

MEMORANDUM

Staff Summary No. 7

Date: June 11, 2014

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Approving the Charter School Facilities Credit Enhancement Grant Program Award for KIPP LA Schools in the amount Not to Exceed \$600,000

Background: The California School Finance Authority (Authority) received a grant award in 2010 under the U.S. Department of Education's Credit Enhancement for Charter Schools Facilities Program (CFDA # 84.354A), 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.

Issue: On August 9, 2013, the Authority received an application for Program funds from KIPP LA, requesting \$1,500,000. Authority staff evaluated KIPP LA's application and found the school to be eligible for an award. At its May 14, 2014 Board meeting, the Authority Board approved the KIPP LA Program award of Not to Exceed \$410,000, based on the funds remaining in the Program.

Currently, there are two outstanding credit enhancement grant awards that will be utilized once their bond financings close in the coming weeks—ICEF View Park Middle School and Magnolia Science Academy. The ICEF award is capped at \$1,430,000, and the Magnolia Science Academy (MSA) financing's award is \$600,000. The MSA financing amount is less than anticipated when the award was made to MSA therefore they will not need the entire \$600,000 award. It is anticipated, based on preliminary numbers runs, that MSA will need approximately \$500,000 to fund its debt service reserve account. MSA's unused portion of the grant award (approximately \$100,000) will revert back to the Authority, and will be added to KIPP LA's current award of \$410,000.

Recommendation: Staff recommends that the Board adopt Resolution No. 14-13, awarding KIPP LA an award amount not-to-exceed \$600,000. The expiration of the award will be consistent with the current expiration dates in the bond issuance resolutions.