

MEMORANDUM

Staff Summary No. 13

Date: July 30, 2020

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution 20-27, Approving the Credit Enhancement (CDFA #84.354A) Award in an Amount Not to Exceed \$1,000,000 to Aspire Public Schools

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.

As the credit enhancement awards disbursed by the Authority for the original Credit Enhancement Grant were used to enhance long-term debt issuance there has been very little enhancement money returned to the CE Reserve Fund (Fund). However, a recent High Tech High refinancing closed on July 1, 2020, and returned \$870,685.67 to the Fund, bringing the total Fund balance to \$1,135,667.08 and enabling the Authority to make additional credit enhancement awards.

Application: On July 10, 2020, the Authority received an application for a Program award from Aspire Public Schools (APS) for credit enhancement for a bond issuance not-to-exceed \$45,000,000. That issuance was approved by the Authority Board at their June 25, 2020 meeting. Authority staff evaluated the APS application and found the applicant to be eligible for an award not to exceed \$1,000,000. The total grant amount will be finalized once the debt service schedule and debt service reserve amounts are finalized.

The bond issuance will fund acquisition and improvements of facilities located in Sacramento, Stockton, and East Palo Alto for Aspire Capitol Heights Academy, Aspire Langston Hughes Academy, Aspire Port City Academy, Aspire Alexander Twilight Preparatory & Secondary Academies, Aspire Stockton TK-5 Elementary Academy, and Aspire East Palo Alto Charter.

APS is a BBB rated credit. According to information provided by APS, by helping to finance a debt service reserve fund that would otherwise be paid for by the network, the CE grant allows APS to return that money directly to the classroom. And while APS remains a BBB

rated credit, they are on negative watch and the support of the grant to fund a portion of the debt service reserve fund may improve that outlook. Should the award be approved by the board, APS and its financing team will be working with S & P to integrate the grant into APS' credit rating outlook.

Eligibility Requirements: APS meets all eligibility requirements of the Program, specifically:

- Good Standing – APS has established that all schools in this financings are in Good Standing. CSFA staff has reached out to the corresponding districts to confirm Good Standing and expects no issues, *however award receipt is contingent on confirmation from said districts to staff's request;*
- At Least 50% of Students Eligible for FRPM – 74% of all APS students are eligible for Free and Reduced Priced Meals (FRPM); 73% of Alexander Twilight students are FRPM eligible; 90% of Capitol Heights students are FRPM eligible; 74% of East Palo Alto students are FRPM eligible; 72% of Langston Hughes students are FRPM eligible; and 62% of Port City students are FRPM eligible.
- Ability to Secure Private Placement of its Debt with an Investor(s), Secure an Investment Grade Credit Rating from a National Credit Rating Agency in Conjunction with a Public Sale, or Other Evidence, Satisfactory to the Authority, that the Transaction will be Completed – APS has a confirmed BBB rating, with a negative outlook from S & P.

Recommendation: Staff recommends that the Board adopt Resolution No. 20-27, awarding Aspire Public Schools, for the benefit of Aspire Capitol Heights Academy, Aspire Langston Hughes Academy, Aspire Port City Academy, Aspire Alexander Twilight Preparatory & Secondary Academies, Aspire Stockton TK-5 Elementary Academy, and Aspire East Palo Alto Charter, an award amount not to exceed \$1,000,000. This amount will be finalized once two conditions are satisfied:

1. The debt service schedule and debt service reserve amounts are finalized.
2. Affirmative Good Standing Letters are received for all schools that will benefit from these funds.