Office of the California State Treasurer

and

California School Finance Authority (CSFA)

Presents:

Webinar - "Charter School Revolving Loan Fund Program"

Wednesday, January 16, 2019

10:00 a.m. to 11 a.m. PST

SLIDE 1: CHARTER SCHOOL REVOLVING LOAN FUND PROGRAM WEBINAR

 >> KATRINA JOHANTGEN: Good morning and welcome to the California School Finance Authority "Charter School Revolving Loan Fund" Webinar. The date is January 16, 2019, and it is approximately 10:00 a.m. My name is Katrina Johantgen, I'm the Executive Director of the California School Finance Authority, and I want to welcome all of you to the webinar. I wanted to take care of a few housekeeping items, if you experience any technical issues, please contact GoToWebinar at 1-877-582-7011 or go to the support website listed on the cover of the presentation. Live captioning is also

available at the Streamtext website and recording of the presentation and the PowerPoint presentation will be available on the CSFA website. We anticipate having the webinar presentation posted by the end of the day or tomorrow and depending on the volume of questions asked we should have the Q&A's posted by the end of the week.

SLIDE 2: INTRODUCTIONS

The next slide were going to present the introductions and the speakers. As I mentioned, my name is Katrina Johantgen I am the Executive Director of the California School Finance Authority. Ryan Storey is the Co-Lead Analyst on the Revolving Loan Fund and he will be presenting information today, as well as Kristen Schunk, who is the Co-Lead Analyst with Ryan. At this point, I wanted to mention that if you have any questions during the presentation, you can email them to us at the csrlf@treasurer.ca.gov website and that website is up on the screen now. You can also submit questions on your panel to the organizer and we will look over those questions as the presentation unfolds. If there is one issue that needs clarification, we will do that during the presentation but otherwise, look for the Q&A's up on our website at a later date.

SLIDE 3: AGENDA

And with that, I'm going to turn it over to Ryan Storey, who will be walking us through the program overview, discussing eligibility, providing a funding round update. Kristen will walk us through the application overview and submission, the review process, the funding process and provide you with contact information. So with that, I'd like to turn it over to Ryan.

SLIDE 4: OVERVIEW

>> RYAN STOREY: Thank you, Katrina. Alright we just to give a quick overview to the

CSRLF Program. So in July 2013, CSFA began oversight of the Program through the Authority set forth in AB (Assembly Bill) 86, the program was originally run by the California Department of Education, just to kind of provide the general sense of the Program just in case anybody is unaware. This program is a state-funded loan program that provides low interest loans of up to $250,000 to new charter schools. Since the Authority began accepting applications, there has been five funding rounds and that has resulted in total awards to 191 Charter Schools of 47.1 million dollars. Just to let you know about the interest, how its set, the loan funds are loaned at the interest rate earned by the money in the Pooled Money Investment Account as of the date of the disbursement of the funds to the Charter School. So you can see on the slide in front of you, we have the annual average yield for 2017-18. As of December 2018, the rate has increased to 2.291. You can also track the rate on the State Treasurer's website under "Pooled Money Investment Account." Alright, we can move to the next slide.

SLIDE 5: OVERVIEW (CONTINUED)

Again, continuing the overview, new California Charter Schools experience some cash deficits in their first few months of operation because of delays in their state apportionments and this Program is critical to the success of many of these Charter Schools because it provides start-up cash. This critical funding can be used to fund all expenses a brand new charter school may have, such as teachers' salaries, curriculum, books, furniture, facilities, etc. I'm going to pass the baton to Kristen to discuss eligibility.

SLIDE 6: ELIGIBILITY

>>KRISTEN SCHUNK: Good morning everyone. You can find further eligibility information in detail in our program regulations on our website; Section 10170.18 (a)

through (k). I'm going to go through the eligibility requirements within the next few slides. So an applicant will be eligible to apply for a loan if the following conditions are met. The application is submitted by a Charter School or by a Chartering Authority. The Charter School is established pursuant to Education Code Section 47600 and so on. For schools in operation, an approved charter has been awarded, is in place, and is current at the time of application. In the case of a first year Charter School, the applicant shall submit evidence that its charter petition has been submitted to a Chartering Authority for approval and that it anticipates operations in the following fiscal year. So schools that plan to open in 2020 will not eligible for this funding round.

SLIDE 7: ELIGIBILITY (CONTINUED)

If the applicant is a charter school applying on its own behalf, the Charter School shall be an incorporated Charter School as demonstrated by Articles of Incorporation. The Charter School is not a conversion from an existing public school, the charter school has not had its charter renewed as of the date of submission of its application. The Charter School has no material legal issues. If the school does have material legal issues, they will be reviewed by our legal counsel to check for eligibility.

SLIDE 8: ELIGIBILITY (CONTINUED)

A Charter School may receive multiple loans, but in no instance may a Charter School receive more than 250,000 in program loans over the lifetime of their charter. The Charter School and or affiliated organization must be compliant with all programs administered by the Authority. The Charter School must be in good standing with its chartering authorizer and in compliance with the terms of its charter. And lastly, the Authority shall determine whether the application is complete, and if the Authority determines that additional

information is needed, the Authority shall notify the applicant and request such information. If the applicant fails to provide this information as requested, the applicant shall be ineligible for a program loan. And I'll send it back to Ryan.

SLIDE 9: FUNDING ROUND UPDATES

>> RYAN STOREY: Thank you Kristen, So we just wanted to give some funding round updates and as well put kind of a bow on the 2017-18 funding round. So at the beginning of the funding round Last year, we had approximately $10 million available for funding. Originally it was oversubscribed with applications, but after staff reviewed eligibility and after some schools withdrew their application, we ended the funding round awarding to 38 schools and totaling $9.32 million. This was our first funding round, where we in an effort, to help limit defaults, the Authority added a new disbursement process to the Program. Now schools will receive their loans incrementally throughout the year, in up to three disbursements based on CDE's attendance data. Rather than in one lump sum as its been done in the funding rounds prior, such as '16-17. In 2018-2019, schools applying for the Program, again, we want to hammer this home must be opening this Fall 2019 or must be already in operation without a charter renewal. So schools that are in operation in their first charter term. Priority funds will be given to schools that are opening in Fall 2019 and then the schools that are already in operation in their first term will be given second priority. Approximately 8 million dollars is available for funding this year. Next slide please.

SLIDE 10: APPLICATION OVERVIEW

We just wanted to now step into an overview of the application itself. The loan application, Program Regulations, the FAQs, which we'll update after this meeting is over will all be

available on the CSFA website and the link is attached right here. Throughout the year, if you have any questions or concerns, and you need to address our regulations or the FAQs, they will be available year-round. The loan application though will only be available during the application period.

SLIDE 11: APPLICATION OVERVIEW (CONTINUED)

So now we are going to walk through the pages of the online application. All applicants will need to create a log-in with a password. Once a log in is created, a confirmation email will be sent to the email used to create the account. Once verified, you may sign in and start the application. As you will note at the bottom of the page, you'll see "register here if you do not have an account." Please select this link to create your account. Now, to move on to the next screen, and which will be the Welcome Page of the application once you sign in.

SLIDE 12: APPLICATION OVERVIEW (CONTINUED)

So after logging in, and selecting in the open application link, you are directed to this first page. Now this first page provides a short overview of the Program, as well as our regulations and authorizing statutes. Just to go over some key points that are mentioned there, applicants must submit an answer each field and that will be brought up again, we want to hammer that home to the ease of the application process. Each upload must be in a PDF file, hopefully in a text readable or recognizable format and no more than 5,000 kilobytes. We will address how to alleviate that issue as we go along on this process here. Applicant also must click a finished checkbox at the end of each application to submit the answers. And we also listed our email and phone number on there, as well, if you have any type of information issue that you would like to discuss with us or alleviate.

Applicants will not be able to re-enter the application once submitted. And to be eligible for funding, the application must be submitted by the due date, posted on the CSFA website which is 22nd of February. Again another thing we'll be hammering home to make sure it is realized. If you are applying on behalf of a school that is opening in 2019, you have to select the option of "No CDS Code," submit new application which is at the bottom underneath the box. If you already have a school that has a CDS Code, then please do enter the CDS code in the box above and click continue. And now, I'm going to pass it to Kristen to go over the rest application process parts.

SLIDE 13: APPLICATION OVERVIEW (CONTINUED)

>>KRISTEN SCHUNK: Okay, I'm going to be going over Page 1, the Applicant-Charter Information. To start off, you are going to first choose your loan request. First, the loan amount can be no more than 250,000. If the school already received a partial award in the past, they may only request the balance of the 250. For example, if last year, your school received 100K, you should be requesting only the remaining 150K. As for the loan repayment period you can choose between 1 to 5 years. The CSFA will consider the term of the charter as well as the amount of the loan in establishing the repayment period. The loan term is not going to exceed the length of the schools approved charter term. So for example, if your school just received their charter for five years, and it expires in June 2024, the CSFA will only award a loan term of up to four years, since the repayment of the loan won't begin until 2020. Moving down to Charter School Information. This information will vary whether between if you are a new school versus a school in operation. If you are a new school, we're looking for an answer for each field, but we understand that some of you might not have all of the information yet. Specifically, a

Charter Number, CDS Code, physical address, charter approval date, or approved charter term. Sometimes, towards the bottom, I know there's an option with the date of charter approval or expected date of charter approval, please put in the expected date of charter approval. So just make sure you're looking out for those. If you are a school in operation, you must answer each of these items, but, because you are populating your CDS Code on that first page, a lot of the information on this 1st page of the application will be populated already with information from the California Department of Education's website. If you notice that something on the page is populated is outdated from CDE's website, please just revise it. Just touching on a couple items on this page. Affiliated Organization, this is a regulation term it means a legal entity that assume financial, legal, and operational responsibility for a Charter School. Including but limited to: A school district, parent company, and Charter Management Organization. Under Contact Person Information; the CSFA contacts the schools often by email during the review process, so please make sure that the contact information is correct, and the contact person is someone that can provide application information, and answer questions about the Charter School. And then lastly, at the bottom, the Elementary School Attendance Area, this is specifically used in the case of a program oversubscription and the school doesn't have free or reduced price meal data of its own, specifically new charters. To find this information, you can use the school's physical address, or in the case of a non-site-based school, its mailing address, contact the district the school is located in or check the districts website for their school locator. And just one more note about this, this is just an application note. At the bottom, you'll see the check if the applicant charter information on this page is complete, that's the checkbox that we are talking about. So at the end of

each page, you can either click the checkbox if everything on this page is complete and then, press "Save & Continue" or you can just click the Save & Continue button at the bottom if you just want to flip through all of the pages and it will just save whatever you have on this page currently. Okay. We can move on to the next page.

SLIDE 14: APPLICATION OVERVIEW (CONTINUED)

This is Page 2, Applicant-Charter Information and Charter School Questions. So at the top it says please select one. You are going to choose Option A if the school is a corporation. Please type in the corporation name as written on the Articles of Incorporation and upload the PDF file of the schools Articles of Incorporation as approved by the California Secretary of State. Option B, if the school is a dependent charter, please type the school's authorizer's name, and upload a PDF file of the schools agreement or Memorandum of Understanding between Charter School and Chartering Authority. And then below that are the Charter School Questions, which are self-explanatory, just make sure that you check an answer for each box. And I just want to make another application note here, if you choose to check the checkbox at the end of the page and click, "Save & Continue", make sure all of the items are complete. Because if the page isn't complete when you click save and continue you will lose your PDF document and you'll have to choose the file again. And this may not be a huge problem when it comes to this page, but in the coming pages there are multiple uploads you have to do and if you miss one and click the checkbox and the "Save & Continue", then you lose all of them and you have to choose the file again, which takes some time. And then I'll pass it back to Ryan.

SLIDE 15: APPLICATION OVERVIEW (CONTINUED)

>>RYAN STOREY: So as Kristen mentioned, and just to hit that note home again, this

is the beginning of the pages with a lot of PDF uploads so if you don't complete these pages, you will have to upload the documents again. So do pay attention and do a triple review if you have to save yourself the headache. So the first part of the 3rd page is a brief description of the financial needs of the Charter School in a way to justify the loan and to give a brief description of the intended uses of the loan proceeds. So in that box to your right that's highlighted, there is a 2,000 character limit. Seems to be okay for schools, there hasn't been an issue that I can think of that we've had to provide an email or attachment or anything like that but, if it is the case, you can reach out to us.

And then on to the next slide, which is the rest of Page 3.

SLIDE 16: APPLICATION OVERVIEW (CONTINUED)

This is the beginning of the uploading of many PDFs. So I just wanted to touch on a few of these seven just to make sure there some nuances explained. So for the 1st upload, the most recent business plan and or strategic plan; if the school don't have this in a specific or separate document, but it is part of their charter petition or has information relevant to that charter petition, go ahead and click N/A, and then you'll be able to provide the charter petition later on in the file uploads and then we will realize that it's in the charter petition. So for the fourth upload, regarding enrollment and attendance, so we want enrollment and attendance for the current year if it's a school that is already in operation, and then we need at least five academic years. So until the year 2023-24 for this funding round, please provide the information broken out by grade level though. As you can see in the small box that's underneath the arrow on your screen this is an example of a school that applied a few years ago. They didn't have anything in the current year because there a new school, but as you can see when they grew they broke it out by grade level, to help

us be able to use that information in our analysis, so please do break it out by grade level even if you do provide the total, we do need that break out. The seventh upload is a valid charter between the applicant and its authorizer along with verification of the charter approval and terms or the charter petition itself with documentation confirming the submission for approval. So to kind of get into more detail about that, so if your charter has already been approved, CSFA needs the charter petition itself and a verification document such as board minutes and or an approval letter from the authorizer. If the charter petition is not yet to be approved and is up for approval at a future board meeting, CSFA will need again the petition and also some type of verification document that the petition has been submitted to an authorizer and we to be able to know the date on which that item is on the agenda for approval. Last year there were charters/applicants that had trouble uploading charter petitions due just to the large files size have been typically. If you do find yourself in this problem or any documents that are over the 5,000-kilobyte limit, please just email the documents to CSFA at the CSRLF website that is listed earlier on the introduction slide or to let you know again, it is csrlf@treasurer.ca.gov. And use a placeholder document on the online application stating something like emailed documents to the Authority or just informing that it's sent in a separate email. For that, every single document needs to be uploaded; and so do not assume that if you email a document that it doesn't need to be uploaded, it does need to be uploaded and least with the PDF saying that it is emailed to the Authority email. And again, PDFs it would be really great to the Authority if they're in a text readable or recognizable format for Adobe. It would help us with our review process.

SLIDE 17: APPLICATOIN REVIEW (CONTINUED)

So moving on to the second part of our giant document input is the financial documentation. So a few different documents we're looking for is the audited financial statements, again if this is available, we need budget projections for the current year if in operation, even if not observing students, if the cooperation or the company is in operation, and, at least, the next five fiscal years beyond the fiscal year in which the applicant is applying. So it's going to be 5 total years for schools that are opening in Fall 2019 and six total years for schools that are already in operation. All schools should project out to 2023-24 for this funding round. We also need assumptions alongside that, assumptions should be on a separate piece of paper or a separate document, and they should include the following, but not limited to: COLA increases for revenue or expenses, any LCSF variables, such as unduplicated pupil population, FRPM percentage which is free or reduced meals percentage, English learner, foster youth, anything relevant to the LCSF funding calculations, as well as base grant amounts per grade stand etc. Also please, when providing these projections, reference the California School Accounting Manual, which is published by CDE. And they use the budget code we use in our projection and model calculations, so do use that as a reference if you need a reference for budget codes. We also need a listing and verification of other sources of funding, such as private contributions, fundraising, or grants. Grants, we definitely need a lot of verifiable documentation whether it be proof of submission, and proof of receipt. And as well as some type of communication with the granting body. Listing and verification of the total amount, annual amount, interest rate, and maturity rates for all existing and anticipated short and long-term debt obligations. Please do note that this includes any type of factoring or cash flow borrowing, we need that information provided in these

12

projections, as well as the information provided separately in this PDF. And also in the 1st box below, Please describe the impact of the receipt of the loan will have on the charters cooperation as well the receipt of any other public or private financing. So just a general overall effect that the school will benefit or gain from this loan and also box please describe any creative use of funds such loan guarantees such as a Credit Enhancement. Moving on to --

   >>KRISTEN SCHUNK: Ryan really quick, I want to clarify for the budget projections, when we ask for the budget projections and the assumptions, although, the assumptions are on a separate document or a separate sheet, please scan the budget and the assumptions together and upload them to that one upload for budget projections. Does that sound right, Ryan?

   >>RYAN STOREY: Yes, please do. That will be part of it, it will just expedite the process because we'll to have to reach out for the assumptions if they're not provided.

   SLIDE 18: APPLICATION OVERVIEW (CONTINUED)

So moving on to the next slide and to give you guys a kind of oversight into what we actually use in a visual sense for our model and our review. So the financial documents that we receive get put into this model. You can see the budget codes on the left that we use and the break out of certain items, we really want to note specifically, that we do request that facility costs and equipment leases are broken out individually from operating services costs. That way we can make sure they are in the model, and verify they are broken out, and there is no discrepancy between them. With that, I'm going to pass it back to Kristen.

   >> KRISTEN SCHUNK: Page 5 is the last page of the application. We going to be

looking at the Legal Status Questionnaire and the Charter School Certification. So if you've applied for programs through CSFA before, you've probably seen the Legal Status Questionnaire. So this is a little redundant here but we are going to be answering questions 1 and 2 here on the online application, but you are also going to click to download the signature form and you will also be answering the questions on the form, as well. We need both of those to help our review process. If you are going to choose N/A or not applicable as your answer, click "N/A" on the online application, download, print and sign the form and make sure to also write N/A on the form as well under the question. If you have a response to a question, please click "See Attached" on the online application, download, print, and sign the form, and make sure to also write "See Attached". Write the response for each question on a separate official letterhead document, upload the signature document in the appropriate upload, as well as the response document. So please don't upload the documents together, please upload the signature document in the first upload and the response document in the second upload, if applicable. Just a note, the Authority does not accept Docu-sign signatures. Please physically sign and scan the document. The signature form must be signed by two authorized signatories of the school. If the school does has a response for either section, the Authority legal console may request further information during the review process.

SLIDE 19: APPLICATION OVERVIEW (CONTINUED)

The next slide is the Charter School Certification that's on the same page; Page 5. So you're going to choose Option A or B, as you did towards the beginning of the application. Download, print, and sign, and upload the signed certification page, and just make sure that the form is signed by an authorized signatory from the school. And a reminder the

Authority doesn't accept Docu-sign signatures. Please physically sign and scan that document. At the end here right at the bottom of the page is the Submission. So at this point, you may either submit the application, or review and edit the application. If you submit the application, and there are no errors, you will receive a confirmation email from CSFA. And then, your application will be submitted, and you no longer can log into this application. If you submit the application and you did not click the check boxes on the bottom of each of these pages, then the application will prompt you to review the specific pages that are not complete. If you decide to review the document, you'll be able to review the whole application up until the moment you submit. And that's it for the application review. So, Ryan will take it with the submission.

SLIDE 20: APPLICATION OVERVIEW (CONTINUED)

>> RYAN STOREY: Thank you, Kristen. And on that submission note, the deadline for the 2018-2019 Funding Round is going to be February 22nd at 5:00 p.m. This is a hard deadline so there is no late applications allowed. Do make sure that you get the application fully complete and submitted by that date to make sure that we can look at complete applications. We do want to say there are paper applications available upon request. The same rules do apply, the deadline is still 5:00 p.m. on the 22nd. We do not recommend this though because of the extra work the applicants have to do and given the ease and the success of the online process, we really do advocate applicants using that. Just wanted to touch on the review process on the next slide.

SLIDE 21: REVIEW PROCESS

So after the application due date, staff will send notice to schools that their applications

were received, and now, under review. The Priority 1 school reviews for the schools that are opening in 2018-2019, typically last from March through June depending on how many schools that we have applying to program. If the funds are still available after these priority 1 approvals, The Priority 2 schools, the schools that are already in operation without a charter renewal or in the first term, another way to put it, their review will typically last from June to November just based on historical evidence. And then I'm going to throw it back to Kristen for the Initial Funding Process.

   >> KRISTEN SCHUNK: So for the Initial Funding Process that all takes place after reviews. So once the analysts have gone through all of the reviews, we've determined which schools will be recommending for award, those recommendations will go to a CSFA Board Meeting normally between the month of June and November. Once approved by the CSFA Board, the staff will be reaching out to the awardees to verify/provide further information for funding, such as their charter approval, charter number, CDS Code, opening date if not already in operation, their physical/mailing address, PENSEC forms for new schools and a STD 204 form. The STD 204 form is a new State Fiscal Accounting form that State Controller's Office requires. It determines the award recipients name and mailing address, If you are receiving funds through CSFA, any other CSFA programs, I'm sure you are familiar with the form now. And then, once staff reviews and confirms everything is good to go, the school will be sent a loan agreement and governing board resolution to execute. And once CSFA receives those executed loan documents, CSFA will start the disbursement process. The first disbursement check will be received by the school within 4 to 6 weeks after State Controller's Office receives the warrant from State Treasurer's Office Accounting.

And then the school will receive its other or up to 2 disbursements, up to 3 total in that year, later on in the same fiscal year. As for repayment, repayment begins the following fiscal year after the schools disburse their loan. In the case of these 2018-2019 funding round awardees, they'll begin repayment in Fall 2020, payments are normally made through the offset/intercept process through the Schools State apportionment and if the school does not have an apportionment for whatever reason, they will be invoiced for their monthly payment.   We are going to move onto the last slide and that's Contact Information.

SLIDE 22: CONTACT INFORMATION

These are the folks, including Ryan and I that you are going to be hearing from the most during revolving loan reviews. Again, you can submit questions after the webinar by emailing us at csrlf@treasurer.ca.gov. We'll be answering questions this week, and next week, and hope to have answers out to you shortly. We may post some of them to our Frequently Asked Questions. The PowerPoint will be available on our website after the meeting and the recording and transcripts will be posted on our website in the next couple weeks. Anything else?

>> KATRINA JOHANTGEN: No, I wanted to thank everyone for joining us today, Kristen and Ryan for your time. As Kristen mentioned if anyone has any questions, please feel free to email us, pick up the phone and call us. We are available to answer questions and we look forward to receiving and processing applications for 2018-2019. Thank you, everyone.

>> KRISTEN SCHUNK: Thank you. Have a good day!