

**CALIFORNIA SCHOOL FINANCE AUTHORITY (CSFA)  
CHARTER SCHOOL REVOLVING LOAN FUND PROGRAM  
CENTRAL ACADEMY OF ARTS AND TECHNOLOGY  
RESOLUTION 24-58**

**Executive Summary**

<b>Applicant/Borrower:</b>	LinkEd Public Schools (LinkEd)
<b>Par Amount Requested:</b>	Not-to-Exceed \$250,000
<b>Loan Term:</b>	4 years (Maximum of 5 years)
<b>Projected Interest Rate:</b>	Projected 4.00%
<b>Affiliated Organization Description:</b>	LinkEd Public Schools, a California nonprofit public benefit corporation described under section 501(c)(3) of the Internal Revenue Code. (Pending approval)
<b>Type of Financing:</b>	Charter School Revolving Loan Fund Program
<b>Loan Recipient:</b>	Central Academy of Arts and Technology
<b>County Served:</b>	Kern
<b>District in Which Project is Located:</b>	Bakersfield City School District
<b>Charter Authorizer:</b>	Kern County Office of Education
<b>School Site:</b>	1701 18th St., Bakersfield, CA 93301-4306
<b>CSFA Analyst:</b>	Steve Theuring
<b>Date of CSFA Board Meeting:</b>	December 10, 2024
<b>Resolution Number:</b>	24-58

**Staff Recommendation:** Staff recommends the Board adopt Resolution No. 24-58, approving LinkEd Public Schools, in the amount of \$250,000. Once approved, staff will notify the organization of the conditional loan approval, confirm the school meets all funding criteria before releasing funds, distribute and execute the loan agreement, and carry out all other necessary steps to disburse funds to this charter school.

**Background and History**

Located in the southern end of the San Joaquin Valley in Kern County, the Bakersfield City School District (BCSD) is the largest elementary school district in California, serving approximately 30,700 students across 44 schools. The approval of Central Academy of Arts and Technology marks the BCSD's first charter school authorization. According to information provided by the applicant, parents and members of the community who were concerned about the persistent low-performance of the local schools formed LinkEd Public Schools, a nonprofit public benefit corporation. Central Academy of Arts and Technology (CAAT) was authorized by Kern County Office of Education to operate within the boundaries of the BCSD. The vision the school has for addressing the challenges in education is to create educational choice for under-served communities. CAAT is providing an opportunity for children, starting at the Pre-K level, to develop skills that allow for successful advancement through each grade, into middle school and high school, culminating in being fully prepared to apply to and succeed at college.

BCSD is comprised of 88% low-income students, 82.5% Hispanic students, with 27.3% of whom are English Language Learners. The California School Dashboard also indicates that, on average, only 37.5% of the BCSD's students are proficient in English Language Arts and 22.28% are proficient in Mathematics. CAAT will try to address this critical problem by striving to meet three goals: (1) provide a setting where children, from diverse economic, cultural, linguistic, ability, and racial backgrounds can thrive in a safe and motivating school; (2) close the achievement gap experienced by children living in their local communities; and (3) offer children and families in the community an educational choice.

## **School Description**

According to information provided by the applicant, the core of all courses at CAAT are the Common Core State Standards, and every course integrates technology and art to engage students in rigorous college-prep education. The Charter School's scope and sequence articulates a clear progression for students across grades K-12 with milestones that hold students accountable to measurable targets. CAAT teachers are responsible for delivering core curriculum to their homeroom as well as lead one elective in art and one elective in arts and technology for students across the grade level. The school implements a full-inclusion program with students with special needs and English Language Learners in fully integrated settings. Students with an IEP will be provided the least restrictive environment and a program that is tailored to each individual's needs.

## **Student Enrollment**

CAAT opened for the 2024-25 school year and is serving TK-12 students from diverse economic, social, cultural, racial, linguistic, and ability backgrounds residing in Bakersfield. The school is attempting to attract children of parents who seek an alternative to their current educational choices, desire an innovative approach to learning, and share the vision of CAAT. The school plans to enroll approximately 15 students in transitional kindergarten, 50 students per year in grades kindergarten through fifth grade, 20 students per grade in middle school, and adding 75 students in grades 9-12 starting in 2025-26, with an end goal of educating approximately 765 students annually in grades K-12. CAAT projected 24-25 enrollment at 345, however, data provided by the California Department of Education indicates the schools first reported ADA is 141.

	Year 1	Year 2	Year 3	Year 4	Year 5
Grade	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
TK	15	15	15	15	15
K	48	50	50	50	50
1	48	50	50	50	50
2	48	50	50	50	50
3	48	50	50	50	50
4	48	50	50	50	50
5	48	50	50	50	50
6	20	50	50	50	50
7	20	25	50	50	50
8	20	25	25	50	50
9		75	75	75	75
10			75	75	75
11				75	75
12					75

## **Staff Recommendation**

Staff recommends the Board adopt Resolution No. 24-58, approving LinkEd Public Schools in the amount of \$250,000, with an initial disbursement of \$100,000 at time, per Program guidance. *Once CAAT's enrollment is verified by CDE and demonstrates alignment with their projections, staff will determine the release of CAAT's loan balance.* Staff's recommendation is based on the methodology outlined in Exhibit B of this staff summary. Once approved, staff will notify the organization of the conditional loan approval, confirm the school meets all funding criteria before releasing funds, distribute and execute the loan agreement, and carry out all other necessary steps to disburse funds to this charter school.

1. **Applicant/Borrower:** LinkEd Public Schools.
2. **Amount of Loan:** Not-to-exceed \$250,000
3. **Loan Term:** 4 years (Maximum of 5 years)

4. **Repayment/Security:** Loan Payments
5. **Interest Rate:** Projected 4%
6. **Not an Unconditional Commitment:** The CSFA resolution shall not be construed as unconditional commitment to finance the loan, but rather CSFA's approval pursuant to the resolution conditioned upon entry by CSFA and the Borrower into a loan agreement, in form and substance satisfactory to CSFA and its counsel.
7. **Limited Time:** The Board's approval expires at the end of the 2024-25 Fiscal Year. Thus, CSFA must enter into the loan agreement no later than June 30, 2025. Once the approval has expired, the item must return to the Board for new approval.

## **EXHIBIT A:**

### **Loan Information**

The California School Finance Authority (Authority) opened the application period for the 2023-24 Funding Round of the Charter School Revolving Loan Fund Program (Program) in August 2023. The Program has approximately \$25 million available to award for this funding round. The Authority received six (6) applications, with a funding request totaling \$1.15 million.

Authority staff have assessed the application from the CAAT in accordance with the framework established by statute and regulations. CAAT is a Priority One School that opened in August 2024.

### **Loan Overview**

In an effort to reduce losses to the Program, Staff will continue to reduce loan defaults by (1) increasing the frequency of attendance monitoring in the year of loan award, and (2) limiting loan disbursements to borrowers with attendance certified at levels consistent with previously submitted projections. For any loan amount approved by the board for lower risk applicants, the first of two potential loan disbursements would occur after loan documents are executed, up to a maximum amount of 40% of loan amount. A subsequent disbursement of the remaining 60% will occur once CDE certifies the applicant's attendance, typically in mid to late December. Borrowers reporting attendance at levels which are not adequate to repay the loan will have future disbursements downsized or eliminated.

For your review and consideration, Staff provides summary findings for the recommended school in the attached Exhibit B – RLF Board Matrix. To receive funding through the Program, schools must meet the following criteria, once approved by the Authority board:

- Continue to meet all eligibility criteria;
- Have an approved charter in place;
- Have a Charter Number from CDE;
- Have been assigned a County-District-School Code from CDE; and
- Provide an executed loan agreement and related governing board resolution to the Authority.

### **Application Review**

1. **Application Eligibility & Package Review:** Confirmed the submittal complied with application terms such as:
  - Met application deadline;
  - Eligibility requirements set forth in regulations (Section 10170.18);
  - Submitted required documentation with signatures, where applicable;
  - Requested a loan amount equal to or less than \$250,000; and
  - Requested a loan repayment period of five years or less.
2. **Operational Analysis:** Determined whether minimum qualifications were met such as:
  - Articles of Incorporation are in place;
  - Approved charter is in place or is in process;
  - Projected enrollment and ADA are supported by student enrollment and/or waiting lists;
  - Student population was deemed representative of the demographic in the school's proposed location; and
  - A facility has been secured or is in the process of being secured.

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;
  - Reasonableness of budget assumptions (Staff applied uniform LCFF funding rates to all applicants);
  - Alignment of revenue and expenditure projections with comparable data available from the California Department of Education (CDE);
  - Consideration of sale of apportionments to third parties (“factoring”); and
  - Adequacy of debt service coverage (DSC) metrics relative to threshold levels, with and without net assets.

Staff’s financial analysis utilizes three DSC metrics: (1) DSC from total state aid subject to CSFA intercept; (2) DSC from net revenues; and (3) DSC from net revenues plus beginning net assets. Threshold levels are set for each of these three metrics. If the applicant attains these threshold levels during the years of loan repayment, then a maximum 70 points are recorded. The applicant may receive up to an additional 30 points, for a maximum score of 100 points, if the DSC threshold levels are attained under a scenario wherein projected attendance levels are reduced by 25% (the stress test). Applicants that meet or exceed the 50-point threshold qualify as passing in the context of the Program’s loan underwriting standards. Staff also reduced loan amounts for applicants that do not otherwise meet the threshold underwriting DSC standards, with a minimum \$100,000 loan.

The financial model also determines the risk profile of an applicant with a passing score. Applicants with scores ranging from 50.0 to 75.0 are viewed as “higher risk”, while applicants with scores ranging from 74.9 to 89.9 are deemed “medium risk”, and applicants with scores ranging from 90.0 to 100.0 are considered “lower risk”. Schools assessed as medium risk and lower risk have attained DSC threshold levels in some or all years under the stress test scenario. Additionally, any application, which includes a loan guarantee from an affiliated organization deemed credible by Staff, has its risk profile improved by one level, to “higher risk” from “medium risk”.

4. **Amount and Term:** Furthermore, Staff used Section 10170.21(b)(1) of the Program regulations to identify the recommended loan amount and repayment period of each loan. The regulations state the Authority shall consider the term of the charter as well as the loan amount in determining the repayment period.

EXHIBIT B

RLF Board Matrix

No.	School (Obligor)	Affiliated Organization (Guarantor)	Chartering Authority	County	Priority (1 or 2)	Approved Loan Amount	First Disbursement Amount	Loan Term (Years)	Total Points (Out of 100)	Risk Level	Risk Level Improvement	
1	Central Academy of Arts and Technology	LinkEd Public Schools	Kern County Board of Education	Kern	1	\$250,000	\$100,000	Four	75	High	Medium	
		Number of Schools Approved	1	Total		\$250,000				Any application, which includes a loan guarantee from an affiliated organization deemed credible by staff, has its risk profile improved by one level, such as from "higher risk" to		
* All staff recommendations are contingent upon complete verification of all legal documents, including but not limited to: loan agreement, lease agreement(s), an affirmative Good Standing Letter, etc.										RISK PROFILE		
										Pass	Minimum score of 50.0 out of 100	
										Higher Risk	Score ranges from 50.0-75.0	
										Medium Risk	Score ranges from 75.1-90.0	
										Lower Risk	Score ranges from 90.1-100	