



Board Agenda Item #	Agenda # Action Item
Date:	April 2, 2020
To:	Magnolia Board of Directors
From:	Alfredo Rubalcava, CEO & Superintendent
Staff Lead:	Nanie Montijo, Chief Financial Officer
RE:	Approval of Resolution for Intra Organization Loan from MSA 5 to MSA 1

Proposed Board Recommendation

Staff requests that the Board approves the attached resolution covering the terms and conditions issued by LACOE in their letter of approval dated March 30, 2020 as stated in the attached Board Resolutions and determine the start date of the loan.

Background

On September 12, 2019, the MPS Board of Directors approved a \$1,000,000 intra-organizational loan from MSA 5 into MSA 1 to ensure completion of the MSA 1 new construction project. This loan will be repaid to MSA 5 in equal payments over five years. A 2.0% annual interest rate was approved on January 23, 2020, a change from the previously approved rate of 2.19%.

The LACOE approval letter received on March 30, 2020 includes the following terms and conditions:

- The Loan is not to exceed \$1,000,000
- MPS must open a new bank account
- Adherence to the board approved repayment schedule presented on January 23, 2020
- Board will determine the start of the Loan

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 new construction project.

Name of Staff Originator:

Nanie Montijo, Chief Financial Officer

Attachments:

Resolutions of the MPS Board of Directors
LACOE's Approval Letter dated March 30, 2020



**Resolutions of the Board of Directors of
Magnolia Educational & Research Foundation dba Magnolia Public Schools
Resolution 20200402-01**

WHEREAS, Magnolia Educational & Research Foundation dba Magnolia Public Schools (“MPS”) operates Magnolia Science Academy-1 (“MSA-1”) and Magnolia Science Academy-5 (“MSA-5”) (each a “Magnolia School” and collectively the “Magnolia Schools”).

WHEREAS, both MSA-1 and MSA-5 are chartered by the Los Angeles County Office of Education (“LACOE”).

WHEREAS, on September 12, 2019, the MPS Board of Directors approved a One Million Dollar (\$1,000,000) intra-organizational loan from MSA-5 to MSA-1 (the “Loan”) the purpose of which is to pay for the completion of the MSA-1 new construction project at 18220 Sherman Way (the “Project”) with the Loan to be repaid by MSA-5 to MSA-1 in equal payments over five (5) years with a 2.19% annual interest rate.

WHEREAS, on October 4, 2019, MPS requested authorization from LACOE for the Loan.

WHEREAS, on January 23, 2020, pursuant to a January 13, 2020 LACOE staff request, the MPS Board of Directors approved that the interest rate for the Loan be changed from a 2.19% annual interest rate to a 2.0% annual interest rate.

WHEREAS, on March 30, 2020 LACOE approved the Loan subject to the following terms conditions (the “Terms and Conditions”) as outlined in its March 30, 2020 approval letter:

- The Loan is not to exceed \$1 million. The Loan will be used exclusively for the completion of the MSA-1 Project. MSA-1 may use the Loan to cover operating expenses after using its own funds to complete the Project.
- MPS must open a new bank account with Citibank and transfer the \$1 million Loan proceeds into said account. For monitoring purposes, MPS must provide documentation to LACOE as requested.



- Per the repayment schedule approved by the MPS Board of Directors on January 23, 2020 the Loan shall carry the following terms:
 - a. The interest rate on the Loan is 2.00 percent.
 - b. The maturity term of the Loan will be 60 months from the date of the transfer of the Loan proceeds to MSA-1.
 - c. The start date of the Loan will be determined by the MPS Board of Directors and MPS shall notify LACOE in writing of the date of the transfer of the Loan proceeds from MSA-5 to MSA-1.
 - d. The Loan will be repaid over a 60-month period, with MSA-1 issuing equal monthly payments on or before the specified due date.
 - e. The Loan may be repaid at any time, in full or in part, with no pre-payment penalties.

NOW, THEREFORE, BE IT RESOLVED, that the MPS Board of Directors hereby approves the Loan from MSA-5 to MSA-1 according to the Terms and Conditions approved by LACOE.

RESOLVED FURTHER, that except as modified by these Resolutions, the resolutions passed and adopted by the MPS Board of Directors on September 12, 2019 and January 23, 2020 on March 13, 2020 shall remain in full force and effect.

RESOLVED FURTHER, that MPS and MSA-1 staff are hereby authorized and directed to make the Loan from MSA-5 to MSA-1 according to the Terms and Conditions authorized by LACOE and to report to LACOE the date of the Loan proceeds transfer from MSA-5 to MSA-1.

RESOLVED FURTHER, that the Secretary or Assistant Secretary of the MPS Board of Directors, acting singly or together, be and hereby is and are authorized and directed to execute, acknowledge and deliver a certified copy of these Resolutions to any person or agency which may require copies of these resolutions and that the certification of the Secretary or Assistant Secretary as to the signatures of the officers, agents or employees will be binding on MPS.

RESOLVED FURTHER, that the appropriate officers of MPS are hereby authorized and directed to take such additional actions, to execute and deliver such additional instruments, and to make such further determinations as may be necessary or appropriate to carry into effect the foregoing resolutions.



* * *

PASSED AND ADOPTED by the Board of Directors of the Magnolia Educational & Research Foundation dba Magnolia Public Schools on this 2nd day of April 2020.

AYES:

NOES:

ABSTAIN:

ABSENT:

Barbara Torres

Secretary of Magnolia Educational & Research Foundation
dba Magnolia Public Schools