

# PNC understands charter schools



PNC’s charter school team has a combined 30+ years of experience, including a charter school founder, credit specialists and seasoned finance professionals who are committed to the national charter school space. Our team’s in-depth industry knowledge and diverse experience are demonstrated through unique ideas and solutions to help support your specific facilities financing and banking needs.

## PNC integrated program

PNC has an integrated platform and can offer a one-stop approach for both interim bank financing and long-term, tax-exempt bonds. PNC provides customized, integrated financing solutions that meet not only your school’s immediate needs but also take into account the strategic vision of the school.

Owning a facility can be important for a charter school to fulfill its mission of delivering quality education while ensuring stability and growth. As a **leader in charter school facilities financing**, PNC understands the financial variables that affect a charter school’s ability to gain access to long-term fixed rates through the tax-exempt capital markets.

**At PNC, we build relationships, not transactions.** PNC is a major supporter of education and has demonstrated commitment in the communities we serve. With impactful programs like Grow Up Great® and PartnerUp® and our longtime alliance with DonorsChoose, PNC is committed to helping prepare students for success in school and in life.

As a main street bank, we believe that being a part of the community is about more than our physical location. **We take pride in how we relate to and serve our clients and communities**, as these relationships are at the heart of our business model.

## Coordinated coverage model

- Streamline coverage, execution and decision-making regarding all Public Finance products
- Promote holistic capital structuring, idea generation and flexibility throughout the financing process
- Provide value-added solutions and thought leadership across multiple products and sectors

## Charter school financial solutions



### Commercial Banking PNC Bank, N.A.

- Pre-Development Loans
- Construction Loans
- Lines and Letters of Credit
- Treasury Management
- Liquidity Management



### Investment Banking PNC Capital Markets LLC

- Tax-Exempt / Taxable Fixed-Rate Bonds
- Refinancing / New Money
- Private Placements
- Debt Analysis and Planning
- Customized Amortization Schedules

## Charter school tax-exempt revenue bonds

### What are charter school tax-exempt bonds?

Charter school tax-exempt revenue bonds are bonds issued by a state or local government agency on behalf of a charter school to refinance existing debt, or finance the acquisition, renovation or expansion of a school. Tax-exempt bonds can be issued on a fixed-rate basis for a term of up to 40 years to finance your building costs.

### Why tax-exempt bonds for charter schools?

Most states, cities, counties and school districts use tax-exempt municipal bonds as their major source of capital.

The advantages of a tax-exempt bond issue are:

- Tax-exempt rates are lower than taxable rates or traditional bank financing.
- No upfront cash or equity is required, which will allow your school to borrow up to 100% of the cost of your project.
- Long-term fixed rates for up to 40 years will provide a predictable cost of capital that benefits the school budgeting process.
- Commercial bank financing typically will require 10% to 20% equity and set your interest rate for only 5 to 10 years, introducing refinancing risk and future market risk.

### Where should we begin?

You could develop a 5-year business plan that outlines projected operations once you have acquired your building.

The following factors should be considered when developing your plan:

- Future projections of enrollment are based upon established waiting lists or market research conducted by the charter school.

- Per Pupil Revenues (PPRs) are directly related to school district / charter contract provisions and changes in state law funding formulas.
- Other revenues (non-PPRs) — before- and after-school care, fundraising, grants or startup funds from a school district — should be separately identified.
- The annual bond payment should not exceed 20% of the ongoing stabilized revenue stream.
- In addition to budgeting for normal operating expenses, the school will need to generate cash flow for other contingencies, including reserves, working capital, and a repair and replacement fund for the periodic replacement of capital items such as carpet, desks, heating and air conditioning, and roof replacement.

### What is involved in a charter school tax-exempt bond issue?

While more complex than typical bank financing, PNC's experience in this type of transaction can facilitate the process. Once you have identified your project — refinancing of existing debt-acquisition, renovation or construction and its financial scope — the tax-exempt bond process typically takes 3 to 6 months. During that time, the following will take place:

- Select an underwriter and financing team.
- Receive an "inducement resolution" from a municipal entity to issue the tax-exempt bonds on your behalf.
- Apply to a rating agency to receive your credit rating, if applicable.
- Document the bond transaction.
- Conduct investor outreach.
- Price and close the bond issue.

## Below is a list of some preliminary documents that will need to be provided:

- Last 3 years of audited financial statements and a current budget with 5-year projections
- Historical, current, and projected enrollment and waiting list by grade
- Copy of the original charter contract and any subsequent renewals
- Land or building appraisal, survey, Phase I environmental study, and purchase and sale agreement, if available





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Let's build your brilliant.



Find out how our deep experience in the charter school sector can help move your organization forward.  
Visit [pnc.com/charterschools](https://pnc.com/charterschools) or reach out to one of our team members.

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