

MEMORANDUM

Staff Summary Item #9

Date: March 30, 2023

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution 23-14, Approving the Credit Enhancement (CDFA #84.354A) Award in an Amount Not to Exceed \$1,000,000 to VSF School Facilities #1 LLC on behalf of Downtown Value School and Central City School.

Background: The California School Finance Authority (Authority) received a grant award in 2010 under the U.S. Department of Education’s Credit Enhancement for Charter Schools Facilities Program (CFDA # 84.354A), which, for purposes of the Authority’s implementation, has been entitled the “Charter School Facilities Enhancement Grant Program” (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 \$8,300,000 for the purpose of funding primary debt service reserves for the financing of acquisition, renovation, or construction of charter school facilities, or the refinancing of existing charter school facility debt utilized for such purposes.

Application: At its March 30th meeting, the CSFA Board will be presented a bond refinancing for Value Schools Foundation (VSF), in a not-to-exceed amount of \$13,500,000. The financing will refund Value Schools outstanding 2013 bonds. Value Schools is a BBB-rated credit. According to information provided, by helping to finance a debt service reserve fund that would otherwise be paid for by the network, the CE Grant allows VS to return that money, approximately \$46,000 directly to the classroom on an annual basis. Should the award be approved by the Board, VSF and their financing team will work with S&P to integrate the grant into the VS credit rating outlook.

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

- Good Standing – CSFA has confirmed with LAUSD that Value Downtown School and Central City School is in good standing and those confirmations are on file.
- 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 – VS has a confirmed BBB- rating.
- At Least 50% of Students Eligible for Free and Reduced Priced Meals (FRPM) – While the 50% threshold is not an eligibility requirement but typically evaluated by CSFA, Downtown Value School had 91.7% and Central City Value had 88.9% of students eligible for FRPM in the 21-22 school year.

Recommendation: Staff recommends the Board adopt Resolution No. 23-14, awarding VSF School Facilities #1 LLC credit enhancement in a not-to-exceed amount of \$1,000,000.