

MEMORANDUM

Staff Summary No. 12

Date: February 24, 2022

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution 22-15, Approving the Project Acceleration Notes and Credit Enhancement Alternatives (CDFA #84.354A) Award in an Amount Not to Exceed \$1,000,000 to Valley International Preparatory

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 February 24, 2022, Authority meeting, the CSFA Board was presented with and approved a bond financing for Valley International Preparatory (VIP) in a not-to-exceed amount of \$20,000,000. The bond financing will: 1) finance and/or refinance the costs of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of approximately 20,470 square foot educational facilities designed to serve approximately 420 students in grades 9 through 12; 2) pay certain expenses incurred in connection with the issuance of the Bonds; 3) pay capitalized interest on the Bonds; and 4) fund a debt service reserve fund and/or related working capital with respect to the Bonds.

According to information provided by VIP, by helping to finance a debt service reserve fund that would otherwise be financed with bond proceeds, the CE Grant allows VIP to return that money, approximately \$1,000,000, directly to the classroom and reduce the overall borrowing cost for VIP.

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

1. Good Standing – VIP is in good standing with the Los Angeles Unified School District 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 VIP has a

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responsible plan of finance, and a competent financing team, as such the Authority expects this transaction will be completed successfully.

PANACEA Eligibility: VIP met the following criteria to be eligible for funding:

Applicant is located in a school district and/or county with 60% or more of the student population eligible for free or reduced-price lunch (LAUSD).

Recommendation: Staff recommends the Board adopt Resolution No. 22-15, awarding Valley International Preparatory a PANACEA Credit Enhancement award in a not-to-exceed amount of \$1,000,000.