

MEMORANDUM

Staff Summary No. 7

Date: September 26, 2024

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution No. 24-45 – Approving the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in an Amount Not to Exceed \$1,400,000 to HTOM Facilities LLC, on behalf of Hayward Twin Oaks Montessori School, located in Alameda County

Background: The California School Finance Authority (Authority) received a grant award in 2023 under the U.S. Department of Education’s Expanding Quality Charter Schools Program – Credit Enhancement (CE) for Charter Schools Facilities (CFDA # 84.354A). This federal grant program, 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), provides grants to enhance credit school debt financing by funding all or a portion of the financings debt service reserve fund account. Currently the Performance Agreement is undergoing review with the Department of Education. The program regulations were effectuated on August 7, 2024, by the Office of Administrative Law. This award of \$20,000,000 is the Authority’s fifth grant award under this federal program.

Application: On behalf of Hayward Twin Oaks Montessori School (HTOM or the Charter School), HTOM Facilities LLC is applying for an enhancement award in the amount not to exceed \$1,400,000.

The final award amount will be finalized at the time the bonds are priced and sold. The award is contingent on final effectuation by the Department of Education of the Performance Agreement, which is currently still undergoing review. Additionally, should the Authority not have access to the entire \$1,400,000 award through this grant, we will access funds from additional grant balances as they become available.

According to information provided by the Borrower, by financing a debt service reserve fund that would otherwise be financed with bond proceeds, the CE Grant will reduce the overall lease and school expense costs for HTOM.

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

- An approved charter has been awarded and is in place (and current at the time of Application and throughout the term of an award).
- The Charter School is in good standing with its Charter Authorizer and is in compliance with the terms of its charter at the time of Application submission.
- The Applicant has completed at least one school year of instructional operations.
- At least eighty percent (80%) of the instructional time offered by the Charter School shall be at the school site, and the Charter School shall attain an average daily attendance rate of at least eighty percent (80%).
- The Charter School is established pursuant to Education Code section 47600 et seq., and meets the federal definition of Charter School as defined in section 5210(1) of the Elementary and Secondary Education Act of 1965 (20 USCA section 7221(i)), as amended by the No Child Left Behind Act of 2001.
- The Charter School admits students by lottery in the event more students want to attend

Resolution 24-45

Hayward Twin Oaks Montessori – Credit Enhancement Grant

September 26, 2024

the school than the Charter Schools can accommodate.

- The Charter School agrees to use the intercept method to repay the associated financed debt, pursuant to Education Code section 17199.4(a)(4).
- The Charter School has demonstrated that Program funds are leveraged at a minimum of an 8:1 project-to-award ratio.
- The Charter School has secured private placement of its debt with an investor(s), secured 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. 24-45, awarding the Borrower, on behalf of the operator of Hayward Twin Oaks Montessori School, a Charter Schools Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in a not-to-exceed amount of \$1,400,000. Should the Authority need funds from additional grant awards to make the \$1,400,000 award to Hayward Twin Oaks Montessori School, the Authority will access funds from balances available in our four remaining grant accounts.