



Board Agenda Item #	IV F- Action Item
Date:	September 12, 2019
To:	Magnolia Board of Directors
From:	Alfredo Rubalcava, CEO & Superintendent
Staff Lead:	Nanie Montijo, Chief Financial Officer; Karl Yoder, DMS
RE:	New MSA 1 Bank Account for Construction

**Proposed Board Recommendation**

Staff requests that the Board approves opening a new MSA 1 bank account with Citibank, our current banking institution, to complete the 2017 Bond facility expansion project as required by the Bond Trustee, transfer operating funds up to \$2,930,000 into the new bank account and authorize an intra-organizational loan from MSA 5 to MSA 1, not to exceed \$1,000,000 as needed as MSA 1 may require a temporary loan to cover operating expenses after using its own cash to complete the Project.

**Background**

On May 14, 2018, MPS Board of Directors was informed of the possible need of \$1,930,000 intra-organizational loan from MSA 4,6,7 and 8 into MSA 1 to fund the finalization stage of the construction of a new school building at MSA 1. Since that time, we have determined that MSA-1 has sufficient cash reserves of its own to complete the Project, and will not require this intra-organizational loan from MSA 4, 6, 7 and 8 to complete the project. MPS and the bond investor has agreed to finish the construction of the new MSA 1 school building by using MSA 1’s operating funds.

Separately, as completing the Project will deplete MSA 1’s own cash reserves, it may be necessary to borrow up to \$1,000,000 from MSA 5 throughout the 2019-20 year to ensure critical operating costs can be covered. This loan will be repaid to MSA 5 in equal payments over five years.

**Budget Implications**

As these transactions involve acquisition of fixed assets and loans, the only impact to the budget is the interest expense of MSA 1 for the MSA 5 loan, and interest income to MSA 5. There will be future depreciation expense on the portion of the MSA 1 Facility Project in future years, which is a non-cash expenditure and is estimated to be than \$100,000 per year.

The MSA 5 Intra-Organizational Loan of up to \$1,000,000 will be repaid over 60 months pursuant to Board approved repayment proposal, beginning July 1, 2020. Interest will accrue at 2.19% annually, the approximate earnings rate of the County of Los Angeles Treasury Investment Pool.

**How Does This Action Relate/Affect/Benefit All MSAs?**

Completion of the 2017 Bond Project by MSA 1 is a requirement under the existing commitments made by MSA 1 at the time of bond issuance, and will allow for the planned expansion of the MSA 1 program and increasing MSA 1 revenues. While this will deplete MSA 1's operating cash reserves in the short term, over time the revenues generated by the MSA 1 program expansion will more than cover the costs of completing this Project and repaying the 2017 Bonds in full.

MSA 5 has sufficient cash reserves to provide a loan of up to \$1,000,000 without impacting cash flow or operations at MSA 5, and this cash will allow MSA 1 to meet its own operational requirements as well as complete the Bond Project.

**Name of Staff Originator:**

Nanie Montijo, Chief Financial Officer  
Karl Yoder, DMS

**Attachments**

Proposed 5-Year Repayment Schedule

**MSA-1 Repayment Schedule to MSA-5**

**Final balance on 6/30/2020 will be converted to 60 month loan @ 2.19%.  
 Monthly payments will depend on final balance owed - the schedules  
 below show the payment at different 6/30/20 balance amounts.**

<b>Payment</b>	<b>Pmt Date</b>	<b>@ \$250k</b>	<b>@ \$500k</b>	<b>@ \$750k</b>	<b>@ \$1M</b>
1	7/1/20	\$ (4,395)	\$ (8,789)	\$ (13,184)	\$ (17,579)
2	8/1/20	(4,395)	(8,789)	(13,184)	(17,579)
3	9/1/20	(4,395)	(8,789)	(13,184)	(17,579)
4	10/1/20	(4,395)	(8,789)	(13,184)	(17,579)
5	11/1/20	(4,395)	(8,789)	(13,184)	(17,579)
6	12/1/20	(4,395)	(8,789)	(13,184)	(17,579)
7	1/1/21	(4,395)	(8,789)	(13,184)	(17,579)
8	2/1/21	(4,395)	(8,789)	(13,184)	(17,579)
9	3/1/21	(4,395)	(8,789)	(13,184)	(17,579)
10	4/1/21	(4,395)	(8,789)	(13,184)	(17,579)
11	5/1/21	(4,395)	(8,789)	(13,184)	(17,579)
12	6/1/21	(4,395)	(8,789)	(13,184)	(17,579)
13	7/1/21	(4,395)	(8,789)	(13,184)	(17,579)
14	8/1/21	(4,395)	(8,789)	(13,184)	(17,579)
15	9/1/21	(4,395)	(8,789)	(13,184)	(17,579)
16	10/1/21	(4,395)	(8,789)	(13,184)	(17,579)
17	11/1/21	(4,395)	(8,789)	(13,184)	(17,579)
18	12/1/21	(4,395)	(8,789)	(13,184)	(17,579)
19	1/1/22	(4,395)	(8,789)	(13,184)	(17,579)
20	2/1/22	(4,395)	(8,789)	(13,184)	(17,579)
21	3/1/22	(4,395)	(8,789)	(13,184)	(17,579)
22	4/1/22	(4,395)	(8,789)	(13,184)	(17,579)
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24	6/1/22	(4,395)	(8,789)	(13,184)	(17,579)
25	7/1/22	(4,395)	(8,789)	(13,184)	(17,579)
26	8/1/22	(4,395)	(8,789)	(13,184)	(17,579)
27	9/1/22	(4,395)	(8,789)	(13,184)	(17,579)
28	10/1/22	(4,395)	(8,789)	(13,184)	(17,579)
29	11/1/22	(4,395)	(8,789)	(13,184)	(17,579)
30	12/1/22	(4,395)	(8,789)	(13,184)	(17,579)
31	1/1/23	(4,395)	(8,789)	(13,184)	(17,579)
32	2/1/23	(4,395)	(8,789)	(13,184)	(17,579)
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41	11/1/23	(4,395)	(8,789)	(13,184)	(17,579)
42	12/1/23	(4,395)	(8,789)	(13,184)	(17,579)
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48	6/1/24	(4,395)	(8,789)	(13,184)	(17,579)
49	7/1/24	(4,395)	(8,789)	(13,184)	(17,579)
50	8/1/24	(4,395)	(8,789)	(13,184)	(17,579)
51	9/1/24	(4,395)	(8,789)	(13,184)	(17,579)
52	10/1/24	(4,395)	(8,789)	(13,184)	(17,579)
53	11/1/24	(4,395)	(8,789)	(13,184)	(17,579)
54	12/1/24	(4,395)	(8,789)	(13,184)	(17,579)
55	1/1/25	(4,395)	(8,789)	(13,184)	(17,579)
56	2/1/25	(4,395)	(8,789)	(13,184)	(17,579)
57	3/1/25	(4,395)	(8,789)	(13,184)	(17,579)
58	4/1/25	(4,395)	(8,789)	(13,184)	(17,579)
59	5/1/25	(4,395)	(8,789)	(13,184)	(17,579)
60	6/1/25	(4,395)	(8,789)	(13,184)	(17,579)
		<b>\$ (263,684)</b>	<b>\$ (527,368)</b>	<b>\$ (791,052)</b>	<b>\$ (1,054,735)</b>

**Total Interest:           \$   13,684   \$   27,368   \$   41,052   \$   54,735**