COMMUNITIES OF EXCELLENCE

IDAHO'S CHARTER SCHOOLS PROGRAM GRANT

CHARTER SCHOOL FACILITY CENTER

# COMMUNITIES OF EXCELLENCE PROJECT:

## CHARTER SCHOOL FACILITY REFINANCING GUIDE & TOOLKIT

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# FOREWORD

*By Terry Ryan*

In Idaho, as is true across the country, accessing affordable facility financing is consistently one of the greatest challenges facing public charter schools. Bellwether Education Partners surveyed Idaho's charter school leaders in 2016, and 93% of leaders said that accessing financing was their first or second most pressing operational challenge.

Idaho's public charter schools face the paradox of having to build schools with fewer public tax dollars and higher financing costs than their public district school brethren. In Idaho, charter schools do not have access to local property taxes or public tax levies. This lack of access to traditional local funding sources for charter school construction financing means charter schools have traditionally been dependent on private bond markets, traditional bank financing, or both.

Charter schools in Idaho, like those in most other states, also receive less per pupil in taxpayer funding. On average, charter schools in Idaho, according to a 2019 Bellwether Education Partners report, receive state funding for facilities of just $445 per student, while district schools receive a combined average of $1,206 per student in state and local dollars for their facility costs. As a result of this squeeze, charter schools pay higher interest rates and more fees than their district school peers.

Charter school supporters in Idaho, led by the J.A. and Kathryn Albertson Family Foundation (JKAFF), have used philanthropic and private resources to try and improve the charter facility financing landscape in the Gem State. In 2013, JKAFF recruited Building Hope to work with Idaho charters. Building Hope is a D.C.-based nonprofit organization working with charter schools to finance, purchase, build, and renovate facilities. At the same time, JKAFF recruited me to launch Bluum, which works to create, grow, and support high-quality schools across Idaho, especially for our most educationally disadvantaged and rural students.

JKAFF provided Building Hope with Program-Related Investment (PRI) dollars to enable high-performing charter schools to access low-cost financing for facilities—often leased with a purchase option—in which they will open (or are expanding). Once Building Hope approves a charter school project, it can provide a loan to the school for up to 35% of the total cost of the project at a 3% interest rate.

This cash helps encourage traditional financial institutions, like banks, to provide a loan for the remaining 65% at market rates. A typical deal is structured so that after five years, the school will have paid down enough to have equity in the facility. The school then refinances its loan with the bank or another lender and uses the equity it has earned to exercise purchase options and/or pay back the portion of funds it borrowed from

Building Hope. A key advantage of this arrangement is that it is the charter school rather than the lender that benefits from any increase in equity and property value because purchase prices are tied to outstanding debt rather than appraised values.

Fast forward to 2018, when a consortium of partners came together around Idaho's Communities of Excellence federal Charter School Program (CSP) grant to lead and accelerate the expansion of high-quality charter schools across the state. Bluum serves as project lead for the consortium and is joined in this work by the Idaho Public Charter School Commission, the Idaho State Board of Education, the J.A. and Kathryn Albertson Family Foundation and Building Hope.

As part of our shared commitment under the Communities of Excellence grant to provide "high quality technical assistance" and "share best practices" to CSP subgrantee schools, Bluum issued an RFP for a "first-class charter schools facilities refinancing guide." Our RFP sought a partner that could deliver on three primary items:

1. Develop a facilities loan refinancing guide for charter school operators

2. Provide personalized technical assistance (TA) to Idaho charter schools that will be refinancing their facilities

3. Disseminate lessons learned in the field

The National Alliance for Public Charter Schools (National Alliance) Charter School Facility Center was awarded the competitive contract for the refinancing guide. The Charter School Facility Center team, led by veteran charter school finance expert Mark Medema, delivered in full. We are thankful for the good work they did in crafting this peer-reviewed guide and toolkit authored by Elise Balboni. Further, we are deeply appreciative of Jim Ford, who worked closely with a number of Idaho public charter schools to draft and provide personalized technical assistance for both their facility financing and refinancing efforts. This guide will be a valuable asset for not only charter schools in Idaho, but other schools across the country that are in the process of financing or refinancing their charter school facilities.

It is our sincere hope this guide will help schools maximize every dollar spent on facilities so they can spend more in the classroom with their students.

*Terry Ryan is CEO of Bluum.*

# INTRODUCTION

## THE CHALLENGE

Refinancing charter school facilities debt is characterized by many of the same challenges facing charter school operators in initially securing financing for their facilities, including lack of taxing authority, limited public capital funds to pay for facilities, and inequities in operating funding. Moreover, charter schools are educational institutions, often lacking real estate development and finance capacity. Yet, unlike traditional public schools, charter schools are tasked with developing and financing their facilities from these discounted public funding sources. These challenges comprise the facilities burden for charter schools.

Obtaining financing upon maturity of a school's initial facilities debt contains both challenges and opportunities that can affect a school's short-term and long-term performance. By the time of refinancing, schools have survived their start-up phase and developed an academic and financial track record that lenders can assess. While the refinancing clock is ticking with debt maturing, schools now have an opportunity to obtain more affordable debt with lower interest rates and longer amortization periods. This guide addresses the considerations that should be taken into account to ensure refinancing in a timely manner on terms that will best foster a school's long-term academic and financial success.

**SCHOOLS SHOULD BE THINKING ABOUT REFINANCING IN ANY OF THESE SITUATIONS:**

- *18 months before maturity*
- *When interest rates are at least 75 basis points lower than existing rates*
- *When seeking new debt*
- *When credit profile is stronger*
- *Always*

## KEY FINANCING CONSIDERATIONS

While recognizing the interest rate risk inherent in short-term financing, this guide is based on the belief that schools should access long-term financing sources when they are best positioned and able to secure lower, affordable rates and terms that help them meet certain sector thresholds at full enrollment, including the following:

- Facilities debt service expense should be no more than 15% of annual revenues.
- Total facilities, or occupancy, expense should be no more than 20% of annual revenues.

This guide features a variety of sources that may be used to refinance charter school facilities debt. The emphasis is on long-term options, since schools have already navigated the earliest, riskiest phase of financing and may now be able to secure longer, more affordable debt to meet their refinancing or lease purchase needs. Long-term sources minimize the debt burden on schools and reduce the annual drain on program resources. Long-term financing also contributes to the stability of school budgeting practices and overall financial position, allowing administrators to focus on academic achievement rather than looming refinancing deadlines.

However, this guide also includes brief discussions of short-term refinancing options. It may make strategic sense for a school to employ short-term, bridge financing if it is in growth mode and could obtain superior financing results by accessing long-term sources with a larger, combined issuance for all facility needs. Short-term financing may also be preferable if a school is unable to borrow long-term debt on an affordable basis, either because of its individual credit profile or more general market conditions. Even in a low-rate interest environment, schools that suffer from a weak credit profile may be better served by short-term financing sources until their academics and finances improve. Improvement in these areas can lead to reduced risk and thus to lower interest rates and lower aggregate borrowing costs over the long run. Similarly, even charter schools with relatively strong credit should consider short-term financing if the market environment is unfavorable in terms of access or pricing. During the Great Recession, it was difficult for the strongest charter school credits to access the capital markets at affordable prices. Rates have fallen and spreads have narrowed between 2013 and 2020; however, the future market environment is uncertain and may not be as favorable.

Effective financial planning and identifying the right financing sources at the right time will ensure that schools are able to minimize the facilities burden and maximize resources going into the classroom.

## GUIDE AND TOOLKIT USE

This guide is designed in two sections. Section 1 describes the refinancing process. The narrative serves as a user's manual for a companion Excel toolkit, which is designed to assist school operators in preparing for and executing their refinancing strategies. There are six steps to the refinancing process discussed in this section. The tools in the toolkit are arranged to correspond to these six steps, with narrative guidance provided for each tool. A print out of the toolkit is in Appendix A and a link to the toolkit is in Appendix B.

Section 2 of the guide features descriptions of available long-term and short-term refinancing options, including a discussion of the benefits and trade-offs associated with each option. Schools are encouraged to employ the toolkit to help them evaluate different refinancing options. The toolkit and guide are meant to be both interactive and iterative.

The guide was prepared with the support of Bluum and the Idaho Charter School Network. It draws upon the material and work of Local Initiatives Support Corporation's (LISC's) *SchoolBuild* and *Charter School Bond Issuance*, Capital Impact Partners' *The Answer Key*, and Orrick's *Public Charter Schools Borrowing with Tax-Exempt Bonds*, as well as other generally available materials regarding charter school facility financing.

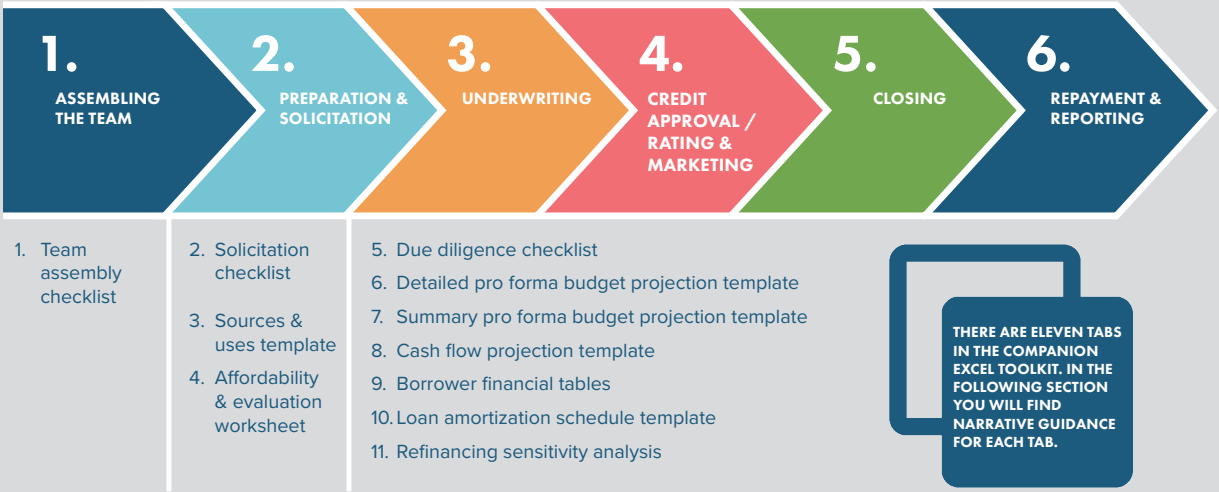
The guide is designed for a national audience with a common framework for approaching charter school refinancing. However, we acknowledge that much of the tangible activity is local in nature—determining who to hire, understanding local regulations and policies, and working within the constraints of local and state funding environments. Rather than attempting to list all of the regional differences and market participants, we provide examples of Idaho solutions to some of the challenges identified throughout the report. For other states, we encourage schools to contact their state charter school association, the Charter School Facility Center at the National Alliance, or LISC's *SchoolBuild* website. Links to these resources, and others that may be of further assistance to schools, are included in Appendix B.

Idaho-specific references and examples are highlighted in an Idaho pin box like this one.

# SECTION 1. REFINANCING PROCESS

Section 1 outlines six steps in the refinancing process and includes descriptions and instructions for tools in a companion toolkit, as illustrated in Figure 1. The toolkit includes 11 tools—checklists, templates, and worksheets—schools can use in different steps of the refinancing process. Each of the tools is included as a separate tab in an Excel workbook for ease of reference and data integration. By combining tools in a single workbook, information and assumptions from one can be easily linked to others and help schools explore the implications of varying assumptions and projections. Tools are arranged in chronological order of the six steps, and the narrative guidance provides detailed instruction on their use. Thus, schools should begin with *Tab 1, Team assembly checklist*, proceed to *Tab 2, Solicitation checklist* and so on. Not every school will use every tool, and schools can delete any tabs that are unnecessary. For example, if a school pursues long-term, fully-amortizing debt, it will not require the refinancing sensitivity analysis template. Schools can employ *Tab 4, Affordability and evaluation worksheet* to help them assess different sources included in the *Refinancing Options* section of the guide.

**FIGURE 1. SIX-STEP REFINANCING PROCESS AND ELEVEN TOOLS IN COMPANION TOOLKIT**




Different refinancing options will have different timelines for the individual steps and the process as a whole, but in general, schools should begin approximately a year and a half prior to the maturity of existing debt or the date set as a goal for refinancing. Much earlier than that, odds are that lenders will tell a school borrower to come back closer to the refinancing target date. Much later, and the school will not have built in enough cushion for any bumps it may hit along the refinancing road.

## *STEP 1: ASSEMBLING THE TEAM (TAB 1)*

An important precursor to refinancing is assembling the team that will be responsible for managing the process, which requires a great deal of time, coordination, and financial and legal expertise. Assembling a strong, experienced team, led by a designated charter school representative, either from the staff or the board, is paramount to successful implementation. The range of potential charter school representatives includes the school leader, chief financial officer, or chief operating officer. The school may also be represented by one or more board members with the requisite expertise and willingness to dedicate significant time and energy to the school's refinancing. The key is to have a trusted school stakeholder with authority to champion the effort and expedite decision making throughout the process.

### *TEAM ASSEMBLY CHECKLIST*

Unless the charter school staff or board has in-house capacity, the school should consider contracting with knowledgeable professionals for guidance through the different financial and legal aspects of the process. Whether external parties are selected through a formal request for proposals process or a more informal vetting process, schools should establish clear selection criteria, request details on relevant experience, obtain references from charter school clients, and interview potential candidates to ensure a good fit. Brief descriptions of the roles or services provided by the more common external team members are included below.

### NEED FOR A CHAMPION

*Every financing needs a school representative to lead the process and serve as champion. The champion should have authority to marshal resources, access to all pertinent information, and willingness to dedicate four to six hours a week to the refinancing process.*

### *Early-stage Technical Assistance (TA) provider*

The breadth of the team will depend on the nature of the refinancing and the requirements of the ultimate financing source. However, even the assessment of options can be difficult. Who can assist schools in evaluating financing options and making certain threshold decisions regarding project scope and affordability? Many individual refinancing sources provide technical assistance; however, assistance is generally tied to a specific source rather than an evaluation of different financing options available to schools. There are independent charter school facility financing consultants and advisory firms, but some specialize in certain sources and others in certain geographies. How do schools choose expert partners that will serve the school's long-term interests?

This early-stage assessment of options can be best performed by a mission-aligned technical assistance provider. These TA providers can help schools realistically assess their internal capacity and enhance that capacity as necessary, choose their optimal financing option, and assemble an appropriate team. To find technical assistance providers in different markets, consult individual state charter school associations, LISC's *SchoolBuild* website, or the Charter School Facility Center at the National Alliance.

To ensure these early-stage needs are met for schools in Idaho, the Communities of Excellence Project (Project) will provide schools with technical assistance by vetted Project consultants well versed in charter school facility financing. These Project consultants will also assist in selection of any additional team members required given school capacity and the nature of the financing option. They will ensure that basic affordability considerations have been addressed early on, that schools pursue the refinancing option that serves them best in the long run, and that the correct team is put in place to execute that option.

## *Legal Counsel*

The legal counsel's major role is to protect the charter school's interests. Counsel negotiates legal issues, drafts or reviews legal agreements the charter school enters into, and advises the charter school at critical points. It is important to engage legal counsel with experience in real estate for charter school facility transactions generally. When undertaking a bond offering, it will be important to have counsel also versed in tax-exempt issuance, who will work with the underwriter's counsel and bond counsel throughout the issuance process.

## *Financial or Municipal Advisor*

A school may decide that it needs additional financial expertise on the team. Some financial advisors specialize in shorter-term bank and community development financial institution (CDFI) financing sources, while others are able to advise on the issuance of municipal securities (bonds) as Registered Municipal Advisors (MAs). Some may be able to advise on both bond and non-bond financing options. These financial advisors and MAs have a fiduciary duty to act in a school's best interests. According to the Equitable Facilities Fund's (EFF's) *2018 Year in Review*, there is an increasing trend of charter schools engaging MAs for assistance on their bond issues, with 19 different MAs engaged in charter school bond offerings during the year.[1] When selecting MAs, schools should inquire about their prior charter school experience and the number of discrete underwriting firms used in their transactions, since over-reliance on a single underwriter raises questions about the MA's observance of its fiduciary commitment.

### *Underwriter*

For publicly offered bond transactions, schools will also select an investment banking firm that will structure and underwrite the offering, prepare financial disclosure information, assist in any presentations to the rating agencies, and market the issue to investors. If a school has engaged an MA, the MA will assist in this selection. Of note, there were 19 broker-dealers active in the sector in 2018; however, five were responsible for underwriting or placing the majority of charter school bonds, both in terms of number and dollar volume.[2] When selecting underwriters, schools should inquire about prior charter experience nationally and within the school's market.

## *STEP 2: PREPARATION & SOLICITATION (TABS 2, 3, AND 4)*

A number of long-term and short-term sources are discussed in the *Refinancing Options* section of the guide. Schools can reach out to any of these sources and discuss their loan request with them. Some will have application forms to complete; others will have due diligence checklists for required documents and information. Alternatively, schools can issue a request for proposals for refinancing if there are multiple providers in the preferred refinancing source (e.g., underwriting firms for bond issuance).

### 2 *SOLICITATION CHECKLIST*

No matter the financing source, lenders will want to know about the school, the need it is meeting in the community, its academic program, and its financial health and borrowing needs. Tab 2 of the toolkit provides an initial solicitation checklist for schools. Schools should assemble this information prior to reaching out to lenders. Lenders will have follow-up documents and due diligence requests throughout the process, but having these materials assembled will help expedite any initial screening process.

### 3 *SOURCES AND USES TEMPLATE*

Schools will need a general idea of transaction size and the magnitude of necessary financing resources. Begin by estimating uses of funds, primarily the debt that needs to be refinanced at maturity. Schools should also include the cost of any additional facility improvements that they may be considering, such as site expansion or new site development, as well as third-party costs and fees associated with refinancing. Assuming a school is primarily refinancing existing debt or purchasing a facility it has been leasing, third-party costs should be fairly minimal, and schools could include an initial placeholder of $10,000 for environmental and appraisal updates that lenders may require. Financing fees will vary depending on the refinancing source; however, schools can use 2% of the projected refinancing debt amount for preliminary sizing purposes.

Schools can also estimate how much equity they can commit to the project, from cash on hand, funds raised from individual donors or corporations, and foundation or government grants. For preliminary purposes, schools can input the difference between the total estimated uses and the identified equity contribution as debt in the sources section of the template. As the refinancing strategy is solidified, schools can revisit and update these figures.

### 4 AFFORDABILITY AND EVALUATION WORKSHEET

The next step is to make a preliminary estimate of how much refinancing debt schools can afford. Since schools are refinancing debt or purchasing leased facilities, they need to think about what they are currently spending on facilities and how it has affected their programs. Will refinancing lower the facilities burden or increase it? Will it be affordable over the long term? The benchmarks employed throughout this guide should be kept in mind. At full enrollment, schools should pay no more than 15% of their total revenues on debt service expense and no more than 20% of total revenues on aggregate facilities expense, including the cost of utilities and maintenance, in addition to debt service. These benchmarks should be considered upper limits.

#### FACILITIES ENVIRONMENT FOR IDAHO CHARTER SCHOOLS

In addition to operating per pupil funding, charter schools in Idaho receive per pupil facilities revenue through the Charter School Facilities Program, $420 per pupil in 2019-2020, as well as two small per pupil allocations through the State Facilities Funding Program and the School Facilities Maintenance Match Program.

In addition, Idaho is one of only four jurisdictions that have statutorily authorized a moral obligation program for charter school facility debt, effectively substituting the state's credit strength for that of the charter school.

One other element of Idaho law merits mention. Under current law, a single entity or obligated group is prohibited from cross-collateralizing debt or otherwise upstreaming financial resources. Each charter school must be independently accountable for its academic, financial and operational outcomes, This statutory prohibition makes it more difficult for Idaho charters with multiple schools to reap the credit and pricing benefits that normally accompany larger school enrollments and associated cash flows.

The affordability and evaluation worksheet will help schools determine how much of their existing financial resources they can afford to pay in facilities-related debt service and the maximum amount of debt they should borrow for different financing options. The key school input here is estimated annual revenues in the year of refinancing. This tab is linked to inputs in *Tab. 6, Detailed Pro Formas*, but schools can input the number directly in this tab as well. Schools will also need to select an annual debt service burden factor, based on their own financial strategies but capped at the maximum benchmark of 15%.

How much a school can borrow depends on the types of financing available. The affordability analysis will calculate the maximum amount of debt a school can afford for different options with different repayment terms. Simply input the estimated amount, term, amortization, and interest rate for the option, and the worksheet will calculate the maximum amount of debt a school can afford based on its revenues and any initial gap

it may have to fund with equity. The worksheet then incorporates the estimated equity contribution provided in the sources and uses template to calculate the remaining, or net, financing gap.

A school's estimated net financing gap is the difference between its refinancing needs (the total uses) and the financial resources that it either has currently at its disposal or expects to be able to borrow (the total sources). A positive number means the school has surplus debt capacity, and a negative number means the school has a remaining financing gap to fill. If the affordability analysis results in a net financing gap, the school will need to find an alternative option that allows it to borrow more affordably, raise additional funds, or revise its uses downward (value engineer or reduce the scope of its planned project) such that the gap is eliminated.

Each refinancing option will have different transaction costs and ancillary financing terms not explicitly addressed in the affordability analysis. Other terms to consider include loan-to-value (LTV) restrictions, guarantee requirements, any penalties for prepayment, and ongoing financial covenant requirements. Schools can compare costs and terms from different lenders by filling in the other parts of this evaluation worksheet and comparing the elements side by side. Having more than one option will help schools negotiate superior terms with any individual lender.

## *STEP 3: UNDERWRITING (TABS 5, 6, 7, 8, 9, 10, AND 11)*

The underwriting due diligence process can be an intense and time-intensive one. It involves a lender's detailed examination of the school's organization—its management team, educational model, student achievement, and financial performance. The lender will also make an assessment of the school's ability to repay its loan from cash flow as well as the value of the collateral provided should it fail to make payments and default on the loan. Several of the tabs included in the toolkit are items that lenders will request from schools. Others are analyses lenders typically use to assess a school's credit strengths and weaknesses.

### 5 *DUE DILIGENCE CHECKLIST*

At times it can seem like the list of items lenders request is never ending, but the more responsive schools are, the more they strengthen the underwriter's ability to obtain approval for their financing through the organization's credit approval procedures or marketing process. Tab 5 provides the more detailed due diligence checklist of items lenders typically require during underwriting so that schools can get a jump start on compiling them. Ensuring that someone on the school's team is tasked with responsibility for timely responses to requests for these documents and information is important to expediting loan approval.

### 6 7 PRO FORMA BUDGET TEMPLATES

These tabs provide detailed and summary templates schools can use to develop and present the multiyear pro forma budgets all lenders will require, usually for at least a five-year projection period. Schools can use the detailed template to project enrollment, state per pupil funding, local and federal revenue, any facilities assistance funding, as well as any private funding. Schools will also be able to itemize expenses, breaking down instructional expenses, facility debt service, other occupancy expenses, student services, and general and administrative expenses.

The detailed template is designed to capture all operating revenues and expenses with minimal inputs on the school's part. In keeping with underwriting convention, revenues are generally escalated at 2% and expenses at 3%. This convention is meant to be conservative in that expenses are growing more rapidly than revenues. However, these escalation factors can be customized to reflect each school's funding environment. In the current period of COVID-19 uncertainty, it will be important to reflect actual per pupil revenue and any one-time revenue sources, such as Paycheck Protection Program funding, for the current fiscal year. Underwriters may also require an assumed 5% to 10% reduction in per pupil revenues for the next fiscal year or two. They will likely perform sensitivity analysis to determine how much per pupil revenue can be cut and still allow a school to break even, with no operating losses.

The detailed Tab 6 is linked to a summary version of the pro formas in Tab 7, which might be more appropriate for certain audiences. Both versions calculate a number of ratios lenders review based on the results of inputs, including net income margin, debt service coverage, debt burden percentage, and facility burden percentage, among others. These calculations will provide insight into a lender's underwriting analysis and how a school's metrics compare to the benchmarks discussed in the *Refinancing Options* section of the guide.

### 8 CASH FLOW PROJECTION TEMPLATE

In addition to annual pro forma budget projections, lenders will request a monthly cash flow projection, typically for a 24-month period. Lenders will use this projection to assess whether operating cash flow is sufficient to cover operating expenses and sustain adverse events, such as per pupil funding deferrals or reductions, loss of students, or unanticipated expenditure increases. Like the pro forma budgets, this template includes the major revenue and expense line items used by charter schools and automatically calculates cash balances on a monthly basis.

### 9 BORROWER FINANCIAL TABLES

Underwriters typically analyze audited financial results for the most recent three-year period to assess a school's financial strength and historic operating performance. Schools can customize this tab to input their most recent audited financials, and the tool will calculate several financial performance metrics lenders use, including: net income margin, current ratio, quick ratio, days cash on hand, total debt/net assets, total liabilities/net assets and total debt/total assets. The "Minimum Benchmark" column shares ratios

generally required by the most flexible CDFIs or mission-driven lenders. Schools can compare results to these minimum benchmarks and to the requirements for other sources discussed in the *Refinancing Options* section of this guide.

### 10 LOAN AMORTIZATION SCHEDULE TEMPLATE

Tab 10 allows schools to calculate amortization schedules by inputting the loan amount, annual interest rate, amortization period (in months) and term (in months). Monthly and annual debt service payments will be automatically calculated based on these inputs. This tool also calculates the balloon amount due at maturity if the loan term is shorter than the amortization period. The balloon amount is the amount of principal outstanding at maturity of the loan that will need to be refinanced.

For bond refinancing options, schools should request a debt service schedule with principal and interest payments based on the underwriter's recommended bond structure. Bond offerings are generally structured to achieve level annual debt service over the life of the bond. If the borrower has existing debt for other schools or other projects, the individual bond's debt service can also be structured to achieve level annual debt service for the borrowing entity as a whole. For example, if a school has existing debt with level annual payments, it could structure minimal principal repayment on the new bond issue in the early years, when existing debt is outstanding, in order to achieve level debt service over a longer period. The underwriter should also provide the all-in cost associated with various structuring scenarios, as discussed further in the *Bond Market* option in the *Refinancing Options* section.

### 11 REFINANCING SENSITIVITY ANALYSIS

If a school's refinancing option is not fully amortizing, as is the case for short-term and mini-permanent, or medium-term, financing, it will have a principal balloon amount to refinance at maturity. Lenders will perform sensitivity analyses to assess the magnitude of refinancing risk associated with this balloon payment, since it affects their repayment. The balloon amount in this tab is linked to the balloon calculation in *Tab 10, Loan Amortization Schedule*, but schools can input the number directly in this tab as well. The other key school input is annual net operating income in the year refinancing debt matures.

The table calculates debt service coverage ratios for the next round of permanent, or takeout, financing that will refinance the principal balloon, depending on a range of amortization periods and interest rates. If this table indicates low debt service coverage ratios based on the balloon amount, the lender may request a shorter amortization period on its loan in order to reduce the amount and the corresponding risk. On the other hand, healthy debt service coverage ratios well above 1.2x in this table—with more conservative assumptions of short amortization periods and high interest rates—will give a lender comfort that the refinancing risk is low.

## STEP 4: CREDIT APPROVAL OR RATING AND MARKETING

The underwriting due diligence period will culminate with approval of a school's loan or possible rating and marketing of its bond issuance. Lenders may issue a commitment or approval letter resembling a detailed term sheet. Different refinancing sources and individual lenders within those sources have varying approval thresholds and credit approval procedures with different timing implications. Schools should discuss these thresholds and procedures with their lender to understand their impact on the refinancing timeline.

For tax-exempt bond issuances, a broker-dealer will work with the school and disclosure counsel (typically either bond counsel or underwriter's counsel) to develop a preliminary official statement (POS) that will be used to market the offering to investors. Development of this offering document, which describes the bonds, their pricing, and their terms is a significant task. Schools will be required to provide significant disclosure in the Appendix B of the bond offering document, which describes the charter school's history, governance and management structure, educational program, academic performance, and financial performance and projections. If a school is seeking a rating on its issuance, the municipal advisor and/or underwriting firm will assist in obtaining a rating for the bond issuance. Once the POS is drafted and rated, as applicable, the underwriting firm will make it publicly available to investors. After a marketing period of roughly two weeks, the underwriter will sell the bonds on a single day and determine the final interest rates, amortization structure, and pricing.

## STEP 5: CLOSING

Closing occurs when schools sign or execute the final loan or bond documents and receive the proceeds to refinance existing debt. During the period between approval or marketing and closing, lenders will prepare legal documentation for the loan and finalize any outstanding due diligence. Schools will review the legal documentation with school counsel and ensure that terms and conditions are in keeping with the lender's commitment. For bond issuances, various counsel and underwriters will finalize the official statement and associated legal documents.

## STEP 6: REPAYMENT AND REPORTING

Once a school has closed its refinancing, it is contractually obligated to make principal and interest payments for the life of the financing. Loans will typically require monthly principal and interest payments, although they can be structured with an interest-only period prior to commencement of amortization. Bond issuances are typically structured with annual principal payments and semi-annual interest payments, and they can also be structured with an initial interest-only period.

Both loans and bonds will require that the borrower meet certain reporting and financial performance covenants. Reporting covenants typically include the school's provision of

annual audited financial statements, quarterly unaudited financial statements, and annual reports on enrollment and academic performance. Borrowers may also be required to share state report cards and authorizer reports and give notice of certain material events, such as non-compliance with charter terms or a change in management.

Financial covenants include certain restrictions the school agrees to and performance criteria the school must meet on an ongoing basis in order to avoid a technical default on the loan or bond. These covenants can include limitations on additional indebtedness or encumbrances on the property being financed. They also typically specify other leverage, liquidity, and debt service coverage ratios that the school must meet on an annual basis.

If a school decided that short-term financing was the best refinancing option, it will have a principal balloon to refinance again at maturity of the debt. Schools can employ *Tab 11, Refinancing Sensitivity Analysis*, to project if they will be able to meet lender debt service coverage ratio requirements for takeout financing of this balloon given different assumptions regarding the interest rate and amortization period for the takeout financing. If this table shows strong debt service coverage ratios well above 1.2x in this table, even with high interest rates and short amortization periods, schools can have greater confidence that they will be able to successfully refinance the principal balloon at maturity.

# SECTION 2. REFINANCING OPTIONS

Section 2 of the guide outlines the sources of refinancing capital generally available to charter schools. This section includes descriptions and a discussion of the advantages and disadvantages of the refinancing sources listed below. Each of the jurisdictions that have passed legislation authorizing charter schools have different facility financing environments, with some jurisdictions providing significant support and others providing little to no support. Generally, facilities funding and financing support takes the form of an annual per pupil allowance for facilities, capital grant funding, inclusion of charter schools in school district mill levies, loan programs, and credit enhancement programs. Idaho examples are included throughout this section for illustrative purposes. Please refer to the Charter School Facility Center at the National Alliance and LISC's *SchoolBuild* site for detail on charter school facilities assistance in other jurisdictions.

It is important to evaluate these refinancing options as the refinancing team is being selected since the ultimate financing source will affect team composition. Schools should refer to the toolkit's *Tab 1 Team assembly checklist* and *Tab 4 Affordability and evaluation worksheet* to assist in this team selection and evaluation of options.

| LONG-TERM OPTIONS | SHORT/MEDIUM-TERM OPTIONS |
|---|---|
| Bond Market | Banks and Credit Unions |
| State Credit Enhancement (Spotlight on Idaho Moral Obligation [MO] Program) | Community Development Financial Institutions (CDFIs) |
| Philanthropically-Enhanced Funds, Equitable Facilities Fund (EFF) | Philanthropically-Enhanced Funds, Facilities Investment Fund (FIF) |
| Bond Guarantee Program (BGP) | |
| USDA Community Facilities Programs | |

Other philanthropically enhanced funds invest in their own portfolio members, such as Charter School Growth Fund. Some private investment funds provide capital to charter schools. Most of the latter are for-profit entities that must provide a market rate of return to their investors and typically serve as a last resort for charter schools.

# LONG-TERM OPTIONS

Each of the long-term sources below is typically secured by a first lien on the real estate collateral and revenues of the charter school. The accompanying table highlights other salient terms.

## COMPARISON OF LONG-TERM FINANCING OPTIONS

| | Bond Market | State Credit Enhancement, Idaho MO Program | Philanthropically-Enhanced Funds, EFF | Bond Guarantee Program | USDA Community Facilities Programs |
|---|---|---|---|---|---|
| School Eligibility | Unrestricted | Idaho charter schools | Nonprofit schools | Varies by CDFI | Nonprofit schools in rural areas with populations <20,000 for loan program; and in rural areas with populations <50,000 for guarantee program |
| Use of Proceeds | New Money & Refinancing | New Money & Refinancing | New Money & Refinancing | Refinancing | New Money; refinancing if < 50% of total loan amount (guaranteed) |
| Term | 30 - 35 years | 30 - 35 years | 30 - 35 years | < 30 years | Up to 40 years |
| Interest Rates | Market & School Credit based (unenhanced) | Market, School & State Credit Based (enhanced) | Below market due to philanthropic component | Market (Treasury) based with added spread for CDFI | Below market |
| Financing Costs | Relatively high | Relatively high (one-time fee of 0.5% of issue amount and ongoing annual fee of 0.075% on outstanding principal) | Relatively low | Relatively low | Relatively low |
| Loan-to-Value | >100% | >100% | >100% | 80% - 90% | 90% - 100% |
| Debt Service Burden | Pricing will vary based on burden | =<20% including other facility expenses | =<20% | Varies by CDFI | Varies |
| Debt Service Coverage | Pricing will vary based on coverage | 1.2x to qualify, may be lower depending on underwriter's requirements | >1.1x | Varies by CDFI | >1.0x |
| Debt Service Reserve Fund | Yes | Yes | No | No | No |
| Optional Redemption/ Prepayment | Generally at 10 years | Generally at 10 years | Generally at 10 years | Varies by CDFI | At any time; no prepayment penalty |
| Academic Criteria | None, pricing may vary based on academic performance | Growth or proficiency above the state average | Outperformance of district in proficiency and/or academic growth | Varies by CDFI but generally outperformance of district | No explicit criteria |
| Other Requirements | Varies by transaction | - 20% facilities benchmark<br>- 60 days cash to qualify but underwriter can set different requirement<br>- Financing commitment letter<br>- Good standing with authorizer (3 years) | - 3 years operating history<br>- Service to low-income populations<br>- 60 days cash | - Service to low-income populations | - Inability to obtain other financing at reasonable price<br>- 5 years operating history, though routinely waived |

Commercial banks are not typically a long-term option for charter schools. As discussed further below, banks can and have provided longer-term financing through direct lending and purchase of charter school bond private placements. However, most commercial banks provide shorter-term loans and are discussed in the short-term section.

## 1) BOND MARKET

### *Overview*

The bond market is an attractive source of long-term financing for charter schools, enabling schools to borrow fixed-rate debt over long, fully-amortizing terms, generally between 30 and 35 years. Moreover, the bond market allows school borrowers to finance 100% of project costs, including transaction expenses or costs of issuance. As such, schools are required to provide little or no up-front equity. Bond financing is typically secured by a first lien on the real estate collateral and revenues of the borrower.

### Coronavirus Side Note

*At the time of this writing, the country is at the height of the coronavirus pandemic and experiencing a high degree of economic uncertainty. Thus far, uncertainty has not increased underlying market rates, but it has resulted in wider credit spreads for charter school borrowers. This risk appetite may change more significantly in 2020 with continued market uncertainty and a continued "flight-to-safety" in which investors exit higher-risk debt and equity vehicles and invest in high-quality, low-risk government instruments. It is not yet clear what the longer-term impact of COVID-19 will be for the tax-exempt market or charter school borrowers.*

### *Tax-Exempt Basis*

Charter schools have almost uniformly accessed the bond market on a tax-exempt basis, meaning that the interest on the bonds is excludable from federal income tax. In most states, including Idaho, interest from federally tax-exempt issues is also exempt from state and local taxation. Tax-exempt interest rates are usually lower than taxable rates since they produce an equivalent after-tax return to investors. However, taxable issuance may make sense in very low interest rate environments in which the spread between taxable and tax-exempt rates is particularly small or to advance refund tax-exempt debt with higher interest rates (see below). For example, Voyager Academy, a North Carolina charter school, issued a 30-year taxable charter school bond in March 2020 to refinance 2012 and 2014 tax-exempt issuances with high interest rates.

### *Offering Method*

Bonds can be offered through private placement or public offering. In a private placement, the bonds are directly placed with or purchased by a financial institution, foundation or high net-worth individual. Private placement may make financial sense for a school if it has strong institutional support from a banking or other institutional partner or if it is unable to access the public markets on an affordable basis. Private placement of charter school bonds was common earlier in the sector's history, but as the sector has matured and investors have become more familiar with charter schools, public offering has become the norm. In a public offering, the bonds are marketed and sold competitively by a broker-dealer.

*While public offering has become the norm, in certain cases it may be advantageous for a school to privately place its long-term bond offering with a supportive banking or other institutional partner.*

### *Issuer*

With the exception of charter schools in Massachusetts and Michigan, charter schools must issue tax-exempt debt through a public or quasi-public conduit issuer. The conduit issuer serves solely as an intermediary, borrowing funds from investors and relending them to the ultimate borrower, the charter school. Charter schools may choose to use an out-of-state conduit issuer for a number of reasons, including unfriendly charter policies, stringent credit requirements, cost savings, or procedural ease.

The Idaho Housing and Finance Association (IHFA) serves as the conduit for charter school bond issuances in Idaho. One example is its issuance of $7.3 million in tax-exempt bonds and $325,000 in taxable bonds in April 2020 on behalf of Compass Public Charter School.

### *Coupons and Yields*

The coupon is the periodic interest payment the borrower pays to investors during the life of the bond. The coupon rate is the interest rate at which interest payments are calculated based on the principal amount of the bond. The interest rate used to calculate the coupon can be fixed at issuance for the life of the bond, fixed rate, or it can vary over a bond's term, variable rate. In variable-rate bonds, the interest rate is set on certain designated dates in the future based on specific market indices, plus a predetermined spread to the index.

The yield to investors is the rate of return on the bond. It can vary from the coupon rate if the price at which the bond is sold differs from par. When a bond is issued or resold, it can sell at a price that differs from its par value. A bond that sells at less than par is sold at a discount, and a bond that sells at more than par sells at a premium. The yield and the price of a bond are inversely related. If the bond is sold at a discount, the yield to investors is higher than the stated coupon. If the bond is sold at a premium, the yield is lower.

### *Pricing*

A number of factors affect pricing and yields for bond issuances, including underlying market rates, credit spreads, and underlying market appetite for risk. Charter school bond offerings are priced at a spread to the triple-A Municipal Market Data Index (MMD),

the interest rate the highest rated triple-A borrower would expect to pay on a tax-exempt bond priced on the same day with the same term or maturity. The MMD curve is similar to the Treasury yield curve—it moves with the overall economy.

The MMD yield curve constitutes the underlying market rates for tax-exempt charter school bond issuances. Credit spreads to this curve vary based on individual borrower credit quality, with the extent of the variation depending on the market's underlying appetite for risk. Given the high-yield nature of the charter school sector, this underlying market risk appetite has driven the relative share of rated and unrated issuance in differing market environments. Unrated issuance fell significantly during the Great Recession, when there was little appetite for risk in the market and spreads for higher-risk credits were at historic highs. Since that period, unrated issuance has steadily grown until recently as market appetite for risk increased, with significantly lower spreads to MMD for lower-rated or unrated credits.

### *Fees*

In addition to the interest a charter school pays for its borrowing, charter schools must pay other expenses to execute bond transactions. These expenses include legal fees, trustee fees, issuer fees, underwriter fees, rating agency fees for rated transactions, and credit enhancement fees for enhanced transactions. The fee that has the most variance and represents a significant portion of total issuance costs is the underwriter's discount, the fee paid to the underwriter to structure, price, and market bonds to investors. Borrowers typically fund these costs out of bond proceeds, subject to a cap of 2% of the tax-exempt issue amount (excluding the cost of credit enhancement). In cases where issuance costs exceed this cap, the borrower can issue a taxable series of bonds to fund the additional expense. While both the underwriter's discount and overall costs of issuance have declined over the past two decades, they are still significant and can be prohibitively high for small issuances of less than $5 million.

### *All-in Cost*

A school's true cost of capital, or all-in cost, is calculated by taking interest expense, costs of issuance, and ongoing fees into account. Schools should ensure that all possible fees are disclosed when evaluating options and look beyond interest rates alone.

## Schools can borrow from the bond market, but should they?

*Unlike some of the other financing sources discussed in this guide, which may place emphasis on school mission and academic performance, the bond market can be agnostic or neutral about the charter school's service to low-income students and the quality of its academic program, to the extent it doesn't impair repayment to investors. As a result, academically and financially weaker schools may have an easier time accessing the bond market. The question is, should they, and at what cost? Bond investors will provide capital to weaker charter school credits, but perhaps at interest rates that aren't affordable over the long run. A school should consider the two benchmarks discussed throughout the guide: at full enrollment, debt service expense should be 15% or less and occupancy expense should be 20% or less of annual revenues. Schools should employ the toolkit's Tab 4, Affordability and evaluation worksheet, when considering their options.*

### *Reserve Funds*

Charter school bond issues are structured with a debt service reserve fund (DSRF), which is held by the bond trustee on behalf of investors. This reserve can be tapped to pay debt service to investors should the charter school fail to do so. The DSRF generally equals maximum annual debt service for the bond offering and is funded with bond proceeds. While the DSRF increases the size and cost of the offering, it can be used by the borrower to make the final debt service payment on the bonds or be returned to the borrower at bond maturity.

### *Redemption*

Charter school bond issuers have the right to redeem or call bonds in whole or in part prior to maturity. Redemption makes financial sense if the bond was originally issued in a high interest rate environment, and refinancing would result in interest savings that outweigh the additional costs of issuance. There is typically a ten-year period of call protection from when a bond is first issued, during which there is a cost, or call premium, for redemption. Generally, this premium decreases according to a specified schedule until the ten-year call date, when the bonds can be called at par, or no extra cost. Prior to passage of the Tax Cuts and Jobs Act of 2017, tax-exempt bonds could also be employed in certain circumstances to "advance refund" tax-exempt issuance prior to the end of the call period. Proceeds of the new or refunding tax-exempt issuance were held in escrow (for more than 90 days) until the call date and then used to refund the higher interest rate bonds. With passage of the 2017 law, any advance refunding of tax-exempt charter school bonds after December 31, 2017 must be undertaken on a taxable basis, as in the example of Voyager Academy above.

### *Credit Rating*

Charter schools can access the bond market on either a rated or unrated basis. In 2018, almost three-quarters of the 129 issuances were unrated, the highest percentage in two decades.[3] The unrated share of par issuance was slightly lower, approximately two-thirds. The decision to access the capital markets on a rated or unrated basis depends in part on the pricing impact, which can vary in different market environments, as discussed above.

Both Standard & Poor's Global Ratings (S&P) and Moody's Investors Service (Moody's) provide ratings for charter schools. S&P continues to rate the great majority of transactions, 76% of the number and 80% of the par volume of all rated issuance in 2018.[4] However, since its reentry into the sector in 2016, Moody's share has been increasing. Fitch did not assign any ratings in 2018. A summary of the criteria employed by S&P and Moody's in rating charter schools and their bond offerings is included in Appendix C. A former credit rating analyst also provides some tips on approaching credit rating agencies in an August 2020 publication link included in Appendix B.

### *Market Size*

According to EFF's 2018 Year in Review, charter schools issued 129 distinct tax-exempt bond transactions totaling just under $3 billion during the year. This volume represented a 17% decrease compared to 2017's $3.6 billion and a 2% increase over the total for 2016. Abnormally high volume in 2017 was driven by changes in tax law that went into effect in January 2018, including the changes to advance refunding discussed above. Tax-exempt issuances for 2018 averaged $23 million, with a lower median of $15 million, and a record-setting range from $2 million to $357 million.[5] EFF preliminarily estimates that charter schools issued $3.5 billion in tax-exempt bonds in 2019, a projected 18% increase over 2018 volume.

***The charter school bond market is approximately $3 billion annually and growing. The median bond size is $15 million.***

For greater detail on bond financing, please refer to links for the EFF's 2018 Year in Review and Orrick's *Public Charter Schools Borrowing with Tax-Exempt Bonds* included in Appendix B.

## REFINANCING EXAMPLE

Liberty Charter School's bond issuance provides an illustration of many of the concepts discussed in this section. In 2008, during the Great Recession, Liberty issued $4,005,000 in bonds, including $3,835,000 in tax-exempt Series A bonds and $170,000 in taxable Series B bonds (to finance costs of issuance above the 2% cap). Liberty issued through the Idaho Housing and Finance Association and used the proceeds to refinance short-term acquisition and construction financing for its facilities. The tax-exempt bonds were sold at par with interest rates of 5.50% and 6.00% for 2021 and 2038 maturities, respectively. The taxable bond was sold at par with a rate of 7.50% and a 2012 maturity. The bonds were callable at par beginning June 1, 2018, or ten years from issuance. The bonds had annual debt service of approximately $290,000 and an all-in cost of 6.53%.

In June 2020, Liberty issued $3,250,000 in refunding bonds through IHFA, including $3,075,000 in tax-exempt Series A bonds and $175,000 in taxable Series B bonds. The tax-exempt bonds had coupons of 4.00% but were sold at a premium. The bond maturing 2030 had a price of 106.44% and a yield of 3.23%, and the bond maturing 2038 had a price of 102.62% and a yield of 3.68%. The taxable bond was sold at par with a rate of 3.40% and a maturity date of 2022. The refunding bonds have annual debt service of approximately $255,000, a reduction of $35,000 annually from the 2008 issuance, and an all-in cost of 4.35%, more than 2% lower than the 2008 bonds. Sources and uses of funds for the 2020 bond issuance are included below.

| SOURCES | |
|---|---|
| Par Amount of Series 2020A Bonds | $3,075,000.00 |
| Par Amount of Series 2020B Bonds | 175,000.00 |
| Original Issue Premium | 132,492.75 |
| Transfer from Series 2008 Bond Funds | 294,872.88 |
| **TOTAL SOURCES** | **$3,677,365.63** |

| USES | |
|---|---|
| Redemption of Series 2008 Bonds | $3,195,382.22 |
| Debt Service Reserve Fund Deposit | 259,400.00 |
| Costs of Issuance, with Underwriter's Discount | 222,583.41 |
| **TOTAL USES** | **$3,677,365.63** |

As can be seen, the DSRF requirement for the 2020 issuance is roughly equal to annual debt service on the new bonds. Because the 2008 bonds were being redeemed, the school was able to contribute the 2008 debt service reserve as a source for the new issuance. Because the bonds were sold at a premium, the school received additional up-front proceeds. These additional proceeds are taken into account when calculating the issue's all-in cost.

For a more in-depth description of financing concepts and terms, please see Chapter 13, Fixed Income Securities in New *Frontiers of Philanthropy,* edited by Lester M. Salamon.[6]

## 2) STATE CREDIT ENHANCEMENT

A dozen jurisdictions provide public credit enhancement programs to reduce the borrowing costs of their charter schools. Credit enhancement can involve the substitution of a stronger third party's credit, as in the case of a moral obligation pledge, other full or partial guarantees of repayment, or funding of specific collateral pledged for repayment, such as additional reserves structured into a loan or bond structure.

Four jurisdictions have credit enhancement programs involving a moral obligation pledge, although the program is not active in one of the jurisdictions. In a moral obligation pledge, a state or municipality promises or pledges to seek, but is not legally required to make, an appropriation out of general revenues to replenish a debt service reserve fund that has been drawn upon to meet debt service payments to bondholders in the event a borrower defaults. As such, the MO pledge effectively substitutes the credit strength of the state or municipality for that of the borrower, resulting in significant interest savings for lower-rated borrowers.

The remaining eight jurisdictions have other credit enhancement programs that provide credit support to charter school bond or loan financing in the form of guarantees or funded debt service reserves. Please refer to links to the National Alliance's August 2020 publication, *State Policy Snapshot: Facilities Financing for Public Charter Schools* in Appendix B for details regarding credit enhancement programs in other jurisdictions.

### EXAMPLE: IDAHO MORAL OBLIGATION PROGRAM

In April 2019, Idaho Governor Brad Little signed into law Senate Bill 1180, which created a state moral obligation program for charter schools in Idaho. As of July 2020, no Idaho charter school had yet accessed the program; however, charter advocates were seeking an advisory opinion from the State Supreme Court on behalf of the first prospective participant.

*Eligibility*
Charter schools apply to the Idaho Housing and Finance Association for issuance of nonprofit facility bonds and participation in the moral obligation program. To qualify, a school must provide the following items:

- Letter of commitment from a chartered financial institution, CDFI, or qualified underwriter or investment firm
- Evidence the school has been in academic, operational and financial good standing with its authorizer for the three previous years
- Annual budgets or cash flows (pro formas) that show the school's debt service and facilities expense will be below the 20% of revenues facilities benchmark

- Evidence the school has operating reserves equal to 60 days cash and a debt service coverage ratio equal to or greater than 1.2x
- Satisfactory audit opinion
- Certification from the school's board chair or treasurer as to reasonableness of financial and enrollment projections
- Evidence of strong academic results, including growth or proficiency above the state average on the Idaho Standards Achievement Test

Idaho's moral obligation program is modeled in part after successful programs in Colorado and Utah. Eligible charter schools are required to deposit 12 months debt service into a restricted debt service reserve fund, similar to the general requirement for charter school tax-exempt bond issuance. The difference is that, pursuant to the MO pledge, the DSRF would be replenished by state appropriation if drawn upon and not replenished through other backstop sources. To lessen the likelihood of the need for appropriation, the Idaho program is structured with such a backstop source. The Idaho legislation established the public charter school facilities program fund within the state treasury, which will be funded from grants, gifts, appropriations, and required fees from schools that borrow through the program. At bond closing, schools are required to deposit a one-time fee equal to 0.5% of the issue par amount and an ongoing annual fee equal to 0.075% (7.5 basis points) on the bond's outstanding principal balance. This backstop fund will be used, as available, to replenish any draws on the DSRF without the need for state appropriation.

In addition, the state's moral obligation program requires use of an intercept mechanism, whereby the Idaho Department of Education pays all school revenues directly to the bond trustee, which sets aside funds for bond payment first and then transfers the balance to the participating school.

Of note, Idaho's moral obligation program does not limit eligibility to investment-grade schools. As such, the credit support and resulting savings for schools can be significant. Depending on program structure, moral obligation bonds are generally rated one to two notches lower than the state's general obligation bonds. With Idaho's "AA+ and Aa1" rating from S&P and Moody's, respectively, these MO bonds will have ratings significantly higher than schools could achieve on their own credit strength. It is important to note that schools are required to obtain an underlying borrower rating in addition to the MO rating for their bond issuance.

The first charter school has sought judicial confirmation for issuance through the program. It is unclear if judicial approval will be required for each school's participation, which would increase legal fees and lengthen the period for issuance. These higher legal expenses will be offset by lower interest rates and a lower underwriter's discount normally associated with higher-grade credits.

## 3) PHILANTHROPICALLY-ENHANCED FUNDS, EQUITABLE FACILITIES FUND

Philanthropic foundations have sought to improve financing options for charter schools through a variety of measures ranging from direct grants to schools to program-related investments in the form of guarantees or low-cost loans to CDFIs. Some foundations have turned to supporting new funds. One example is a relatively new nonprofit loan fund described below.

The Equitable Facilities Fund (EFF), established in 2017 with support from the Walton family, is a national social impact fund that combines philanthropic funds with private capital to provide charter schools with fixed-rate, long-term loans, typically 30 years. The fund's pricing is lower than market rate tax-exempt bonds because the below-market rate philanthropic capital is used to blend down interest rates. Mirroring the tax-exempt market, schools can prepay the EFF loans after a ten-year call period. Also similar to the bond market, EFF provides schools with the ability to finance 100% of projects costs, requiring little or no up-front equity from schools. Unlike the bond market, EFF does not currently charge any underwriting discount and does not require funding of a debt service reserve fund, both of which help lower the all-in cost for schools. Also unlike the tax-exempt bond market, EFF can execute advance refundings.

*Charter school stakeholders have created a new long-term financing option that leverages philanthropy to blend down borrowing rates.*

In the period between its establishment in 2017 and the end of July 2020, EFF closed $297 million in long-term loans to 21 charter school borrowers in eleven states. In August 2019, the fund issued $112 million in tax-exempt bonds through its Equitable School Revolving Fund, and in August 2020, the fund issued an additional $171 million. EFF employed the bond proceeds—in combination with philanthropic capital—to finance these loans. EFF plans to provide a total of $700 million in long-term loans to charter schools across the country by the end of 2021, funded with $500 million in tax-exempt bond issuance and $200 million in philanthropic capital.

### *Eligibility*

EFF financing may be used to refinance existing debt or to finance construction, acquisition of land or facilities, and expansion projects. Like the bond market and Idaho's moral obligation program, combination financings—which include both new money and refinancing uses—are possible. Loans are secured by a first lien on the real estate collateral and revenues of the borrower or related entity. Loan size is limited based on certain portfolio guidelines, which currently cap individual loans at

approximately $30 million. Eligibility for financing is restricted to nonprofit charter schools or charter management organizations that meet the underwriting criteria below:

- Three years of operating history
- Demonstrated track record of academic success, defined as outperformance of district in proficiency and/or academic growth
- Service to predominantly low-income populations, measured by student eligibility for the federal free- and reduced-price lunch program (with a portfolio-wide target of 60% or more)
- Strong historical and projected financial performance, as measured by:
  - days cash on hand of 60 days or above
  - debt service coverage ratio of 1.1x or above
  - debt service burden of 20% or less of total revenues
  - positive operating margin (excluding non-cash expenses)

In addition, each loan agreement contains covenants from the school, including the following:

- An additional indebtedness covenant, whereby the school may not incur additional parity debt unless coverage is at least 1.2x in the first year following issuance of the additional debt
- An academic performance covenant, whereby the school agrees to maintain high academic performance (although failure to meet performance is not an event of default)
- An enrollment covenant, whereby the school agrees to maintain enrollment projections (although failure to meet projections is not an event of default)

### *Credit Rating Methodology*

EFF analyzes five primary areas, comprising a number of subfactors, to determine a charter school's credit rating. It begins by evaluating the risk factors in two primary areas, educational program and financial health, to develop the borrower's base credit rating. The factors are evaluated on a scale of 1 (weakest) to 5 (strongest). In addition to the specific academic and demographic criteria mentioned above, for the educational component of the base rating, EFF reviews student enrollment, retention, and waitlist information, board governance and school leadership, and any authorizer accountability measures. For the financial health component of the base credit rating, EFF reviews historical and projected debt service coverage and debt burden ratios, days of cash on hand, and operating margins.

EFF adjusts the base credit rating according to relevant risk factors in three other categories—regulatory environment, market position, and project status—to determine the final rating. These additional categories can have positive, neutral or negative impacts on the final rating, depending on EFF's assessment of their materiality.

- Regulatory environment analysis reviews the length and strength of the charter, the local and state political culture for charter schools, and the strength of the authorizer.
- Market position includes an assessment of community support, competition, and local school-age population demographics.
- Project status reviews project costs, collateral values, and project quality in terms of meeting the school's future facility needs.

Borrowers that score well on these factors are recommended to the EFF Board for approval.

Several Idaho charter schools have begun conversations with EFF which, like other mission-aligned capital sources, provides a significant amount of technical assistance as part of its financing services.

## *4) BOND GUARANTEE PROGRAM*

Community Development Financial Institutions are typically thought of as short-term lenders, and they will be discussed further in the next section. However, certain CDFIs have been able to borrow long-term money from the federal government through the U.S. Treasury's Bond Guarantee Program. The program authorizes certain bond issuers, known as Qualified Issuers, to issue bonds with fixed interest rates and maturity dates of up to 29.5 years on behalf of approved or Eligible CDFIs. The CDFIs, in turn, use the proceeds to invest in community development projects, including charter school facility projects. The Secretary of the Treasury provides a 100% guarantee on the bonds, up to $1 billion a year, which are sold to the Federal Financing Bank, a U.S. government corporation.

Since 2013, the CDFI Fund, a department within the U.S. Treasury, has approved $1.6 billion in bond issuance through three Qualified Issuers on behalf of 26 Eligible CDFIs. Bond issues are in minimum amounts of $100 million, but multiple CDFIs can participate in a single issuance. Details on awards are included in Appendix D.

The program has certain requirements, including that loans be secured by a first lien and have a loan-to-value ratio of 80% or less on the real estate collateral. Several of the CDFIs have adapted to these requirements by providing a subordinate tranche of financing, which allows LTVs of up to 90%. However, this financing source will require an equity contribution from the charter school borrower, unlike the previously discussed

bond sources. Due to other program parameters, this funding source is better suited to refinancing than to new money purposes.

In addition, the maximum term for Bond Guarantee Program (BGP) financed debt is lower than the bond market. CDFIs are awarded the ability to draw down 29.5-year money at the time of award and have a two-year period to originally commit capital and a five-year period to draw down capital. Thus, depending on when the school's loan is originated, the term could be limited to the remaining life of the CDFI's bond, as short as 24.5 years. If CDFIs are employing recycled program capital, the term could be shorter. The loans to schools can be fully amortizing over these shorter periods or they can have longer amortization periods, up to 30 years, with a principal balance, or balloon, due at maturity. There may be a prepayment penalty on BGP loans; however, penalties vary based on individual CDFI policies.

Depending in part on the general market environment, interest rates for BGP financing will likely be higher than for the other long-term options included in this guide. Adding in program fees and the additional "spread" CDFIs charge to the base Treasury rates, end interest rates to borrowers have ranged between 5% and 8% since 2013, when the program was established. These higher interest costs are countered partially by lower costs of issuance than the bond market and no requirement for the school to borrow additional proceeds to fund a debt service reserve.

According to the Inspector General's Audit of the CDFI Fund's 2019 and 2018 financial statements, as of September 30, 2019, $1.1 billion of the $1.6 billion awarded had been drawn to finance projects in a variety of asset classes, with a remaining balance of $500 million. Financing for charter school facilities was the second largest use of funds, totaling $289 million, or 27% of funds deployed. These funds financed charter school projects in 16 states (Arizona, California, Colorado, Connecticut, D.C., Florida, Illinois, Maryland, Michigan, Minnesota, Missouri, New Jersey, New York, Ohio, Pennsylvania, and Tennessee).[7]

While no Idaho schools have yet accessed the program, a number of BGP awardees serve a national market and could potentially finance charter schools in Idaho.

## *5) USDA COMMUNITY FACILITIES PROGRAMS*

The United States Department of Agriculture (USDA) is a large provider of financing for rural charter school facilities. Authorized by Section 306 of the Consolidated Farm and Rural Development Act of 1972, as amended (7 U.S.C. 1926), the USDA Rural Development Community Facilities office has two financing programs available to charter schools: the Direct Loan & Grant Program and the Guaranteed Loan Program. These programs provide financing for essential community facilities, including charter schools, in cities, villages, townships, towns, and federally recognized tribal lands with populations of less than 20,000, based on the most recent U.S. Census. Program funds are available for public entities, nonprofit organizations and federally recognized tribes. Eligible uses include purchase of land and equipment, purchase or expansion of existing facilities, and construction of new facilities. Refinancing is an allowable use as long as the refinancing uses represent less than 50% of the total USDA loan or the loan being guaranteed by the USDA.

The Direct Loan & Grant Program makes direct loans to applicants that are unable to obtain affordable financing from commercial lenders, with interest rates fixed at the time of closing. These fixed interest rates have been very attractive in comparison to other long-term options, averaging 3.34% since 2011[8] and falling as low as 2.25% in the third quarter of 2020. The loan program provides fully-amortizing debt for long repayment terms, equal to the lesser of the useful life of the facility or 40 years, and there is no prepayment penalty. There is also a small grant component to the program, though involving relatively small dollar figures and no significant volume of individual charter school facilities projects.

> ***The USDA provides loans of up to 40 years at extremely low interest rates. The rate in the third quarter of 2020 was 2.25%.***

The Guaranteed Loan Program provides guarantees of up to 90% for private lenders that are subject to credit examination and supervision by a federal or state regulatory entity, such as commercial banks, savings and loan institutions, and certain regulated insurance companies. Eligible borrowers and uses are the same as for the loan and grant program. However, eligible rural areas are expanded to include any area other than a city or town with a population greater than 50,000 once program funding exceeds $200 million. Of note, tax-exempt bond financing is not eligible for a guarantee under the program. The program guarantees up to 90% of the eligible loan and charges a one-time guarantee fee of 1.5% of the principal amount guaranteed and an annual renewal fee of 0.5% of the outstanding principal guaranteed.

Applicants for both Rural Development Community Facilities programs must have the legal authority to borrow and repay loans, pledge security for loans, and construct, operate, and maintain the facilities. Loan repayment must be based on tax assessments, revenues, fees, or other sources. In addition, applicants must be unable to refinance the project from their own resources or through commercial credit at reasonable rates and terms. Charter schools are technically required to have at least five years of operating history and acceptable financial statements, although waivers have been routinely granted for schools seeking financing before their fifth year, with approximately 40% of all charter school borrowers accessing the program prior to the five-year mark. In addition, some USDA state offices, including Idaho's, require schools to demonstrate local support in the form of a letter of support from the school district in which the charter school operates. Unlike some of the other financing sources, academic quality is not a primary underwriting focus, and the Community Facilities programs do not have specific underwriting requirements related to academic performance.

According to a recent publication by the National Alliance and Momentum Strategy & Research, the USDA's Community Facilities programs provided $573.8 million in financing through 169 transactions for 98 rural charter school borrowers between 2008 and 2018.[9] Approximately three-quarters of this activity, in terms of both the number and the volume of transactions, was through the Direct Loan & Grant Program, which increased activity over the decade while activity through the Guaranteed Loan Program declined. Aggregate figures include combination packages, in which a school received financing through both the Direct Loan & Grant and Guaranteed Loan programs (12% of schools).[10] Charter schools in four states (North Carolina, Utah, Delaware and Hawaii) account for almost two-thirds of the dollar volume of USDA financing over this period. However, schools in 22 other states, including nine schools in Idaho, accessed the programs for funding.[11] For additional details, please refer to Appendix E.

Charter schools in Idaho have successfully accessed the USDA's Community Facilities programs for their facilities financing needs. Between 2004 and 2019, nine Idaho charter schools closed 18 transactions, including 11 direct loans, one grant, and six guarantees totaling $21.6 million. The average loan size through the Direct Loan Program was $1.2 million, and the average loan size through the Guaranteed Loan Program was $1.4 million.

# SHORT- OR MEDIUM-TERM OPTIONS

Shorter-term financing generally comes from national, regional, and local banks, credit unions, and community development financial institutions. Some nonprofit loan funds, such as the Facilities Investment Fund, can also provide shorter-term bridge financing until a school is best positioned to access long-term sources at affordable rates and attractive terms.

### COMPARISON OF SHORT-TERM FINANCING OPTIONS

| | Bank | CDFI | Philanthropically-Enhanced Funds, FIF |
|---|---|---|---|
| School Eligibility | Unrestricted | Varies by CDFI | Charter schools, charter school affiliates & nonprofit developers |
| Use of Proceeds | New Money & Refinancing | New Money & Refinancing | New Money & Refinancing |
| Term | Typically 3-5 years | Typically 3-7 years | Up to 5 years |
| Interest Rates | Variable, typically lower than fixed CDFI | Generally fixed ranging between 6% and 8% | Below market due to philanthropic component |
| Financing Costs | Dependent on complexity | Dependent on complexity | Dependent on complexity |
| Collateral | Lien on real estate and revenues | Lien on real estate and revenues | Lien on real estate and revenues |
| Priority | First | First or Second | First |
| Loan-to-Value | Between 70% - 80% | Between 80% - 90% | Up to 90% |
| Debt Service Burden | Pricing will vary based on burden | Varies by CDFI | <15% of operating revenues |
| Debt Service Coverage | => 1.2x | Varies by CDFI | = 1.2x |
| Academic Criteria | Varies by bank | Varies by CDFI but generally outperformance of district in proficiency or growth | Outperformance of district, state and/or positive trend toward outperformance |
| Other Requirements | Varies by bank | Service to low-income populations | Service to low-income populations |

## *1) BANKS AND CREDIT UNIONS*

Bank loans can be attractive sources of financing for charter schools. They have been used primarily for short-term, early-stage acquisition, construction, and tenant improvement financing. Bank financing is generally shorter term due to certain capital reserve requirements banks are subject to as regulated institutions. These shorter-term loans are often interest-only with full payment of principal due at maturity. Terms will vary depending on the loan product, with acquisition and construction financing generally in the two-to-three-year maturity range. Interest rates are more likely to be variable, usually

priced at a spread to a particular financing index, such as the prime interest rate, LIBOR, or U.S. Treasuries. These short-term, variable rates are often lower than the fixed rates offered by CDFIs, which can result in interest savings for schools, but they also entail interest rate risk. If underlying market rates rise, the interest rate the charter school pays will rise as well.

While generally short-term lenders, some banks and credit unions provide partially-amortizing mini-permanent financing in the five-to-seven year maturity range, with interest rates that can be either fixed or variable. Some also provide long-term, fixed-rate financing, either through direct loans or the purchase of private placement bonds.

At least ten different banks and credit unions have provided facilities debt to charter schools in Idaho, including: Bank of America Merrill Lynch, Bank of Idaho, Banner Bank, CapEd Credit Union, City First Bank of DC, D.L. Evans Bank, Idaho Central Credit Union (ICCU), Vectra Bank Colorado, US Bank, and Zions Bancorporation.

Bank loans are secured by a first lien on the project real estate and the school's revenues. Banks have fairly stringent underwriting criteria in terms of debt service coverage and loan-to-value ratios. Debt service coverage requirements are typically 1.2x and above. Loan-to-value requirements vary but are generally in the 70% to 80% range, in comparison to 90% for most CDFI financing sources and above 100% for long-term bond sources.

## *2) COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS*

Community Development Financial Institutions are private intermediaries that provide financing and technical assistance to low-income individuals and communities underserved by conventional lending institutions. CDFIs take a number of forms and supply a variety of financial services and capital. Community development loan funds provide financing and technical assistance across a range of economic and community development projects, including charter school facilities.

Because they are unregulated financial institutions, CDFI loan funds can provide more flexible financing terms to borrowers perceived to be higher risk. CDFIs played an important role in financing the earliest stages of the charter school sector, initially providing short-term to mini-permanent financing to charters for their construction and enrollment stabilization periods. Loan terms typically vary between three to seven years, with interest-only periods during construction converting to amortizing payments on a 15- to 25-year amortization period, depending on the CDFI. Interest rates are generally fixed, priced at a spread to an index or the CDFI's cost of capital. Interest rates for charter school loans have generally varied between 5% and 8%, depending on the term of the loan.

Like the other financing sources, CDFIs secure their loans with a lien on the real estate collateral and revenues of the school. But unlike the other sources, they are willing to take a second or subordinate position behind a senior lender that has priority. Loan-to-value ratios will typically be up to 90%, though some CDFIs may have the flexibility to offer loan-to-value ratios of 100% or above. As discussed elsewhere, several of these CDFIs now also provide long-term loans because they participate in the CDFI Fund's Bond Guarantee Program.

The J.A. and Kathryn Albertson Family Foundation invested in Building Hope, a CDFI, to provide low-cost short-term capital to Idaho charter schools. When Connor Academy needed to refinance a Vectra Bank acquisition-and-construction loan, Building Hope provided a short-term refinancing loan, which was subordinate to a 25-year senior refinancing loan provided by the Idaho Central Credit Union. The ICCU loan was also guaranteed through the USDA's Community Facilities Guaranteed Loan Program. The subordinate Building Hope loan helped overcome several underwriting hurdles, enabling Connor Academy to secure low-cost long-term debt for its facility.

## *3) PHILANTHROPICALLY-ENHANCED FUNDS, FACILITIES INVESTMENT FUND*

Similar to the discussion of the Equitable Facilities Fund in the long-term financing section, there is a nonprofit loan fund supported by philanthropic capital dedicated to providing short-term financing for charter schools.

The Facilities Investment Fund (FIF) is a lending entity from the Building Equity Initiative, capitalized by the Walton Family Foundation and PNC Bank, N.A. Managed by Civic Builders, FIF provides financing for new construction, acquisition, renovation, and refinancing. The fund offers loans of up to $25 million, with five-year terms, 25-year amortization periods, and below-market interest rates (4.60% in the third quarter of 2020). Similar to CDFI financing, FIF provides more flexible terms, including loan-to-value ratios of up to 90% and no prepayment penalties. Eligible borrowers include independent charter schools, charter school affiliates, and nonprofit developers.

FIF can serve as short-term bridge financing for schools that may be ready to exercise a purchase option or refinance other short-term debt but are not in an optimal position to access longer-term sources. Like many of the more mission-aligned capital sources, FIF provides a significant amount of technical assistance as part of its financing services and may minimize the need for external consultant support.

# CONCLUSION

This guide provides a review of the refinancing process and alternative sources of refinancing capital for charter school facilities. No two transactions are the same, and there is no standard recipe for refinancing. Each transaction has its own complexities and nuances. The guide addresses key financing considerations that schools should bear in mind as they select the right option for them, affordability being the most important. Schools should strive to keep debt service expense below 15% and occupancy expense below 20% of annual revenues. Failure to maintain affordability can jeopardize a school's academic program by diverting too many resources away from instruction.

The accompanying toolkit contains a variety of checklists, templates, and worksheets that schools can use to assist them in preparing for and executing their refinancing strategies. One of the essential tasks is to assemble a refinancing team. There are plenty of potential advisors and consultants, and a school should talk to many participants before signing any agreements. Similarly, there are many capital providers, and a school should consider all the options before selecting a refinancing source.

Public charter school leaders are very good at creating quality educational programs. The need to also become a facility development and financing expert may appear daunting, but charter school leaders have learned to reach out and learn from their peers and the many service organizations designed to support them. This guide is meant to serve as a playbook to assist charter school operators in the refinancing arena and ensure that they successfully overcome the facilities challenge.

# ABOUT BLUUM

Bluum is a non-profit organization committed to ensuring Idaho's children reach their fullest potential by cultivating great leaders and innovative schools. We work, in partnership with the J.A. and Kathryn Albertson Family Foundation, to help Idaho become a national model for how to maximize learning opportunities for children, especially for our educationally disadvantaged and rural students. Bluum believes that K-12 education should provide personalized school choice opportunities to meet the needs, interests and skills of individual Idaho students so that they can grow and succeed in their choice of career, the military or in higher education.

We believe that school choice helps families, children and educators achieve more and do better. As our mission, we seek to:

**DEVELOP** Innovative Leaders
**GROW** Successful School Models
**SHARE** Research and Learning Innovations
**PROVIDE** School Support and Management Help

Bluum works to seek out, vet and support high-performing models that are committed and capable of expanding their efforts in the Gem State. Bluum will provide support to school district improvement efforts that offer the possibility of transformative change for how learning and instruction are made available to students. Bluum is quickly becoming a go-to resource on educational research and innovation. Specifically, what's working, what's not, and how Idaho can become a national leader in improving its educational outcomes.

# ABOUT THE FEDERAL CHARTER SCHOOL PROGRAM

Authorized by title V, part B, subpart 1 of the Every Student Succeeds Act (ESSA, Public Law 114-95), which reauthorized the Elementary and Secondary Education Act of 1965 (ESEA), the federal Charter School Program (CSP) provides funding to State Entities with the purpose "to expand opportunities for all students, particularly traditionally underserved students, to attend public charter schools and meet challenging State academic standards; provide financial assistance for the planning, program design, and initial implementation of charter schools; increase the number of high-quality charter schools available to students across the United States; evaluate the impact of charter schools on student achievement, families, and communities; share best practices between charter schools and other public schools; encourage States to provide facilities support to charter schools; and support efforts to strengthen the charter school authorizing process."

# ABOUT THE NATIONAL ALLIANCE FOR PUBLIC CHARTER SCHOOLS

The National Alliance for Public Charter Schools is the leading national nonprofit organization committed to advancing the charter school movement. Its mission is to lead public education to unprecedented levels of academic achievement by fostering a strong charter school movement. NAPCS's vision is that every family can choose a well-funded, high-performing public school that delivers an excellent education for their children.

# APPENDIX A: TOOLKIT PRINTOUT

This appendix provides a print out of the Excel toolkit that accompanies this Refinancing Guide. It allows the reader to see the content in the various spreadsheets.

To use the spreadsheets, please visit: https://facilitycenter.publiccharters.org/sites/default/files/2020-09/Refinancing%20Guide%20Toolkit%200920.xlsx

CHARTER SCHOOL FACILITY CENTER

**Charter School Facility Refinancing Toolkit**

***Table of Contents***

## TAB 1: TEAM ASSEMBLY CHECKLIST

| Internal Capacity Assessment | | Status |
|---|---|---|
| 1 | Determine charter school representative with decision-making authority who will serve as champion | |
| 2 | Realistically assess school's internal project management capacity, perhaps facilitated by Technical Assistance provider | |
| 3 | Select other internal members of project management team if there is current capacity | |
| 4 | Determine needs for external legal, financial, and project management support if current capacity is lacking | |
| **Early-stage Technical Assistance** | | **Status** |
| 5 | Inquire for referrals at state charter school association | |
| 6 | Reach out to other schools in your area that have recently refinanced their facility | |
| 7 | Narrow down refinancing options and expand team as necessary | |
| 8 | Determine selection method, RFP process, or other vetting process | |
| **Determine Team Composition** | | **Status** |
| 9 | Legal counsel | |
| 10 | Financial or municipal advisor | |
| 11 | Lender or underwriting firm | |
| 12 | Other identified external parties | |

## TAB 2: SOLICITATION CHECKLIST

| School Information* | | Status |
|---|---|---|
| 1 | Brief narrative summary of mission, strategy, and history | |
| 2 | Current charter agreement | |
| 3 | Student demographic breakdown | |
| 4 | Current and historical (3 years) enrollment and waitlist, by grade | |
| 5 | Academic performance results for past three years | |
| 6 | Student attendance, student attrition, and teacher attrition rates for past three years | |
| 7 | Key staff and board member biographies | |
| 8 | School's strategic plan | |
| 9 | COVID-19 update regarding virtual learning adaptation and funding implications, if applicable | |
| **Financial Information** | | **Status** |
| 10 | Audited financial statements for most recent three years, including management letter and supplements | |
| 11 | Most recent internal quarterly financial statements | |
| 12 | Board-approved annual budget for current fiscal year with year-to-date actual comparisons | |
| 13 | Multiyear (5 years) budget projections/pro formas, if available (Tab 5) | |
| **Project/Facility Information** | | **Status** |
| 14 | Facility address | |
| 15 | Description of facility: square footage, # of classrooms, # of floors, athletic/recreation facilities, green features, etc. | |
| 16 | Project sources and uses, including status of all sources | |

* If part of a CMO/charter network, will need information for both the CMO entity and individual school.

## TAB 3: SOURCES AND USES TEMPLATE

*Sources of funds must equal uses of funds. List lien priority and status of each financing source. If a financing source is not committed, provide anticipated commitment date.*

| Uses of Funds | Amount |
|---|---|
| Refinance Loan A | $0 |
| Refinance Loan B | $0 |
| Refinance Loan C | $0 |
| Additional Improvements/Costs | $0 |
| Third-Party Costs (appraisal/environmental) | $0 |
| Financing Fees (loan origination, legal) | $0 |
| Other | $0 |
| **Total Uses** | **$0** |

| Sources of Funds | Amount | Lien Priority (Specify 1st, 2nd, 3rd, etc., or "NA" for unsecured sources) | Commitment Status (Specify committed, applied for, to-be-applied for) |
|---|---|---|---|
| Cash/Equity | $0 | 1st | Committed |
| Grants | $0 | | |
| Loan | $0 | | |
| Bond | $0 | | |
| Other | $0 | | |
| **Total Sources** | **$0** | | |
| Proof | $0 | | |

## TAB 4: AFFORDABILITY AND EVALUATION WORKSHEET

*This template can be used to compare financing options and calculate maximum affordable debt amounts for each. You can directly input estimated Annual Revenue in cell B30 below and and directly input estimated School Equity Contribution in cell B36 below.*

| Financial Terms | [Option 1] | [Option 2] | [Option 3] | [Option 4] |
|---|---|---|---|---|
| Borrowed Amount | $0 | $0 | $0 | $0 |
| Term (months) | 0 | 0 | 0 | 0 |
| Amortization (months) | 0 | 0 | 0 | 0 |
| Balloon Payment | $0 | $0 | $0 | $0 |
| Interest Rate | | | | |
| Type (Fixed or Variable) | | | | |
| Indicative Rate | 0.00% | 0.00% | 0.00% | 0.00% |
| Estimated Annual Debt Service* | $0 | $0 | $0 | $0 |
| Current Year Debt Burden | 0.00% | 0.00% | 0.00% | 0.00% |
| Required % Equity Contribution | 0.00% | 0.00% | 0.00% | 0.00% |
| Required $ Equity Contribution | $0 | $0 | $0 | $0 |
| Application Fee | $0 | $0 | $0 | $0 |
| Origination Fee % | 0.00% | 0.00% | 0.00% | 0.00% |
| Origination Fee $ | $0 | $0 | $0 | $0 |
| Legal Fees (estimate) | $0 | $0 | $0 | $0 |
| Other Closing Costs (estimate) | $0 | $0 | $0 | $0 |
| Total Closing Costs/Costs of Issuance | $0 | $0 | $0 | $0 |
| Closing Costs as % of Borrowing | 0.00% | 0.00% | 0.00% | 0.00% |
| Estimated Credit Approval Date | [Date] | [Date] | [Date] | [Date] |
| Estimated Closing Date | [Date] | [Date] | [Date] | [Date] |
| **Affordability Analysis** | **[Option 1]** | **[Option 2]** | **[Option 3]** | **[Option 4]** |
| Annual Revenues | $0 | | | |
| Affordable Debt Service Factor (max 15%) | 15% | | | |
| Affordable Annual Debt Service | $0 | | | |
| Maximum Debt Service Multiplier | 0.00 | 0.00 | 0.00 | 0.00 |
| Maximum Debt | $0 | $0 | $0 | $0 |
| Gross Surplus (Gap) | $0 | $0 | $0 | $0 |
| School Equity Contribution | $0 | | | |
| Net Financing Surplus (Gap) | $0 | $0 | $0 | $0 |
| **Security & Other Debt Terms** | **[Option 1]** | **[Option 2]** | **[Option 3]** | **[Option 4]** |
| Collateral Requirements (Mortgage/Assignment of Contracts/Leasehold) | [Text] | [Text] | [Text] | [Text] |
| Guarantee Requirements | [Text] | [Text] | [Text] | [Text] |
| Prepayment Penalties | [Text] | [Text] | [Text] | [Text] |
| Financial Covenants | [Text] | [Text] | [Text] | [Text] |
| Closing Conditions | [Text] | [Text] | [Text] | [Text] |
| Other | [Text] | [Text] | [Text] | [Text] |

* For bond sources, obtain estimated annual debt service from investment bankers and input in appropriate cell.

## TAB 5: DUE DILIGENCE CHECKLIST

| | School Information* | Status |
|---|---|---|
| 1 | Brief narrative summary of mission, strategy and history | |
| 2 | Current charter agreement (showing approved grade span and enrollment, etc.) | |
| 3 | Most recent authorizer renewal and/or site visit report | |
| 4 | Charter renewal history (description of charter terms and number of renewals) | |
| 5 | Admissions policies and description of adherence to state guidelines for lottery system | |
| 6 | Student demographic breakdown | |
| 7 | Current and historical (3 years) enrollment and waitlist, by grade | |
| 8 | Projected enrollment forecast, by grade | |
| 9 | Student attendance, student attrition, and teacher attrition rates for past three years | |
| 10 | State report card or equivalent an any internal testing results for most recent three years | |
| 11 | Key staff member biographies (CEO, COO, CAO, school leadership team) | |
| 12 | Board list with affiliations, tenures and brief biographies | |
| 13 | List of board committees and membership | |
| 14 | Calendar of last year's board meetings and meeting minutes | |
| 15 | Organization chart for school and network/CMO (if applicable) | |
| 16 | School's strategic plan | |
| 17 | If collected as part of diversity, equity and inclusion program, demographics of board and staff | |
| 18 | Copy of management agreement if school is part of a CMO | |
| 19 | Corporate formation documents (articles of incorporation, bylaws) | |
| 20 | IRS 501(c)(3) tax-exempt determination letter | |
| 21 | COVID-19 update regarding virtual learning adaptation and funding implications, if applicable | |
| | **Financial Information** | **Status** |
| 22 | Audited financial statements for most recent three years, including management letter and supplements | |
| 23 | Most recent internal quarterly financial statements | |
| 24 | Board-approved annual budget for current fiscal year with year-to-date actual comparisons | |
| 25 | Multiyear (5 years) budget projections/pro formas (Tab 5) | |
| 26 | Per pupil funding rate for three most recent years and current year and supporting documentation (if available) | |
| 27 | Loan agreements for existing debt to be refinanced | |
| | **Project/Facility Information** | **Status** |
| 28 | Facility address | |
| 29 | Description of facility: square footage, # of classrooms, # of floors, athletic/recreation facilities, green features, etc. | |
| 30 | Project Sources and Uses, including status of all sources | |
| 31 | Appraisal and environmental assessment updates, if completed | |

* If part of a CMO/charter network, will need information for both the CMO entity and individual school.

## TAB 6: DETAILED PRO FORMA BUDGET PROJECTION TEMPLATE

| Enrollment Summary | Escal. | Other | Base Year SY 20-21 | Year 1 SY 21-22 | Year 2 SY 22-23 | Year 3 SY 23-24 | Year 4 SY 23-24 | Year 5 SY 24-25 |
|---|---|---|---|---|---|---|---|---|
| Grades | | | K-12 | K-12 | K-12 | K-12 | K-12 | K-12 |
| Kindergarten | | | - | - | - | - | - | - |
| First | | | - | - | - | - | - | - |
| Second | | | - | - | - | - | - | - |
| Third | | | - | - | - | - | - | - |
| Fourth | | | - | - | - | - | - | - |
| Fifth | | | - | - | - | - | - | - |
| Sixth | | | - | - | - | - | - | - |
| Seventh | | | - | - | - | - | - | - |
| Eighth | | | - | - | - | - | - | - |
| Ninth | | | - | - | - | - | - | - |
| Tenth | | | - | - | - | - | - | - |
| Eleventh | | | - | - | - | - | - | - |
| Twelfth | | | - | - | - | - | - | - |
| **Total Students** | | | - | - | - | - | - | - |
| % Special Education | | | 0% | 0% | 0% | 0% | 0% | 0% |
| *% Growth* | | | | *0.0%* | *0.0%* | *0.0%* | *0.0%* | *0.0%* |
| *% of Total Enrollment* | | | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* |

| Revenues | Escal. | Other | SY 20-21 | SY 21-22 | SY 22-23 | SY 23-24 | SY 23-24 | SY 24-25 |
|---|---|---|---|---|---|---|---|---|
| State Per Pupil Funding (per student) | 2% | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| State Special Ed (avg per special ed student) | 2% | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Local Revenue | | | $0 | $0 | $0 | $0 | $0 | $0 |
| Local Per Pupil Revenue | -- | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Local Other Revenue | 2% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Federal Revenue | | | $0 | $0 | $0 | $0 | $0 | $0 |
| Title I (% of per pupil funding) | -- | 0% | $0 | $0 | $0 | $0 | $0 | $0 |
| Title Funding other (% per pupil funding) | -- | 0% | $0 | $0 | $0 | $0 | $0 | $0 |
| Rental/Facilities Assistance ($ per pupil) | -- | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Private Funding | 2% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Other Revenue | 2% | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| **Total Revenues** | | | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** |
| *% Growth* | | | | *0.0%* | *0.0%* | *0.0%* | *0.0%* | *0.0%* |

| Expenses | Escal. | Other | SY 20-21 | SY 21-22 | SY 22-23 | SY 23-24 | SY 23-24 | SY 24-25 |
|---|---|---|---|---|---|---|---|---|
| Personnel Total | | | $0 | $0 | $0 | $0 | $0 | $0 |
| Instructional Staff | | | $0 | $0 | $0 | $0 | $0 | $0 |
| Salaries | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Payroll Taxes (% of salaries) | -- | 0% | $0 | $0 | $0 | $0 | $0 | $0 |
| Fringe/Employee Benefits (% of salaries) | -- | 0% | $0 | $0 | $0 | $0 | $0 | $0 |
| Retirement/Pension (% of salaries) | -- | 0% | $0 | $0 | $0 | $0 | $0 | $0 |
| Administrative Staff | | | $0 | $0 | $0 | $0 | $0 | $0 |
| Administration Salaries | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Payroll Taxes | -- | 0% | $0 | $0 | $0 | $0 | $0 | $0 |
| Fringe/Employee Benefits | -- | 0% | $0 | $0 | $0 | $0 | $0 | $0 |
| Retirement/Pension | -- | 0% | $0 | $0 | $0 | $0 | $0 | $0 |
| Occupancy Total | | | $0 | $0 | $0 | $0 | $0 | $0 |
| Utilities | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Building Lease/Debt Service (input) | -- | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Insurance | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Taxes | -- | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Repairs and Maintenance | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Janitorial | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Custodian | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Custodial payroll taxes/benefits/pension | -- | 0% | $0 | $0 | $0 | $0 | $0 | $0 |
| Other Instructional Expense Total | | | $0 | $0 | $0 | $0 | $0 | $0 |
| Substitute Teachers - Contract | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Special Ed Supplies | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Classroom supplies | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Curriculum/Software | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Clothing expenses | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Field trips | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Other Student Services | | | $0 | $0 | $0 | $0 | $0 | $0 |
| Transportation | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Student Lunch (per student) | 3% | $200 | $0 | $0 | $0 | $0 | $0 | $0 |
| Student Support Services (per student) | 3% | $100 | $0 | $0 | $0 | $0 | $0 | $0 |
| General and Administrative Total | | | $0 | $0 | $0 | $0 | $0 | $0 |
| Staff Development | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Supplies and Materials | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Legal fees | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Office Expense | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Staff Recruitment | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Student Recruitment/Marketing | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Accounting Services | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Telephone | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Technology | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Board Expenses and Staff Travel | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Equipment/Furniture | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Other Professional/Consulting | 3% | -- | $0 | $0 | $0 | $0 | $0 | $0 |
| Insurance (per student) | 3% | $100 | $0 | $0 | $0 | $0 | $0 | $0 |
| **Total Expenses** | | | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** |
| *% Growth* | | | | *0.0%* | *0.0%* | *0.0%* | *0.0%* | *0.0%* |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Net Cash Flow/Income** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** |
| Net Income Margin % | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Cumulative Surplus (Deficit) | $0 | $0 | $0 | $0 | $0 | $0 |
| Days Cash (Accumulated Surplus) on Hand | days | days | days | days | days | days |

| Debt Service (DS)/Lease Coverage & Burden Ratios | SY 20-21 | SY 21-22 | SY 22-23 | SY 23-24 | SY 23-24 | SY 24-25 |
|---|---|---|---|---|---|---|
| Net Cash Flow/Income | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** |
| Add back DS/Lease Payments | $0 | $0 | $0 | $0 | $0 | $0 |
| Cash Flow Available for DS/Lease Payments | $0 | $0 | $0 | $0 | $0 | $0 |
| DS/Lease Coverage Ratio | 0.00x | 0.00x | 0.00x | 0.00x | 0.00x | 0.00x |
| Facilities Revenue | $0 | $0 | $0 | $0 | $0 | $0 |
| DS/Lease Payment | $0 | $0 | $0 | $0 | $0 | $0 |
| Facilities Revenue DS/Lease Coverage Ratio | 0.00x | 0.00x | 0.00x | 0.00x | 0.00x | 0.00x |
| Per Pupil Revenues | $0 | $0 | $0 | $0 | $0 | $0 |
| DS/Lease Payments as % of Per Pupil Revenues | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| DS/Lease Payments as % of Total Revenues | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

| Budget Categories as % of Total Revenues | SY 20-21 | SY 21-22 | SY 22-23 | SY 23-24 | SY 23-24 | SY 24-25 |
|---|---|---|---|---|---|---|
| **Expenditures and Net Income** | | | | | | |
| Net Income | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Instructional Expense | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Student Services Expense | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Occupancy Expense | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| General Administration Expense | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **Total Expenditures** | **0.0%** | **0.0%** | **0.0%** | **0.0%** | **0.0%** | **0.0%** |
| **Revenue Types** | | | | | | |
| State Revenue | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Local Revenue | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Federal Revenue | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Rental Assistance Revenue | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Other Revenue | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **Total Revenue Types** | **0.0%** | **0.0%** | **0.0%** | **0.0%** | **0.0%** | **0.0%** |

| Other Calculations | | | | | | |
|---|---|---|---|---|---|---|
| *Total FTEs* | 0 | 0 | 0 | 0 | 0 | 0 |
| *Teacher FTEs* | 0 | 0 | 0 | 0 | 0 | 0 |
| Student to Teacher Ratio: | 0 | 0 | 0 | 0 | 0 | 0 |
| Student to Staff Ratio | 0 | 0 | 0 | 0 | 0 | 0 |
| *t=* | *0* | *1* | *2* | *3* | *4* | *5* |

## TAB 7: SUMMARY PRO FORMA BUDGET PROJECTION TEMPLATE

| Enrollment Summary | Base Year SY 20-21 | Year 1 SY 21-22 | Year 2 SY 22-23 | Year 3 SY 23-24 | Year 4 SY 23-24 | Year 5 SY 24-25 |
|---|---|---|---|---|---|---|
| Enrollment | - | - | - | - | - | - |
| Personnel FTE | - | - | - | - | - | - |
| | | | | | | |
| **Revenues** | **SY 20-21** | **SY 21-22** | **SY 22-23** | **SY 23-24** | **SY 23-24** | **SY 24-25** |
| State Per Pupil | $0 | $0 | $0 | $0 | $0 | $0 |
| State Special Ed Per Pupil | $0 | $0 | $0 | $0 | $0 | $0 |
| Local Revenue | $0 | $0 | $0 | $0 | $0 | $0 |
| Federal Revenue | $0 | $0 | $0 | $0 | $0 | $0 |
| Rental/Facilities Assistance | $0 | $0 | $0 | $0 | $0 | $0 |
| Private Funding | $0 | $0 | $0 | $0 | $0 | $0 |
| Other Revenue | $0 | $0 | $0 | $0 | $0 | $0 |
| **Total Revenues** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** |
| | | | | | | |
| **Expenses** | **SY 20-21** | **SY 21-22** | **SY 22-23** | **SY 23-24** | **SY 23-24** | **SY 24-25** |
| Instructional Staff Salaries & Benefits | $0 | $0 | $0 | $0 | $0 | $0 |
| Administrative Staff Salaries & Benefits | $0 | $0 | $0 | $0 | $0 | $0 |
| Building Lease/Debt Service Expense | $0 | $0 | $0 | $0 | $0 | $0 |
| Other Occupancy Expenses | $0 | $0 | $0 | $0 | $0 | $0 |
| Other Instructional Expenses | $0 | $0 | $0 | $0 | $0 | $0 |
| Student Services | $0 | $0 | $0 | $0 | $0 | $0 |
| General and Administrative | $0 | $0 | $0 | $0 | $0 | $0 |
| **Total Expenses** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** |
| | | | | | | |
| **Net Cash Flow/Income** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** |
| Net Income Margin % | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Cumulative Surplus (Deficit) | $0 | $0 | $0 | $0 | $0 | $0 |
| Days Cash (Accumulated Surplus) on Hand | days | days | days | days | days | days |

| Debt Service (DS)/Lease Coverage & Burden | SY 20-21 | SY 21-22 | SY 22-23 | SY 23-24 | SY 23-24 | SY 24-25 |
|---|---|---|---|---|---|---|
| Net Cash Flow/Income | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** |
| Add back DS/Lease Payments | $0 | $0 | $0 | $0 | $0 | $0 |
| Cash Flow Available for DS/Lease Payments | $0 | $0 | $0 | $0 | $0 | $0 |
| DS/Lease Coverage Ratio | 0.00x | 0.00x | 0.00x | 0.00x | 0.00x | 0.00x |
| | | | | | | |
| Facilities Revenue | $0 | $0 | $0 | $0 | $0 | $0 |
| DS/Lease Payment | $0 | $0 | $0 | $0 | $0 | $0 |
| Facilities Revenue DS/Lease Coverage Ratio | 0.00x | 0.00x | 0.00x | 0.00x | 0.00x | 0.00x |
| | | | | | | |
| Per Pupil Revenues | $0 | $0 | $0 | $0 | $0 | $0 |
| DS/Lease Payments as % of Per Pupil Revenues | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| DS/Lease Payments as % of Total Revenues | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

| Budget Categories as % of Total Revenues | SY 20-21 | SY 21-22 | SY 22-23 | SY 23-24 | SY 23-24 | SY 24-25 |
|---|---|---|---|---|---|---|
| **Expenditures and Net Income** | | | | | | |
| Net Income | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Instructional Expense | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Student Services Expense | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Occupancy Expense | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| General Administration Expense | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **Total Expenditures** | **0.0%** | **0.0%** | **0.0%** | **0.0%** | **0.0%** | **0.0%** |
| | | | | | | |
| **Revenue Types** | | | | | | |
| State Revenue | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Local Revenue | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Federal Revenue | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Rental Assistance Revenue | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Other Revenue | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **Total Revenue Types** | **0.0%** | **0.0%** | **0.0%** | **0.0%** | **0.0%** | **0.0%** |

## TAB 8: CASH FLOW PROJECTION TEMPLATE

| Month | Jul-20 | Aug-20 | Sep-20 | Oct-20 | Nov-20 | Dec-20 | Jan-21 | Feb-21 | Mar-21 | Apr-21 | May-21 | Jun-21 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Beginning Cash Balance:** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| **OPERATIONS** | | | | | | | | | | | | |
| **Receipts:** | | | | | | | | | | | | |
| State Per Pupil Funding | | | | | | | | | | | | |
| State Special Ed Funding | | | | | | | | | | | | |
| Local Funding | | | | | | | | | | | | |
| Federal Funding | | | | | | | | | | | | |
| Rental/Facilities Assistance | | | | | | | | | | | | |
| Private Funding | | | | | | | | | | | | |
| Other Funding (cash receipts) | | | | | | | | | | | | |
| **Total Operating Receipts** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| **Disbursements:** | | | | | | | | | | | | |
| Instructional Staff | | | | | | | | | | | | |
| Salaries | | | | | | | | | | | | |
| Payroll Taxes | | | | | | | | | | | | |
| Fringe/Employee Benefits | | | | | | | | | | | | |
| Retirement/Pension | | | | | | | | | | | | |
| Administrative Staff | | | | | | | | | | | | |
| Administration Salaries | | | | | | | | | | | | |
| Payroll Taxes | | | | | | | | | | | | |
| Fringe/Employee Benefits | | | | | | | | | | | | |
| Retirement/Pension | | | | | | | | | | | | |
| Occupancy | | | | | | | | | | | | |
| Utilities | | | | | | | | | | | | |
| Building Lease/Debt Service | | | | | | | | | | | | |
| Insurance | | | | | | | | | | | | |
| Taxes | | | | | | | | | | | | |
| Repairs and Maintenance | | | | | | | | | | | | |
| Janitorial | | | | | | | | | | | | |
| Custodian | | | | | | | | | | | | |
| Custodial payroll | | | | | | | | | | | | |
| Other Instructional Expense | | | | | | | | | | | | |
| Substitute Teachers | | | | | | | | | | | | |
| Special Ed supplies | | | | | | | | | | | | |
| Classroom supplies | | | | | | | | | | | | |
| Curriculum/Software | | | | | | | | | | | | |
| Clothing expenses | | | | | | | | | | | | |
| Field trips | | | | | | | | | | | | |
| Other Student Services | | | | | | | | | | | | |
| Transportation | | | | | | | | | | | | |
| Student Lunch | | | | | | | | | | | | |
| Student Support Services | | | | | | | | | | | | |
| General and Administrative | | | | | | | | | | | | |
| Staff Development | | | | | | | | | | | | |
| Supplies and Materials | | | | | | | | | | | | |
| Legal fees | | | | | | | | | | | | |
| Office Expense | | | | | | | | | | | | |
| Staff Recruitment | | | | | | | | | | | | |
| Student Recruitment | | | | | | | | | | | | |
| Accounting Services | | | | | | | | | | | | |
| Student Services | | | | | | | | | | | | |
| Telephone | | | | | | | | | | | | |
| Technology | | | | | | | | | | | | |
| Board Expenses and Staff | | | | | | | | | | | | |
| Equipment/Furniture | | | | | | | | | | | | |
| Other Professional | | | | | | | | | | | | |
| Insurance | | | | | | | | | | | | |
| **Total Operating Disbursements** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| **Net Cash Flow from Operations** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| **FINANCING** | | | | | | | | | | | | |
| **Receipts:** | | | | | | | | | | | | |
| Draws on Line(s) of Credit | | | | | | | | | | | | |
| Other Debt | | | | | | | | | | | | |
| **Total Financing Receipts** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| **Disbursements:** | | | | | | | | | | | | |
| Line of Credit Repayments | | | | | | | | | | | | |
| Other Debt Amortization | | | | | | | | | | | | |
| Other Debt Balloon | | | | | | | | | | | | |
| **Total Financing Disbursements** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| **Net Cash Flow from Financing** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| **Net Cash Flow** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| **Ending Cash Balance** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |

## TAB 9: BORROWER FINANCIAL TABLES

| | | | | |
|---|---|---|---|---|
| **Name of Sponsor/Borrower/Guarantor:** | | **[Text]** | | |
| Fiscal Year End: | | **[ Date]** | **[ Date]** | **[ Date]** |
| Audit, Review, or Compilation *(choose one):* | | | | |
| Auditor Findings, Yes or No (choose one): | | | | |
| Audit Firm: | | [Text] | [Text] | [Text] |
| **Statement of Financial Position** | | | | |
| **ASSETS** | | | | |
| **Current assets** | | | | |
| | Cash and cash equivalents | | | |
| | Accounts receivable | | | |
| | Investments | | | |
| | Prepaid expenses and deposits | | | |
| | *[Fill in additional lines]* | | | |
| | Total Current Assets | **$0** | **$0** | **$0** |
| | | | | |
| **Non-Current Assets** | | | | |
| | Property, plant, and equipment (net) | | | |
| | Investments | | | |
| | *[Fill in additional lines]* | | | |
| | Total non-current assets | **$0** | **$0** | **$0** |
| | | | | |
| | Total Assets | **$0** | **$0** | **$0** |
| | | | | |
| **LIABILITIES AND NET ASSETS** | | | | |
| **Current Liabilities** | | | | |
| | Accounts payable | | | |
| | Accrued liabilities | | | |
| | Current portion of long-term debt | | | |
| | *[Fill in additional lines]* | | | |
| | Total Current Liabilities | **$0** | **$0** | **$0** |
| | | | | |
| **Non-Current Liabilities** | | | | |
| | Long-term debt | | | |
| | Unearned revenue | | | |
| | *[Fill in additional lines]* | | | |
| | Total Non-Current Liabilities | **$0** | **$0** | **$0** |
| | | | | |
| | Total Liabilities | **$0** | **$0** | **$0** |
| | | | | |
| **Net Assets** | | | | |
| | Unrestricted | $0 | $0 | $0 |
| | Restricted | | $0 | $0 |
| | Total Net Assets | $0 | $0 | $0 |
| | | | | |
| | Total Liabilities and Net Assets | $0 | $0 | $0 |

| | | | |
|---|---|---|---|
| **Statement of Activities** | | | |
| | **[ Date]** | **[ Date]** | **[ Date]** |
| **SUPPORT AND REVENUE** | | | |
| State revenue | | | |
| Federal revenue | | | |
| Local revenue | | | |
| Contributions and donations | | | |
| *[Fill in additional lines]* | | | |
| Total Support and Revenue | **$0** | **$0** | **$0** |
| | | | |
| **EXPENSES** | | | |
| Instructional expenses | | | |
| Student services expenses | | | |
| Occupancy expenses | | | |
| General administration expenses | | | |
| *[Fill in additional lines]* | | | |
| Total Expenses | **$0** | **$0** | **$0** |
| | | | |
| **Net Cash Flow/Income** | **$0** | **$0** | **$0** |
| | | | |
| Beginning Net Assets | $0 | $0 | |
| **Total: Ending Net Assets** | **$0** | **$0** | **$0** |

| **Financial Ratios** | | | | |
|---|---|---|---|---|
| **Ratio** | **Minimum Benchmark** | **[ Date]** | **[ Date]** | **[ Date]** |
| Net Income Margin % | >0% | n/a | n/a | n/a |
| Current Ratio | >1.2:1 | n/a | n/a | n/a |
| Quick Ratio | >.5 | n/a | n/a | n/a |
| Days Cash on Hand | At least 45 days | n/a | n/a | n/a |
| Total Debt/Net Assets | <4:1 | n/a | n/a | n/a |
| Total Liabilities/ Net Assets | <5:1 | n/a | n/a | n/a |
| Total Debt/Total Assets | <70% | n/a | n/a | n/a |

## TAB 10: LOAN AMORTIZATION SCHEDULE

*Input data into the yellow fields below to generate annual and monthly debt service summaries.*

| Assumptions & Results | |
|---|---|
| Closing Date | 1/1/20 |
| Principal Amount | $0 |
| Annual Interest Rate | 0.00% |
| Amortization (in months) | 0 |
| Term (in months) | 0 |
| Monthly Payment | $0 |
| Annual Payment | $0 |
| Balloon Amount | $0 |

| Annual Debt Service Summary | | | |
|---|---|---|---|
| **Year** | **Interest** | **Principal** | **Debt Service** |
| 1 | $0 | $0 | $0 |
| 2 | $0 | $0 | $0 |
| 3 | $0 | $0 | $0 |
| 4 | $0 | $0 | $0 |
| 5 | $0 | $0 | $0 |
| 6 | $0 | $0 | $0 |
| 7 | $0 | $0 | $0 |
| 8 | $0 | $0 | $0 |
| 9 | $0 | $0 | $0 |
| 10 | $0 | $0 | $0 |
| 11 | $0 | $0 | $0 |
| 12 | $0 | $0 | $0 |
| 13 | $0 | $0 | $0 |
| 14 | $0 | $0 | $0 |
| 15 | $0 | $0 | $0 |
| 16 | $0 | $0 | $0 |
| 17 | $0 | $0 | $0 |
| 18 | $0 | $0 | $0 |
| 19 | $0 | $0 | $0 |
| 20 | $0 | $0 | $0 |
| 21 | $0 | $0 | $0 |
| 22 | $0 | $0 | $0 |
| 23 | $0 | $0 | $0 |
| 24 | $0 | $0 | $0 |
| 25 | $0 | $0 | $0 |
| 26 | $0 | $0 | $0 |
| 27 | $0 | $0 | $0 |
| 28 | $0 | $0 | $0 |
| 29 | $0 | $0 | $0 |
| 30 | $0 | $0 | $0 |
| **Total** | **$0** | **$0** | **$0** |

1

## TAB 11: REFINANCING SENSITIVITY ANALYSIS

| | |
|---|---|
| Balloon Due | $0 |
| Annual NOI | $0 |
| Monthly NOI | $0 |

If your refinancing options are not fully amortizing, you will have a balloon principal amount that will need to be refinanced again at the end of the debt term.

**Balloon Loan Refinancing: Debt Coverage Ratio Table**

| | Interest Rate | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Amortization/yrs** | **5.0%** | **5.5%** | **6.0%** | **6.5%** | **7.0%** | **7.5%** | **8.0%** | **8.5%** | **9.0%** | **9.5%** | **10.0%** | **10.5%** | **11.0%** |
| **5** | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| **10** | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| **15** | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| **20** | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| **30** | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |

Model assumes that the property will generate at least the projected Monthly Net Operating Income for up to 30 years.

*Instructions:*

*1. Use Balloon Payment calculated in either 7. Loan Amortization Schedule or 3. Evaluation Worksheet.*

*> Link/Enter this amount in Cell C4.*

*2. Use Cash Flow Available for DS/Lease calculated in the Detailed Pro formas or estimate and input.*

*> Enter this amount in Cell C5.*

*3. The resulting table indicates a range of Debt Service Coverage Ratios based on interest rate and term of the takeout financing. the takeout financing and enables you to predict whether or not the project will be easily refinanced at the end of the loan term.*

# APPENDIX B: FACILITIES FINANCING RESOURCES

*** Charter School Facility Refinancing Guide Toolkit**
https://facilitycenter.publiccharters.org/sites/default/files/2020-09/Refinancing%20Guide%20Toolkit%200920.xlsx

**Capital Impact Partners**
https://www.capitalimpact.org/the-answer-key/

**Charter School Facility Center at the National Alliance for Public Charter Schools**
https://facilitycenter.publiccharters.org/

*State Laws*
https://www.publiccharters.org/our-work/charter-law-database

*State Funding*
https://facilitycenter.publiccharters.org/resource/state-policy-snapshot-facilities-funding-public-charter-schools
https://facilitycenter.publiccharters.org/resource/state-policy-analysis-pupil-facility-funding

*State Credit Enhancements*
https://facilitycenter.publiccharters.org/resource/state-policy-snapshot-facilities-financing-public-charter-schools

*Moral Obligations*
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https://www.schoolhousenetwork.org/

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**Local Initiatives Support Corporation**

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# APPENDIX C: RATING AGENCY CRITERIA

## S&P RATING CRITERIA

S&P assesses a school's enterprise and financial risk profiles, ranking on a scale of 1 (strongest) to 6 (weakest), to develop an anchor for the school's rating. S&P then adjusts this anchor by applying any overriding factors (positive or negative) to come up with the stand-alone credit profile (SACP). This profile is further adjusted for any external factors that arrive at the issuer credit rating (ICR), which represents the school's general credit worthiness regardless of any particular debt offering. The rating for the bond issuance takes the specific legal structure, pledges, and covenants of the offering into account to arrive at the issue credit rating.

| Enterprise Profile | | Financial Profile | | |
|---|---|---|---|---|
| **Economic Fundamentals** | **10%** | **Financial Performance** | **-** | **45%** |
| School age population (5-year future: >=+5% to<=-5% ) | - | Lease adjusted MADS coverage (>=5x to <=1x) | 65% | - |
| **Industry Risk (4-adequate; same for all schools)** | **40%** | Excess margin (>=20% to <=0%) | 20% | - |
| Economic cyclicality | - | Total revenue (>=$150 million to <= $5 million) | 15% | - |
| Competitive risk & growth | - | **Liquidity & Financial Flexibility** | **-** | **25%** |
| **Market Position** | **30%** | Unrestricted days cash on hand (>=400 to <=30) | 70% | - |
| Demand & competition (current) | - | Unresticted reserves/debt (>=225% to <=10%) | 30% | - |
| Enrollment (>=10,000 to <=400) | - | **Debt Burden** | **-** | **30%** |
| Annual enrollment growth (>=20% to shrinking) | - | Lease adjusted MADS burden (<=1% to >=20%) | 80% | - |
| Waitlist % (2x enrollment to none or very small) | - | Debt to capitalization (<=10% to >=90%) | 20% | - |
| Retention rate (>=95% to <=70%) | - | **Financial Policies (neutral or negative factor)** | **-** | **-** |
| Statutory framework (combination) | - | Transparency & disclosure | - | - |
| Authorizer process | - | Investment allocations & liquidity | - | - |
| Authorizer choice/independence | - | Debt profile | - | - |
| Per pupil funding (last 3 years) | - | Contingent liability principles | - | - |
| Charter standing (historical) | - | Legal structure | - | - |
| Charter term/extensions (2 plus to initial) | - | | | |
| Charter review findings (0 negative to failure to meet) | - | | | |
| Authorizer support | - | | | |
| Academic quality (historical) | - | | | |
| Ranking (top 10% in state/above local to bottom 25%/below local) | - | | | |
| SAT/ACT (top 25% nationally/90% graduation rate to bottom 25%/graduation rate 20% below national avg | - | | | |
| **Management & Governance** | **20%** | | | |
| Management | - | | | |
| Strategic positioning | - | | | |
| Risk management | - | | | |
| Organizational effectiveness | - | | | |
| Goverance (neutral or negative) | - | | | |
| Board effectiveness | - | | | |
| Management culture | - | | | |
| Regulatory, tax or legal infractions | - | | | |
| Internal controls | - | | | |
| Financial reporting & transparency | - | | | |
| **Total** | **100%** | **Total** | **-** | **100%** |

Particularly strong or weak factors in any single category can alter the anchor; however, S&P believes that the risks within the charter school sector limit any stand-alone credit (without external credit support or credit enhancement) to the A category. S&P's assessment of financial metrics is based on the three most recent periods of financial information, either the three most recent audits or interim data and two most recent audits.

However, ratings are based on a forward-looking view of a school's performance, which can differ from historical performance. The table below summarizes the components of S&P's enterprise and financial risk profiles, together with weightings for each of the seven main factors and any weighting applied to subcomponents of the individual factors. For more numerical, less qualitative factors, the range from strongest (a+) to weakest (b-) is also included in parentheticals.

### SELECT S&P METRIC DEFINITIONS

***Enrollment growth percent:*** Average of enrollment growth for each of the three most recent years.

***Excess margin percent:*** [(Total revenues - total expenses)/total revenues] x 100.

***MADS:*** The greatest annual debt service, when including principal and interest payments on all obligated and non-obligated group debt, including long-term bonds, capital leases, mortgages; and bank debt.

***Lease adjusted MADS burden percent:*** [(MADS + operating lease expense) / total revenues] x 100.

***Lease-adjusted MADS coverage:*** Net revenue available for debt service / (MADS + operating lease expense).

***Unrestricted reserves:*** Unrestricted cash, investments, and board designated.

***Unrestricted days cash on hand:*** Unrestricted reserves / [(total expenses - depreciation and amortization expense)/365)].

***Unrestricted net assets:*** Net assets, excluding any restricted items; generally includes reconciling adjustments to account for differences in reporting under GASB and FASB standards.

***Unrestricted reserves to debt percent***: (Unrestricted reserves / total long-term debt) x 100.

## MOODY'S RATING CRITERIA

Moody's employs a scorecard based on four major factors, comprising a number of subfactors, to rate charter school borrowers. Moody's calculates outcomes for each subfactor and maps them to a broad rating category, with 0.5 to 1.5 for the highest (Aaa) category, 13.5 to 16.5 for the B category and 20.5 to 21.5 for the lowest (C) category. The numeric score for each sub-factor is multiplied by the weight for that subfactor and rolled up to produce a weighted aggregate according to the subfactor and factor weights in the table below. For more numerical, less qualitative factors, the metric range, from strongest to weakest, is also included in parentheticals. For these purposes, the numbers for the weakest category correspond to Moody's B category for comparison to S&P criteria.

After calculating and weighting each subfactor, the outcomes are mapped to Moody's broad rating categories. Moody's ratings are forward looking and thus may differ from past performance. Particularly strong or weak subfactors may be weighted more heavily than indicated in the scorecard if Moody's believes they are indicative of a significant credit strength or weakness. A number of additional considerations are not incorporated into the scorecard framework, including multiyear trends, access to local property taxes, debt structure considerations, financial disclosure, transparency and controls, pension and other post-employment benefit obligations, and use of private management companies.

| Charter School Scorecard | | |
|---|---|---|
| **Scale & Demand** | **-** | **35%** |
| Scale/operating revenue (>=$300 million to $1.7-$3.0 million range) | 15% | - |
| Competitive profile | 20% | - |
| Academic & community reputation | - | - |
| Application volume | - | - |
| Waiting list | - | - |
| Student & teacher retention rates | - | - |
| Market share | - | - |
| Service area demographics | - | - |
| **Operating Performance & Liquidity** | **-** | **20%** |
| 2-year average operating cash flow margin (>=37% to 0%-6% range) | 10% | - |
| Monthly days cash on hand(>=450 days to 30-50 day range) | 10% | - |
| **Leverage & Coverage** | **-** | **25%** |
| Debt service coverage (>=8x to 1.0-1.1x range) | 15% | - |
| Spendable cash and investments to total debt (>=100% to 7%-10% range) | 10% | - |
| **Charter Renewal Risk & Government Relations** | **-** | **20%** |
| Charter renewal history | - | - |
| Authorizer transparency, timeliness & predictabililty | - | - |
| Public funding timeliness & predictability | - | - |
| Management capacity | - | - |
| **Total** | **-** | **100%** |

## SELECT MOODY'S METRIC DEFINITIONS

***Operating Revenue:*** To the extent that certain non-operating revenues (per accounting classification) are included in the issuer's revenue pledge, Moody's includes them in the definition of Operating Revenues. The most typical example is unrestricted contributions.

***Two-year Average Operating Cash Flow Margin:*** For each fiscal year (or 12-month period) the numerator is Operating Cash Flow, and the denominator is Operating Revenue. The sum of the two single-year margins is divided by two. Operating Cash Flow is equal to Operating Revenue minus operating expenses, plus the sum of interest, depreciation and amortization, and other material noncash expenses.

***Monthly Days Cash on Hand:*** The numerator is total cash and investments plus other unrestricted funds for operations, less restricted funds such as debt service reserve funds, multiplied by 365. The denominator is total operating expenses minus the sum of interest, depreciation and amortization, and other material noncash expenses.

***Annual Debt Service Coverage:*** The numerator is annual Operating Cash Flow. The denominator is annual principal and interest payments on long-term debt.

***Spendable Cash and Investments to Total Debt:*** The numerator is total cash and investments plus other unrestricted funds for operations, less restricted funds, such as debt service reserve funds. The denominator is total debt.

# APPENDIX D: BOND GUARANTEE PROGRAM AWARDS

| CDFI | $ Amount (millions) | # of Awards | Award Years |
|---|---|---|---|
| Clearinghouse CDFI | $350 | 3 | 2013, 2015, 2018 |
| Reinvestment Fund | $130 | 2 | 2014, 2016 |
| Community Development Trust | $125 | 1 | 2013 |
| Low Income Investment Fund | $115 | 2 | 2014, 2016 |
| Aura Mortgage Advisors | $100 | 1 | 2017 |
| Raza Development Fund | $100 | 1 | 2015 |
| Self-Help Ventures Fund | $100 | 1 | 2016 |
| Capital Impact Partners | $95 | 2 | 2014, 2016 |
| Greater Minnesota Housing Fund | $65 | 2 | 2017, 2019 |
| Community Loan Fund of New Jersey | $53 | 2 | 2015, 2019 |
| Enterprise Community Loan Fund | $50 | 1 | 2013 |
| Local Initiatives Support Corporation | $50 | 1 | 2013 |
| Federation of Appalachian Housing Enterprises | $35 | 2 | 2015, 2019 |
| Florida Community Loan Fund | $30 | 1 | 2017 |
| Chicago Community Loan Fund | $28 | 1 | 2015 |
| Building Hope | $25 | 1 | 2017 |
| Housing Trust Silicon Valley | $25 | 1 | 2017 |
| IFF | $25 | 1 | 2014 |
| Coastal Enterprises, Inc. | $20 | 1 | 2017 |
| Citizens Potawatomi CDC | $16 | 1 | 2015 |
| Bridgeway Capital | $15 | 1 | 2015 |
| Community Ventures Corporation | $15 | 1 | 2015 |
| Homewise, Inc | $15 | 1 | 2017 |
| Community First Fund | $10 | 1 | 2017 |
| Impact Seven | $10 | 1 | 2017 |
| Kentucky Highlands Investment Corporation | $10 | 1 | 2015 |
| **26 CDFIs** | **$1,612** | **34** | **-** |

One of the Eligible CDFIs exited the program after award, reducing the total available to $1.592 billion.

# APPENDIX E:
# USDA COMMUNITY FACILITIES CHARTER SCHOOL FINANCING[12]

| | Direct Loans and Grants | | Guaranteed Loans | | Total | |
|---|---|---|---|---|---|---|
| Year | Number | Amount | Number | Amount | Number | Amount |
| 2008 | 4 | $11,393,764 | 1 | $340,000 | 5 | $11,733,764 |
| 2009 | 7 | $12,745,000 | 2 | $7,965,000 | 9 | $20,710,000 |
| 2010 | 10 | $18,133,194 | 7 | $27,766,929 | 17 | $45,900,123 |
| 2011 | 7 | $11,714,578 | 4 | $15,242,650 | 11 | $26,957,228 |
| 2012 | 9 | $26,643,649 | 8 | $16,429,291 | 17 | $43,072,940 |
| 2013 | 11 | $32,769,953 | 4 | $9,850,000 | 15 | $42,619,953 |
| 2014 | 10 | $27,771,200 | 4 | $13,830,453 | 14 | $41,601,653 |
| 2015 | 10 | $40,681,800 | 2 | $6,250,000 | 12 | $46,931,800 |
| 2016 | 37 | $168,576,673 | 3 | $8,502,000 | 40 | $177,078,673 |
| 2017 | 14 | $61,976,000 | 3 | $9,751,500 | 17 | $71,727,500 |
| 2018 | 10 | $43,695,450 | 2 | $1,732,000 | 12 | $45,427,450 |
| **Total** | **129** | **$456,101,261** | **40** | **$117,659,823** | **169** | **$573,761,084** |

[1] W. Berry, Charter School Bond Sector: 2018 Year in Review (2019, June 26), https://facilitycenter.publiccharters.org/sites/default/files/2019-08/eff-bond-year-in-review-2018.pdf.

[2] Ibid.

[3] Ibid.

[4] Ibid.

[5] Elise Balboni and Shari Berenbach, "Fixed-Income Securities," in Lester M. Salamon, ed., *New Frontiers of Philanthropy* (New York, Oxford University Press, 2014), 341-365.

[6] Ibid.

[7] U.S. Department of the Treasury, Audit of the Community Development Financial Institutions Fund's Financial Statements for Fiscal Years 2019 and 2018 (2019, November 13), Office of Inspector General, U.S. Department of Treasury: https://www.treasury.gov/about/organizational-structure/ig/Audit%20Reports%20and%20Testimonies/OIG-20-011.pdf.

[8] USDA Financing of Rural Charter Schools (February 2020), https://facilitycenter.publiccharters.org/resource/industry-metrics-charter-schools-and-usda-financing, pg. 29.

[9] Ibid, 26.

[10] Ibid, 28.

[11] Ibid, 6-7.

[12] Ibid, 27-28.