

MEMORANDUM

Staff Summary No. 8

Date: August 14, 2013

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Approving the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in an Amount Not to Exceed \$600,000 to Magnolia Educational and Research Foundation for the benefit of Magnolia Science Academy Located in Los Angeles County, California (Action Item) and Authorizing the Taking of Necessary Actions in Connection Therewith

The California School Finance Authority received a grant award in 2010 under the U.S. Department of Education's Credit Enhancement for Charter Schools Facilities Program (CFDA # 84.354), which, for purposes of the Authority's implementation has been entitled the "Charter School Facilities Enhancement Grant Program" (Program). This federal grant, authorized under Title V, Part B, Subpart 2 of the Elementary and Secondary Education Act, as amended by the No Child Left Behind Act of 2001, provides \$8,300,000 for the purpose of funding primary debt service reserves for the financing of acquisition, renovation, or construction of charter school facilities, or the refinancing of existing charter school facility debt utilized for such purposes.

Magnolia Educational and Research Foundation for the benefit of Magnolia Science Academy, is requesting a Credit Enhancement grant in the amount of \$600,000. Staff has evaluated the application, and has determined that all program eligibility and evaluation criteria have been met. At a future board meeting, the board will be presented with a Resolution which will authorize the issuance of School Facility Revenue Bonds in an amount not to exceed \$7,500,000 to finance the acquisition and renovation of the charter school facilities for Magnolia Science Academy.

Magnolia Science Academy opened in 2002 and is located at 18220-18238 Sherman Way in Reseda, CA. It is currently serving 500 students in grades K-12; Magnolia Science Academy is highly focused on mathematics, science, and the real life applications of these subjects. Magnolia Science Academy plans to purchase its location at 18238 Sherman Way in Reseda. The main scope of the project will be to upgrade the existing school building at 18238 Sherman Way in Reseda into a modern educational campus. The two-story masonry frame structure currently serves as the main educational building. The MSA Reseda campus will consist of main buildings that meet adequate housing standards, state-of-the-art classrooms, science labs, computer labs, and additional faculty and administrative offices, which will be completed in August 2014. The renovated school facilities will house 550 students enrolled in grades 6-12.

Staff recommends that the Board adopt Resolution No. 13-39 approving a Credit Enhancement grant of \$600,000 to Magnolia Educational and Research Foundation for the benefit of Magnolia Science Academy located in Los Angeles, California, and to direct staff to continue working with the applicant and their financing team to finalize the structure of the transaction for issuance.

CSFA Federal Credit Enhancement Grant Program

Application Review Policy and Checklist Magnolia Educational and Research Foundation on behalf of Magnolia Science Academy (MSA-1)

Application Checklist

| Applicant Eligibility Criteria--(Section 10194 of Program Regulations) | Yes/No | Comments |
|--|--------|---|
| <ul style="list-style-type: none"> An approved charter is in place and is current. (Section 10194(a) of Program Regulations) | Yes | |
| <ul style="list-style-type: none"> The charter school is in good standing with its charter authorizer and the terms of its charter. (Section 10194(b) of Program Regulations) | Yes | CSFA received notification from LAUSD on July 1, 2013 that MSA-1 is in good standing with the charter authorizer and the terms of its charter |
| <ul style="list-style-type: none"> The charter school has completed at least one year of instructional operations under its current CDS code and charter school number. (Section 10194(c) of Program Regulations) | Yes | Opened in 9/12/2002 |
| <ul style="list-style-type: none"> The applicant has provided evidence that, for the most recent academic year, at least 80% of enrolled pupils at the financed charter school site received classroom-based instruction and that the charter school achieved an average daily attendance of at least 80% (based on CBEDS reporting). (Section 10194(d) of Program Regulations) | Yes | MSA-1 enrolled 488 students for the 2012-13 school year |
| <ul style="list-style-type: none"> The charter is established pursuant to Education Code section 47600 et seq. and that it meets the federal definition of charter school as defined in section 5210(l) of the Elementary and Secondary Education Act of 1965, as amended. (Section 10194(e) of Program Regulations) | Yes | |
| <ul style="list-style-type: none"> The charter school admits students by lottery in the event of oversubscription. (Section 10194(e) of Program Regulations) | Yes | Verified on Page 6 charter |
| Eligible Use Criteria--(Section 10195 of Program Regulations) | Yes/No | Comments |
| <ul style="list-style-type: none"> Proposed use of Program funds meets Section 10195(a) of Program Regulations. | Yes | Acquisition and renovation of charter school facilities |
| <ul style="list-style-type: none"> Requested Award is no more than \$1,500,000. (Section 10195(b) of Program Regulations) | Yes | Requesting an allocation of \$600,000 |

| Application Review--(Section 10196(a) and 10196(b) of Program Regulations) | Yes/No | Comments |
|--|---------------|---|
| <ul style="list-style-type: none"> The applicant meets all Applicant Eligibility Criteria under Section 10194 | Yes | |
| <ul style="list-style-type: none"> The applicant agreed to use the intercept method to repay its debt pursuant to Education Code section 17199.4(a)(4). (Section 10196(b)(1) of Program Regulations) | Yes | This will be confirmed through the Grant Agreement. |
| <ul style="list-style-type: none"> The applicant is able to demonstrate that Program funds are leveraged at a minimum 8:1 project-to-award ratio. (Section 10196(b)(2) of Program Regulations) | Yes | MSA-1 applied for a \$600,000 award in credit enhancement for the financing of school facility revenue bonds issuance, totaling \$7,500,000. This represents an approximate 12:1 project-to-award ratio |
| <ul style="list-style-type: none"> The applicant has provided evidence that it has the ability to secure private placement of debt with an investor, secure an investment grade credit rating in conjunction with a public sale, or that otherwise complete the transaction. (Section 10196(b)(3) of Program Regulations) | Yes | |
| Additional Evaluation Criteria—If Applicable--(Section 10196(c) of Program Regulations) | Yes/No | Comments |
| <ul style="list-style-type: none"> At least 50% of the Applicant's pupils are eligible for free or reduced-price meals. (Section 10196(c)(1) of Program Regulations) | Yes | 89% |
| <ul style="list-style-type: none"> Review of the Applicant School's last three years of API scores, if available) (Section 10196(c)(2) of Program Regulations) | Yes | 800, 807, and 805 for 2010-11, 2011-12, and 2012-13, respectively |