## CALIFORNIA SCHOOL FINANCE AUTHORITY (CSFA) CHARTER SCHOOL REVOLVING LOAN FUND PROGRAM ACADEMY OF CREATIVE TECHNOLOGIES - ANTELOPE VALLEY RESOLUTION 24-18 ITEM #8 STAFF SUMMARY

#### **Executive Summary**

Applicant/Borrower:	CreateTech Charter Schools
Par Amount Requested:	Not-to-Exceed \$250,000
Loan Term:	Five years (Maximum of 5 years)
Projected Interest Rate:	Projected 4.27%(PMIA Rate)
Affiliated Organization	CreateTech Charter Schools, a California nonprofit
Description:	public benefit corporation
Type of Financing:	Loan
Loan Recipient:	Academy of Creative Technologies – Antelope Valley
County Served:	Los Angeles
District in Which Project is	Antelope Valley Union High School District
Located:	Antelope valley Union Fight School District
Charter Authorizer:	Antelope Valley Union High School District
School Site:	1335 Rancho Vista Blvd, Palmdale, CA
CSFA Analyst:	Steve Theuring
Date of CSFA Board Meeting:	June 26, 2025
Resolution Number:	25-19

**Staff Recommendation**: Staff recommend the Board adopt Resolution No. 25-19, approving a loan to CreateTech Charter Schools (Borrower) for its Academy of Creative Technologies - Antelope Valley (ACTAV) school 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**

Projected to open in August 2025, Academy of Creative Technologies - Antelope Valley (ACTAV) will be serving TK through 12<sup>th</sup> grade students within Los Angeles County. The school will provide a voluntary public educational choice for parents with learners in grades TK-12 who choose to have their children educated in an alternative learning environment. The school will serve students for whom the Antelope Valley Union High School District would otherwise be responsible and plans to have a main site, and one to two satellite sites located within the territorial jurisdiction of the District.

The California Charter Schools Association (CCSA), and Charter School Development Center (CSDC) have assisted the Borrower in planning, opening and operating ACTAV. The Borrower has also contracted with Wisdom to Go to assist with providing the education model for ACTAV, as well as the Los Angeles County Arts Ed Collective, and the California Arts Council. These additional resources will be made available to support students and families by non-profits partnering with the Borrower/ACTAV.

## **School Description**

The mission of ACTAV is to provide a rigorous, relevant, inquiry-based, student-centered and collaborative learning environment for learners in grades TK-12, inspiring them to become lifelong learners with the skills to lead in the 21st century. The school will offer performing arts, technology, and academic education that promotes personal growth in a creative, challenging, and nurturing environment to a diverse student body passionate about the arts and prepares them to reach their highest potential. The vision of ACTAV is that all learners become creative problem solvers, critical thinkers, compassionate leaders, conscientious collaborators, and responsible citizens who develop a lifelong love of learning so that graduates are prepared with the mindset and the skills to gain employment in the entertainment industry, excel in the technology sector or succeed in higher education.

#### Student Enrollment

ACTAV will provide families across Antelope Valley Union High School District and surrounding districts in Los Angeles County an alternative to the district's existing elementary, middle and high schools by providing a single K through 12<sup>th</sup> grade charter academy. ACTAV intends to draw students from an area with schools attended by high percentages of socioeconomically disadvantaged students, English Learners, and Foster Youth.

ACTAV is projecting substantive growth for the second 2026-27 and third 2027-28 years of operations with continued upward trend as the school reaches full capacity. The increase in enrolled students year on year reflects an additional class of instruction being offered in each of the first four years of operations. This enrollment trend is further supported by the number of students in each established grade increasing in each subsequent year.

Staff requested the enrollment waiting list from the school, to determine if the first year's projections were going to be met. The list that was provided to the Authority currently reflects 165 students that are interested in the school and intend to enroll, which is higher than the enrollment projections submitted with the Program application.

Grade	2025- 26	2026- 27	2027- 28	2028- 29	2029- 30			
К	25	30	60	90	90			
1	10	30	45	60	60			
2	10	30	45	60	60			
3	10	30	45	60	60			
4	10	30	45	60	60			
5	10 30		45	60	60			
6	10	30	45	60	60			
7	15	30	45	60	60			
8	10	30	45	60	60			
9	15	30	45	60	60			
10	10	30	45	60	60			
11	10	30	45	60	60			
12	10	30	45	60	60			
Total	155	390	600	810	810			

**Enrollment Summary** 

## **Staff Recommendation**

Staff recommends the Board adopt Resolution No. 25-18, approving a loan to the Borrower for ACTAV in the amount of \$250,000. The staff's recommendation is based on the methodology outlined in Exhibit A 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: CreateTech Charter Schools
- 2. Loan Term: Three years (Maximum of five years)
- 3. **Repayment/Security:** Loan Payments through intercept of schools State Apportionment payments
- 4. Interest Rate: Projected 4.27%
- 5. **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.
- 6. **Limited Time:** The Board's approval expires at the end of the 2025-26 Fiscal Year. Thus, CSFA must enter into the loan agreement no later than June 30, 2026. 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 has received five (5) applications, thus far, with a funding request totaling \$1.15 million.

Authority staff has assessed the application from the CreateTech Charter Schools in accordance with the framework established by statute and regulations. ACTAV is a Priority One School that is opening in August 2025.

# Loan Overview

In an effort to limit or mitigate loan defaults, Staff will (1) increase the frequency of attendance monitoring in the year of loan award, and (2) limit 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 each recommended school in the attached Exhibit B – RLF Board Matrix. In order 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. <u>Application Eligibility & Package Review</u>: 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. <u>Operational Analysis</u>: 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.** <u>Financial Analysis</u>: 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.** <u>Amount and Term</u>: 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 Disbursment Amount	Loan Term (Years)	Total Points (Out of 100)	Risk Level	Risk Level Improvement	
1	Vista Lago Global Academy	Vista Charter Public Schools	Riverside County Board of Education	Riverside	1	\$250,000	\$250,000	Five	71.7	Higher Risk	Medium	
1	Academy of Creative Technologies - Antelope Valley	CreateTech Charter Schools	Antelope Valley Union High	Los Angeles	1	\$250,000	\$100,000	Three	91.7	Lower Risk	Lower Risk	
		Number of Schools Approved	2		Total	\$500,000	00			includes a lo from an organizati credible by st profile improve such as from	ation, which an guarantee affiliated on deemed aff, has its risk ed by one level, 'higher risk" to im risk".	
*	* All staff recommendations are continent upon complete verification of all legal documents, including but not limited to: loan agreement, lease agreement(s), an affirmative Good Standing Letter, etc.								Pass Higher Risk Medium Risk Lower Risk		PROFILE Minimum score of 50.0 out of 100 Score ranges from 50.0-75.0 Score ranges from 75.1-90.0 Score ranges from 90.1-100	