

\$2,500,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY (CSFA or AUTHORITY)
EDUCATIONAL FACILITY 2019 TAXABLE LOAN
(ENCORE EDUCATION CORPORATION)
RESOLUTION 20-01
***Not-to-Exceed Amount**

STAFF REPORT

EXECUTIVE SUMMARY			
Applicant/ Borrower:	Encore Education Corporation	Par Amount Requested:	Not to Exceed \$2,500,000
Financing Term: February 2020-June 2020		Interest Rate: 6.95% and 1.50% Origination Fee	
Source of Funds Taxable Bank Loan: \$2,500,000		Use of Funds: Working Capital	
Applicant: Encore Public Schools			
Type of Financing: Private Placement - Bank Loan through Charter Asset Management			
Project Users:	Encore High School for the Arts – Riverside	County Served:	Riverside
District in Which Project is Located:	Riverside Unified School District	Charter Authorizers:	Riverside Unified School District
Project Description:		Working capital for Encore High School for the Arts – Riverside	
Project Name/Potential Project Sites:		N/A – Working Capital	
Plan of Finance: \$2,500,000 for working capital for Encore High School for the Arts – Riverside Type of Issue: Private Placement Tax Status: Taxable Loan Maturity: December, 2020 Credit Enhancement: No Credit Rating: N/A CSFA Fees: \$6,000 Issuance Fee Other Fees: See Cost of Issuance Table in Financing Structure Section			

Estimated Sources of Funds		Estimated Use of Funds	
Taxable Loan Proceeds	\$2,500,000	Working Capital for Riverside Campus	\$2,395,000
Total	\$2,500,000	Total Project Costs	\$2,395,000
Financing Team:		Costs of Issuance	\$105,000
Bond Counsel:	Stradling, Yocca, Carlson & Rauth	Total Costs of Issuance:	\$105,000
Lender/Purchaser	Charter Asset Management	Total	\$2,500,000
Financial Advisor	Key Charter Advisors		
Issuer's Counsel:	Attorney General's Office		
Issuer:	California School Finance Authority		
Agent for Sale:	State Treasurer's Office		
CSFA Staff: Robby Biegler		Date of Staff Report: January 16, 2020	
Date of CSFA Board Meeting: January 30, 2020		Resolution Number: 20-01	
Staff Recommendation: Staff recommends California School Finance Authority approve Resolution Number 20-01 authorizing a loan to the Authority in an amount not to exceed \$2,500,000, the issuance by the Authority of a Promissory Note evidencing the obligations of the Authority in connection with such loan, and a loan from the Authority to Encore Education Corporation, for working capital for use by Encore High School for the Performing Arts and Encore High School for the Arts – Riverside, located in Riverside County, conditioned on renewal, for a term commencing July 1, 2020, of the charter of Encore High School for the Arts – Riverside.			

BACKGROUND AND HISTORY

Encore Education Corporation (Borrower) was established in 2007 as a non-profit public benefit corporation to manage and operate public charter schools in the Inland Empire¹. Currently Encore operates two public charter schools; Encore Jr./Sr. High School for the Performing and Visual Arts (Hesperia Campus) and Encore High School for the Arts – Riverside (Riverside Campus). Encore is governed by a five-member Board and does not have a sole statutory member structure.

The Hesperia Campus opened in August 2008 and the charter was renewed for a term of five years beginning July 1, 2016. The current term runs through June 30, 2021. The Riverside Campus opened in August 2015 and their charter was approved for a five-year term beginning July 1, 2015 and runs through June 30, 2020. The renewal petition for the Riverside Campus has been submitted to the Riverside Unified School District (RUSD), and is anticipated to be approved in the next 60 days.

¹ The boundaries of the Inland Empire are nebulous, but the region is generally defined as the cities of western Riverside County and southwestern San Bernardino County, adjacent to the Los Angeles metropolitan area.

Encore is still waiting on a firm approval timeline and has indicated to RUSD the necessity of an expedited approval process. Based on preliminary discussions and RUSD’s pre-renewal review process, the Riverside Campus does not anticipate any problems with the renewal. Encore presented the charter renewal application to RUSD at their January board meeting. The hard date for RUSD approval of the new Charter is February 18, 2020. Encore is seeking CSFA Board approval prior to the formal charter approval as, assuming an approval date of February 18, Encore could immediately enter into a loan agreement with CAM. If Encore waited until the February 28 CSFA meeting Encore would need to incur additional factoring to cover February payroll at an additional cost between \$8,000 and \$12,000. Board approval of this item is conditioned on approval of the Riverside Campus charter.

School	Current Charter Term
Encore Hesperia Campus	July 1, 2016 – June 30, 2020
Encore Riverside Campus	July 1, 2020 – June 30, 2024

Demographics include:

	% Free and Reduced Priced Lunch	% Minority Students	% English Language Learners
Encore Hesperia Campus	85%	98%	40%
Encore Riverside Campus	37%	67%	4%
All Schools	90%	97%	65%

Enrollment projections, actuals and variance from 18-19 to 23-24 includes:

Encore High School For The Arts - Riverside EDUCATIONAL FACILITY 2020 TAXABLE LOAN, SERIES A ENROLLMENT AND A.D.A. ASSUMPTIONS																
	2018-19				2019-20 (Year 1)				2020-21 (Year 2)		2021-22 (Year 3)		2022-23 (Year 4)		2023-24 (Year 5)	
	ENROLL	Estimate	Variance	ADA	ENROLL	Estimate	Variance	ADA	ENROLL	ADA	ENROLL	ADA	ENROLL	ADA	ENROLL	ADA
Total K-3 Enrollment	0	0	0	-	0	0	0	-	0	-	0	-	0	-	0	-
Total 4-6 Enrollment	0	0	0	-	0	0	0	-	0	-	0	-	0	-	0	-
Total 7-8 Enrollment	333	325	8	315.91	304	333	-29	281.51	180	169.20	200	188.00	200	188.00	200	188.00
Total 9-12 Enrollment	539	575	-36	497.45	503	538	-35	465.80	420	394.80	400	376.00	400	376.00	400	376.00
TTL Enrollment/ADA	872	900	-28	813.36	807	871	-64	747.31	600	564.00	600	564.00	600	564.00	600	564.00
TTL Grade 7 Enrollment	164	150	14	152.96	125	164	(39)	115.75	80	75.20	115	108.10	100	94.00	100	94.00
TTL Grade 8 Enrollment	169	175	(6)	157.64	179	169	10	165.76	100	94.00	85	79.90	100	94.00	100	94.00
TTL Grade 9 Enrollment	195	205	(10)	181.89	124	194	(70)	114.83	130	122.20	95	89.30	100	94.00	100	94.00
TTL Grade 10 Enrollment	138	150	(12)	128.72	159	139	20	147.24	95	89.30	120	112.80	95	89.30	100	94.00
TTL Grade 11 Enrollment	111	120	(9)	103.54	123	110	13	113.90	105	98.70	95	89.30	110	103.40	100	94.00
TTL Grade 12 Enrollment	95	100	(5)	88.61	97	95	2	89.83	90	84.60	90	84.60	95	89.30	100	94.00
TOTAL	872	900	(28)	813.36	807	871	(64)	747.31	600	564.00	600	564.00	600	564.00	600	564.00
(Cth)																
LCFF Unduplicated Calc:																
Enrollment*	872				807				600		600		600		600	
Unduplicated Count*	279				320				238		238		238		238	
Unduplicated % (1-Year)	32.00%				39.65%				39.67%		39.67%		39.67%		39.67%	
Unduplicated % (3-Year)	34.71%				36.07%				36.73%		39.66%		39.67%		39.67%	

Encore issued \$17.4 million in bonds through California School Finance Authority (CSFA or Authority) in 2016 to acquire the Hesperia Campus facility.

In August of 2019, the CSFA Board approved two financings intended to help the Encore campuses in their short term borrowing, a loan of \$2,500,000 for the Riverside Campus, and Revenue

Anticipation Notes (Notes) of approximately \$4,000,000 for the Hesperia Campus. The Notes for the Hesperia Campus were used primarily to payoff factoring. With that repaid the Hesperia Campus has repaid their most significant deficits. The Hesperia Campus Notes mature in August of 2020. Financial projections and coverage ratios are included as Appendix A. School governance is included as Appendix B

PROJECT DESCRIPTION

Encore wishes to obtain a taxable bank loan from Charter Asset Management for working capital. The loan would fund working capital needs for the Riverside Campus to cover the last months of the 2019-20 fiscal year, from February 2020 through June 2020. The loan would subsequently be repaid from State Controller's Office (SCO) intercepts of Local Control Funding Formula (LCFF) State Aid and Education Protection Account Advanced Apportionments payable to each school between July 2020 and December 2020.

Encore had significant budget deficits in 2018-19 that drove their net asset balance negative. Causes for the deficit included:

1. One-time legal settlement for \$1 million, split across both schools – paid out over five years, however the \$1 million cost had to be all recorded in 2017-18;
2. Staff cost increased substantially in preparation for additional enrollment/Average Daily Attendance (ADA) growth;
3. Enrollment growth not hitting targets, leading to loss of revenue;
4. When staffing cuts were made to address enrollment drops, departmental heads replaced loss of staff with overtime and substitutes, actually increasing staff costs overall;

In Spring 2018, Encore imposed a corrective action plan to “rightsize” staffing, moved overtime/substitute authority back to head office only, and staff agreed to a 4% across-the-board pay cut.

Actual 2019-20 Riverside Campus enrollment is 807, down from 872 in 2018-19, and down from initial 19-20 projections. Owed to the reality of enrollment actuals not meeting projections, for 2020-21 on, Encore plans to reduce their program scope (dropping visual arts coursework and focusing more on performing arts) and cap their enrollment at 600 while maintaining a wait list. This reduction in program scope will allow the school to avoid any operational issues of inter-year enrollment drops and resulting under-filled classrooms, and reduce facility expenses. The net result will be higher net revenues even with a lower enrollment since all classes will be filled and stable at this lower enrollment.

While Encore had hoped to obtain a \$0 debt balance by June 2021, with lower than projected enrollment this year, the organization will still have a projected \$700k debt balance as of June 30, 2021 and it will likely take another 12 months (until June 2022) to obtain the \$0 debt goal. Encore will likely need to borrow again in July 2020 to fund 2020-21 cash flow, with a lowered debt balance in 2021-22, Encore hopes to qualify for a 12-month tax-exempt Revenue Anticipation Note (RAN)/Loan at a lower overall cost, replacing this taxable six-month factoring structure. Encore may seek a Fall 2022 borrowing as well, but given the small \$700k size, this will probably be handled with direct factoring.

Currently the school is meeting its working capital needs through factoring. With this loan Encore intends to:

- Expedite the process of paying off all short term borrowing through June, 2021, and restore cash on hand to levels sufficient to avoid working capital borrowing (at least 45 days of cash-on-hand assuming stable ADA);
- Minimize the borrowing cost of all required working capital until cash reserves are built up.

The CSFA Board approved a similar loan in August for the Riverside Campus, in that case the financing was for the first half of the 2019-20 fiscal year. The previously approved loan matures July 15, 2020 and that loan is being repaid from SCO intercepts in the months of January-May 2020. The Loan presently before the Board will cover Encore’s cash flow needs from February - June, and will be paid back with July 2020-January 2021 SCO intercepts. There is no overlap of the two intercept schedules. Additionally, this proposed loan is not being used to cover repayments of the previous loan. Loan schedules for the current and proposed Encore loans are included as Appendix C. Monthly LCFF revenues subject to the SCO intercept are included as Appendix D. Cost savings for the proposed structure vs. factoring are included as Appendix E.

Borrower	Authorizer	Location	Purpose	Amount
Encore High School for the Arts -- Riverside	Riverside Unified School District	3800 Main Street, Riverside, CA 92501	Working Capital	\$2,500,000
Total Estimated Project Costs				\$2,500,000

Proceeds of the loan will be allocated as follows:

Expenditures	Amount
Certificated Salaries	\$670,000
Classified Salaries	\$520,000
Benefits	\$440,000
Books & Supplies	\$20,000
Facility & Services	\$745,000
Total	\$2,395,000

Charter Asset Management is a Los Angeles-based private sector business that provides charter schools financial assistance primarily by purchasing state-guaranteed funds at a discount and collecting those funds once they are distributed by the state; this is commonly referred to as factoring. Encore has already factored with Charter Asset Management and is applying for this loan to help move away from the high costs of factoring.

FINANCING STRUCTURE

The loan term is seven months and taxable, originating from Charter Asset Management to CSFA, with a corresponding loan made from CSFA to Encore Education Corporation as Borrower. Given this structure, no underwriting or placement of the loan would be required. The Interest Rate will be 6.95%, with an Origination Fee of 1.50%. Expected maturity is December 5, 2020, with monthly repayments of principal and interest beginning July 2020.

Security and Source of Payment

The loan will be repaid from SCO intercepts of LCFF State Aid and Education Protection Account apportionments payable to the Borrower's two charter schools between July 2020 and December 2020. All apportionments would be based on the 2019-20 Advance Apportionment as certified by the California Department of Education (CDE). An estimated schedule of monthly Encore LCFF revenues subject to the SCO intercept is included as Appendix C. Intercepted payments on the loan will flow to Charter Asset Management as payments on the Original Loan.

Preliminary Sources and Uses and Preliminary Cost 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 the time the Board meets, and are further subject to final pricing. Members will be provided updated figures should significant changes occur before the Board meeting date.

Estimated Sources & Uses

Sources:	Series 2019	Total
Loan Proceeds		
Par Amount:	<u>\$2,500,000</u>	<u>\$2,500,000</u>
Total:	\$2,500,000	\$2,500,000
Uses:	Series 2019	Total
Project Fund Deposits:		
Riverside Campus:	<u>\$2,395,000</u>	<u>\$2,395,000</u>
Total:	\$2,395,000	\$2,395,000
Delivery Date Expenses:		
Costs of Issuance:	<u>\$105,000</u>	<u>\$105,000</u>
Total:	\$105,000	\$105,000
Total:	\$2,500,000	\$2,500,000

Estimated Cost of Issuance

CSFA Issuance Fees	\$6,000.00
CSFA Admin Fees	\$0.00
Issuer's Counsel Fees	\$2,500.00
Financial Advisor Fee	\$25,000.00
Bond Counsel Fees	\$30,000.00
Borrower's Counsel Fees	\$5,000.00
Trustee Fees	\$0.00
Trustee's Counsel Fee	\$0.00
CAM Origination Fee	\$37,500.00
Contingency Fees	\$1,000.00

SALES RESTRICTIONS

Given that the loan will be made by Charter Asset Management, the following restrictions will apply:

1. There will be a single Promissory Note for the full amount of the loan;
2. The loan will be initially privately placed with and thereafter held by a single Qualified Institutional Buyer (QIB);
3. The initial Holder of the Promissory Note will be required to execute an Investor Letter in the form set forth as an attachment to the Loan Agreement;
4. Subsequent transfers of the Promissory Note will be limited to a single QIB at any one time;
5. Transfer restrictions shall be conspicuously noted on the Promissory Note and described in detail in the loan documents; and
6. Loan payments will be made via the intercept mechanism outlined in Section 17199.4 of the Education Code.

OTHER PROJECT DATA

Permits and Approvals: The Encore Board has approved this loan and CSFA staff was provided a copy of the Resolution.

TEFRA: Not applicable, as the loan is taxable.

Borrower Financial Data: Pursuant to Section 17183.5 of the CSFA Act, financing through the Authority is to be provided only to projects demonstrated by the participating party to be financially feasible. In demonstration of feasibility, the participating party may take into account all of its funds, and may base future projections upon historical experience or reasonable expectations, or a combination thereof. Nothing in Section 17183.5 shall be construed to imply that any project is required to produce revenue in order to be financed under this chapter. Pursuant to this provision, Exhibit A contains financial and operational information for Encore High School for the Performing Arts & Encore High School for the Arts – Riverside.

Due Diligence Undertaken to Date: No information was disclosed to question the financial viability or legal integrity of the Borrower. Standard opinions of counsel (i.e., that the borrowing entity has

been duly organized, is in good standing, is a 501(c)(3) organization (as applicable), has the full authority to enter into all documents which are valid and binding, etc.) will be delivered at closing.

STAFF RECOMMENDATION

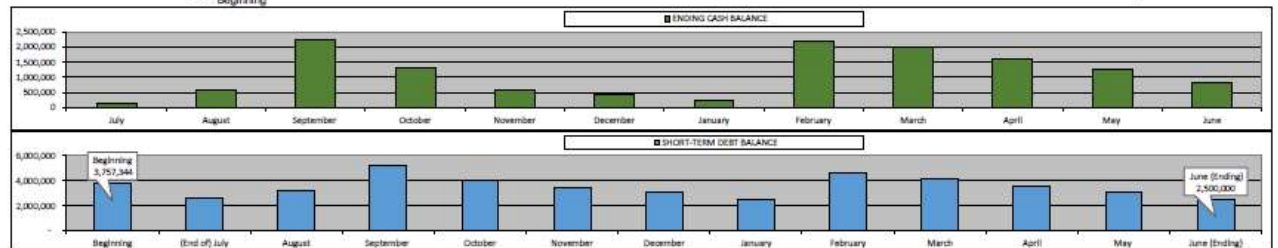
Staff recommends California School Finance Authority (CSFA) approve Resolution Number 20-01 Authorizing a Loan to the Authority in an Amount Not to Exceed \$2,500,000, the Issuance by the Authority of a Promissory Note Evidencing the Obligations of the Authority in Connection with Such Loan, and a Loan from the Authority to Encore Education Corporation, for working capital for use by Encore High School for the Arts – Riverside, located in Riverside County, providing the terms and conditions for such promissory note and other matters relating thereto, and authorizing the execution of certain documents in connection therewith.

1. **Applicant / Borrower:** Encore Education Corporation
2. **Project:** Working Capital
3. **Amount of Financing:** \$2,500,000
4. **Maturity:** December, 2020
5. **Repayment/Security:** The loan will be repaid from State Controller’s Office intercepts of Local Control Funding Formula (LCFF) State Aid and Education Protection Account apportionments payable to the Riverside Campus between July 2020 and December 2020. All apportionments would be based on the 2019-20 Advanced Apportionment as certified by CDE.
6. **Interest Rate:** 6.95%
7. **Fees:** Origination fee of 1.50%.
8. **Not an Unconditional Commitment:** The CSFA resolution shall not be construed as unconditional commitment to finance the Project, but rather CSFA’s approval pursuant to the resolution conditioned upon entry by CSFA and the Borrower into a financing agreement, in form and substance satisfactory to CSFA and its counsel.
9. **Limited Time:** The Board’s approval expires one year from the date of its adoption. Thus, Charter Asset Management, CSFA and Encore Education Corporation must enter into the financing agreement no later than one year from such date. Once the approval has expired, the item must return to the Board for new approval.
10. **Financing Agreement Covenants:** N/A
11. **Conditional Approval:** This item is approved conditioned on the approval of the Riverside Campus charter renewal.

APPENDIX A: FINANCIAL PROJECTIONS AND COVERAGE RATIOS

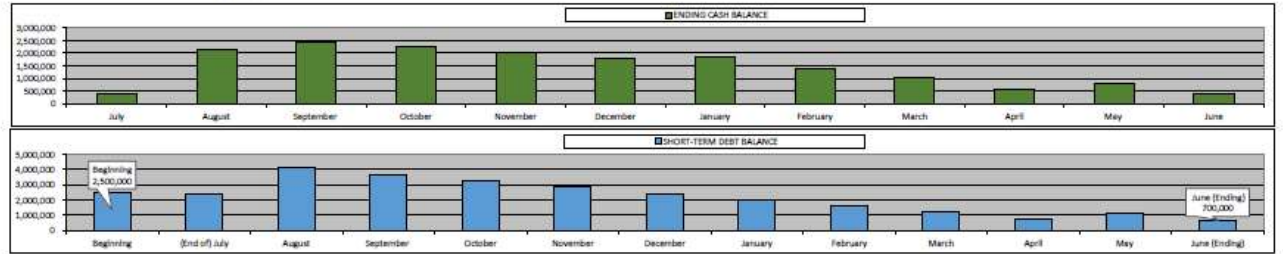
Encore High School For The Arts - Riverside
EDUCATIONAL FACILITY 2020 TAXABLE LOAN, SERIES A
2019-20 Projected Monthly Cash Flow Statement

Description	2019-20	ACTUALS				ACTUALS												Total For Year
	Budget	July	August	September	October	November	December	January	February	March	April	May	June	Accruals	709,768			
BEGINNING CASH		709,768	134,675	567,265	2,249,783	1,288,388	596,276	430,747	257,186	2,175,980	2,009,005	1,617,660	1,239,557		709,768			
REVENUES																		
LCFF State Aid	5,697,476		304,532	304,532	548,157	548,157	548,157	548,157	603,424	603,424	603,424	603,424	482,087	-	5,697,476			
Education Protection Account	149,462				40,195					54,634			54,634		149,462			
In-Lieu-Of Property Taxes	1,362,982			91,065	293,235	117,294	117,294	117,294	117,294	165,835	84,918	84,918	84,918	84,918	1,362,982			
Federal Revenues	211,442					32,861				52,861			52,861		211,442			
Other State Revenues	1,342,689			1,495	32,696	29,390	29,390	375,600	133,984	133,984	133,984	133,984	107,043	231,177	1,342,689			
Other Local Revenues	89,760		1,062		711	1,085	11,200	11,200	11,200	11,200	11,200	11,200	11,200	7,207	89,760			
TTL REVENUES	8,853,811		305,594	398,387	914,954	695,926	758,902	1,052,251	865,903	1,025,938	833,526	833,526	792,742	376,163	8,853,811			
EXPENDITURES																		
All Certificated Salaries	2,306,551	23,390	150,133	226,998	220,295	232,459	230,148	195,295	195,295	195,295	195,295	195,295	195,295	51,360	2,306,551			
All Classified Salaries	1,766,875	21,820	108,789	148,970	169,777	169,600	164,101	151,600	151,600	151,600	151,600	151,600	151,600	74,218	1,766,875			
All Benefits	1,485,966	17,083	87,629	137,785	146,360	143,813	146,061	127,785	127,785	127,785	127,785	127,785	127,785	40,526	1,485,966			
All Materials & Supplies	118,376	15,599	7,540	23,574	19,652	18,240	4,328	4,328	4,328	4,328	4,328	4,328	4,328	3,465	118,376			
All Services and Operations	2,691,290	169,082	276,284	280,658	195,085	184,923	184,923	176,540	345,248	188,905	185,864	182,621	179,581	141,576	2,691,290			
All Capital Outlay	105,088														105,088			
All Other Expenditures																		
TTL EXPENDITURES	8,474,146	246,884	630,475	817,985	751,168	749,034	729,562	655,548	824,256	667,913	664,872	661,629	658,589	416,233	8,474,146			
	379,664														379,664			
OTHER TRANS. AFFECTING CASH																		
Accounts Receivable (net change)		1,332,035	152,358	67,185	22,587		138,096								1,712,261			
Net Change in Payables		(526,846)	20,531	67,271	77,853				(224,520)						(585,711)			
Non-CSFA Factoring Receipts			1,030,000	300,000											1,330,000			
Non-CSFA Factoring Repayment		(1,133,398)	(420,428)	(823,396)	(1,217,288)	(605,671)	(324,631)	(561,932)							(5,087,344)			
CSFA 2019 Loan Receipts				2,500,000											2,500,000			
CSFA 2019 Loan Repayment									(365,000)	(525,000)	(560,000)	(525,000)	(525,000)		(2,500,000)			
CSFA 2020A Loan Receipts										2,500,000					2,500,000			
Fixed Asset Acquisitions			(25,000)	(8,333)	(8,333)	(33,333)	(8,333)	(8,333)					(25,000)		(149,998)			
Other Cash Inflows/Outflows										(33,333)								
TTL OTHER TRANSACTIONS		(328,209)	757,461	2,102,127	(1,125,181)	(639,004)	(194,868)	(570,265)	1,877,147	(525,000)	(560,000)	(950,000)	(525,000)		(280,793)			
NET INCREASE (DECREASE)		(575,093)	432,580	1,682,529	(961,395)	(692,112)	(165,528)	(173,562)	1,918,794	(166,975)	(391,345)	(378,102)	(390,847)					
ENDING CASH BALANCE		134,675	567,255	2,249,783	1,288,388	596,276	430,747	257,186	2,175,980	2,009,005	1,617,660	1,239,557	848,710					
SHORT-TERM DEBT BALANCE	3,757,344	2,623,946	3,233,518	5,209,522	3,992,234	3,386,563	3,061,932	2,900,000	4,635,000	4,110,000	3,550,000	3,025,000	2,500,000					



**Encore High School For The Arts - Riverside
EDUCATIONAL FACILITY 2020 TAXABLE LOAN, SERIES A
2020-21 Projected Monthly Cash Flow Statement**

Description	2020-21												Accruals	Total For Year
	Budget	July	August	September	October	November	December	January	February	March	April	May		
BEGINNING CASH	848,710	377,858	2,122,334	2,425,165	2,240,942	2,002,744	1,807,407	1,882,846	1,390,919	1,016,529	588,390	792,086		848,710
REVENUES														
LDF State Aid	4,511,260	293,420	293,420	528,156	528,156	528,156	528,156	256,728	256,728	256,728	256,728	256,728	-	4,511,260
Education Protection Account	112,800	-	37,366	-	-	-	37,366	-	-	-	-	19,035	19,035	112,800
In-Lieu-Of Property Taxes	1,028,652	-	81,779	163,508	109,039	109,039	109,039	109,039	79,374	39,687	39,687	39,687	39,687	1,028,652
Federal Revenues	180,740	-	-	45,185	45,185	-	45,185	-	-	45,185	-	-	-	180,740
Other State Revenues	1,001,681	-	-	1,115	24,362	21,526	21,926	280,207	99,956	149,956	99,956	99,956	149,956	1,001,681
Other Local Revenues	71,808	-	850	1,036	969	868	8,960	8,960	8,960	8,960	8,960	8,960	5,766	71,808
TTL REVENUES	6,906,940	293,420	376,049	731,231	707,311	658,888	705,448	971,547	474,882	514,052	450,516	405,331	474,365	6,906,940
EXPENDITURES														
All Certificated Salaries	1,716,875	71,536	143,073	143,073	143,073	143,073	143,073	143,073	143,073	143,073	143,073	143,073	143,073	1,716,875
All Classified Salaries	1,020,778	25,519	89,542	89,542	89,542	89,542	89,542	89,542	89,542	89,542	89,542	89,542	89,542	1,020,778
All Benefits	1,006,559	35,685	85,526	85,526	85,526	85,526	85,526	85,526	85,526	85,526	85,526	85,526	85,526	1,006,559
All Materials & Supplies	382,658	17,394	42,518	31,888	31,888	15,944	15,944	43,846	35,077	38,585	32,797	32,797	11,184	382,658
All Services and Operations	1,867,472	178,318	130,327	129,053	126,505	124,101	321,698	119,121	188,391	131,717	127,717	125,717	119,121	1,867,472
All Capital Outlay	105,088	-	-	-	-	-	-	-	-	-	-	-	-	105,088
All Other Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TTL EXPENDITURES	6,099,430	328,452	490,586	478,082	476,534	458,186	455,783	481,108	541,609	488,443	478,655	476,655	470,058	6,099,430
OTHER TRANS. AFFECTING CASH	807,510													807,510
Accounts Receivable (net change)		116,300	104,413	490,683										711,396
Net Change in Payables		(402,120)			(415,000)	(415,000)	(445,000)	(415,000)						(402,120)
CSFA 2020A Loan Repayment		(150,000)		(440,000)	(415,000)	(415,000)	(445,000)	(415,000)						(2,500,000)
CSFA 2020B RAN/Loan Receipts			2,000,000						(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	2,000,000
CSFA 2020B RAN/Loan Repayment									(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(2,000,000)
Non-CSFA Factoring/Loans												700,000		700,000
Fixed Asset Acquisitions														-
Other Cash Inflows/Outflows			(25,000)			(25,000)			(25,000)			(25,000)		(100,000)
TTL OTHER TRANSACTIONS	(436,820)	1,859,413	50,683	(415,000)	(440,000)	(445,000)	(415,000)	(425,000)	(400,000)	(400,000)	(400,000)	275,000	(400,000)	(1,590,724)
NET INCREASE (DECREASE)	(470,852)	1,744,476	302,831	(184,223)	(238,198)	(195,337)	75,439	(491,926)	(374,390)	(428,139)	203,676	(395,693)		
ENDING CASH BALANCE	377,858	2,122,334	2,425,165	2,240,942	2,002,744	1,807,407	1,882,846	1,390,919	1,016,529	588,390	792,086	396,373		
SHORT-TERM DEBT BALANCE	2,500,000	2,350,000	4,130,000	3,690,000	3,275,000	2,860,000	2,415,000	2,000,000	1,600,000	1,200,000	800,000	1,100,000	700,000	



Encore High School For The Arts - Riverside
EDUCATIONAL FACILITY 2020 TAXABLE LOAN, SERIES A
2021-22 Projected Monthly Cash Flow Statement

Description	2021-22 Budget	July	August	September	October	November	December	January	February	March	April	May	June	Accruals	Total For Year
BEGINNING CASH		396,373	215,724	213,712	272,887	325,578	327,881	391,199	500,383	408,280	578,448	643,021	542,980	447,104	396,373
REVENUES															
LCFF State Aid	4,701,200	225,563	225,563	406,013	406,013	406,013	406,013	406,013	444,001	444,001	444,001	444,001	444,001	-	4,701,200
Education Protection Account	112,800	-	-	28,200	-	-	28,200	-	-	28,200	-	-	28,200	-	112,800
In-Lieu-Of Property Taxes	1,028,652	-	61,719	123,438	82,292	82,292	82,292	82,292	82,292	144,011	72,006	72,006	72,006	72,006	1,028,652
Federal Revenues	158,458	-	-	-	39,615	-	-	39,615	-	-	39,615	-	-	-	158,458
Other State Revenues	1,021,027	-	-	1,137	24,833	22,349	22,349	285,619	101,886	152,852	101,886	101,886	152,852	53,377	1,021,027
Other Local Revenues	69,000	-	816	995	547	834	810	810	810	810	810	810	810	5,540	69,000
TTL REVENUES	7,081,137	225,563	288,098	598,784	553,299	511,488	547,464	822,149	636,790	777,874	668,118	626,303	708,669	170,537	7,081,137
EXPENDITURES															
All Certificated Salaries	1,771,381	73,808	147,615	147,615	147,615	147,615	147,615	147,615	147,615	147,615	147,615	147,615	147,615	73,808	1,771,381
All Classified Salaries	1,063,502	26,888	93,290	93,290	93,290	93,290	93,290	93,290	93,290	93,290	93,290	93,290	93,290	10,728	1,063,502
All Benefits	1,062,163	37,656	90,251	90,251	90,251	90,251	90,251	90,251	90,251	90,251	90,251	90,251	90,251	31,750	1,062,163
All Materials & Supplies	394,138	17,915	43,793	32,845	32,845	16,422	16,422	45,162	36,129	39,742	33,781	33,781	33,781	11,519	394,138
All Services and Operations	1,864,258	178,011	136,608	136,608	136,608	136,608	136,608	136,608	136,608	136,608	136,608	136,608	136,608	183,556	1,864,258
All Capital Outlay	105,988	-	-	-	-	-	-	-	-	-	-	-	-	-	105,988
All Other Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TTL EXPENDITURES	6,280,530	333,978	511,557	500,608	500,608	484,186	484,186	512,925	503,893	507,306	501,545	501,545	501,545	416,448	6,280,530
OTHER TRANS. AFFECTING CASH															
Accounts Receivable (net change)	-	39,687	103,316	-	-	-	-	-	-	-	-	-	-	-	143,003
Net Change in Payables	-	(111,922)	(256,870)	-	-	-	-	-	-	-	-	-	-	-	(368,792)
Non-CSFA Factoring/Loans	-	-	400,000	-	-	-	-	(200,000)	(200,000)	(100,000)	(100,000)	(200,000)	(300,000)	-	(700,000)
Fixed Asset Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash Inflows/Outflows	-	(25,000)	-	-	-	(25,000)	-	-	(25,000)	-	-	(25,000)	-	-	(100,000)
TTL OTHER TRANSACTIONS		(72,235)	221,446	-	-	(25,000)	-	(200,000)	(225,000)	(100,000)	(100,000)	(225,000)	(300,000)	-	(1,026,789)
NET INCREASE (DECREASE)		(180,549)	(2,012)	58,176	52,691	2,303	63,278	108,224	(82,103)	170,169	64,373	(100,041)	(95,876)		
ENDING CASH BALANCE		215,724	213,712	272,887	325,578	327,881	391,159	500,383	408,280	578,448	643,021	542,980	447,104		
SHORT-TERM DEBT BALANCE		700,000	700,000	1,100,000	1,100,000	1,100,000	1,100,000	900,000	700,000	600,000	500,000	300,000	-		



**APPENDIX B
GOVERNANCE AND MANAGEMENT**

Board of Directors

Lenny Esposito	Board President	Business Owner, Riverside
Suzanne Cherry	Vice President	Retail Manager, Apple Valley
Kelly Ahmed	Board Member	Doctor, Apple Valley
Rob Gabler	Board Member	Fireman, Riverside
Paula Gharib	Board Member	Retired Schoolteacher
Kathy Nielsen	Alternate Board Member	Retired Media Manager, Victorville
Mari Miller	Alternate Board Member	School Records Manager, Apple Valley

Officers

Denise Griffin	Chief Executive Officer and Founder
John Griffin	Chief Operating Officer

APPENDIX C
LOAN SCHEDULE FOR CURRENT AND PROPOSED LOANS

Description	\$2.5M CSFA 2019A Loan	\$2.5M CSFA 2020A Loan	\$2.0M CSFA 2020B Loan (estimated)	Total CSFA Loan Receipts/Repayment
Jul 19				0
Aug-19				0
Sep-19	2,500,000			2,500,000
Oct-19				0
Nov-19				0
Dec-19				0
Jan-20				0
Feb-20	(365,000)	2,500,000		2,135,000
Mar-20	(525,000)			(525,000)
Apr-20	(560,000)			(560,000)
May-20	(525,000)			(525,000)
Jun-20	(525,000)			(525,000)
Jul-20		(150,000)		(150,000)
Aug-20		(220,000)	2,000,000	1,780,000
Sep-20		(440,000)		(440,000)
Oct-20		(415,000)		(415,000)
Nov-20		(415,000)		(415,000)
Dec-20		(445,000)		(445,000)
Jan-21		(415,000)		(415,000)
Feb-21			(400,000)	(400,000)
Mar-21			(400,000)	(400,000)
Apr-21			(400,000)	(400,000)
May-21			(400,000)	(400,000)
Jun-21			(400,000)	(400,000)
TOTAL	0	0	0	0

**APPENDIX D:
MONTHLY LCFF REVENUES SUBJECT TO THE SCO INTERCEPT
(Table Courtesy Key Charter Advisors)**

**Encore Education Corporation (Riverside Campus)
EDUCATIONAL FACILITY 2020 TAXABLE LOAN, SERIES A
2020-21 Monthly Interceptable Revenues (State Controller's Office Intercept)**

Monthly payments of LCFF State Aid and LCFF Education Protection Account (EPA) funding for the months from July 2020 through January 2021 are referred to as the Advance Apportionment and are based on average daily attendance generated through the 2019-20 P-2 attendance period. These payments are not affected by changes in 2020-21 fall enrollment or attendance.

In practice, as monthly apportionments are generated from July 2020 through January 2021, the Loan Agreement payments will be intercepted at the State Controller's Office level and transferred to pay the Loan Agreement payments. The amount of available revenues in each month will be approximately 1.25x coverage of the monthly Loan Agreement payments.

If for any reason amounts are not sufficient in any month to pay the Loan Agreement payment in full, the School is required to pay the shortfall from other sources or cash on hand. In no event will the SCO be obligated to transfer any amount over what is received on Encore's behalf.

	Jul 2020 - Jun 2021	Jul 2020 - Jun 2021
2020-21 Advance Apportionment Projection:	2020-21 Annual Total	2020-21 Advance Appt
LCFF State Aid (2020-21 assumes 3% COLA as per DOF)	\$ 5,868,400	\$ 3,227,620
LCFF Education Protection Acct (@ \$200 per 2019-20 P-2 ADA)	149,462	74,731
Projected 2020-21 LCFF Funding	\$ 6,017,862	\$ 3,302,351

ENCORE - RIVERSIDE	Jul 2020	Aug 2020	Sep 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Apportionment
LCFF: State Aid	293,420	293,420	528,156	528,156	528,156	528,156	528,156	3,227,620
LCFF: Ed Protection Acct	-	-	37,366	-	-	37,366	-	74,731
LCFF: Combined Revenues Subject to Loan Agreement Payment*	293,420	293,420	565,522	528,156	528,156	565,522	528,156	3,302,351
	234,944	233,610	452,336	424,788	422,384	449,981	417,404	2,635,448
Coverage Ratio	1.25x	1.26x	1.25x	1.24x	1.25x	1.26x	1.27x	1.25x

*paid on the 1st of the following month

APPENDIX E
COST of LOAN vs. FACTORING & FACTORING SCHEDULE THROUGH LIFE of CSFA
LOAN

California School Finance Authority					
Loan Agreement (Riverside Campus)					
(Encore Education Working Capital Financing)					
COMPARISON WITH FACTORING					
Factoring Fee (as % of amount):	8.6700%	FACTORING RESULTS			
		Factoring Fee Rec'd:	\$	306,485	
		Total Cost of Funds	\$	306,485	
INPUTS					
Total Factoring	\$ 3,535,000				
Factoring Fee (paid at maturity)	306,485				
Total Future Receivables Paid:	\$ 3,841,485				
		VS. LOAN RESULTS			
		Loan Costs	\$	105,000	
		Loan Interest:		135,448	
		Total Cost of Funds	\$	240,448	
Closing Date:	2/5/2020				
Final Maturity Date:	7/1/2020				
		Amount Saved By School		66,037	
<u>Date</u>	<u>Factoring Disbursement</u>	<u>Future Repayment</u>	<u>Factoring Balance</u>	<u>Factoring Discount/Fees</u>	<u>Total Payments</u>
2/5/2020	590,000.00	-	590,000.00	-	-
3/1/2020	560,000.00	-	1,150,000.00	-	-
4/1/2020	580,000.00		1,730,000.00	-	-
5/1/2020	625,000.00		2,355,000.00	-	-
6/1/2020	560,000.00		2,915,000.00	-	-
7/1/2020	620,000.00	(590,000.00)	2,945,000.00	(51,153.00)	(641,153.00)
8/1/2020		(560,000.00)	2,385,000.00	(48,552.00)	(608,552.00)
9/1/2020		(580,000.00)	1,805,000.00	(50,286.00)	(630,286.00)
10/1/2020		(625,000.00)	1,180,000.00	(54,187.50)	(679,187.50)
11/1/2020		(560,000.00)	620,000.00	(48,552.00)	(608,552.00)
12/1/2020		(310,000.00)	310,000.00	(26,877.00)	(336,877.00)
1/1/2021		(310,000.00)	-	(26,877.00)	(336,877.00)
2/1/2021	-		-	-	-
Total	3,535,000.00	(3,535,000.00)		(306,484.50)	(3,841,484.50)