

**CALIFORNIA SCHOOL FINANCE AUTHORITY (CSFA)
 APPROVAL OF A CHARTER SCHOOL REVOLVING LOAN FUND PROGRAM LOAN
 IN AN AMOUNT NOT TO EXCEED \$250,000
 FOR CALIFORNIA REPUBLIC LEADERSHIP ACADEMY YORBA LINDA
 LOCATED IN ORANGE COUNTY
 ITEM # 10 - RESOLUTION 24-31
 STAFF SUMMARY**

EXECUTIVE SUMMARY			
Applicant/Borrower:	CRLA, Southern California	Par Amount Requested:	Not-to-Exceed \$250,000
Loan Term: 4 Years (Up to 5 years Maximum)		Interest Rate: Projected 3.00%	
Applicant Description: CLRA Southern California, is a California nonprofit public benefit corporation described under section 501(c)(3) of the Internal Revenue Code.			
Type of Financing: Charter School Revolving Loan Fund (RLF) Program Loan			
Loan User:	California Republic Leadership Academy Yorba Linda	County Served:	Orange County
District in Which Project is Located:	Placentia-Yorba Lina Unified School District	Charter Authorizer:	Orange County Board of Education
School Site: 23705 Via Del Rio Yorba Linda, CA 92887			
CSFA Analysts: Steven Theuring and Colin Smith			
Date of CSFA Board Meeting: July 25, 2024		Resolution Number: 24-31	
Staff Recommendation: Staff recommends the Board adopt Resolution No. 24-31, approving California Republic Leadership Academy Yorba Linda, 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

California Republic Leadership Academy Yorba Linda (the Academy or CRLA Yorba Linda) will be operated by CRLA Southern California, a California nonprofit public benefit corporation. The Academy will be Southern California's second tuition-free, Classical Leadership Education charter school. Implementing the Franklin Covey Leader in Me Curriculum that is based upon the 7 Habits of Highly Effective People Characters/Principles in Action. The Academy will be authorized as a TK-8 program that operates a classroom-based instructional program. It is anticipated that when the Academy begins operation in 2024-25 it will serve scholars in grades TK-5, provided there is sufficient enrollment to support serving scholars in each grade level. The Academy's facility will be located within the boundaries of the Placentia-Yorba Linda Unified School District, bringing a Classical Leadership Education model to the scholars of Yorba Linda and neighboring communities. Currently, CRLA Southern California also operates California Republic Leadership Academy Capistrano which opened in 2023 in San Juan Capistrano, serving 182 students in grades K-5.

The Academy's founding team is guided by leadership made up of administrators within the Charter School. The leadership team will be comprised of an Executive Director, Principal, and Campus Business Manager, under the direction of an active and dedicated Board of Directors. The principal is the instructional and cultural leader of the Academy who makes decisions and implements policies for the benefit of the Academy as a whole. Each also acts individually as an advocate and leader for his/her area of expertise and responsibility. The CRLA Southern California Board of Directors reserves the right to alter, amend, add, or subtract from staff positions, descriptions, or duties based on scholarly and organizational needs.

California Republic Leadership Academy Capistrano received a loan under the Revolving Loan Fund Program (RLF). The first loan was issued in 2022-23 through the RLF program. Below is a table showing the previous loans under RLF.

School	Open Date	Charter #	County	Funding Round	Loan Amount	Loan Status
California Republic Leadership Academy Capistrano	8/17/2023	2138	Orange	2022-23	\$250,000	Active

SCHOOL DESCRIPTION

According to information provided by the applicant, the Academy provides the highest level of education in the classical tradition by combining a classical education with a school culture of excellence to create a school in which students grow to become courageous leaders, virtuous critical thinkers, confident speakers, and competent writers. Scholars will be provided with a complete education that will challenge them to excel both in learning and in character. Classical Leadership Education develops thinkers, leaders, inventors, citizens, entrepreneurs, and statesmen. It educates individuals on "how to think" and teaches them why it is important.

Classical Leadership Education presupposes that each individual is born with a unique and individual mission to fulfill. Classical Leadership Education consists of discovering, preparing for

and fulfilling this mission. It is not the role of Classical Leadership Education to fill scholars with a predetermined set of facts, beliefs, or processes, but to inspire them to discover their own potential and unique abilities that only he or she must contribute to society.

Although the Academy may have Common Core State Standards-aligned (“CCSS”) textbooks, the Academy intends to use classical and historical texts as its primary means of teaching the curriculum that will meet or exceed the CCSS. These classics and historical documents will be used not only in History but also in English class and other classes as appropriate. This will enable the Academy to align its overall mission with all state education standards.

The academy will operate a TK-8 public charter school to close the achievement gap for historically low-performing subgroups-- Latino, English Learners, Socioeconomically Disadvantaged students, and students with disabilities. To best serve a student population that reflects the ethnic, racial, language, special needs, and socioeconomic diversity of Southern Orange County, the Academy’s facility will be located within the boundaries of the Placentia-Yorba Linda Unified School District. The Academy is in the early stages of recruiting and will make it a priority to recruit a diverse student population, including low-income, at-risk, and academically low achieving students; reflective of similar racial and ethnic backgrounds of those residing in the surrounding community and the Placentia-Yorba Linda Unified School District.

According to Ed-Data.org, in 2022-23 the Placentia-Yorba Linda Unified School District enrolled 45.2% Hispanic and Latino students, 28% White students, 18.2% Asian students, 4.6% of students who identified as two or more races, and 2.4% of students were Filipino. As far as Educationally Disadvantaged Students (EDS), Placentia-Yorba Linda Unified School District serviced an EL population of 14.2% and 44.9% of students were estimated to be socio-economically disadvantaged. The Unduplicated Pupil Percentage was 48%. The foster youth population was about 0.004%. The 2021-22, the homeless student’s enrollment was about 0.13% of the student population per DataQuest. Administration at CRLA-Yorba Linda is collaborating to develop additional recruiting strategies for continuous progress toward enrolling a diverse student population reflective of the surrounding community and Placentia-Yorba Linda Unified School District. Based on the above-mentioned ongoing community outreach, staff is comfortable with the school meeting the conservative current enrollment projections.

CRLA Yorba Linda Opening and Enrollment

The Academy will be authorized as a TK-8 program that operates a classroom-based instructional program. California Republic Leadership Academy Yorba Linda shall serve scholars in and around Orange County in grades TK-8.

The Academy has developed a realistic enrollment projection for the first seven (7) years of operation. It is anticipated that the Charter School will serve approximately 340 scholars in the first year growing to 508 students for all grades TK-8 by the sixth year of operation. These numbers are based on a reasonable projection of anticipated enrollment based upon parent interest as demonstrated by the attached petition.

Based on the projected enrollment of California Republic Leadership Academy Yorba Linda we estimate employing Thirteen (13) teachers during the first year of operation.

Following is a chart demonstrating the projected enrollment:

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
TK	20	20	20	20	20	20	20
Kindergarten	40	40	40	40	40	40	40
1 st Grade	56	56	56	56	56	56	56
2 nd Grade	56	56	56	56	56	56	56
3 rd Grade	56	56	56	56	56	56	56
4 th Grade	56	56	56	56	56	56	56
5 th Grade	56	56	56	56	56	56	56
6 th Grade		56	56	56	56	56	56
7 th Grade			56	56	56	56	56
8 th Grade				56	56	56	56
Total	340	396	452	508	508	508	508

STAFF RECOMMENDATION

Staff recommends the Board adopt Resolution No. 24-31, approving California Republic Leadership Academy Yorba Linda 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:** CLRA Southern California
2. **Amount of Loan:** Not-to-exceed \$250,000
3. **Loan Term:** 4 years (up to 5 years Maximum)
4. **Repayment/Security:** Loan Payments
5. **Interest Rate:** Projected 3.00%
6. **Not an Unconditional Commitment:** The CSFA resolution shall not be construed as an 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 Program Information

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 Academy in accordance with the framework established by statute and regulations. California Republic Leadership Academy Yorba Linda is a Priority One School that is opening 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 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

Due Diligence Undertaken to Date:

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.

1. **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.

2. **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, such as from "higher risk" to "medium risk".

3. **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.

To further mitigate default risk, Staff based the recommended loan amount and repayment period on the school's charter term. Staff recommended each applicant have a repayment period that does not exceed the school's charter term. Additionally, staff recommended each applicant be awarded a loan that can be repaid within the loan term based on the results of the financial analysis described above.

EXHIBIT B Program Information

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	California Republic Leadership Academy Yorba Linda	CRLA Southern California	Orange County Board of Education	Orange	1	\$250,000	\$250,000	Four	71.3	High	Medium
2	Explore Academy	ExploreK12	Orange County Board of Education	Orange	1	\$250,000	\$100,000	Three	61.7	High	High
3	Ednovate - College Prep 6	Ednovate, Inc.	Los Angeles Unified School District	Los Angeles	1	\$250,000	\$250,000	Three	61.7	High	Medium
		Number of Schools Approved	3	Total		\$750,000			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	
										100.0	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