

MEMORANDUM

Staff Summary No. 9

Date: October 23, 2015

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution 15-32 – 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.

- At its September 9, 2015 meeting, CSFA approved an additional 8 priority one schools for loans totaling \$2 million.
- In September 2015, a priority one school awarded at the August board meeting withdrew from the Program, leaving an additional \$250,000 available for funding to priority two schools.

The CSRLF Program currently has approximately \$764,499 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 three priority two applications for loans totaling \$750,000 at the October 23, 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	Community Preparatory Academy	19-64733-0129874	\$250,000
2	Inspire Charter Schools	19-75309-0129742	\$250,000
3	Vista Oaks Charter School	07-61663-0130930	\$250,000
Total:			\$750,000

This resolution, awarding and effectuating the three aforementioned loans, will end the 2014-15 funding round.

Recommendation: Staff recommends that the Board adopt Resolution No. 15-32, 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

Exhibit B
Charter School Revolving Loan Fund Program
School Summaries
(ATTACHED)

Community Preparatory Academy
Inspire Charter School
Vista Oaks Charter School

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Applicant	Community Preparatory Academy
CDS Code	19-64733-0129874
Charter #	1656
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 Community Preparatory 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.) The mission of Community Preparatory Academy is (1) to enable students to become lifelong learners, informed and responsible citizens, competent and successful members of the workforce as thinking, fulfilled and caring individuals; (2) to develop leaders for the 21st century who have a well-rooted culturally based self-concept as autonomous, productive, innovative learners who are connected to the global community; and (3) to serve as a model of culturally responsive teaching and learning as a successful approach to educating students in urban settings. 3.) A few of the schools marketing techniques consist of: Distributing promotional materials online and throughout the community, scheduling outreach meetings in the community with tours in English and Spanish, developing a school website available in English and Spanish. 4.) The school's student demographics represent: 80.8% African American, 15.1% Hispanic, 4.1% Two or More Races, 5.5% English Learners, and 12.3% Free or Reduced Priced Meal. 5.) The resumes of key management show substantial public school administrative and teaching experience, including charter school experience, as described below: <ul style="list-style-type: none"> • Maisha Riley has a master's of art, an educational administration/ administrative credential, a multiple subject & introductory English teaching credential, and a bachelor's degree in English. She has taught in the Los Angeles Unified School District for 6 years, was a charter school principal for 2 years, and has been the co-founder/director of Community Prep Academy for 2 years. • Janis Bucknor has a bachelor's degree in political science and social science with an emphasis in communication. She has a master's degree in educational administration, and is currently a candidate for a program to become a doctor of education in educational leadership, administration and policy. She worked as a teacher for 2 years, was the co-director of a charter school for 4 years, and was

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	<p>a lead petitioner and director of human resources for 10yrs, and has been the co-founder and co-director of Community Prep Academy for the past 2 yrs.</p> <p>6.) The school has a lease with the Pleasant Hill Baptist Church, Inc. in Los Angeles.</p> <p>7.) According to the California Department of Education’s March 2015 data, the school had 73 students. The school provided a current enrollment list of 434 students. Although the two numbers differ highly, a K-8 school in the location of the charter school closed mid-year which explains the big jump in enrollment for the charter.</p> <p>8.) The school meets debt service coverage requirements for 5 out of 5 years.</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: The California Department of Education verified that the school was approved for \$575,000 through the Public Charter School Grant; approximately \$55,000 in fundraising throughout the 2014-15 fiscal year; the school was eligible for 2014-15 SB740 funds.</p>
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Item 9(b) – Approval of Revolving Loan Fund Applications

Applicant	Inspire Charter School
CDS Code	19-75309 -0129742
Charter #	1668
Opening Date	7/1/2014
CMO/EMO (If Applicable)	N/A
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 Inspire 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 is a unique model in that it is a combined online and independent-learning charter. 2. The school submitted a business plan as well as both a recruitment plan and student retention plan. The business plan sets forth specific strategic goals, including promoting fund-raising, increasing attendance levels, and establishing internal cost controls. The student retention plan focuses on parent participation in the school, teacher development, and individualized learning plans. 3. The school's student target is represented by the following demographic breakdown: Caucasian, non-Hispanic origin – 63%; African-American – 15%' Native American – 6%; Hispanic – 5%; Asian 5%; Pacific Islander - 1%; Other – 5%. Approximately 24.5% of students were eligible for free and reduced-price meals during 2014-15. According to its charter, the school will implement strategies to achieve a racial and ethnic balance that is reflective of the territorial jurisdiction of its district, Action-Agua Dulce Unified School District. Among these strategies is the development of informational materials that are appealing to all of the racial or ethnic groups represented by the district. 4. The resumes of key management show substantial public school administrative and teaching experience, including charter school experience, as described below: <ul style="list-style-type: none"> • Dr. Herbert Nichols has served as Executive Director of Inspire Charter Schools, the umbrella organization, since 2013. Prior to this position, Dr. Nichols served as Chief Operating Officer, ieSchools (2012-13), Coordinator and Instructional Coach, Manual Art High School (2007-12), and instructional technology teacher, Los Angeles Unified School District (multiple sites over more than 5 years. Dr. Nichols holds a Doctorate in Education from the University of Southern California. • Diane Beran has served as Director of Educational Services since 2014. Prior to this position, Ms. Beran served in multiple positions with California

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	<p>Virtual Academies, a charter school organization, as coordinator, teacher, and administrator (2004-14), and teacher at Sierra Vista Middle School (1999-2004). Ms. Beran holds a Masters in Education from the University of La Verne.</p> <ol style="list-style-type: none">5. The school provided an enrollment list for 2015-16 consisting of 568 students and a 20-day Attendance Report for 2015-16 showing average daily attendance of approximately 550. The school is projecting 564 students in grades K-12 for 2015-16 through 2019-20. Staff considers the enrollment list and 20-day Attendance Report as supportive of the school's enrollment projections.6. The school leases office space and two learning centers at annual lease costs of approximately \$103,000.7. The school provided documented evidence of its being awarded a Public Charter School Grant Program federal start-up grant for \$250,000.8. The school has sufficient net revenues to meet its loan payments in all projected years, with debt service coverage ratios ranging from 4.5 to 7.5.9. The school meets the contingency ratio requirement of at least 10% in three of the five projected years, 2017-18, 2018-19 and 2019-20.10. The school anticipates ending net assets ranging from approximately \$135,000 in 2015-16 to approximately \$1.2 million in 2019-20.
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Item 9(c) – Approval of Revolving Loan Fund Applications

Applicant	Vista Oaks Charter School
CDS Code	07-61663-0130930
Charter #	1684
Opening Date	8/1/2014
CMO/EMO (If Applicable)	N/A
Chartering Authority	Byron Union School District
County	San Joaquin
Loan Amount	\$250,000
Loan Term	5 Years
Loan Recommendation	Staff is recommending that Vista Oaks 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’s charter petition sets forth the mission, vision, and general strategic direction for the school. The school is based on an independent study model. The school submitted a “Business, Marketing, Recruitment, and Retention Plan” that includes the following key elements: (1) hosting family information meetings; (2) inviting community groups to on-campus events; (3) providing tours and “shadow days” for interested students and parents; (4) hosting community events to the public; (5) use of press and online media; (5) hiring and retaining highly-qualified staff; (6) providing valuable and engaging on-site instruction and workshops; and (7) encouraging community and parent engagement. 2. The school provided the following demographic breakdown for 2014-15: 45% eligible for free and reduced-price meals; 7.5% English-Language Learners; 60% “Caucasian”; 28% “Hispanic”; 3% “Other Asian”; 3% “Asian Indian”; 2% “African-American”; and 4% “Other”. 3. The resumes of key management show substantial public school administrative and teaching experience, including charter school experience, as described below: <ul style="list-style-type: none"> • Joy Groen, Executive Director, has served in this position since the opening of the school in 2014. Prior to this position, Ms. Groen served as: Director at Rio Valley Charter School (2010-14), Educational Coordinator at four separate charter schools (2001-10), an independent study public school, (2001-10), and elementary school teacher at Williamson Elementary School (1992-2001). Ms. Groen holds a Preliminary Administrative Services Credential and Clear Multiple Subjects Credential. • Alton Seyford, Associate Director, has served in this position since 2014. Prior to this position, Mr. Seyford served as: Math Coordinator at Heritage Peak/Rio Valley Charter School (2009-14), math teacher at multiple public high schools in the Sacramento area (2002-09). Mr. Seyford holds an M.A. in kinesiology and a California Single Subject

	<p style="text-align: center;">Credential in math.</p> <ol style="list-style-type: none">4. For purposes of the budget, the school is projecting 600 students in 2015-16 and 605 students in all subsequent years, which is supported by the school’s enrollment list, which shows 592 students. The school indicated that it is currently at capacity.5. The school provided a copy of its lease agreement with Westgate Shopping Center, LLC, which shows an annual lease cost of about \$97,000.6. The school provided documented evidence of its being awarded a Public Charter School Grant Program federal start-up grant for \$250,000.7. The school has sufficient net revenues to meet its loan payments in all projected years, with debt service coverage ratios ranging from 7.8 to 12.8.8. The school meets the contingency ratio requirement of at least 10% in all projected years except 2015-16, with ratios ranging from 10% to 53% in all other projected years. The school anticipates ending net assets ranging from \$437,350 in 2015-16 to \$2.85 million in 2019-20.
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