

## MEMORANDUM

Staff Summary No. 10

**Date:** July 27, 2023

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

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

**Subject:** Resolution No. 23-35 – Approving the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in an Amount Not to Exceed \$2,000,000 to Pathways to College Properties, LLC, on Behalf of Crosswalk: Hesperia Experiential Learning Pathways, which Operates Pathways to College K8, Located in San Bernardino County

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**CSFA Note:** The Pathways to College K8 (Pathways) financing and credit enhancement award were approved by the CSFA Board at their January meeting with the expectation of a longer project timeline owed to new construction and consequent permits. The credit enhancement award includes a 6-month deadline before needing to be reapproved by the Board. The Board approved a credit enhancement award for Pathways on January 26 which expires on July 26. Due to permit approval issues with the city of Hesperia CSFA is bringing the item back to the Board for another approval to ensure Pathways does not lose their enhancement award.

**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 (1) to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping (the “Project”) of educational facilities for the charter school known as Pathways to College K8, located at the Northwest Corner of Hesperia Road and Hercules Street CA 90305, (2) to pay certain expenses incurred in connection with the issuance of the Bonds, and (3) to fund a debt service reserve fund and a capitalized interest fund with respect to the Bonds.

Owed to the size of the projected debt service reserve fund, Pathways to College Properties, LLC. (the “Borrower”), on behalf of Crosswalk: Hesperia Experiential Learning Pathways (Crosswalk), is applying for an enhancement award in the amount not-to-exceed \$2,000,000. If program funding is exhausted in the Charter ABLE 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 the Borrower, by helping to finance a debt service reserve fund that

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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 Pathways to College K8 (Pathways).

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

- Good Standing – Pathways is in good standing with their authorizer, Hesperia Unified School District, and confirmation of good standing is on file with the Authority.
- Ability to secure private placement of its debt with an investor(s), or other evidence, satisfactory to the authority that the transaction will be completed (applicant has a competent and CSFA experienced financing team).
- Pathways meets several of the free and reduced priced lunch thresholds, including having 57% FRPM and being in a school district (Hesperia 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. 23-36, awarding Pathways to College Properties, LLC on behalf of Crosswalk: Hesperia Experiential Learning Pathways, owner, and operator of Pathways to College K8, a Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in a not-to-exceed amount of \$2,000,000.