

MEMORANDUM

Staff Summary No. 5

Date: June 24, 2021

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution 21-17, Approving the Credit Enhancement (CDFA #84.354A) Award in an Amount Not to Exceed \$500,000 to Granada Hills Charter School.

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.

Application: At its June 24 meeting, the CSFA Board will be presented a bond refinancing for Granada Hills Charter (GHC), in a not-to-exceed amount of \$16,000,000. The financing will refund GHC's outstanding 2017 bonds. In addition to the refunding, GHC will likely pursue needed renovations at the Devonshire campus, specifically structural revamps and an additional floor to a current one story building as well as possible work on a parking lot. GHC and its legal and financing team are analyzing the opportunity to apply already expended and future school-funded components of the Devonshire Project (the facility was purchased with proceeds of the 2017 bonds) to the 2021 Bond Plan of Finance. Additional costs, within the requested not-to-exceed bond financing amount, could potentially include expenditures and improvements attributed to parking; existing school facilities; and recreation additions.

GHC is a BBB- rated credit. According to information provided by GHC, by helping to finance a debt service reserve fund that would otherwise be paid for by the network, the CE Grant allows GHC to return that money, approximately \$500,000, directly to the classroom. Should the award be approved by the Board, GHC and their financing team will work with S&P to integrate the grant into the GHC credit rating outlook.

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

- Good Standing – CSFA has confirmed with LAUSD that GHC K-12 is in good standing and those confirmations are on file.
- 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

Resolution 21-17
Granada Hills Charter School – Credit Enhancement Grant
June 24, 2021

with a Public Sale, or Other Evidence, Satisfactory to the Authority that the transaction will be completed – GHC has a confirmed BBB- rating, with a stable outlook from S & P as of their 2020 review. The 2021 S & P update will be provided later in June, likely subsequent to the publishing of this staff report but prior to the Board meeting, in which case the Board will be provided an update at the meeting.

- At Least 50% of Students Eligible for Free and Reduced Priced Meals (FRPM) – While the 50% threshold is not an eligibility requirement and typically evaluated by CSFA when we have a surplus of applicants, which we currently do not, GHCS had 49% of students eligible for FRPM in the 20-21 school year.

Recommendation: Staff recommends the Board adopt Resolution No. 21-17, awarding Granada Hills Charter School credit enhancement in a not-to-exceed amount of \$500,000.