



Board Agenda Item #	III E - Action Item
Date:	April 23, 2020
To:	Magnolia Board of Directors
From:	Alfredo Rubalcava, CEO & Superintendent
Lead:	Nanie Montijo, Chief Finance Officer and Karl Yoder, DMS
RE:	Approval of PPP Loan

Recommendation:

Staff recommends approval of Paycheck Protection Program (PPP) Loan from Citibank in the amount of \$5,461,600.

Background:

The federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) created a new product called the Paycheck Protection Program (“**PPP**”), which provides \$349 billion in forgivable loans to small businesses and nonprofit corporations. The PPP funding is structured as a Small Business Administration (“**SBA**”) loan from a local bank, fully guaranteed by the SBA, with a two-year term and a 1.0% annual interest rate, to be used towards ensuring continuing employment for employees of small businesses and nonprofit corporations.

Fiscal Impact:

PPP Loan proceeds will be used to pay gross payroll, healthcare benefits, retirement benefits, lease/mortgages for facilities, and utility costs over the 8-week period following loan origination.

Name of Originator:

Nanie Montijo, Chief Financial Officer and Karl Yoder, DMS

Attachments

Board Resolutions Approving PPP Loan



**RESOLUTIONS OF THE BOARD OF DIRECTORS OF MAGNOLIA EDUCATIONAL
& RESEARCH FOUNDATION DBAMAGNOLIA PUBLIC SCHOOLS**

RESOLUTION #20200423-01

**APPROVAL OF PARTICIPATION IN THE PAYCHECK PROTECTION PROGRAM
FEDERAL STIMULUS PROGRAM**

ADOPTED APRIL 23, 2020

WHEREAS: Magnolia Educational & Research Foundation dba Magnolia Public Schools (“**Magnolia**”) is a California nonprofit public benefit corporation organized and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “**Code**”) that operates ten (10) public charter schools in Southern California.

WHEREAS: the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) created a new product called the Paycheck Protection Program (“**PPP**”), which provides \$349 billion in forgivable loans to small businesses and nonprofit corporations.

WHEREAS: the PPP funding is structured as a Small Business Administration (“**SBA**”) loan from a local bank, fully guaranteed by the SBA, with a two-year term and a 1.0% annual interest rate, to be used towards ensuring continuing employment for employees of small businesses and nonprofit corporations.

WHEREAS: due to the unknown economic impact of the COVID-19 crisis on statewide K-12 funding, cash flow deferrals, negative impacts to enrollment, ongoing economic recessionary trends and other factors, current economic uncertainty creates a need for additional funding to ensure and support the ongoing operations of the Magnolia in operating its schools over the next twenty-four (24) months.

WHEREAS: Magnolia proposes to borrow an aggregate amount of approximately FIVE MILLION FOUR HUNDRED THOUSAND SIX HUNDRED DOLLARS (\$5,461,600) from Citi Commercial Bank under the PPP Loan.

WHEREAS: if Magnolia, as “Borrower”, meets the following requirements, the amount of the PPP Loan is fully forgiven and becomes grant revenue to Magnolia:

1. Magnolia uses PPP Loan proceeds to pay gross payroll, healthcare benefits, retirement benefits, lease/mortgages for facilities, and utility costs over the 8-week period following loan origination.
2. Magnolia maintains full-time equivalent staffing levels at pre-COVID 19 staffing levels (either 2/15/19-6/30/19 or 1/1/20-2/29-20), with a proportionate reduction in



loan forgiveness for reduction in staffing levels over the 8 weeks following PPP Loan origination versus pre-COVID 19 staffing levels.

WHEREAS: Magnolia proposes to (a) use the proceeds of the PPP Loan on gross payroll, healthcare benefits, retirement benefits, lease/mortgages on facilities, and utility costs over the 8-week period following receipt of Loan proceeds, and (b) proposes to maintain pre-COVID 19 staffing levels or increase current staffing to pre-COVID 19 levels, in order to qualify for up to one hundred percent (100%) forgiveness of the outstanding PPP Loan balance following such 8-week period.

NOW, THEREFORE, BE IT RESOLVED: that the Board of Directors of Magnolia has determined that it is in the best interests of Magnolia to obtain the PPP Loan upon such terms and conditions as the officers of Magnolia deem appropriate.

RESOLVED, FURTHER: that the Board of Directors of Magnolia hereby approves the PPP Loan from Citi Commercial Bank to Magnolia and directs and authorizes staff to take all necessary steps to ensure full compliance with all provisions and requirements under the PPP Loan.

RESOLVED, FURTHER: that the Chief Executive Officer & Executive Director of Magnolia and other appropriate officers of Magnolia, are each hereby authorized and directed, for and in the name of and on behalf of the Magnolia, to execute, deliver, approve, and, as appropriate, declare final the PPP Loan documents, and all such documents, agreements, or instruments or amendments related thereto.

RESOLVED, FURTHER: that the appropriate officers of Magnolia 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.

RESOLVED, FURTHER: that Magnolia ratifies and confirms the acts of its officers, agents or employees taken on behalf of Magnolia in connection with the PPP Loan transaction. that all actions heretofore taken by the CEO & Superintendent, CFO, or any other officer of Magnolia, in connection with or otherwise in contemplation of the PPP Loan be, and they hereby are, ratified, confirmed and approved as the acts and deeds of Magnolia.

RESOLVED, FURTHER: the Secretary or Assistant Secretary of Magnolia, 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 Magnolia.

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CERTIFICATE OF SECRETARY

I, Barbara Torres, do hereby that I am the duly appointed and acting Secretary of Magnolia Educational & Research Foundation dba Magnolia Public Schools (“Magnolia”), a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, and that do hereby certify that attached hereto is a full, true and correct copy of certain resolutions of the Board of Directors, duly and regularly passed on April 23, 2020, by the majority vote of the Board of Directors then in office at a meeting duly held on such date in compliance with the bylaws of Magnolia and California law.

I further certify that said resolutions are still in force and effect and have not been amended or revoked.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary of the Magnolia this ____ day of _____ 2020.

Barbara Torres, Secretary