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| Agenda Item: | IV C: Action Item |
| Date: | November 20, 2024 |
| To: | Magnolia Educational & Research Foundation dba Magnolia Public Schools (“MPS”) Board of Directors (the “Board”) |
| From: | Alfredo Rubalcava, CEO & Superintendent |
| Staff Lead(s): | Steve Budhrajia Ed.D, Chief Financial Officer |
| RE: | Approval of Resolution for Intra Organization Loans Between Magnolia Science Academy-1 and Magnolia Educational & Research Foundation |

Action Proposed:

I move for the Board to approve the Resolution for Intra Organization Loans between Magnolia Science Academy-1 and Magnolia Educational & Research Foundation (MERF).

Background:

MPS has construction projects both new and proposed for some of its schools in Los Angeles County. These projects are complex in nature and require the use of various methods of financing in order to ensure that school construction is completed on time and within budget. Consequently, MPS staff is exploring various financing options for school construction including the use of State funds, private financing and loans between the MPS schools and MERF.

Budget Implications:

MPS will be able to make an Intra-Organizational Loans for MSA 1 to the Magnolia Educational & Research Foundation in the amount of \$3 million. The loan would be repaid over 66 months pursuant to Board approved repayment proposal, beginning April 2025 through July 2030. Interest will accrue at 3.0% annually, the approximate earnings rate of the County of Los Angeles Treasury Investment Fund.



Exhibits:

- Resolution Authorizing Temporary Loans between Magnolia Science Academy 1 and MERF.
- Loan Repayment Schedule for the Intra-organizational loan between MSA-1 & MERF.



INTRAORGANIZATION LOAN AGREEMENT

This Intraorganization Loan Agreement (this “Agreement”) dated as of November 20, 2024, is entered into by Magnolia Science Academy 1—(“Lender”) and Magnolia Educational & Research Foundation dba Magnolia Public Schools, a California nonprofit public benefit corporation and operator of Borrower (“MERF” or “Borrower”).

RECITALS

A. Magnolia has established and is operating Borrower pursuant the Charter Schools Act of 1992, as amended (the “Act”). Magnolia operates Borrower within Magnolia’s corporate organization. The Act requires Magnolia to separately account for the assets, liabilities, revenues, expenses and results of operations of Borrower as if they were separate legal entities.

B. Lender and Borrower entered into an intraorganization loan (the “Loan”) as of 11/21/2024. As of the date of this Agreement, there is no unpaid principal balance of the Loan, however the Lender shall allow the Borrower a loan of \$3 million to support educational goals for MERF.

C. The “California Charter School Accounting and Best Practices Manual” published by the Fiscal Crisis and Management Assistance Team (“FCMAT”) states that “[a]t the end of the fiscal year, each school’s receivable or payable loan account (also known as due to/due from account) should be reconciled. Once balances are reconciled, any charter school or central office intraorganization receivable or payable balance that is not fully repaid as of the close of the fiscal year may result in and be subject to an intraorganization loan agreement. Intraorganization loan agreements between each school and the central office are prepared at the end of the fiscal year to formally document the amount owed between the intracompany accounts and the repayment terms.”

D. In accordance with FCMAT guidance, Magnolia desires to document the terms upon which the balance of the Loan outstanding as of last day of the fiscal year of Magnolia in which the Loan was made shall be repaid by Borrower to Lender.

AGREEMENT

In consideration of the foregoing, the mutual promises contained herein, and other good and valuable consideration, Magnolia agrees as follows:

1. The unpaid principal balance of the Loan outstanding from time to time shall bear interest from the date hereof until paid at the rate of four percent (3.0%) per annum, calculated on the basis of a 360-day year and a 30-day month. Borrower shall pay accrued interest to Lender monthly commencing on the first calendar month following the date of this Agreement by no later than the

fifteenth (15th) day of each calendar month.

2. Commencing on the first calendar month following the date of this Agreement, Borrower shall make monthly payments that includes principal and interest to Lender based on the outstanding balance at the time.

3. Borrower shall pay all remaining principal of the Loan and accrued interest thereon to Lender on or before 06/30/2030 (the "Maturity Date"). Borrower may prepay the Loan in whole or in part at any time at any time and from time to time to without premium or penalty.

4. If Borrower's state apportionment revenue is subject to payment deferral by order of statute, then Borrower may defer payment to Lender with no penalty incurred until the Maker receives said deferred funds.

5. Borrower's obligations under this Agreement are subordinated to all indebtedness, if any, of Borrower, to any unrelated third party lender to the extent such indebtedness is outstanding on the date of this Agreement and such subordination is required under the loan documents providing for such indebtedness

IN WITNESS WHEREOF, Borrower and Lender have each executed this Agreement as of the date first written above.

Lender:

Borrower:

**Magnolia Educational & Research
Foundation
dba Magnolia Public Schools**

Magnolia Science Academy— 1

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Proposed Repayment of \$3,000,000 Intercompany Loan



| | |
|-----------------------------|------------------------------------------------------------------------|
| Lender | Magnolia Science Academy- 1 |
| Borrower | Magnolia Educational & Research Foundation dba Magnolia Public Schools |
| Loan Amount | \$3,000,000 |
| Term | 66 Months |
| Annual Interest Rate | 3.00% |
| Payment Frequency | Quarterly |
| First Payment | 4/15/2025 |
| Final Payment | 7/15/2030 |

| Date | PMT# | Beginning Balance | Interest | Principal | Ending Balance |
|-------------|-------------|--------------------------|---------------------|-----------------------|-----------------------|
| 4/15/2025 | 1 | \$3,000,000.00 | \$22,556.30 | \$125,907.11 | \$2,874,092.89 |
| 7/15/2025 | 2 | \$2,874,092.89 | \$21,609.63 | \$126,853.78 | \$2,747,239.11 |
| 10/15/2025 | 3 | \$2,747,239.11 | \$20,655.85 | \$127,807.56 | \$2,619,431.55 |
| 1/15/2026 | 4 | \$2,619,431.55 | \$19,694.89 | \$128,768.52 | \$2,490,663.03 |
| 4/15/2026 | 5 | \$2,490,663.03 | \$18,726.71 | \$129,736.70 | \$2,360,926.33 |
| 7/15/2026 | 6 | \$2,360,926.33 | \$17,751.25 | \$130,712.16 | \$2,230,214.17 |
| 10/15/2026 | 7 | \$2,230,214.17 | \$16,768.46 | \$131,694.95 | \$2,098,519.22 |
| 1/15/2027 | 8 | \$2,098,519.22 | \$15,778.27 | \$132,685.14 | \$1,965,834.08 |
| 4/15/2027 | 9 | \$1,965,834.08 | \$14,780.65 | \$133,682.76 | \$1,832,151.32 |
| 7/15/2027 | 10 | \$1,832,151.32 | \$13,775.52 | \$134,687.89 | \$1,697,463.43 |
| 10/15/2027 | 11 | \$1,697,463.43 | \$12,762.83 | \$135,700.58 | \$1,561,762.85 |
| 1/15/2028 | 12 | \$1,561,762.85 | \$11,742.53 | \$136,720.88 | \$1,425,041.96 |
| 4/15/2028 | 13 | \$1,425,041.96 | \$10,714.56 | \$137,748.85 | \$1,287,293.11 |
| 7/15/2028 | 14 | \$1,287,293.11 | \$9,678.86 | \$138,784.55 | \$1,148,508.56 |
| 10/15/2028 | 15 | \$1,148,508.56 | \$8,635.37 | \$139,828.04 | \$1,008,680.51 |
| 1/15/2029 | 16 | \$1,008,680.51 | \$7,584.03 | \$140,879.38 | \$867,801.14 |
| 4/15/2029 | 17 | \$867,801.14 | \$6,524.79 | \$141,938.62 | \$725,862.52 |
| 7/15/2029 | 18 | \$725,862.52 | \$5,457.59 | \$143,005.82 | \$582,856.70 |
| 10/15/2029 | 19 | \$582,856.70 | \$4,382.36 | \$144,081.05 | \$438,775.65 |
| 1/15/2030 | 20 | \$438,775.65 | \$3,299.05 | \$145,164.36 | \$293,611.29 |
| 4/15/2030 | 21 | \$293,611.29 | \$2,207.59 | \$146,255.82 | \$147,355.48 |
| 7/15/2030 | 22 | \$147,355.48 | \$1,107.93 | \$147,355.48 | \$0 |
| | | | \$266,195.02 | \$3,000,000.00 | |