

## MEMORANDUM

Staff Summary No. 6

**Date:** October 28, 2021

**To:** Members of the California School Finance Authority

**From:** Katrina M. Johantgen, Executive Director

**Subject:** Resolution 21-28, Approving the Credit Enhancement (CDFA #84.354) Award in an Amount Not to Exceed \$1,000,000 to Russell Westbrook Why Not? Academy Middle School

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**Background:** The California School Finance Authority (Authority) received a grant award in 2017 under the U.S. Department of Education's Expanding Quality Charter Schools Program – Credit Enhancement (CE) for Charter Schools Facilities (CFDA # 84.354), 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 the October 28, 2021 Authority meeting, the Board will be presented with a bond financing for Russell Westbrook Why Not? Academy (RWWNA), in a not-to-exceed amount of \$40,000,000. The financing will fund the acquisition of a new school site for RWWNA, which is made up of Russell Westbrook Why Not? Academy Middle School (RWWNMS) and Russell Westbrook Why Not Academy High School (RWWNHS). Currently RWWNMS operates in a Proposition 39 space at the Barack Obama Global Preparation Academy, located in the Vermont Square neighborhood of South Los Angeles. The future facility is in the City of South Gate, southeast of the current middle and high school campuses.

Owed to both the size of the projected debt service reserve fund of and the fact that the award is school specific, and not project specific, both RWWNMS and RWWNHS are applying for enhancement awards not-to-exceed the \$1,000,000 program maximum award per applicant.

According to information provided by RWWNA, by helping to finance a debt service reserve fund that would otherwise be financed with bond proceeds, the CE Grant allows RWWNA to return that money, approximately \$2,000,000, directly to the classroom.

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

1. Good Standing – RWWNMS is in good standing with Los Angeles County Office of Education and confirmation of good standing is on file with the Authority.
2. 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 – while this is an unrated credit RWWNA is operated by the LAPF, a highly successful 501(c)(3) focusing on community and education outreach in greater Los Angeles, two newly approved five-year charter terms for both the middle school and high school, a responsible plan of finance, and a competent financing team, as such the Authority expects this transaction will be completed.
3. At Least 50% of Students Eligible for Free and Reduced Priced Meals (FRPM) – 88.2% of students currently attending RWWNMS qualify for FRPM, well over the 50% threshold.

**Recommendation:** Staff recommends the Board adopt Resolution No. 21-28, awarding Russell Westbrook Why Not? Academy Middle School a PANACEA Credit Enhancement award in a not-to-exceed amount of \$1,000,000.