

MEMORANDUM

Staff Summary No. 5

Date: January 9, 2013

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Approval of Charter School Facilities Credit Enhancement Grant Program (CFDA #84.354A) Award in an Amount Not to Exceed \$500,000 to Stockton Collegiate International Secondary School, Located in San Joaquin County, California (Action Item)

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.

Stockton Collegiate International Schools (Stockton Collegiate International), a California non-profit public benefit corporation, applying on behalf of Stockton Collegiate International Secondary School (Stockton Collegiate Secondary), is requesting a Credit Enhancement of \$530,000. Staff has evaluated Stockton Collegiate International's application and has determined that all basic program eligibility and evaluation criteria have been met except for the 8:1 loan-to-award ratio requirement.

It is anticipated that the financing for Stockton Collegiate Secondary will be structured with privately placed loans (Bank of Stockton) of \$530,000 and \$1,350,000 for a total of \$1,800,000. The loan proceeds will be used for the renovation of facilities at 340 East Main St. and 348 East Main St., Stockton, California. Stockton Collegiate International purchased these sites for \$771,000 from its own fund reserves. These two sites will augment Stockton Collegiate Secondary's current site to allow expansion of the upper grades. In addition to the proposed financing and the purchase of the site, Stockton Collegiate International is paying \$353,885 in project costs from its general fund. Including the cost of site acquisition, Stockton Collegiate International's total project costs are anticipated to be \$3,004,885. It is anticipated that the Staff Summary and Resolution for Stockton Collegiate International's project financing will be presented to the Board at its February 2013 meeting. Legal counsel has determined that the proposed structure of the deal is authorized under CSFA's statute.

Pursuant to Section 19196(b)(2) of Program regulations, each applicant must have the "ability to demonstrate to the Authority that Program funds are leveraged at a minimum of a 8:1 loan-to-award ratio". Based on the total loan amount of \$1,800,000, Stockton Collegiate International qualifies for a Credit Enhancement award of \$225,000

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Staff recommends that the Board adopt Resolution No. 13-02, approving an award amount not to exceed \$225,000 of Credit Enhancement allocation authority on behalf of Stockton Collegiate International located in Stockton California.