

MEMORANDUM

Staff Summary No. 8

Date: August 31, 2023

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution No. 23-40 – Approving the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in an Amount Not to Exceed \$1,500,000 to Pacific Springs Facilities LLC, on behalf of Pacific Springs Charter School, located in San Diego County

Background: The California School Finance Authority (Authority) received a grant award in 2021 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 permitted early access funds to the Charter Finance Enhancement Program (Charter FinE).

This federal grant, authorized under Title IV, Part C, Section 4304 of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Every Student Succeeds Act (ESSA), and will provide \$10,000,000 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.

Currently, the Authority has been granted access to \$2,500,000 of the \$10,000,000 while the Program Agreement is undergoing review with the Department of Education, and Program Regulations are currently in process. Staff has no indication when the Performance Agreement will be executed. Once submitted to the Office of Administrative Law, Program regulations could be effective within a few weeks to up to three months.

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 2371 Fenton Street, Chula Vista, 91914 (2) to pay certain expenses incurred in connection with the issuance of the Bonds, and (3) 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.

Pacific Springs Facilities LLC (the “Borrower”), on behalf of Pacific Springs Charter School is applying for an enhancement award in the amount not-to-exceed \$1,500,000. The final award amount will be finalized at the time the bonds are priced and sold. This award is pending the availability of grant funds in the Authority’s federal account at the time of closing as well as having Program regulations in effect.

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 Pacific Springs Charter School.

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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;
- Applicant (1) is 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, or (2) is located in a school district and/or county with more than 50% of the student population eligible for free or reduced-price lunch, or (3)
- has more than 50% of current or projected student enrollment who are eligible for free or reduced-price lunch; and/or
- Ability to secure 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.

Recommendation: Staff recommends the Board adopt Resolution No. 23-40, awarding the Borrower, on behalf of the operator of Pacific Springs Charter School, Charter Finance Enhancement Program (CDFA #84.354A) Award in a not-to-exceed amount of \$1,500,000. This recommendation is contingent on the availability of grant funds in our federal account, and Program regulations being in effect.