

MEMORANDUM

Staff Summary No. 10

Date: October 28, 2021

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution 21-32, Approving the Credit Enhancement (CDFA #84.354A) Award in an Amount Not to Exceed \$1,000,000 to Valor Academy Middle School.

Background: The California School Finance Authority (Authority) received a grant award in 2017 under the U.S. Department of Education's (DOE) Expanding Quality Charter Schools Program – Credit Enhancement (CE) for Charter Schools Facilities (CFDA # 84.354A), which, for purposes of the Authority's implementation, has been entitled the Program Acceleration Notes and Credit Enhancement Alternatives (PANACEA) 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 \$8,000,000 to support financing to charter schools that have received a reservation of funds through the Charter School Facilities Program or for long-term debt through the Authority's Conduit Bond and Note Financing Program.

Application: At their October 28, 2021 meeting, the CSFA Board will be presented a bond financing for Valor Academy Middle School (VAMS), in a not-to-exceed amount of \$10,000,000. The financing will fund the purchase of the current VAMS campus, for which VAMS currently has a purchase option. The VAMS campus is located in North Hills, in the San Fernando Valley in greater Los Angeles.

According to information provided by VAMS, by helping to finance a debt service reserve fund that would otherwise be paid for by the network, the CE Grant allows VAMS to return that money, approximately \$410,000 (at the time of this staff summary), directly to the classroom, while maintaining the credit stabilization a reserve fund surplus provides.

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

- Good Standing – CSFA has confirmed with the Los Angeles Unified School District (LAUSD) that VAMS is in good standing and that confirmation is on file with the Authority.
- 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 – Bright Star, the parent organization of VAMS, is a BBB- investment grade credit, in addition VAMS has a responsible plan of finance, and a competent financing team, as such the Authority has every expectation this transaction will be completed.

Resolution 21-32
Valor Academy Middle School – Credit Enhancement Grant
October 28, 2021

- At Least 50% of Students Eligible for Free and Reduced Priced Meals (FRPM) – 95% of students currently attending VAMS qualify for FRPM, well over the 50% threshold.

Recommendation: Staff recommends the Board adopt Resolution No. 21-32, awarding Valor Academy Middle School PANACEA (credit enhancement) in a not-to-exceed amount of \$1,000,000.