

MEMORANDUM

Staff Summary No. 4

Date: December 11, 2018

To: Members of the California School Finance Authority

From: Katrina Johantgen, Executive Director

Subject: Modification to Revolving Loan Fund Program Recommendations
(Information Item)

For the 2017-18 Revolving Loan Fund Program (RLF) funding round, the California School Finance Authority (Authority) made changes to the financial analysis and disbursement process, in an effort to minimize RLF losses. One of the changes made, specific to loan risk level, was that any applicant that included a loan guarantee or support from an affiliated organization (such as a charter or education management organization) had its risk profile improved by one risk level. For example, a “higher risk” applicant would be improved to “medium risk” or from “medium risk” to “lower risk”.

Additionally, lower risk applicants are able to draw down loan disbursements in two disbursements versus medium to higher risk applicants which would draw down loan disbursements in three tranches.

At its July 11, 2018 board meeting, the Authority recommended its first set of loans for the 2017-18 funding round using its new financial analysis. At that meeting, the Authority recommended 17 applicants for loan approval. Of the 17 recommended applicants, seven applicants have the support of an affiliated organization, and therefore their risk levels should reflect that support. Memorializing the improvement in risk levels allows these seven schools to draw down loan funds in two, rather than three, disbursements. This change is provided in the highlighted column of the attached Exhibit A-RLF Board Matrix. This item will be replaced on the CSFA website, and all affected schools have been notified.