

## MEMORANDUM

Staff Summary No. 6

**Date:** November 29, 2021

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

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

**Subject:** Resolution 21-40, Approving the Credit Enhancement (CDFA #84.354A) Award in an Amount Not to Exceed \$1,000,000 to Vista Heritage Global Academy

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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 # 84.354A), which, for purposes of the Authority's implementation, has been entitled the Project 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 November 29, 2021 Authority meeting, the CSFA Board will be presented with a bond financing for two Vista Public Charter Schools (VPCS) academies, Vista Heritage Global Academy (VHGA) and Vista Condor Global Academy (VCGA), in a not-to-exceed amount of \$55,000,000. The financing will fund the purchase of the facility VHGA and VCGA currently lease from Red Hook Capital Partners as well acquisition of an adjacent parcel for a new parking lot. The facility and adjacent parcel are located in Santa Ana. Owing 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 VHGA and VCGA are applying for enhancement awards not-to-exceed the \$1,000,000 program maximum award per applicant. According to information provided by VPCS, by helping to finance a debt service reserve fund that would otherwise be financed with bond proceeds, the CE Grant allows VPCS 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 – VHGA is in good standing with the Orange 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 a lower-than-investment-grade credit VPCS has a responsible plan of finance, and a competent financing team, as such the Authority expects this transaction will be completed successfully.

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3. At Least 50% of Students Eligible for Free and Reduced Priced Meals (FRPM) – 100% of students currently attending VHGA qualify for FRPM, well over the 50% threshold.

**Recommendation:** Staff recommends the Board adopt Resolution No. 21-40, awarding Vista Heritage Global Academy a PANACEA Credit Enhancement award in a not-to-exceed amount of \$1,000,000.