

MEMORANDUM

Staff Summary No. 4

Date: September 9, 2015

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution 15-26 – Approval of the Revolving Loan Fund Program Recommendations and Amounts (Action Item)

Background: In December 2014, the California School Finance Authority (CSFA) posted the Charter School Revolving Loan Fund Program (CSRLF) application for the 2014-15 funding round. In January 2015, CSFA notified all California charter schools of the availability of the 2014-15 Program funding round application, and required all applications to be submitted to the Authority by February 24, 2015 at 5:00 P.M.

- In total, 72 CSRLF applications were received, of which two were received after the deadline and were not eligible for review.
- In March 2015, the Authority adopted permanent Program regulations.
- Since February, CSFA staff has been assessing the 70 eligible CSRLF applications, following the framework established by statute and regulation, and the review process attached in Exhibit A.
- Pursuant to CSRLF Program regulations, staff reviewed two tiers of applications: (1) the 50 schools opening in 2015-16 that were considered priority one applications; and (2) the 20 schools that have already opened and were classified as priority two applications.
 - Loan requests from priority one schools opening fall 2015 totaled \$12.5 million, while loan requests from priority two totaled \$4.9 million. The total loan request of \$17.4 million exceeded available loan funds of approximately \$12 million.
- At its June 25, 2015 meeting, CSFA approved 35 priority one schools for loans totaling \$8.75 million.
- At its August 12, 2015 meeting, CSFA approved an additional 4 priority one schools for loans totaling \$1 million.
- In August 2015, a priority one school awarded at the June board meeting withdrew from the Program, leaving an additional \$250,000 available for funding to priority two schools, for a total of \$2.4 million.

The CSRLF Program currently has approximately \$2.4 million to fund loans for priority two schools. With respect to the 20 priority two applications, staff deemed five schools ineligible and two schools withdrew their applications. As the Program is oversubscribed, CSFA staff followed Program regulations (Section 10170.20 (d)), which gives priority to schools with the highest percentage of students eligible for free or reduced price meals in the attendance area for the grade-level equivalent district-operated school. After reviewing and ranking priority two schools based on the methodology outlined above, staff is recommending the following eight priority two applications for loans totaling \$2 million at the September 9, 2015 board meeting. For your review and consideration, staff provides our underwriting process and methodology as Exhibit A, and our summary findings for each school in the attached Exhibit B.

2014-15 Funding Round – Recommended Priority 2 Applicants

	School	CDS Code	Loan Award
1	Taft T. Newman Leadership Academy	36-67876-0126706	\$250,000
2	Prepa Tec Los Angeles	19-64733-0127936	\$250,000
3	SIATech Academy South	19-75309-0131383	\$250,000
4	Village Charter Academy	19-64733-0129866	\$250,000
5	Everest Value School	19-64733-0129858	\$250,000
6	Beacon Classical Academy National City	37-68221-0132621	\$250,000
7	Stephen W. Hawking Math and Science Charter School	37-68411-0126086	\$250,000
8	Stephen W. Hawking II S.T.E.A.M. Charter School	37-68411-0128082	\$250,000
Total:			\$2,000,000

CSFA staff plans to bring remaining recommendations to the next board meeting to close out the 2014-15 funding round.

Recommendation: Staff recommends that the Board adopt Resolution No. 15-26, approval of the revolving loan fund recommendations and amounts to the schools listed above. Staff is charged with providing schools with notification of loan approval, distributing loan agreements, executing loan agreements, and carrying out all necessary steps to disbursing funds to schools.

Exhibit A

Charter School Revolving Loan Fund Program

Application Review Process

1. **Application Package Review**: Confirmed that the submittal complied with application terms such as:
 - Met application deadline
 - Met eligibility requirements set forth in regulations (Section 10170.18)
 - Submitted required documentation with signatures, where applicable
 - Loan request is less than or equal to \$250,000
 - Repayment period is 5 years or less

2. **Operational Analysis**: Determined whether minimum qualifications were met such as:
 - Approved articles of incorporation
 - Signed legal status questionnaire
 - School is in good standing with chartering authorizer and in compliance with charter terms (if applicable)
 - Has approved charter in place
 - Detailed business plan and/or charter petition
 - Board of Director listing with no apparent conflicts
 - Key staff resumes demonstrate relevant education and experience
 - Projected enrollment and ADA supported by student enrollment and/or waiting lists
 - Evidence of a facility use agreement or draft agreement, if applicable
 - In compliance with other CSFA programs (if applicable)

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 other sources of funding
 - Impact of loan on other financing
 - Reasonableness of budget assumptions
 - Alignment of revenue projections with comparable data available from the California Department of Education
 - Calculated financial ratios within range when compared against benchmarks
 - Focused on debt service coverage with and without net assets and contingencies

4. **Loan Recommendations**: Considered all operational and financial information and assumptions for each loan and performed the following:
 - Assigned risk levels—low, moderate, or high
 - Sort applicants by priority and region in accordance with California Code of Regulations §10170.17(l) through (o)
 - Assess the percentage of students eligible for free or reduced price meals in the attendance area for the grade-level equivalent district-operated school in accordance with California Code of Regulations §10170.20 (d), if oversubscribed
 - Based on the availability of funds, recommended specific loans for approval or non-approval

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Applicant	Beacon Classical Academy National City
CDS Code	37-68221-0132621
Charter #	1749
Opening Date	8/1/2014
CMO/EMO (If Applicable)	NA
Chartering Authority	National Elementary School District
County	San Diego
Loan Amount	\$250,000
Loan Term	5 Years
Loan Recommendation	Staff is recommending that Beacon Classical Academy National City be awarded a loan.
Staff Considerations & Findings <ul style="list-style-type: none"> ➤ Business/strategic plan ➤ Outreach ➤ School Demographics ➤ Key Staff Education/ Experience ➤ Facility Lease Agreement (If Applicable) ➤ Enrollment ➤ Financial Analysis 	<ol style="list-style-type: none"> 1. The school has a thorough and reasonable business/strategic plan. 2. MISSION: To train the minds, improve the hearts, and develop the innate talent of young people through a rigorous, classical education in the liberal arts and sciences, moral character, and civic virtue. 3. A few of the schools marketing techniques consist of: Creating flyers and brochures written in English and Spanish to hand out to the public and inviting community members to monthly school meetings. In addition, the school says that they were currently featured in the local San Diego newspaper which increased public interest. 4. The school projects that their student demographics will represent 93% Hispanic, 53% English Language Learners, and 90% free or reduced priced meal. 5. Resumes of key staff show individuals with strong education and charter school experience with doctorate and/or bachelor degrees. 6. The school has a lease with the South Bay Community Church in National City. 7. According to the California Department of Education’s March 2015 data, the school had 128 students. The school provided a current enrollment list of 180 students. These actuals are comparable to the school’s enrollment projections. 8. The school meets debt service coverage requirements for 5 out of 5 years. 9. The school’s financial projections show sufficient net assets available in years 2015-19. 10. Availability of other sources of funding include: Approximately \$8,000 in fundraising throughout the 2014-15 fiscal year.

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Applicant	Everest Value School
CDS Code	19-64733-0129858
Charter #	1638
Opening Date	8/1/2014
CMO/EMO (If Applicable)	Value Schools
Chartering Authority	Los Angeles Unified School District
County	Los Angeles
Loan Amount	\$250,000
Loan Term	5 Years
Loan Recommendation	Staff is recommending that Everest Value School be awarded a loan.
Staff Considerations & Findings <ul style="list-style-type: none"> ➤ Business/strategic plan ➤ Outreach ➤ School Demographics ➤ Key Staff Education/ Experience ➤ Facility Lease Agreement (If Applicable) ➤ Enrollment ➤ Financial Analysis 	<ol style="list-style-type: none"> 1. The school has a thorough business/strategic plan. 2. Other Value Schools have applied for revolving loans in the past and have successfully repaid them. 3. The school’s mission is to educate its students so that they may become persons who make a positive difference for their society and their world. 4. The school has researched community organizations such as parks and recreation centers, early childhood centers, medical and dental clinics, etc. and has enlisted their support in recruiting a diverse student population. 5. The school projects that their student demographics will represent 86.9% Hispanic, 3.3% Asian, 2.3% African American, 54.6% English Language Learners, 10% Special Education, and 97% Average Daily Attendance. 6. Resumes show that key staff are highly educated individuals with either master degrees in education or business administration. All key staff has education or charter experience. 7. The school has a lease with the Immanuel Presbyterian Church in Los Angeles. 8. According to the California Department of Education’s March 2015 data, the school had 170 students. The school provided a current enrollment list of 206 students and a waiting list of 46 students. These actuals are comparable to the school’s enrollment projections. 9. The school meets debt service coverage requirements for 5 out of 5 years. 10. The school’s financial projections show sufficient net assets available in years 2015-19. 11. Availability of other sources of funding include: \$250,000 through the Public Charter School Grant Program, \$250,000 through the Walton Family

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	Foundation, and an award through the Charter School Facilities Grant Program.
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Applicant	Prepa Tec Los Angeles
CDS Code	19-64733-0127936
Charter #	1542
Opening Date	8/1/2013
CMO/EMO (If Applicable)	Alta Public Schools
Chartering Authority	Los Angeles Unified School District
County	Los Angeles
Loan Amount	\$250,000
Loan Term	5 Years
Loan Recommendation	Staff is recommending that Prepa Tec Los Angeles be awarded a loan.
Staff Considerations & Findings <ul style="list-style-type: none"> ➤ Business/strategic plan ➤ Outreach ➤ School Demographics ➤ Key Staff Education/ Experience ➤ Facility Lease Agreement (If Applicable) ➤ Enrollment ➤ Financial Analysis 	<ol style="list-style-type: none"> 1. The school's charter petition includes a comprehensive outreach plan. 2. The school's local target population within Southeast Los Angeles is more than 90% Latino/Hispanic, and the school projects that approximately 96% of students will be eligible for free and reduced-price meals. 3. The resumes of key management show substantial public school administrative and teaching experience, including charter school experience, with the CEO of Alta Public Schools, Xavier Reyes, having more than 10 years of experience, and the Principal, Barry Baxter, having more than 25 years of experience. 4. The school has grown in enrollment from 91 students in grades 6 and 7 in 2013-14 to 238 students in grades 6-8 in 2014-15, representing annual growth of over 100%, and the school currently has an enrollment list for 2015-16 consisting of about 370 students. The school's multi-year budget projections include the following enrollment projections, all for grades 6-8: 338 students in 2015-16; 390 students in 2016-17; and 468 students in all subsequent years. Both the school's enrollment list and the school's actual enrollment growth are supportive of the school's enrollment projections. 5. The school submitted two lease agreements for two separate sites: an agreement with Archdiocese of Los Angeles for \$192,000 per year at 2724 Belgrave Ave., Huntington Park; and an agreement with The First Baptist Church of Huntington Park for \$216,000 per year at 2665 Clarendon Ave., Huntington Park. 6. The school provided documented evidence of its being awarded a Public Charter School Grant Program federal start-up grant for \$575,000. 7. The school has sufficient net revenues to meet its loan payments in all projected years, with debt service

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	<p>coverage ratios ranging from 7.5 to 12.8.</p> <p>8. The school meets the contingency ratio requirement of at least 10% in all projected years except 2015-16, with ratios ranging from 11% to 42% in all other projected years. Including the proceeds from the loan, the school anticipates ending net assets ranging from \$217,274 in 2015-16 to \$2.18 million in 2019-20.</p>
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Applicant	SIATech Academy South
CDS Code	19-75309-0131383
Charter #	1700
Opening Date	8/1/2014
CMO/EMO (If Applicable)	NA
Chartering Authority	Acton Agua Dulce Unified School District
County	Los Angeles
Loan Amount	\$250,000
Loan Term	5 Years
Loan Recommendation	Staff is recommending that SIATech Academy South be awarded a loan.
Staff Considerations & Findings <ul style="list-style-type: none"> ➤ Business/strategic plan ➤ Outreach ➤ School Demographics ➤ Key Staff Education/ Experience ➤ Facility Lease Agreement (If Applicable) ➤ Enrollment ➤ Financial Analysis 	<ol style="list-style-type: none"> 1. The school has a thorough and reasonable business/strategic plan. 2. SIATech Academy South is a recovery school for dropouts in the Los Angeles and San Bernardino areas. They're an accredited independent study high school diploma program serving students age 16-24. 3. The school is currently implementing the following recruitment strategies: Using Facebook information and ads, targeted to youth 16-24 in the associated zip codes; Using Google Business and other search engine listing and ads, targeted to keywords from web users in associated zip codes; Reaching out via Workforce Partners (Puente Learning Center / Boyle Heights and Youth Policy Institute / Pico-Union) and recruiter's personal relationships (Vanessa Ochoa / Boyle Heights); Using and distributing printed materials such as postcards and storefront posters in English and Spanish. 4. According to the California Department of Education's (CDE) March 2015 data, the school had 80.6% of students eligible for free and reduced price meals and 21% of students were English learners. 5. Resumes show that key staff are highly educated individuals with either master's degrees in education or business administration. All key staff has education or charter experience. 6. The school has a lease with the Arbor E&T LLC. Db a ResCare Workforce Services in Oceanside and PUENTE Learning Center in Los Angeles. 7. According to the CDE's March 2015 data, the school had 67 students. The school provided a current enrollment list of 70 students. These actuals are comparable to the school's enrollment projections. 8. The school meets debt service coverage requirements for 4 out of 5 years. In year 1, where they are not

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	<p>making debt service, the school has available net assets to pay for their debt.</p> <p>9. The school's financial projections show sufficient net assets available in years 2015-19.</p> <p>10. Availability of other sources of funding include: None</p>
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Applicant	Stephen W. Hawking II S.T.E.A.M. Charter School
CDS Code	37-68411-0128082
Charter #	1524
Opening Date	7/1/2013
CMO/EMO (If Applicable)	NA
Chartering Authority	Sweetwater Union High
County	San Diego
Loan Amount	\$250,000
Loan Term	5 Years
Loan Recommendation	Staff is recommending that Stephen W. Hawking II S.T.E.A.M. Charter School be awarded a loan.
Staff Considerations & Findings <ul style="list-style-type: none"> ➤ Business/strategic plan ➤ Outreach ➤ School Demographics ➤ Key Staff Education/ Experience ➤ Facility Lease Agreement (If Applicable) ➤ Enrollment ➤ Financial Analysis 	<ol style="list-style-type: none"> 1. The school submitted a strategic plan that includes a comprehensive marketing/recruitment plan and retention plan. 2. The school’s target population is reflected by the following breakdown (within central Chula Vista): Black or African American: 4%, Asian: 3%, Filipino: 8%, Hispanic or Latino: 68%, Native Hawaiian or Pacific Islander: 4%, White: 13%. Approximately 85% of the school’s students are eligible for free or reduced-price meals. 3. The school provided a copy of its facilities use agreement with Sweetwater Union High School District, which reflects no annual rent costs with the only cost being that for maintenance. The district may charge the school a 3%-of-revenues oversight fee. 4. The school has grown from 166 students in grades K-3 in 2013-14 to 270 students in grades K-5 in 2014-15, representing overall growth of 63% in one year. The school also provided an enrollment list consisting of approximately 330 students as well as a wait list consisting of 191 students. For 2015-16 through 2019-20, the school is projecting 350 students, 390 students, 400 students, 400 students, and 400 students, respectively, all in grades K-6. The school’s actual enrollment growth as well as the enrollment list and wait list are supportive of the school’s enrollment projections. 5. The school has sufficient net revenues to meet its loan payments in all projected years, with debt service coverage ratios ranging from 1.2 to 2.8. 6. Without including the proceeds from the loan, the school meets the contingency ratio requirement of at least 10% in all projected years, with ratios ranging from 30% to 49%. Without including the proceeds from the loan, the school anticipates ending net assets

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	ranging from \$1.56 million in 2015-16 to \$1.79 million in 2019-20.
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Applicant	Stephen W. Hawking Math and Science Charter School
CDS Code	37-68411-0126086
Charter #	1407
Opening Date	7/1/2012
CMO/EMO (If Applicable)	NA
Chartering Authority	Sweetwater Union High School District
County	San Diego
Loan Amount	\$250,000
Loan Term	5 Years
Loan Recommendation	Staff is recommending that Stephen W. Hawking Math and Science Charter School be awarded a loan.
Staff Considerations & Findings <ul style="list-style-type: none"> ➤ Business/strategic plan ➤ Outreach ➤ School Demographics ➤ Key Staff Education/ Experience ➤ Facility Lease Agreement (If Applicable) ➤ Enrollment ➤ Financial Analysis 	<ol style="list-style-type: none"> 1. The school submitted a strategic plan that includes a comprehensive marketing/recruitment plan and retention plan. 2. The school’s target population is reflected by the following breakdown (within central Chula Vista): Black or African American: 4%, Asian: 3%, Filipino: 8%, Hispanic or Latino: 68%, Native Hawaiian or Pacific Islander: 4%, White: 13%. As reported by CDE for 2014-15, approximately 69% of the students were eligible for free or reduced-price meals. In its multi-year budget projections, the school projects that 70% of students will be eligible for FRPM and 30% of students will be English-Language Learners. 3. The resumes of key management show substantial public school administrative and teaching experience, with the school’s Executive Director, Carman Diaz, having more than 10 years of experience in charter school administration in addition to teaching experience. 4. The school provided a copy of its facilities use agreement with Sweetwater Union High School District, which reflects no annual rent costs with the only cost being that for maintenance. The district may charge the school a 3%-of-revenues oversight fee. 5. The school has grown from 154 students in grades K-3 in 2012-13 to 330 students in grades K-5 in 2014-15, representing overall growth of more than 200%. The school also provided an enrollment list consisting of approximately 425 students as well as a wait list consisting of 79 students. For 2015-16 through 2019-20, the school is projecting 410 students, 454 students, 500 students, 524 students, and 524 students, respectively, all in grades K-6. Both the school’s actual enrollment growth and enrollment list are supportive of the school’s enrollment projections.

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	<ol style="list-style-type: none">6. The school indicated its intention to establish a foundation for purposes of ongoing fund raising. However, the school’s current budget does not rely on fundraising.7. The school has sufficient net revenues to meet its loan payments in all projected years, with debt service coverage ratios ranging from 1.9 to 2.9.8. Without the including the proceeds from the loan, the school meets the contingency ratio requirement of at least 10% in all projected years, with ratios ranging from 13% to 27%. In addition, the school is projecting to have ending net assets ranging from \$967,000 in 2015-16 to \$1.25 million in 2019-20.
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Applicant	Taft T. Newman Leadership Academy
CDS Code	36-67876-0126706
Charter #	1437
Opening Date	9/1/2012
CMO/EMO (If Applicable)	NA
Chartering Authority	San Bernardino City Unified School District
County	San Bernardino
Loan Amount	\$250,000
Loan Term	5 Years
Loan Recommendation	Staff is recommending that Taft T. Newman Leadership Academy be awarded a loan.
Staff Considerations & Findings <ul style="list-style-type: none"> ➤ Business/strategic plan ➤ Outreach ➤ School Demographics ➤ Key Staff Education/ Experience ➤ Facility Lease Agreement (If Applicable) ➤ Enrollment ➤ Financial Analysis 	<ol style="list-style-type: none"> 1. The school submitted a 5-year strategic plan that outlines major goals regarding curriculum, resources, and budgeting. In addition, the school submitted a marketing/recruitment plan that includes, but is not limited to, the following key elements: (1) distribution of flyers within the local community; (2) issuance of radio and press advertisements; (3) holding of community-wide informational meetings; and (4) distribution of information at community resource fairs. 2. The school’s target population is the following based on the demographics for the City of San Bernardino: 49.2% Hispanic, 33.3% Caucasian, 8.9% African-American, 6.3% Asian, and 1.4% Pacific Islander or Native American. As reported by CDE for 2014-15, approximately 93% of the students were eligible for free or reduced-price meals (FRPM) during that year. 3. The resumes of key management show substantial public school administrative and teaching experience, with the school’s Principal, Joyce Payne, having more than 30 years of public school administration experience with San Bernardino Unified School District. 4. The school submitted its lease agreement with Ecclesia Christian Fellowship for a facility at 1314 Date St., San Bernardino, California. 5. The school has grown from 82 students in 2012-13 to 110 students in 2014-15, representing average annual growth of about 17%. The school also provided a current enrollment list consisting of 102 students and a wait list consisting of 14 students. The school is projecting 115 students in 2015-16, 125 students in 2016-17, and 150 students in all subsequent years. Both the school’s actual enrollment growth and enrollment/wait lists are supportive of the school’s enrollment projections. 6. The school does not rely on private contributions. In

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	<p>addition, although the school indicated that it was awarded a Public Charter School Grant Program start-up grant for \$575,000, the school’s multi-year budget projections do not incorporate such grant revenues.</p> <ol style="list-style-type: none">7. The school has sufficient net revenues to meet its loan payments in all projected years, with debt service coverage ratios ranging from 2.7 to 4.8.8. Including the proceeds from the loan, the school meets the contingency ratio requirement of at least 10% in all projected years except 2015-16, with ratios ranging from 15% to 49% in the other projected years. Including the proceeds from the loan, the school anticipates ending net assets ranging from \$128,232 in 2015-16 to \$593,704 in 2019-20.
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Applicant	Village Charter Academy
CDS Code	19-64733-0129866
Charter #	1639
Opening Date	8/1/2014
CMO/EMO (If Applicable)	NA
Chartering Authority	Los Angeles Unified School District
County	Los Angeles
Loan Amount	\$250,000
Loan Term	4 Years
Loan Recommendation	Staff is recommending that Village Charter Academy be awarded a loan.
Staff Considerations & Findings <ul style="list-style-type: none"> ➤ Business/strategic plan ➤ Outreach ➤ School Demographics ➤ Key Staff Education/ Experience ➤ Facility Lease Agreement (If Applicable) ➤ Enrollment ➤ Financial Analysis 	<ol style="list-style-type: none"> 1. The school has a thorough and reasonable business/strategic plan. 2. MISSION: Village Charter Academy will provide a powerful knowledge based curriculum where: students are motivated to recognize the strength in their abilities; students feel respected and appreciated by their peers; students and educators collaborate to create a learning environment that promotes the willingness to share ideas, investigate, and take risks; well-planned lessons are differentiated for multiple learning; parents, educators, and students support the school. 3. Each spring, the school plans recruit students who are academically low-achieving, students with disabilities, and economically disadvantaged students through community meetings, flyers and other school events to ensure that the Charter School student body reflects the District population. 4. The demographics of the residents in the area of the school is as follows: 60% Hispanic; 6% Afro- American; 6% Asian; 28% White; 78.6% with free and reduced price meals, and 19% English learners. 5. Resumes show that key staff are highly educated individuals with master’s degrees in education and administration credentials. 6. The school has a lease with the Canoga Park Lutheran Church in Los Angeles. 7. According to the California Department of Education’s March 2015 data, the school had 135 students. The school provided a current enrollment list of 218 students and a waiting list of 18 students. These actuals are comparable to the school’s enrollment projections. 8. The school meets debt service coverage requirements for 5 out of 5 years. 9. The school’s financial projections show sufficient net

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	<p>assets available in years 2015-19.</p> <p>10. Availability of other sources of funding include: \$575,000 through the Public Charter School Grant Program, \$250,000 through the Walton Family Foundation, a 2014-15 award through the Charter School Facilities Grant Program, and \$10,069.60 was fundraised from September 2014 through May 2015.</p>
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