

CALIFORNIA DEFERRALS SOLUTION

Presented By:
Shausta Eckland & Tricia Blum
December, 2020





AGENDA

1. Who we are

4. Why this solution

2. What we do

5. Where to get started

3. How it works

WHO WE ARE

Charter School Capital helps schools access, leverage, and sustain the resources charter schools need to thrive, allowing them to focus on what matters most – **educating students**

In the past 13 years, CSC has:



Served more than **1,250,000** students and their families



Supported more than **700** charter schools



Invested more than **\$2B** in helping charter schools better serve their communities

WHO WE ARE

Charter School Capital helps schools access, leverage, and sustain the resources charter schools need to thrive, allowing them to focus on what matters most – **educating students**

But on a personal level, CSC is:

A passionate group of approximately 50 team-members with more than

52 students of our own to remind us of our “why,”

29 furry babies between us to keep us sane,

finance & education Backgrounds,
(and everything in between)

& a shared

core mission to help charter schools and their
students thrive.



WHO WE ARE



Tricia Blum
Vice President of
Business Consulting

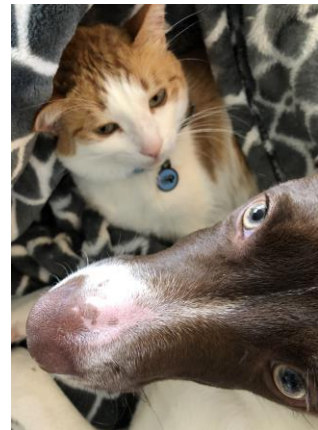


Shausta Eckland
Account Manager

Tricia Blum supports client schools that need strategic business, financial, and operational guidance. Formerly an interim turnaround CEO of a charter organization and an executive leader of a high-growth charter management organization, Tricia created and instituted operational policies and procedures as well as strategic growth plans including replication and duplication strategies that enabled each organization to successfully scale their education programs. In her off-time Ms. Blum enjoys spending time with her boys, designing, eating, traveling, reading and going to the beach. She has settled, for now, in her native California.



Shausta Eckland supports schools in strategic financial program management, bringing a unique blend of creative-type zest and problem-solving to yield impressive results. After 20+ years in the photo industry, Shausta switched careers to join Charter School Capital. In her spare time, Shausta enjoys time with friends, riding her Aprilia, lounging with her rescue dog and making sure the cat doesn't burn the house to the ground.



WHAT WE DO

A school lease-back option for charter school facility control, security, and budget optimization.

Facilities



Update school building structures with new, efficient systems; reducing utility expenses and improving learning environment.

Energy Services



Working Capital



A reliable and flexible funding process that provides access to capital for operations, facilities, programmatic expenses, or other obligations.

Marketing & advertising services to boost enrollment and ultimately increase financial scalability.

Enrollment Marketing



Help charter schools **access, and sustain financial resources** to put towards programs and services that help their **students thrive.**

WHAT WE DO

A reliable and flexible funding process that provides access to capital for operations, facilities, programmatic expenses, or other obligations.

A school lease-back option for charter school facility control, security, and budget optimization.



Marketing & advertising services to boost enrollment and ultimately increase financial scalability.



Help charter schools **access, and sustain financial resources** to put towards programs and services that help their **students thrive.**

No-cost service provided exclusively for clients

- Budget analysis
- Cash flow planning
- Vendor management
- Capacity building
- Governance training
- Authorizer support
- Operational systems
- Systems reviews
- Turnarounds/ workouts
- Special Projects

Update school building structures with new, efficient systems; reducing utility expenses and improving learning environment.

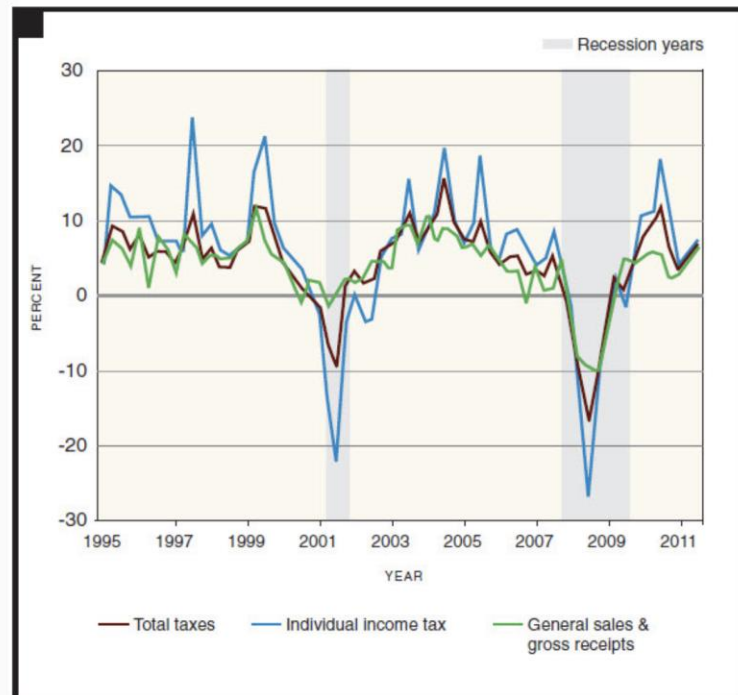


2020: IT'S OFFICIAL, A RECESSION!

The National Bureau of Economic Research has announced Monday the U.S. economy is officially in a recession. Economists said the recession is unusual, but they hope it could end quickly.

-- June 8, 2020

FIGURE 2. Percentage Change in State Taxes Year over Year



Source: U.S. Census Bureau, Quarterly Tax Survey, 2011.

What am I looking at?

- Data about when the recession started and some data on the lagged impact to state budgets

Why does it matter?

- The negative impact to state budgets (and therefore charter schools) takes time to work through system

IF PAST IS PROLOGUE, THIS WILL TAKE A WHILE

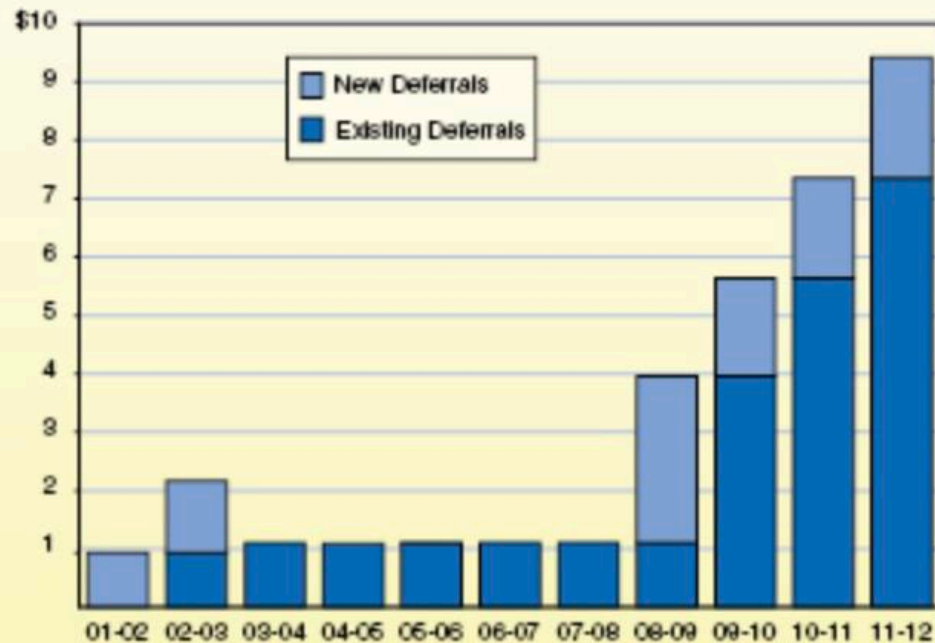
What am I looking at?

- Great Recession data on California deferrals following the beginning of the Great Recession in December, 2007

Figure 2

In Recent Years, State Has Increased Its Reliance on K-12 Payment Deferrals to Avoid Cuts

(In Billions)



Why does it matter?

- The impact to state education financing ***lasted four years***

THE CA FUNDING CHALLENGE

CURRENT

- 36% of FY21 LCFF* will be deferred to FY22
 - Feb:53%, Mar: 85%, Apr: 85%, May: 85%, June 100%
- Ongoing deferral of entire June LCFF
- Potential for changes to payment schedule of deferrals
- Site-based schools paid for growth based on lesser of 6/30/20 budget projections and 10/7/20 student count
- Non-classroom based / independent study charters will not be paid for enrollment growth in FY21
- Additional challenges and potential costs related to COVID-19 preparedness (PPE, technology, enrollment)

FUTURE

- FY22 potential deferrals and/or budget cuts
- FY21 enrollment reporting changes (e.g. growth caps)



*LCFF is short for “Local Control Funding Formula,” a large portion of your state receivable.

HOW WE CAN HELP

Offer details exclusive to your school

5.99%
(down from 7.99%)

**GREATER ACCESS TO
CAPITAL**

LOCKED THROUGH FY21

**\$0.00 FEB
FINANCING**

The Charter School Flexible Funding Line

No hidden fees or surprise expenses if the state is further delayed.

Use what you need, when you need it.
We can advance up to as much as 50% of your school's annual state revenue.

Secure your rate through the end of the Fiscal Year 2021 with transparent terms.
The most flexible, reliable, cost-effective solution – the best path to overcoming budget gaps.

No-cost February deferral financing.
We'll cover your deferred February payment at no cost.

SOLUTIONS COMPARISON: COST

COST

You can't just look at rate.

Interest Rate:

- Can be quoted in annualized terms or in "discount"
- Applied to borrowed funds

Structure:

- How and when the funds are drawn or released
- How long the funds are outstanding

Fees:

- Could include any issuance costs (e.g., transaction, underwriting, legal fees, etc.)
- Any ongoing fees to maintain the credit line (e.g., unused balance fees)

EXAMPLE COMPARISON



Line of Credit



RAN or TRAN



Term Loan



Flexible Funding Line

Total Deferrals Financed	\$1.5M	\$1.5M	\$1.5M	\$1.5M
Term	N/A	9 Months	12 Months	N/A
Up Front Fee	1.00%	1.47%	1.00% (Capitalized)	None
Example Interest Rate	4.99%	2.00%	4.99%	5.99%
Includes No Cost February Deferral	No	No	No	YES
Release of Funds	5 Monthly Releases Beginning 2/28/21	Full Amount on 3/31/21	Full Amount on 2/28/21	5 Monthly Releases Beginning 2/28/21
*Total Cost:	\$42,000	\$45,000	\$56,000	\$29,000

*Round numbers used for cost analysis / CSC is prepared to fund additional Deferral needs

HOW DOES FUNDING WORK?



Receivables Purchase/Flexible Funding Line

Charter School Capital purchases state aid payments due to the charter school from the state and, in exchange, provides funding to the school in advance of the state payment distribution date.

The state payment remains with the state until the scheduled distribution date arrives.

Charter School Capital assumes the timing risk if the state delays the distribution of the payments due to the school. There are no additional costs to the charter school in the event the state delays payments.

Learn more at <https://charterschoolcapital.org/resources/benefits-of-selling-receivables/>

The screenshot shows a webpage with the following content:

- How does the receivable sales program work?**

Charter School Capital and the charter school enter into a receivables purchase agreement and execute a bill of sale. Executing these agreements transfers ownership of the state payment to Charter School Capital and the school receives the agreed-upon funding. When the state distributes the payment to Charter School Capital, the funds are then distributed as outlined in the bill of sale.
- WHAT OUR CLIENTS ARE SAYING**

Charter School Capital has helped us...
- CHARACTER SCHOOL CAPITAL RECEIVABLE SALES**

Why Receivable Sales are Beneficial to Charter Schools
- What are the costs associated with the sale of receivables?**
 - The costs are determined by market-related factors including, but not limited to: the type of receivable being sold, the time the receivable is outstanding, the credit-risk profile of the school, and market rates for similar investments.
- Why choose receivable sales as a financing option?**
 - Selling attendance-based and other qualified receivables helps accelerate a charter school's ability to grow by allowing schools to access funds more quickly and in greater quantity.
 - Our qualification process is streamlined and more than 95 percent of schools that apply qualify.
 - Schools often have the ability to adjust funding levels to align with cash flow needs for existing operations and growth.
 - The sale of receivables is a reliable and flexible option for raising much-needed capital for charter schools.
- We are 100% dedicated to the charter space and to enabling the success of charter schools and the charter school movement.**

Our mission is to provide school leaders access to the financial and informational resources they need—whether it's operational capital, growth funding, or facilities expansion.

Since our founding, we've been able to provide over \$2 billion in funding to more than 600 charter schools across our nation and most importantly, to serve over 1,000,000 students.

We're proud to provide the reliability and stability charter leaders require as they embark on their journey to educate more students today—and in the future.

If you have working capital needs or would like help with charter school facilities financing, our team of experts is here to help you with a needs assessment.

Start by completing our [online application](#) or [contact us](#) for more information about our funding types.
- Why are Receivable Sales Beneficial to Charter Schools?**

Charter schools often have difficulty accessing capital from traditional sources for operations and growth. One method of financing widely used by many industries is receivable sales. This reliable and flexible transactional process, pioneered by Charter School Capital for charter schools, provides access to capital needed to support operations, facilities, programmatic expenses, or other obligations.
- What is a receivable sales transaction?**

In a receivable sales transaction, Charter School Capital purchases state aid payments due to the charter school from the state and, in exchange, provides funding to the school in advance of the state payment distribution date. The state payment remains with the state until the scheduled distribution date arrives. Charter School Capital assumes the timing risk if the state delays the distribution of the payments due to the school. There are no additional costs to the charter school in the event the state delays payments.
- How are the amounts available to the charter school calculated?**

Amounts available for a charter school to sell to Charter School Capital are typically established by attendance-based entitlements or eligible grants owed to the charter school. Selling attendance-based entitlements and grants gives the charter school community access to much-needed capital when they need it, so schools are able to focus on educating students.

Loans made or arranged pursuant to a California Finance Lenders Law license #...

877.272.1001
CHARTERSCHOOLCAPITAL.ORG
© 2019 Charter School Capital, Inc. All Rights Reserved.

MORE INFORMATION

Flexible Funding Line

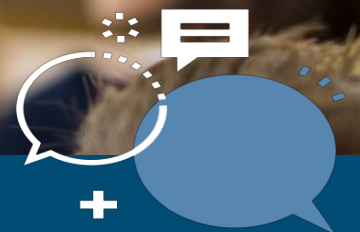


We'll cover your deferred February payment at no cost.

Use what you need, when you need it.
We can advance up to as much as 50% of your school's annual state revenue.

Secure a known, low, locked-in rate through the end of the Fiscal Year 2021 with transparent terms.
The most flexible, reliable, cost-effective solution – the best path to overcoming budget gaps.

Get peace of mind!
Our funding solution acts similarly to a line of credit, providing a safety net in these uncertain times.



QUESTIONS?



THANK YOU!