M E M O R A N D U M

Date: September 24, 2026

To: Members of the California School Finance Authority

From: Katrina Johantgen, Executive Director

Re: Approval of Resolution #26-28: Approval of Reamortized Payment Schedule through the Charter School Facilities Program for St. Hope Public Schools located in Sacramento County (Action Item)

<u>Background</u>: The Charter School Facilities Program (CSFP or Program) provides funding for eligible charter school facility projects through a combination of State grant funding and a Local Matching Share. When the Local Matching Share is financed through the Program, CSFA establishes a repayment schedule and collects payments through the intercept mechanism pursuant to Education Code section 17199.4. On July 21, 2026, the California School Finance Authority (CSFA) received a formal request from St HOPE Public Schools for temporary financial relief under the Program. St. HOPE requested a temporary suspension of Local Matching Share payments associated with the St. HOPE Public School 7 facility project due to near-term liquidity constraints and other financial obligations affecting the organization's ability to maintain payments under the existing CSFP payment schedule.

Staff reviewed St. HOPE's request and performed an updated financial soundness review with current financial and enrollment data. Based on this review and consultation with CSFA's Financial Advisor, staff finds that St. HOPE has demonstrated financial hardship and recommends deferring scheduled CSFP payments beginning October 2026 through December 2027. Payments would resume in January 2028 under a revised amortization schedule that incorporates accrued forbearance interest and maintains the existing August 1, 2055, final maturity date.

Title 4, California Code of Regulations, section 10158(b) authorizes CSFA, upon Board approval and a finding of financial hardship, to amend the payment schedule, provided CSFA determines that the charter school will remain financially sound under the revised terms. Any revised amortization schedule may not extend the Program's 30-year repayment limitation. Neither the applicable regulations nor statute require each scheduled payment to be equal in dollar amount.

<u>Issue</u>: St. HOPE Public Schools is the Applicant and Obligor for the CSFP project serving St. HOPE Public School 7. The project was completed in August 2025. St. HOPE's Local Matching Share obligation is approximately $14.04 million at a fixed 2.00% interest rate, with payments of approximately $70,590 per scheduled intercept. Payments commenced August 1, 2026, with the existing schedule extending through August 1, 2055.

St. HOPE has reported significant near-term liquidity pressure resulting from prior operating deficits, construction-related costs and liabilities, the expiration of one-time funding sources, and additional debt obligations. St. HOPE requested that its August and September 2026 CSFP payments be made as scheduled, followed by the temporary suspension of payments through December 2027, with repayment resuming January 2028.

Under the existing repayment structure, CSFA's review determined that St. HOPE's projected cash position would become unsustainable and that, absent an adjustment to the CSFP payment schedule, the organization would run out of available cash during FY 2026-27.

Analysis and Findings: The review indicates that St. HOPE is experiencing a significant near-term liquidity constraint. In addition to its ongoing operating obligations, St. HOPE entered FY 2026-27 managing approximately $1.0 million in carryover operating accounts payable, a $1.0 million construction vendor obligation, and $1.0 million in cash pledged as a compensating balance and therefore unavailable for operations. By June 30, 2027, available cash is projected at only approximately $18,000. CSFA's Financial Advisor concluded that, absent an adjustment to the CSFP repayment schedule, St. HOPE would exhaust its available cash during FY 2027.

With St. HOPE's financial recovery measures and CSFP forbearance incorporated, St. HOPE's projected minimum available cash during FY 2026-27 improves to approximately $396,000, and year-end available operating cash increases to approximately $1.07 million. The organization is projected to clear the $1.0 million carryover operating payable during the year while beginning repayment of its other financial obligations.

Although liquidity remains below the Program's historical 90-day cash benchmark in the early years of the forecast, the projected position improves over time. St. HOPE forecasts approximately 22 days cash on hand in FY 2026-27, 45 days in FY 2027-28, 67 days in FY 2028-29, 103 days in FY 2029-30, and 146 days by FY 2030-31. Over the same period, projected unrestricted cash increases from approximately $1.07 million to $8.55 million, while total liabilities decline from approximately $22.3 million to $19.3 million.

Recommendation: Pursuant to Title 4, California Code of Regulations, section 10158(b), staff recommends the Board to approve the amended repayment schedule for St. Hope Public Schools. The August and September 2026 payments will remain due and be intercepted at the full scheduled amounts. Scheduled CSFP payments will be suspended beginning October 2026 through December 2027. Interest will continue to accrue during the suspension period at the existing 2.00 % interest rate. Forbearance interest will be added to the outstanding balance and be reflected in the amended payment schedule. Beginning January 2028, payments will resume under a revised and re-amortized schedule calculated to repay the outstanding principal and accrued forbearance interest over the remaining payment period. The revised schedule will retain the existing August 1, 2055, final maturity date and will not extend the Program's repayment term.

Staff recommends the Board approve Resolution #26-28: Approval of Reamortized Payment Schedule through the Charter School Facilities Program for St. Hope Public Schools.