



Board Agenda Item #	IV D - Action Item
Date:	January 23, 2020
To:	Magnolia Board of Directors
From:	Alfredo Rubalcava, CEO & Superintendent
Staff Lead:	Nanie Montijo, Chief Financial Officer; Karl Yoder, DMS
RE:	MSA 1 Temporary Loan Interest Rate

**Proposed Board Recommendation**

To approve the change in the interest rate accrued by the temporary loan, from MSA 5 to MSA 1, to 2.0% from the previously approved rate of 2.19%

**Background**

On September 12, 2019, the MPS Board of Directors approved a \$1,000,000 potential intra-organizational loan from MSA 5 into MSA 1 to ensure critical operating costs can be covered. This loan will be repaid to MSA 5 in equal payments over five years with a 2.19% annual interest rate.

On January 13, 2020 LACOE staff requests that the interest rate be aligned to the most current rate of the County of Los Angeles Treasury which is 2.0%.

**Budget Implications**

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 January, 2020 or at the end of the month when the loan is received. Interest will accrue at 2.0% annually, the approximate earnings rate of the County of Los Angeles Treasury Investment Pool.

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

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  
LACOE Form – Request for Advance Approval for Additional Debt

**UPDATED 1-13-2020****Proposed Repayment of \$1,000,000 Intercompany Loan**

Amount: \$ 1,000,000.00  
 Interest Rate: 2.000%  
 Term: 60 Months  
 Pmt Frequency: Quarterly  
 Payment Amount: \$ 55,577.67  
 Closing Date: 1/15/2020 (Preliminary - will update with actual closing date following loan closing)  
 First Payment: 7/15/2020  
 Final Payment: 1/15/2025

<u>Date</u>	<u>Pmt #</u>	<u>Loan Principal</u>	<u>Loan Interest</u>	<u>Total Payment</u>	<u>Loan Balance</u>
1/15/2020					\$ 1,000,000.00
7/15/2020	1	\$ 45,577.65	\$ 10,000.02	\$ 55,577.67	954,422.35
10/15/2020	2	50,805.55	4,772.12	55,577.67	903,616.80
1/15/2021	3	51,059.58	4,518.09	55,577.67	852,557.22
4/15/2021	4	51,314.88	4,262.79	55,577.67	801,242.35
7/15/2021	5	51,571.45	4,006.22	55,577.67	749,670.90
10/15/2021	6	51,829.31	3,748.36	55,577.67	697,841.59
1/15/2022	7	52,088.46	3,489.21	55,577.67	645,753.13
4/15/2022	8	52,348.90	3,228.77	55,577.67	593,404.23
7/15/2022	9	52,610.64	2,967.03	55,577.67	540,793.59
10/15/2022	10	52,873.70	2,703.97	55,577.67	487,919.89
1/15/2023	11	53,138.07	2,439.60	55,577.67	434,781.83
4/15/2023	12	53,403.76	2,173.91	55,577.67	381,378.07
7/15/2023	13	53,670.78	1,906.89	55,577.67	327,707.30
10/15/2023	14	53,939.13	1,638.54	55,577.67	273,768.17
1/15/2024	15	54,208.83	1,368.84	55,577.67	219,559.34
4/15/2024	16	54,479.87	1,097.80	55,577.67	165,079.47
7/15/2024	17	54,752.27	825.40	55,577.67	110,327.20
10/15/2024	18	55,026.03	551.64	55,577.67	55,301.16
1/15/2025	19	55,301.16	276.51	55,577.67	-
<b>Total</b>		<b>\$ 1,000,000.00</b>	<b>\$ 55,975.73</b>	<b>\$ 1,055,975.73</b>	

**UPDATED 1-13-20**

**Proposed Breakdown of \$1,000,000 Intercompany Loan**

Purpose:

MSA-1 is projected to incur a working capital shortfall in several months during the 2019-20 fiscal year, but is projected to end the year with a cash surplus. By advancing funds within the MPS nonprofit corporation via an intra-organizational loan as per FCMAT guidance, this cash shortfall can be mitigated to allow MSA-1 to meet all payroll and critical operational costs as scheduled during the year. Sufficient cash reserves exist within the organization to make this loan without impacting other MPS operations at MSA-5 or other campuses.

Structure: While technically within the same 501(c)3 legal entity, loan terms shall be documented via a Board-Approved Intraorganization Loan Agreement in compliance with FCMAT guidance (Charter School Accounting and Best Practices Manual).

Amount: \$ 1,000,000

Term: (see Repayment Schedule on following page)

Interest Rate: "Reasonable" as per FCMAT guidance - using 2.00% based on LA County Pool average rate

Fiscal Impact:

MSA-1: Allows MSA-1 to meet all payroll and critical operational costs as scheduled during the year.

MSA-5: Sufficient cash reserves exist within the organization (and MSA-5 specifically) to make this loan without impacting MSA-5 operations.

	6/30/19 Audited Cash Balance BEFORE Loan:	11/30/2019 Actual Cash Balance BEFORE Loan:	12/31/19 Projected Cash Balance BEFORE Loan:	Principal Amount of Loan	12/31/19 Projected Cash Balance AFTER Loan:	Loan as % of Ending Cash:	Total 2019-20 Projected Expenses	Cash on Hand as % of Expenditures AFTER Loan:	Days Cash on Hand AFTER Loan:
<b>MSA-5</b>	1,987,156	1,903,837	1,939,380	1,000,000	939,380	52%	3,499,537	27%	98
	<b>1,987,156</b>	<b>1,903,837</b>	<b>1,939,380</b>	<b>1,000,000</b>	<b>939,380</b>		<b>3,499,537</b>	<b>27%</b>	<b>98</b>

SUBMIT ORIGINAL TO:

REQUEST FOR ADVANCE APPROVAL FOR ADDITIONAL DEBT

Los Angeles County Office of Education
Business Advisory Services
9300 Imperial Highway
Downey, CA 90242

INSTRUCTIONS FOR CHARTER SCHOOL:

- (1) Complete this form along with the requirements listed below.
(2) The loan request must be accompanied with a narrative including but not limited to the following:
(a) Purpose of loan or line of credit
(b) Type of loan (secured or unsecured), and lender info
(c) Amount, duration, and interest rate of loan
(d) Type of collateral for secured loan
(e) Proposed loan repayment schedule
(f) Narrative on how loan will be repaid
(3) Provide current bank statement, balance sheet, income statement, and cash flow projections
(4) Submit revised budget to include loan and charter school board approval
(5) Request must be submitted at least eight (8) weeks in advance of the date of projected cash needs.
(6) Requires Charter School Board approval.

CHARTER SCHOOL INFORMATION

Magnolia Science Academy 1

Name of Charter School

18238 Sherman Way

Street

Reseda

CA

91335

City

State

Zip Code

Contract Person

Alfredo Rubalcava

Contract Phone#

(213) 628-3634 ext 120

Date Submitted

1/15/2020

SUMMARY CASH PROJECTIONS

Cash on Hand: (1) \$ 497,311
(As of last month financial statement) 31-Dec-19

Cash projections for the period
From: January-2020 To: June-2020

Estimated Apportionments for the period based on ADA \$ 4,261,577

Estimated Cash Receipts (2) \$ 6,263,803

Estimated Cash Disbursements (including minimum cash reserve) (3) \$ 7,761,114

LOAN REQUEST AMOUNT 3 - (1 + 2) \$ 1,000,000

Comments: Please note any non applicable for the summary cash projections section.

CERTIFICATION BY CHARTER SCHOOL

I hereby certify that this request is calculated based on my best knowledge of additional cash requirement for the period indicated above. I agree to comply with all applicable laws, policies, rules and regulations relative to the conduct of the Charter School programs. Adjustments to the amount requested may be required upon review of the cash projections and supporting documents.

Alfredo Rubalcava

Name of Charter School Official (please print)

Signature: Alfredo Rubalcava Date: 01-16-2020

Haim Beliak

Charter School Board Chair (please print)

Signature

Date

LACOE INTERNAL USE ONLY

- 1. Received by: Administrative Analyst: Date:
2. Reviewed by: Financial Advisory Serv Officer Date:
3. Approved by: Assistant Director BAS: Date:
4. LACOE Board Approval: Board Chair: Date:
5. Remarks:

Cc: Charter School Office