

**MEMORANDUM****Staff Summary No. 12**

**Date:** July 30, 2020  
**To:** Members of the California School Finance Authority  
**From:** Katrina M. Johantgen, Executive Director  
**Subject:** Resolution No. 20-27 – Approval of Charter School Revolving Loan Fund Program (RLF) Loan Modification for Baypoint Preparatory Academy (CDS 33-76943-0132522) (Action Item)

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**Background:** On June 26, 2020, California School Finance Authority (Authority) staff was notified that Baypoint Preparatory Academy (BPA) would be closing effective June 30, 2020. As BPA is affiliated with an educational management organization (CMO), BPA requested that its Charter School Revolving Loan Fund program (RLF) loan balance be transferred to BPA-San Diego (BPA-SD), another school in the BPA organization. BPA's \$250,000 RLF loan was approved by the Authority Board on August 10, 2016, as part of the 2015-16 Funding Round. As of June 30, 2020, the school was current on its RLF loan, and the school was never invoiced due to insufficient state apportionments. The remaining balance owed is \$100,006 in principal and \$759.30 in interest.

BPA-SD also is a current RLF loan awardee. The school received two loans through the Authority. One was approved by the Authority Board last funding round on August 28, 2019 for \$150,000 and the second was approved this funding round on May 5, 2020 for \$100,000. Repayment of these new loans will begin in fall 2020 and fall 2021 respectively.

Should the Board approve the loan modification, BPA-SD will be required to repay three RLF loans totaling approximately \$350,006 (See table of loans below).

<b>Loan #</b>	<b>Loan Balance (Principal)</b>	<b>Repayment Begins</b>	<b>Monthly Payment (6 payments per year)</b>	<b>Term End</b>
1 (BPA loan)	\$100,006	August 2020	\$16,666	January 2021
2	\$150,000	August 2020	\$8,333	January 2023
3	\$100,000	August 2021	\$16,666	January 2023
<b>Total</b>	<b>\$350,006</b>			

In Fiscal Year (FY) 2020-21, BPA-SD will begin repayment of Loan #1, (\$16,666 in principal, plus interest) for the months of August through January as well as Loan #2 (\$8,333 in principal, plus interest). Loan #1 (the BPA loan) will be retired by January 2021, this is before the repayment of Loan #3 begins.

Authority staff evaluated BPA-SD's monthly state apportionment received from the California Department of Education (CDE) and per the May 2020 apportionment spreadsheet, BPA-SD received \$202,046 for the months of March 2020 through May 2020. Since the apportionment is sufficient to offset the combined payments of both Loans #1 and #2, staff supports the approval of transferring BPA's loan debt to BPA-SD.

**Program Loan Agreement and Regulations:** In the loan agreement, executed by BPA on August 25, 2016, Article VIII – Default and Remedies, Section 8.3 – Remedies, “In an Event of Default, the Authority may pursue any remedy available to it in law or in equity, including, but not limited to, forfeiture and return of all Program funds and any accrued interests.” RLF program regulations (Per Section 10170.22 (g)) stipulate, *“In the event the Charter School is unable to repay the loan and the Charter School is operated by an Affiliated Organization or Chartering Authority in the case of a dependent charter, the Authority shall require the Affiliated Organization or Chartering Authority to make annual payments or repay the total outstanding loan amount on behalf of the Charter School.”*

The affiliated charter school will assume the payment schedule on behalf of the Affiliate Organization.

**Recommendation:** Authority staff recommends the Authority Board adopt Resolution No. 20-27, approving the modification of the RLF loan and repayment schedule for BPA by transferring the loan to BPA-SD. Once approved, Authority staff will notify the CMO, require a loan agreement addendum between the CMO, BPA-SD, and the Authority clarifying the transfer of the loan obligation, and revise the loan repayment schedule, reflecting the new balance and new obligor. Payments will begin August 2020.

**Goal:** To allow the California School Finance Authority (Authority) to modify the Charter School Revolving Loan Fund Program (RLF) loan and repayment schedule for Baypoint Preparatory Academy (BPA) (CDS: 33-376943-0132522) by transferring the loan to Baypoint Preparatory Academy –San Diego (BPA-SD) (CDS: 37-77172-0138099).