

MEMORANDUM

Staff Summary No. 6

Date: February 24, 2022

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution 22-09, Approving the Credit Enhancement (CDFA #84.354A) Award in an Amount Not to Exceed \$2,000,000 to Citizens of the World Charter Schools Los Angeles

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 January 27, 2022 Authority meeting, the CSFA Board was presented with and approved a bond financing for two Citizens of the World Charter Schools – Los Angeles (CWCLA), Citizens of the World Silver Lake (CWSL) which includes Citizens of the World Silver Lake Elementary and Middle Schools (CWSLES and CWSLMS) and Citizens of the World Mar Vista (CWMV), in a not-to-exceed amount of \$60,000,000. The bond financing will: 1) refinance the New Market Tax Credit financing, used to finance the CWSLES campus, located at the 110 N. Coronado Street in Los Angeles; 2) finance outside play space for the CWSLES campus; 3) finance the acquisition and construction of a new campus for CWSLMS at 2301-2323 Beverly Blvd. in Los Angeles; 4) refinance an existing construction loan and finance new construction on the CWMV grades 3-5 campus located at 11500-11518 West Pico Blvd. in Los Angeles; 5) finance potential improvements on the CWMV TK-2 campus located at 11561 Gateway Blvd. in Los Angeles; 6) fund working capital for CWCSLA; 7) fund any reserve funds, capitalized interest and/or related working capital in connection with such bonds; and 8) pay certain costs of issuance of the bonds.

Additionally, the Board approved a PANACEA award in a not-to-exceed amount of \$600,000. Since that January approval, CWCLA has decided they would like to pursue a full \$2,000,000 not-to-exceed grant award to fund their debt service reserve and as such are returning to the Board for a substitute request. If program funding is exhausted in the PANACEA program but available in another of the Authority's credit enhancement programs, funds may be awarded from another credit enhancement program's available funds providing the awardee is eligible.

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

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

1. Good Standing – CWCLA 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 CWSL has a responsible plan of finance, and a competent financing team, as such the Authority expects this transaction will be completed successfully.

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

Applicants located in a school district and/or county where at least 50% of students do not meet the State standard for proficiency in either math or language on the state assessment (LAUSD).

Recommendation: Staff recommends the Board adopt Resolution No. 22-09, awarding Citizens of the World Charter Schools Los Angeles a PANACEA Program award in a not-to-exceed amount of \$2,000,000.