentage of key demographics;
- Student academic performance over the past two years; and
- Approved charter is in place or is in the process.

3. **Financial Analysis:** Conducted fiscal evaluation based on a variety of indicators and critically analyzed financial data and ratios against benchmarks and industry practice using an internally created financial model to identify fiscal strengths and weaknesses such as:

- Availability of private funding;
- Ability to meet long-term debt obligations;
- Alignment of revenue and expenditure projections with at least 3 years of audited financial statements and projections through two year of occupancy/start of loan repayment;
- Reasonableness of assumptions in projections;
- Adequacy of debt service coverage with and without private contributions;
- Net working capital as portion of operating expenditures; and
- Availability of funds to make lump-sum payments (when applicable).

4. **Findings and Recommendations:** Considered all operational and financial information, and assumptions for each loan, and provided the following:

- List of Strengths, weaknesses, and mitigants; and
- A recommendation indicating whether the applicant was found financial sound.

Recommendation: Staff recommends that the Board adopt Resolution No. 17-29, approving the financial soundness determinations of the schools listed in the attached Exhibit A – CSFP Board Matrix. Once approved, staff will notify schools and OPSC of the approved determinations.