UTAH STATE OFFICE OF EDUCATION (USOE)
CHARTER SCHOOL REVOLVING LOAN FUND APPLICATION

Due: October 11, 2013

Final Application: *All applicants must submit an application by the indicated deadline; all schools having charters approved by the State Board of Education by the date of the Charter School Revolving Account Committee (Committee) consideration of this loan are eligible for funding. Schools may submit this application if approval is imminent and expected prior to hearing of application by Committee.*

Submit this application as a single digital document by email to marlies.burns@schools.utah.gov

OVERVIEW

The legislature has created, within the Uniform School Fund, a *restricted* account known as the "Charter School Revolving Account" (UCA §53A-1a-522) to provide assistance to charter schools to meet school building construction and renovation needs and pay for expenses related to the start-up of a new charter school or the expansion of an existing charter school.

The Superintendent shall make loans to charter schools from the Charter School Revolving Account to pay for the costs of planning expenses, constructing or renovating charter school buildings, equipment and supplies, or other start-up or expansion expenses.

The statute also provides that loans to new charter schools or charter schools with urgent facility needs may be given priority. R277-480-1 defines *"New school"* as any charter school through the first day of its second year of operation with students, or a satellite school that requires a new location or campus and *"Urgent facility need"* as an *unexpected* exigency that affects the health and safety of students such as:

- To satisfy an unforeseen condition that precludes a school's qualification for an occupancy permit; or
- To address an unforeseen circumstance that keeps the school from satisfying provisions of public safety, public health or public school code.

R277-480-4(D)(1) reflects Loan Sub-Committee requirement that a tiered schedule of loan fund distribution is adhered to in the case of schools in the "Start-Up" phase of operation:

- 50% disbursed no more than 12 months prior to August 15 of the school's first year of operation;
- 25% disbursed no more than six months prior to August 15 of the school's first year of operation;
- The balance of loan funds disbursed no more than three months prior to August 15.

R277-480-4(D)(2) provides that the loan amount to a charter school board shall not exceed:

- $1,000 per pupil based on prior year October 1 enrollment count for operational schools; or
- $1,000 per pupil based on approved enrollment capacity of the first year of operation for pre-operational schools; or
- $300,000 of the total of all current loan awards by the State Board of Education to a charter school governing board.

Applications for loans are accepted on an ongoing basis, subject to eligibility criteria and availability of funding. Repayment of Loan award will be facilitated by an automatic draft of funds directly from recipient accounts. This will occur subsequent to receipt of regular per pupil funding through an ACH Program which involves automatic drafting of payments from a recipient's bank account on a monthly basis. These drafts are set up and handled through the Office of the Utah State Treasurer subsequent to receipt of revenues on a regular monthly basis. They do not constitute a withholding of revenue.

The Charter School Section will review all applications to ensure completeness, correctness, and adherence to state law and board administrative rule. All materials must be provided in a single *digital document*, in a Word, Adobe, Excel or other readily accessible digital file through e-mail. Staff is available for technical assistance.

Only applications meeting minimum criteria set out herein will be recommended to the Committee. Incomplete applications will not be considered.

Applicants must be aware that subsequent to an award, funds must be placed in a depository which complies with the Utah Money Management Act (UCA §51-7) such that it is listed as a "qualified depository." A list of these is available at: http://www.treasurer.utah.gov/qualdepo.pdf

FINAL CHECKLIST

- ☐ Have you prepared a complete electronic (Word, Excel, or PDF) document to be e-mailed to marlies.burns@schools.utah.gov?
- ☐ Is the general information page (pg. 4) and resolution (pg. 5), with appropriate signatures, at the beginning of the electronic document?
- ☐ Have you completed, with appropriate signature, the repayment provisions page (pg. 6)? (Note: Prior to receiving funds, school must provide USOE with appropriate permissions and account documentation.)
- ☐ New schools: Did you summarize any problematic features of governing board / key administrator background checks?
- ☐ New schools: Did you include a one-page statement of average score, score range, and any problematic features of governing board / key administrator credit scores?
- ☐ Operational schools: Did you include the school's SBCS, along with a one-page summary?
- ☐ Did you "check" your chartering entity and provide a copy of your signed charter agreement (if applicable)?
- ☐ Have you written a narrative statement outlining the purpose of your loan request? Does it comply with UCA 53A-1a-522?
- ☐ Have you written a narrative of need describing why the school does not have funds available from other sources and why the project is important in carrying out your educational program?
- ☐ Have you checked your requested budget to make sure all items are fundable and it contains the appropriate level of detail?
- ☐ Did you submit a 3-year budget or *pro forma* financial statement?
- ☐ Did you provide a summary on governing board members not-for-profit, board, managerial, financial, and professional qualifications? (limited to one page in total, all members combined)
- ☐ New schools or schools below enrollment capacity: Did you include a summary of the school's market analysis and outreach plan to show how the school will attract its projected enrollment? (limited to 2 pages)
- ☐ Operational schools: Is your school's two most recent year's Audited Financial Statement included?
- ☐ Did you provide liability listing and documentation?
- ☐ Did you provide any outstanding accounts payable or accrued liabilities over $5,000 in excess of 90 days (including an action plan) OR a statement that no such accounts exist?
- ☐ Did you provide any liens, judgments, pending litigation, or unresolved financial issues (including an action plan) OR a statement that no such accounts exist?
- ☐ Is a copy of your loan agreement(s), trust indentures and mortgage agreement, or capital lease included?
- ☐ Have you included a current budget to actuals report?
- ☐ Did you calculate your Current Ratio and Debt Ratio using the most recent Audited Financial Statement?
- ☐ Are your Articles of Incorporation included?
- ☐ Are your current bylaws included?
- ☐ If your project includes construction, have you included the pre-construction checklist and USOE project number? Have you completed the revolving loan construction checklist?

GENERAL INFORMATION

Name of charter school: _____

Current enrollment (Oct. 1 Count): _____ Authorized capacity FY14 (per charter agreement): _____

Grades served: _____ District: _____

Dollar amount of loan being requested: _____

Contact person: _____

Address: _____

City, State, Zip: _____

Telephone number: _____

Email address: _____

For USOE use only:

Date application received: _____

Date Committee approved / denied: _____

Date SCSB approved / denied: _____

Date USBE approved / denied: _____

Fiscal Year of USBE approval: _____

Dollar amount of approved loan: _____

Percentage of total amount requested: _____

Amortization completed: _____ Promissory Note signed: _____

Trust Indentures or other liability document verified for restrictions on additional debt; permission received if applicable (Date): _____

Committee restrictions on funding to be reflected in Promissory Note:

R277-480-4(D)(1)	Yes / No (Circle)
R277-480-4(D)(2)	Yes / No (Circle)
Other:	

RESOLUTION

We, the governing board of _____, agree to the following:

- ☐ We enter into the loan as provided in the application materials.
- ☐ The interest rate established by the Committee (i.e., the higher of one half of the Triple A Bond Rate available on the date of loan approval by the Utah State Board of Education, or 1.75%) and the repayment schedule of the loan designated by the Superintendent.
- ☐ The loan funds shall only be used for purposes consistent with §53A-1a-522, R277-480, and the approved charter agreement, and shall be tracked and accounted for such that expenditures associated with revolving loan funds are evident upon audit as restricted funding.
- ☐ Any and all audits of financial information ordered by the Committee or the Board;
- ☐ Any and all inspections or reviews ordered by the Committee or the Board;
- ☐ The loan repayment period will be: ____5__ years from _____ to _____; and
- ☐ We understand that repayment, including interest, shall be deducted automatically from the charter school's designated bank account through an automatic clearinghouse withdrawal of funds in accordance with the schedule specified in the applicable statement of amortization and shall continue until loan balance is fully repaid.
- ☐ We agree to any additional terms communicated to us by the Committee at the time of application consideration by such Committee, and included in our Promissory note.
- ☐ We agree to any additional terms communicated to us by the Committee at the time of application consideration by such Committee, and included in our Promissory note.
- ☐ We agree to disbursement terms attending requirements of R277-480-4(D)(1), and included in our Promissory note.

GOVERNING BOARD (all Members):

Name (please print)	Signature	Date
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Are these all serving Board Members? _____ Yes _____ No

Please briefly explain if all members of governing board did not or could not sign this Resolution:

REPAYMENT PROVISIONS

The loan shall be repaid within five years. Payments shall be conducted through an ACH debit of the school's designated bank account. Authorization is hereby given to initiate this process, and assurance is provided that the school will provide lender (USOE) with appropriate permissions and account documentation prior to receipt of funds, and will update this information as necessary to facilitate automatic withdrawal of funds on a monthly basis in consonance with the repayment schedule decided upon by the Revolving Loan Committee and agreed to in appropriate loan documentation.

_____

Name of Charter School

_____

Authorizing Signature

_____

Printed Name

_____

Date

REQUIRED ELEMENTS

Loan Application Sequence

1. General information (p. 4)
2. Resolution (p. 5)
3. Summary of problematic features in governing board background checks (new schools only)
4. Summary of problematic features in governing board credit report (new schools only)
5. Business risk score (SBCS – operational schools only)
6. Charter Agreement
7. Purpose of loan request
8. Basis of need narrative
9. Detailed use of funds
10. Budgetary plan for 3 years
11. Statement of governing board member qualifying experience
12. Market analysis (new schools or schools below capacity only)
13. Two most recent year's Audited Financial Statements, including management letter and governing board response to that letter (operational schools only)
14. Liability listing and documentation
15. Outstanding accounts payable or accrued liabilities
16. Liens, judgments, pending litigation, or other unresolved financial issues
17. Debt instruments
18. Budget to actuals report
19. Articles of Incorporation
20. Governing board by-laws
21. Other pertinent materials
22. USOE pre-construction checklist (if applicable)
23. Loan construction checklist (if applicable)

1. General information: Complete the top portion of the General Information page, including information about the school and the authorized contact for questions and correspondence.

2. Resolution: Attach a signed copy of the Resolution (signed by all members of the governing board) and a list of the current names and contact information for all governing board members.

3. Background checks (new schools only): Include statement assuring Committee every governing board member and key administrator has a background check on file at the school, along with a written summary of any problematic features found in board member / key administrator reports.

4. Credit report (new schools only): Include a one-page statement of average score, score range, and any problematic features such as bankruptcy, for governing board members / key administrators.

5. Business Risk Score (SBCS) (operational schools only): Include the school's SBCS containing the composite score and one-page summary.

6. Chartering entity (check)
   - ☐ Institution of Higher Education (*attach signed copy of the Charter Agreement*)
   - ☐ Local board of education (*attach signed copy of the Charter Agreement*)
   - ☐ Utah State Board of Education (*Charter Agreement is on file at USOE – no need to resubmit)*

7. Purpose of Loan Request: provide statement of statutory purpose for requesting funds from the Charter School Revolving Account, including how all related activities constitute:
   - Planning expenses
   - Constructing or renovating charter school buildings;
   - Equipment and supplies; or
   - Other start-up or expansion expenses.

8. Basis of need narrative: Outline the "basis of need" for requested funds. Describe why the school does not have funds available from other sources (reserves), and why the project accomplished with revolving loan funds is important in carrying out the educational mandate of the charter school. Please include a specification of (a) *Priority Status* or (b) *Urgent Need* as outlined in this application package, with documentary evidence of urgent need included where this is available.

9. Detailed Use of Funds: in Excel format. Submit a completed template (*Revolving Loan "Budget Detail"*) located at: http://www.schools.utah.gov/charterschools/Funding/Funding-Information.aspx. Please be attentive to detail asked for in certain areas of the application, as you will be asked to re-submit this form if appropriate detail is not included. NOTE: For new schools, start-up or expansion expenses are limited to expenditures not covered with other varieties of restricted funding. For established schools, they may accept funds for school building construction and renovation needs.

10. Budgetary Plan for 3 years (in EXCEL format)
    - Established schools shall submit Budget on AFR form supplied by USOE School Finance, with loan funds included and appropriately budgeted as per project plans. Budget plans for two additional operational years should be placed alongside existing AFR data similar to existing methodology of the document (contact USOE School Finance staff if you need tips in how to do this).
    - Schools with no prior fiscal information shall submit *pro forma* financial statements of its planning year and two operational years (limited to 3 pages), with loan funds included and appropriately budgeted as per project plans and loan repayment included. Pro Forma financial statements must include one Planning and two Operational Years for new schools not yet accepting students. Template (*Revolving Loan Pro Forma Budget Worksheets for New Schools*) is available at: http://www.schools.utah.gov/charterschools/Funding/Funding-Information.aspx.

11. Statement of governing board member qualifying experience: not-for-profit, board, managerial, financial, and professional experience which you believe qualifies this charter school governing board to act as the agent managing the project(s) associated with loan funds (limited to one page in total, all members combined).

12. Summary of school's Market Analysis and Outreach Plan: summary of school's market analysis and outreach plan showing how the school will meet its enrollment (limited to two pages in total).

13. Two most recent year's Audited Financial Statements: including management letter and governing board response to management letter for school in operation for more than one year.

14. Liability Listing and Documentation: List all existing loans and credit accounts by holder and type. Include information regarding Related Party loans (e.g. board members, employees, family, friends, etc.) if any, and showing the amount owed, interest rate, loan terms and conditions, and any other relevant information.

15. Outstanding Accounts Payable or Accrued Liabilities over $5,000 in excess of 90 days: Provide the school's plan of action for resolving items on this list. Provide statement that no such accounts exist if this is the case.

16. Liens, Judgments, Pending Litigation, or other Unresolved Financial Issues: Provide the school's plan of action for resolving items on this list. Provide statement that no such accounts exist if this is the case.

17. Debt Instruments: Electronic copy of Loan Agreement(s), Trust Indentures and Mortgage Agreement, or Capital Lease if the school has financed its facilities through bonded or other long-term debt.

18. Budget to actuals: Include current budget to actuals report of financial results.

Current Ratio: List your school's Current Ratio ("CR") in the space provided below using its Audited Financial Statements or Statement of Financial Position. The current ratio compares a school's short-term liabilities (debt and payables) to its short-term assets (cash, receivables). The higher the current ratio, the more capable the school is of paying its current obligations. NOTE: The Committee finds a CR of 0.6 to be a minimum standard which existing schools must meet to qualify for loan funds.

Sum of all Current Assets ÷ Sum of all Current Liabilities	---------- ÷ ----------	CR =

Debt Ratio: List your school's Debt Ratio ("DR") in the spaces below using its Audited Financial Statement or Statement of Financial Position. The debt ratio compares a school's total debt to its total assets, giving a general idea as to the amount of leverage being used by the school to finance its operations. A low percentage means that a school is less dependent on debt, i.e., money borrowed from and/or owed to others. The lower the percentage, the less leverage a school is using and the stronger its equity position. In general, the higher the ratio, the more risk that company is considered to have taken on. NOTE: The committee would prefer that this ratio is below 1.

Sum of all Current and Long-Term Assets ÷ Sum of all Current and Long-term Liabilities	---------- ÷ ----------	DR =

19. Articles of Incorporation: Submit current Articles of Incorporation.

20. Governing board bylaws**:** Submit current bylaws. *Please note whether these have been modified to allow a governmental basis of organization.*

21. Other: Additional circumstances that could have a material effect on the applicant school's ability to service this loan must be revealed at time of loan application. *The Committee reserves the right to consider a loan in default and subject to immediate recall if loan statements, materials included with application or made verbally at time of Committee consideration are later found to be materially false in a manner which would affect Committee understanding of the school's ability to service a loan.*

22. Pre-construction checklist: Contact USOE Facilities specialist Jenefer Youngfield (Jenefer.Youngfield@schools.utah.gov; 801-538-7669) concerning completion of USOE pre-construction checklist required of all schools initiating a construction or renovation project. Applicant must include USOE project number.

23. Revolving loan construction checklist: Note this checklist is separate from and exclusive of the School Finance "Pre-Construction Checklist" maintained by School Finance Facilities specialist. Schools using funding for construction or renovation purposes must complete the additional checklist included here; these documents become part of your loan application package. *Applicable items must be submitted at time of application submission to USOE, and will not be accepted subsequent to this without prior permission.* Please consult USOE Charter Schools Section staff if you have questions concerning items on this list.

Included	**Check if not applicable**	**Revolving Loan Construction Checklist** *(to be completed by Applicant)*
Yes/No (Circle)		Copy of civil drawings (onsite/offsite improvement) (**circle**)
Yes/No (Circle)		General Contractor's Contract or other evidence of scope of work
Yes/No (Circle)		Course of Construction or Building Insurance
Yes/No (Circle)		Authorization of first trustee holder for approval of second trust deed (if applicable)
Yes/No (Circle)		Bond Trust Indentures if bonded (electronic format, if applicable)
Yes/No (Circle)		Title policy/report (for non-leased property)
Yes/No (Circle)		8½ x 11" Project Description
Yes/No (Circle)		Appraisal "Summary Page" and "Authorization" of appraisal writer (for non-leased sites)
Yes/No (Circle)		Statement from charter school identifying Charter School Board Building Official
Yes/No (Circle)		USOE project number:

REVIEW CRITERIA

For USOE use only:

Meets standard	Does not meet standard	Not applicable	Standard	Comments
☐	☐		**General information:** Applicant completed general information page	
☐	☐		**Resolution**: Signed by all members of the governing board	Why not?
☐	☐		**Background checks**: Unproblematic and without felony convictions	
☐	☐		**Credit report:** Composite score is acceptable	
☐	☐		**Credit report**: Not problematic, especially for key officers	
☐	☐		**Business risk score** (SBCS): Composite score is acceptable	
☐	☐		**Business risk score** (SBCS): Not problematic	
☐	☐		**Charter Agreement**: Applicant is approved and has Charter Agreement on record with USOE	Due to be approved?
☐	☐		**Governing Board Qualifications**: Applicant provides information for all governing board members, highlighting not-for-profit managerial and related experience (in areas related to Finance, Management, Education, Law, Real Estate, Facilities, Procurement and Human Resources), and documents such experience appropriately	
☐	☐		**Purpose statement:** Applicant includes how the intended use of funds meets Utah Code Annotated §53A-1a-522.	
☐	☐		**Need**: Applicant's narrative of need for requested funds is convincing and compelling	
☐	☐	☐	**Urgent facility need**: If claimed, it meets the definition of an unexpected exigency that affects the health and safety of students. Applicant offers documentary evidence of need. Need is unforeseeable, and evidence offered in support of urgent facility need is strong and convincing	
☐	☐		**Detailed use of funds**: Applicant provides full and appropriate details regarding all project expenditure	

Meets standard	Does not meet standard	Not applicable	Standard	Comments
☐	☐	☐	**Pre-Operational Pro Forma**: Pro-forma are inclusive of relevant costs and accurate in estimations, and provide for the project outlined in this application. Planning appears to be inclusive of all necessary costs. Acceptable levels of reserves are maintained	
☐	☐	☐	**Established schools budget**: Budgetary inclusions are inclusive of relevant costs and accurate in estimations, and provide for the project outlined in this application. Acceptable levels of reserves are maintained	
☐	☐	☐	**Audited Financial Statements, AFR Reports and Interim Financial Reports**: Interim financial statements establish current fiscal health beyond date of most recent audited financial statements submitted to USOE; capability of meeting obligations is clearly demonstrated across all such documents	
☐	☐	☐	**Compliance history**: The school's compliance record generally indicative of adherence to legally mandated standards	
☐	☐	☐	**Audited Financial Statements and management letters/response to management letters**: Contain information indicative of viability and wise management of resources	
☐	☐		**Liabilities**: Untenable liabilities that might compromise repayment do not exist or are manageable and acceptable	
☐	☐		**Outstanding accounts payable**: It is desired that an applicant's accounts payable plan of action is easily manageable OR that the applicant includes a statement that no accounts payable exist currently	
☐	☐		**Liens, judgments, pending litigation, and unresolved financial issues**: It is desired that liens plan of action is exemplary and easily manageable OR that a statement of "no outstanding negative credit features" is present	
☐	☐		**Debt instruments**: Does review indicate that: (a) debt(s) is/are prohibitive of additional debt such that permission from a first trust holder is required for second trust (*must be obtained, if so*); (b) existing repayment requirements might compromise repayment; (c) original source of instrument is to finance operational shortfalls	

Meets standard	Does not meet standard	Not applicable	Standard	Comments
☐	☐		**Budget to actuals report**: Indicative of viability and wise management of resources, especially in combination with other review materials	
☐	☐		**Current ratio**: Minimum standard to qualify for loan funds is 0.6	
☐	☐		**Debt ratio**: Committee prefers that this ratio is below 1.0	
☐	☐		**Articles of Incorporation** do not contain material prohibiting acceptance of this loan.	
☐	☐		Have **Bylaws** been altered from their original form and in what way? Do these contain elements that might compromise the ability of this governing board to accept responsibility for this loan or manage this project?	
☐	☐		Other events or circumstances which might be prohibitive to granting of a loan to this body may also be subject to consideration by this committee.	