

## MEMORANDUM

## Staff Summary No. 7

**Date:** March 30, 2023

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

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

**Subject:** Resolution No. 23-12 – Approving the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in an Amount Not to Exceed \$1,000,000 to OCEAA Facilities, LLC on Behalf of Orange County Educational Arts Academy, Located in Orange County

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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 Charter Access to Bank Loan (Charter ABLE) 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 \$20,000,000 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:** The proceeds of the bonds will be used to: (1) finance and/or refinance the acquisition, construction, expansion, rehabilitation, renovation, furnishing and equipping of certain charter school educational facilities, located at 825 N. Broadway, Santa Ana, (2) finance and/or refinance the acquisition, construction, expansion, rehabilitation, renovation, furnishing and equipping of certain charter school educational facilities, located at 826 N. Broadway, Santa Ana, (3) finance and/or refinance the acquisition, construction, expansion, rehabilitation, renovation, furnishing and equipping of certain charter school educational facilities, located at 817 N. Broadway, Santa Ana, (4) to pay certain expenses incurred in connection with the issuance of the Bonds, and (5) to fund all or a portion of a debt service reserve fund, capitalized interest, related working capital and a repair and replacement fund in connection with the Bonds.

OCEAA Facilities, LLC (the “Borrower”), on behalf of Orange County Educational Arts Academy (OCEAA) is applying for an enhancement award in the amount not-to-exceed \$1,000,000. *The final award amount will be finalized at the time the bonds are priced and sold.* According to information provided by the Borrower, by helping to finance a debt service reserve fund that would otherwise be financed with bond proceeds, the CE Grant allows the Borrower to reduce its borrowing costs. Additionally, the Grant will reduce the overall lease costs for OCEAA.

**Eligibility Requirements:** The applicant meets and has demonstrated all eligibility and evaluation requirements of the Program, including without limitation:

- Good Standing – Good standing from the Authorizer is on file with the Authority.
- Ability to secure placement of its debt with an investor(s), secure an investment grade

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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 (applicant has a BB pending credit rating and a competent and CSFA experienced financing team).

- OCEAA meets at least one of the free and reduced priced lunch thresholds as the campus is located in a school district (Santa Ana Unified) in which more than 50% of the student population is eligible for free or reduced-price lunches.

**Recommendation:** Staff recommends the Board adopt Resolution No. 23-12, awarding the Borrower, on behalf of OCEAA Facilities, LLC, operator of Orange County Educational Arts Academy, a Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in a not-to-exceed amount of \$1,000,000.