

**CALIFORNIA SCHOOL FINANCE AUTHORITY (CSFA)
CHARTER SCHOOL REVOLVING LOAN FUND PROGRAM
UNBOUND STOCKTON COMMUNITY SCHOOL - RESOLUTION 25-21
STAFF SUMMARY – ITEM #5**

Applicant/Borrower:	Unbound Stockton Community School
Par Amount Requested:	Not-to-Exceed \$250,000
Loan Term:	Three years (Maximum of 5 years)
Projected Interest Rate:	Projected 4.26%
Affiliated Organization Description:	Unbound Stockton Community School, Inc., a California nonprofit public benefit corporation described under section 501(c)(3) of the Internal Revenue Code.
Type of Financing:	Loan
Loan Recipient:	Unbound Stockton Community School
County Served:	San Joaquin
District in Which Project is Located:	Stockton Unified School District
Charter Authorizer:	San Joaquin County Board of Education
School Site:	444 N. American Street, Stockton, CA 95202
CSFA Analyst:	Jeffrey Taylor
Date of CSFA Board Meeting:	August 28, 2025
Resolution Number:	25-21

Staff Recommendation: Staff recommends the Board adopt Resolution No. 25-21, approving Unbound Stockton Community School (USCS), in the amount not to exceed \$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: According to information provided by the applicant, the founding team of USCS aims to address perceived learning gaps within existing local schools. They developed a model emphasizing intentionally integrated learning and active community engagement, piloting programs since 2019 to refine their approach. Their charter petition for USCS was initially submitted to Stockton Unified School District (SUSD) on June 1, 2023, and subsequently approved on appeal by the San Joaquin County Board of Education (SJCBOE) on November 15, 2023. As a classroom-based charter school, USCS aims to enroll students in grades four through eight from diverse areas, including those within the Stockton, Lincoln, Lodi, and Manteca school districts. The school plans to open in Downtown Stockton with an initial enrollment of 120 students across grades four, five, and six. It will then implement a slow growth model, progressively adding grades seven and eight, to reach a full enrollment target of 300 students across grades four through eight by the 2028-2029 academic year.

USCS's founders began developing the school in 2019, and this period included piloting programming for local students and families and gathering feedback from scores of parents through focus groups and various student programs between 2019 and 2022. USCS's academic program for grades 4-8 is structured around three design pillars: fostering integrated learning environments, emphasizing deeper learning for long term success, and promoting community engagement. The academic program features daily interdisciplinary STEM and Humanities blocks, complemented by dedicated time for social-emotional learning. The school plans to utilize Universal Design for Learning (UDL) principles in designing instruction to ensure all learners

have multiple means of engagement. Additionally, “Affinity Learning Time” is allocated for differentiated support for all learners, including students with disabilities and English Learners.

School Description: USCS aims to provide greater proximity to low-income populations in East and South Stockton by locating in or as close to Downtown Stockton as feasible. The benefit of such a location is this area is cross sectioned by major freeways, offering multiple access points for families. Its vicinity to public transit hubs, further facilitates access for pupils residing in the lower income neighborhoods east and south of Stockton in addition to those traveling from surrounding towns.

Student Enrollment: The target population for USCS are students residing in the greater Stockton region including students residing in Lincoln, Manteca and Lodi. USCS intends to use differentiated messaging tailored to specific demographic and subgroup needs and offer recruitment materials in the languages spoken in the community. For the current school year, USCS has 94 students enrolled. According to the applicant, this number may fluctuate as students enroll or leave the school. Staff will continue to monitor enrollment as we determine subsequent loan disbursements.

Enrollment Summary

Grade	2025-26*	2026-27	2027-28	2028-29	2029-30
4th	25	25	60	60	60
5th	29	25	30	60	60
6th	15	20	30	30	60
7th	25	25	30	30	30
8th	0	25	30	30	30
Total	94	120	180	210	240

* Actual

Staff Recommendation

Staff recommend the Board adopt Resolution No. 25-21, approving Unbound Stockton Community School in an amount not-to-exceed \$250,000. USCS provided Staff with their enrollment after operating for two weeks. Actual reported enrollment is lower than what was projected by USCS in their application documentation. Staff found this reduction in actual enrollment both reduces revenues and may indicate slower enrollment growth in the coming years. Staff recommend an initial disbursement of \$100,000 with subsequent disbursement following verification of P1 enrollment in the second half of fiscal year 2025-26. The 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:** Unbound Stockton Community School
2. **Amount of Loan:** Not-to-exceed \$250,000
3. **Loan Term:** 3 Years
4. **Repayment/Security:** Loan Payments
5. **Interest Rate:** Projected 4.26%
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 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 be returned to the Board for new approval.

EXHIBIT A:

Loan Information

The California School Finance Authority (Authority) opened the application period for the 2024-25 Funding Round of the Charter School Revolving Loan Fund Program (Program) in August 2024. The Program has approximately \$26 million available to award for this funding round. The Authority has received six (6) applications, thus far, with a funding request totaling \$1.5 million.

Authority staff have assessed the application from the Unbound Stockton Community School in accordance with the framework established by statute and regulations. Unbound Stockton Community School is a Priority One School that opens in Fall 2025.

Loan Overview

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 each 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	Unbound Stockton Community Schools		San Joaquin County Board of Education	San Joaquin	1	\$250,000	\$100,000	Three	50	High Risk	None
1											
		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 "medium risk".	
* 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 50.0-74.9 Medium Risk Score ranges from 75.0-89.9 Lower Risk Score ranges from 90.0-100	