



MAGNOLIA PUBLIC SCHOOLS

Board Of Directors

Board Agenda Item #	III.H.
Date:	04.21.2016
To:	MPS Board of Directors
From:	Caprice Young, Ed.D., CEO & Superintendent
Staff Lead:	Oswaldo Diaz, Chief Financial Officer
RE:	Approval of Updated Open Intra-Company Loans

Proposed Board Recommendation

I move that the board approve the Updated Open Intra-Company Loans as presented in the agenda item.

Background

On May 17, 2015, The MPS' Board approved the Intra-Company Loans for Educational Facilities Acquisition and Development (Facilities Intra-Company Loan). The Facilities Intra-Company Loan totaling \$4.5 million was created with the excess cash funds of MSA-1, MSA-2, MSA-3, MSA-7 and MSA-8, and with the purpose of funding the initial stages of construction projects and to provide additional time to secure to secure long-term permanent financing. The Facility Intra-Company Loan included the maximum loan amounts:

Short-Term Intra-Company Loan Amounts

Academy	Maximum Loan Amount
MSA-1	1,500,000.00
MSA-2	400,000.00
MSA-3	700,000.00
MSA-7	300,000.00
MSA-8	1,600,000.00
Total	4,500,000.00

As of March 31, 2016, a total of \$2.8 million has been used as interim construction financing of the new MSA - Santa Ana facility. The funds will be paid back to the schools as soon as the California Prop-1D funds have been received. Currently, the funds that have been issued by each of the schools are as follows:

Short-Term Intra-Company Loan Amounts (As of March 31, 2016)

Academy	Maximum Loan Amount	Total Loan Distributions	Remaining Intra-Company Loan
MSA-1	1,500,000.00	400,000	1,100,000
MSA-2	400,000.00	350,000	50,000
MSA-3	700,000.00	150,000	550,000
MSA-7	300,000.00	300,000	-
MSA-8	1,600,000.00	1,600,000	-
Total	4,500,000.00	2,800,000.00	1,700,000.00



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As of March 31, 2016, the remaining Intra-Company Loan Fund balance totaled \$1.7 million that included \$1.1 million pending to be funded by MSA-1. Due to the acquisition of the MSA-1 gym facility and the current bond covenants requirements, MSA-1 has not been able to provide any additional resources to the Intra-Company Loan Fund.

Intra-Company Loan Redistribution

Based on EdTec's projected cash flow (see attached) for the fiscal year ended June 30, 2015, MSA-1's contribution will need to be reduced from \$1.5 million to \$400k in order to comply with the current bond covenants. In addition, MSA-3 contribution will be reduced from \$700k to \$150k based on current cash needs. The amounts will need to be drawn from MSA-5, MSA-6, and MSA-7 as follows:

Short-Term Intra-Company Loan Amounts

Academy	Intra-Company Loan Amount Approved on 05/17/15	Total Loan Distributions (pending board approval)	Revised Re-Allocation of Intra-Company Loan Amounts
MSA-1	1,500,000.00	(1,100,000)	400,000
MSA-2	400,000.00		400,000
MSA-3	700,000.00	(550,000)	150,000
MSA-5		400,000	400,000
MSA-6		400,000	400,000
MSA-7	300,000.00	850,000	1,150,000
MSA-8	1,600,000.00		1,600,000
Total	4,500,000.00	-	4,500,000.00

Financial Impact to the Academies

The schools that will provide the proposed short term loans currently have excess funds to meet all recurring obligations and will retain minimum reserve requirements in accordance with their charter petitions. Based on the revision to the Intra-Company Loan amount, the revised projected cash flow for MSA-5, MSA-6, and MSA-7 are expected to be as follows:

Projected Cash Flow Balances (As of June 30, 2016)

Academy	Projected Cash Flow Balances (as of June 30, 2015)	Revised Re-Allocation of Intra-Company Loan Amounts	Projected Cash Flow Balances after revisions (as of June 30, 2016)
MSA-5	857,448	400,000	457,448
MSA-6	852,299	400,000	452,299
MSA-7	1,934,887	850,000	1,084,887



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Taking into consideration the specific cash requirements for each of the academies, and in order to allow the academies to deliver high-quality education consistent with their charter, the short term loans have taken into consideration current needs and obligations for each of the academies. These loans will be used to fund legitimate educational and operational expenses in accordance with Generally Accepted Accounting Principles.

A potential risk associated with this loan is that the Home Office and/or MSA Santa Ana will be unable to pay due to mitigating circumstances related to one-time unexpected expenses.

Budget Implications:

The non-approval of the redistribution of the Intra-Company Loan and the non-approval of the loan from MSA-7 to MSA-1 will require the organization to secure a short term bridge loan financing that will include a high interest rate ranging from 6.5% to 9.5%.

Name of Staff Originator:

Oswaldo Diaz
Chief Financial Officer



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MAGNOLIA EDUCATIONAL AND RESEARCH FOUNDATION INTRA-COMPANY LOAN FROM MSA-1

Summary

MSA-1 has excess cash funds that can be utilized by Magnolia Educational and Research Foundation to secure school facilities, fund initial stages of construction projects, and to meet financial obligations in accordance with board approved contracts. The temporary short-term intra-company loan will be used for:

- 1) Interim financing to expedite acquisition and to fund initial construction projects phases based on school requirements, and to provide additional time to secure long-term permanent financing with favorable interest rates.
- 2) Provide additional cash flow to expedite payments relating to Board approved contract obligations.

This loan will be used to fund legitimate educational and operational expenses with the charter school in accordance with Generally Accepted Accounting Principles.

This document supersedes the previous intra-company loan document approved by the Board on May 17, 2015.

Intra-Company Loan Terms

Total loan amount: \$400,000

Date of Disbursements: As needed not to exceed \$400,000

Repayment Period: Not to exceed one (1) year from the time of initial disbursement.

Interest Rate: 0.00%



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MAGNOLIA EDUCATIONAL AND RESEARCH FOUNDATION INTRA-COMPANY LOAN FROM MSA-3

Summary

MSA-3 has excess cash funds that can be utilized by Magnolia Educational and Research Foundation to secure school facilities, fund initial stages of construction projects, and to meet financial obligations in accordance with board approved contracts. The temporary short-term intra-company loan will be used for:

- 1) Interim financing to expedite acquisition and to fund initial construction projects phases based on school requirements, and to provide additional time to secure long-term permanent financing with favorable interest rates.
- 2) Provide additional cash flow to expedite payments relating to Board approved contract obligations.

This loan will be used to fund legitimate educational and operational expenses with the charter school in accordance with Generally Accepted Accounting Principles.

This document supersedes the previous intra-company loan document approved by the Board on May 17, 2015.

Intra-Company Loan Terms

Total loan amount: \$150,000

Date of Disbursements: As needed not to exceed \$150,000

Repayment Period: Not to exceed one (1) year from the time of initial disbursement.

Interest Rate: 0.00%



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MAGNOLIA EDUCATIONAL AND RESEARCH FOUNDATION INTRA-COMPANY LOAN FROM MSA-5

Summary

MSA-5 has excess cash funds that can be utilized by Magnolia Educational and Research Foundation to secure school facilities, fund initial stages of construction projects, and to meet financial obligations in accordance with board approved contracts. The temporary short-term intra-company loan will be used for:

- 1) Interim financing to expedite acquisition and to fund initial construction projects phases based on school requirements, and to provide additional time to secure long-term permanent financing with favorable interest rates.
- 2) Provide additional cash flow to expedite payments relating to Board approved contract obligations.

This loan will be used to fund legitimate educational and operational expenses with the charter school in accordance with Generally Accepted Accounting Principles.

Intra-Company Loan Terms

Total loan amount: \$400,000

Date of Disbursements: As needed not to exceed \$400,000

Repayment Period: Not to exceed one (1) year from the time of initial disbursement.

Interest Rate: 0.00%



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MAGNOLIA EDUCATIONAL AND RESEARCH FOUNDATION INTRA-COMPANY LOAN FROM MSA-6

Summary

MSA-6 has excess cash funds that can be utilized by Magnolia Educational and Research Foundation to secure school facilities, fund initial stages of construction projects, and to meet financial obligations in accordance with board approved contracts. The temporary short-term intra-company loan will be used for:

- 1) Interim financing to expedite acquisition and to fund initial construction projects phases based on school requirements, and to provide additional time to secure long-term permanent financing with favorable interest rates.
- 2) Provide additional cash flow to expedite payments relating to Board approved contract obligations.

This loan will be used to fund legitimate educational and operational expenses with the charter school in accordance with Generally Accepted Accounting Principles.

Intra-Company Loan Terms

Total loan amount: \$400,000

Date of Disbursements: As needed not to exceed \$400,000

Repayment Period: Not to exceed one (1) year from the time of initial disbursement.

Interest Rate: 0.00%



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MAGNOLIA EDUCATIONAL AND RESEARCH FOUNDATION INTRA-COMPANY LOAN FROM MSA-7

Summary

MSA-7 has excess cash funds that can be utilized by Magnolia Educational and Research Foundation to secure school facilities, fund initial stages of construction projects, and to meet financial obligations in accordance with board approved contracts. The temporary short-term intra-company loan will be used for:

- 1) Interim financing to expedite acquisition and to fund initial construction projects phases based on school requirements, and to provide additional time to secure long-term permanent financing with favorable interest rates.
- 2) Provide additional cash flow to expedite payments relating to Board approved contract obligations.

This loan will be used to fund legitimate educational and operational expenses with the charter school in accordance with Generally Accepted Accounting Principles.

This document supersedes the previous intra-company loan document approved by the Board on May 17, 2015.

Intra-Company Loan Terms

Total loan amount: \$1,150,000

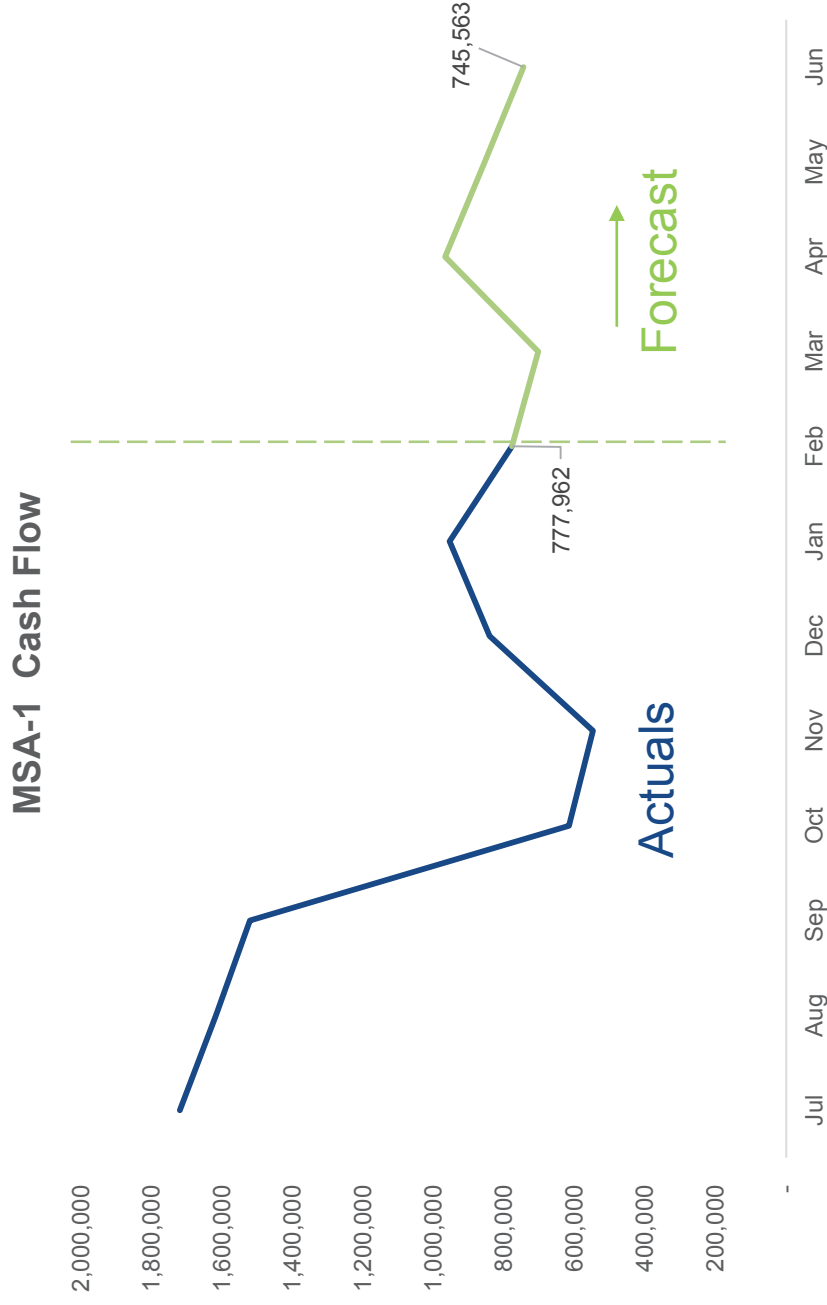
Date of Disbursements: As needed not to exceed \$1,150,000

Repayment Period: Not to exceed one (1) year from the time of initial disbursement.

Interest Rate: 0.00%

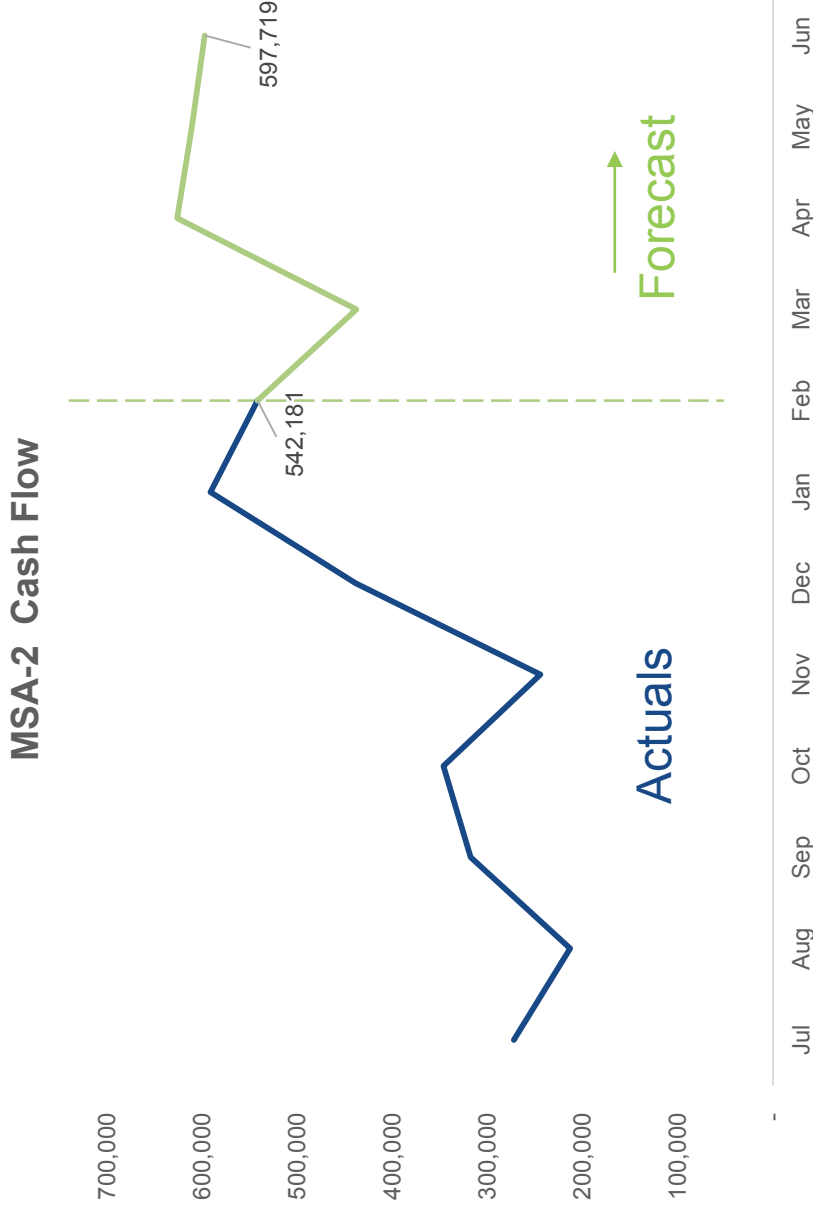
MSA-1 Cash Flow Forecast

Ending cash balance as of 2/29 was \$777,962, and forecasted ending cash balance as of 6/30 is \$745,563



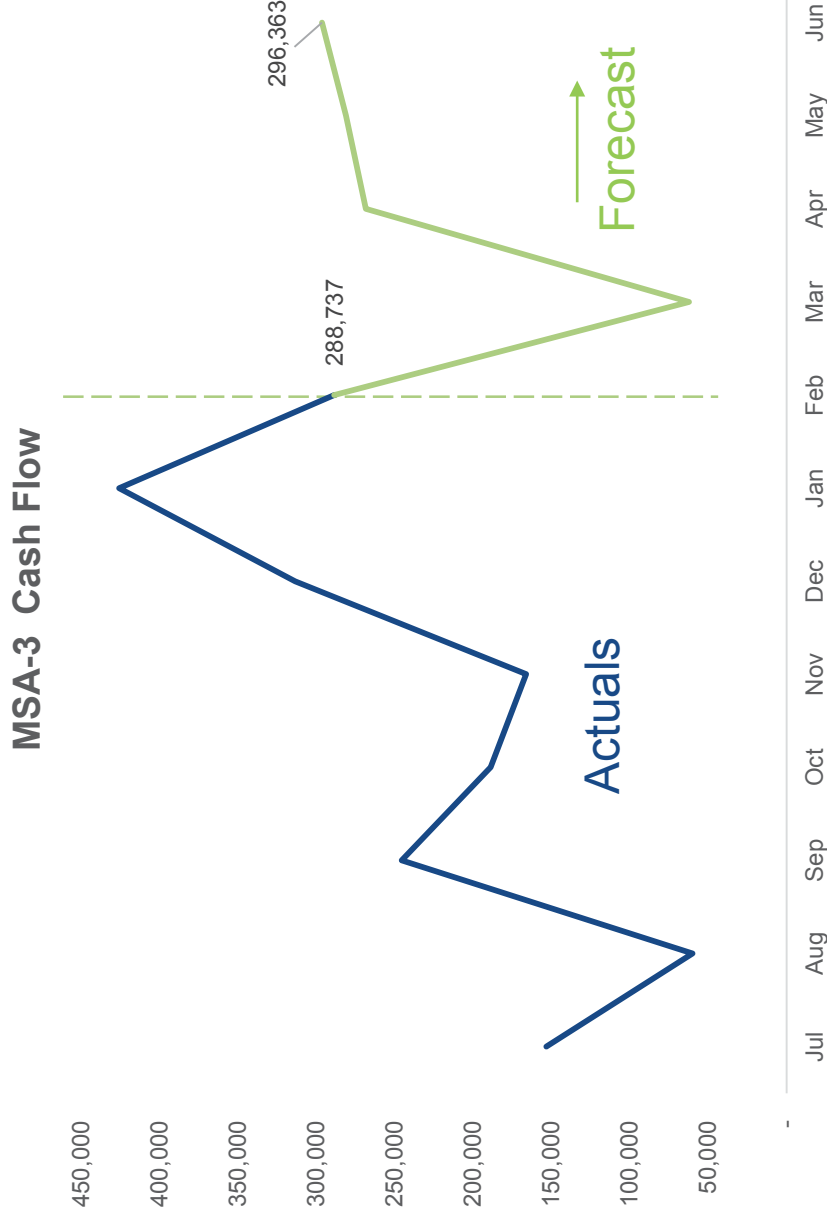
MSA-2 Cash Flow Forecast

Ending cash balance as of 2/29 was \$542,181, and forecasted ending cash balance as of 6/30 is \$597,719



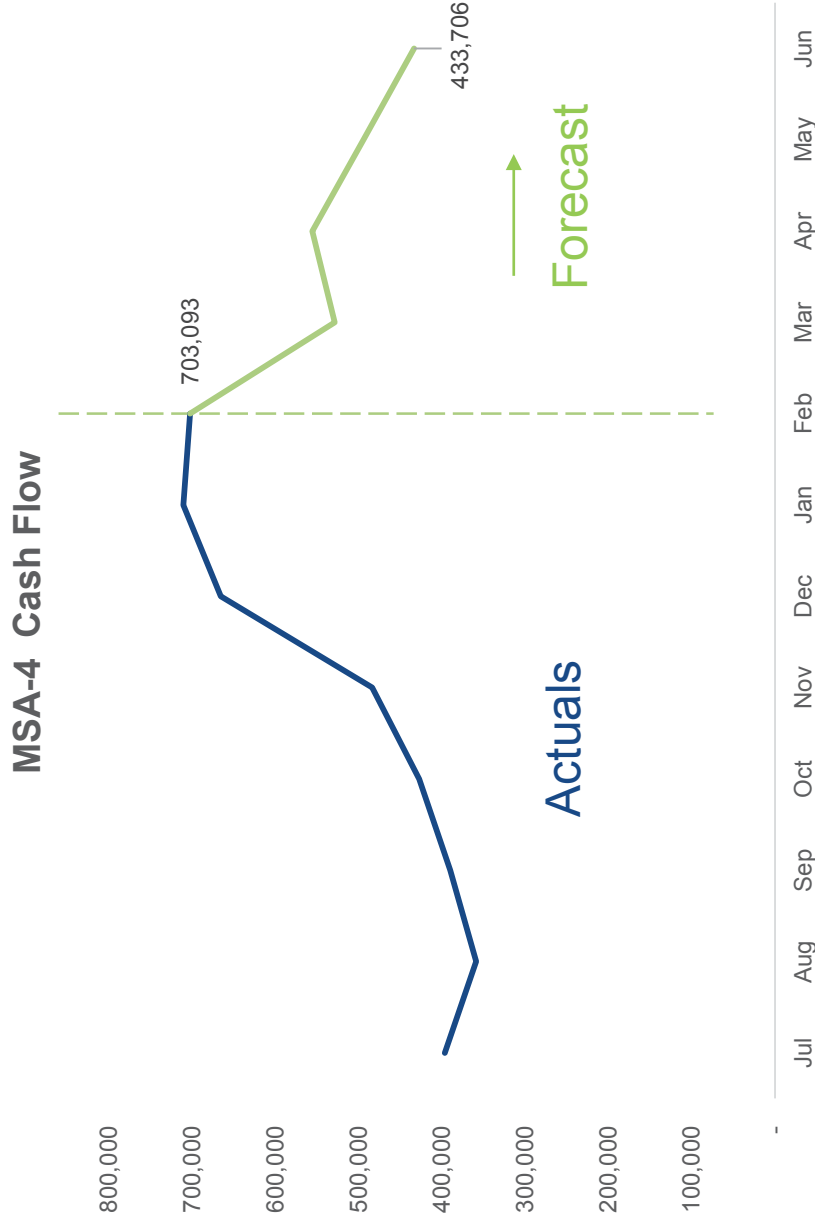
MSA-3 Cash Flow Forecast

Ending cash balance as of 2/29 was \$288,737, and forecasted ending cash balance as of 6/30 is \$296,363



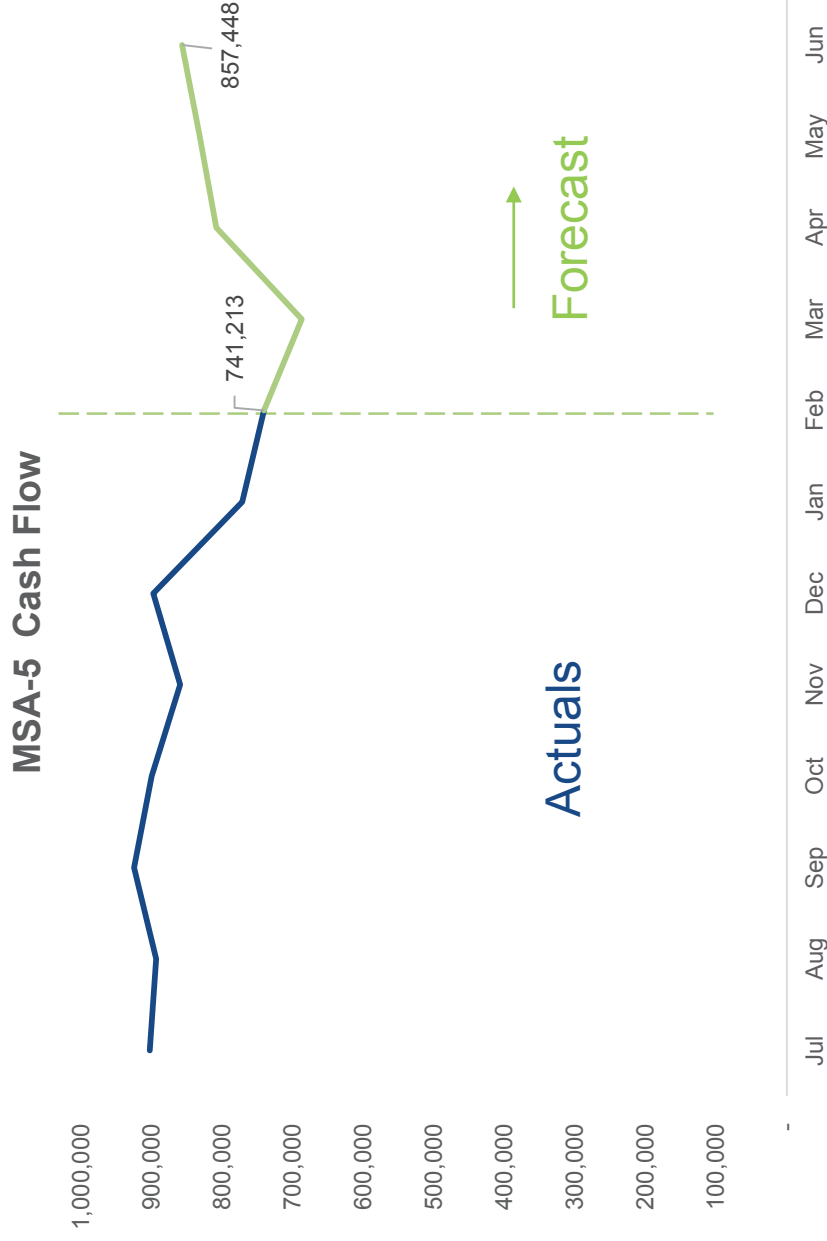
MSA-4 Cash Flow Forecast

Ending cash balance as of 2/29 was \$703,093, and forecasted ending cash balance as of 6/30 is \$433,706



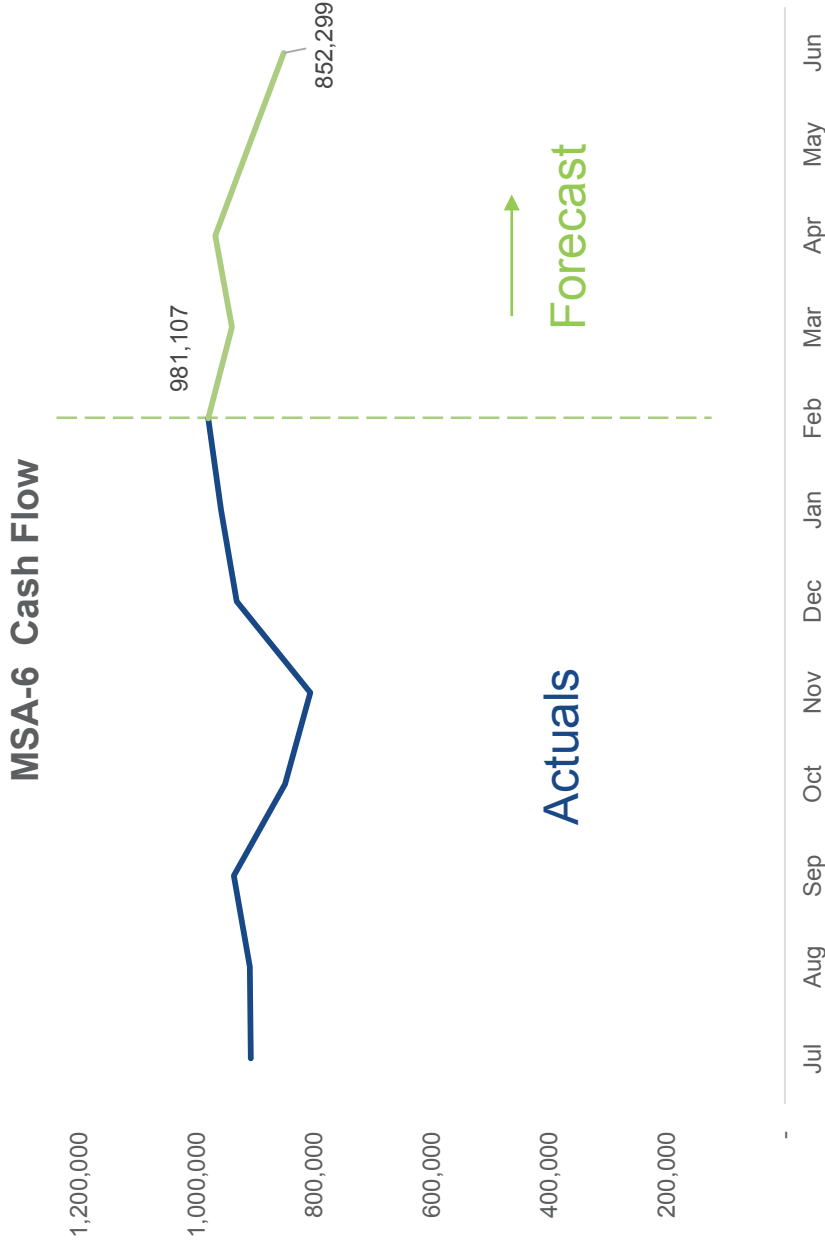
MSA-5 Cash Flow Forecast

Ending cash balance as of 2/29 was \$741,213, and forecasted ending cash balance as of 6/30 is \$857,448



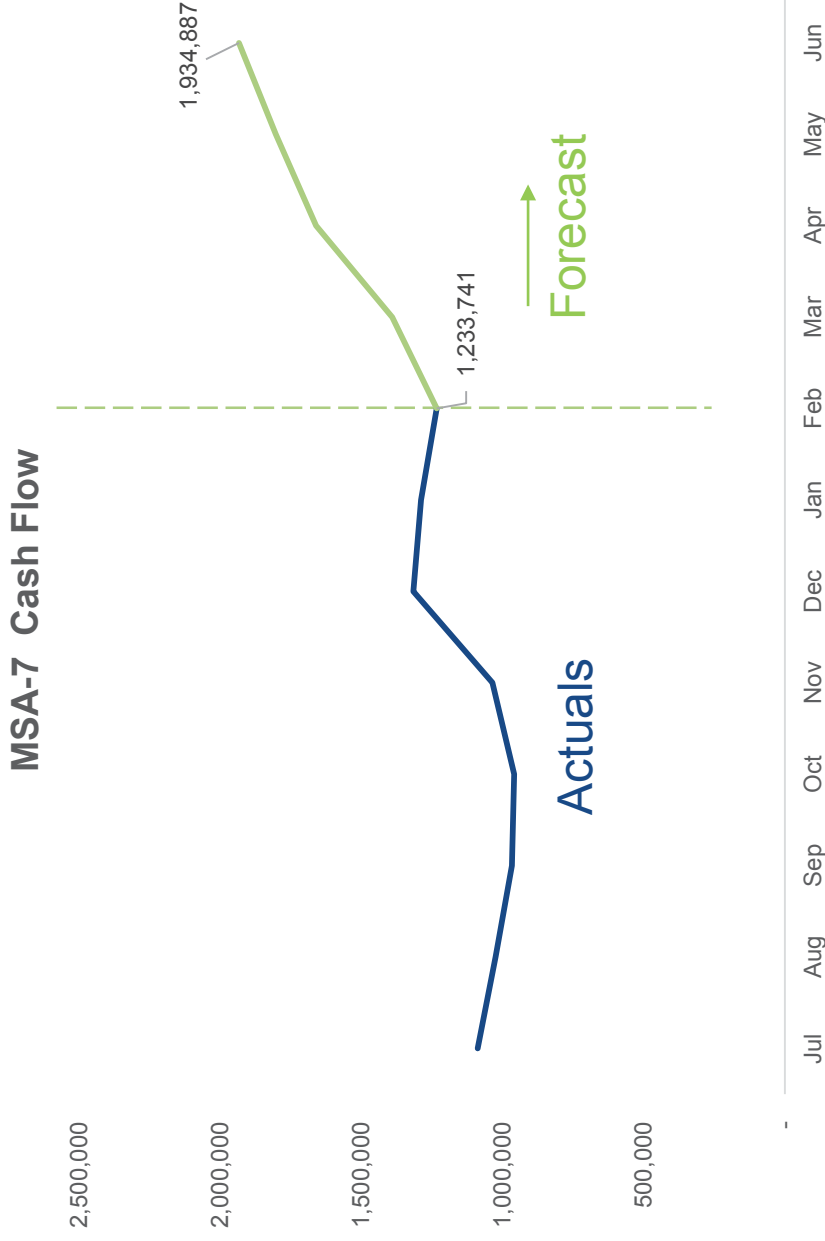
MSA-6 Cash Flow Forecast

Ending cash balance as of 2/29 was \$981,107, and forecasted ending cash balance as of 6/30 is \$852,299



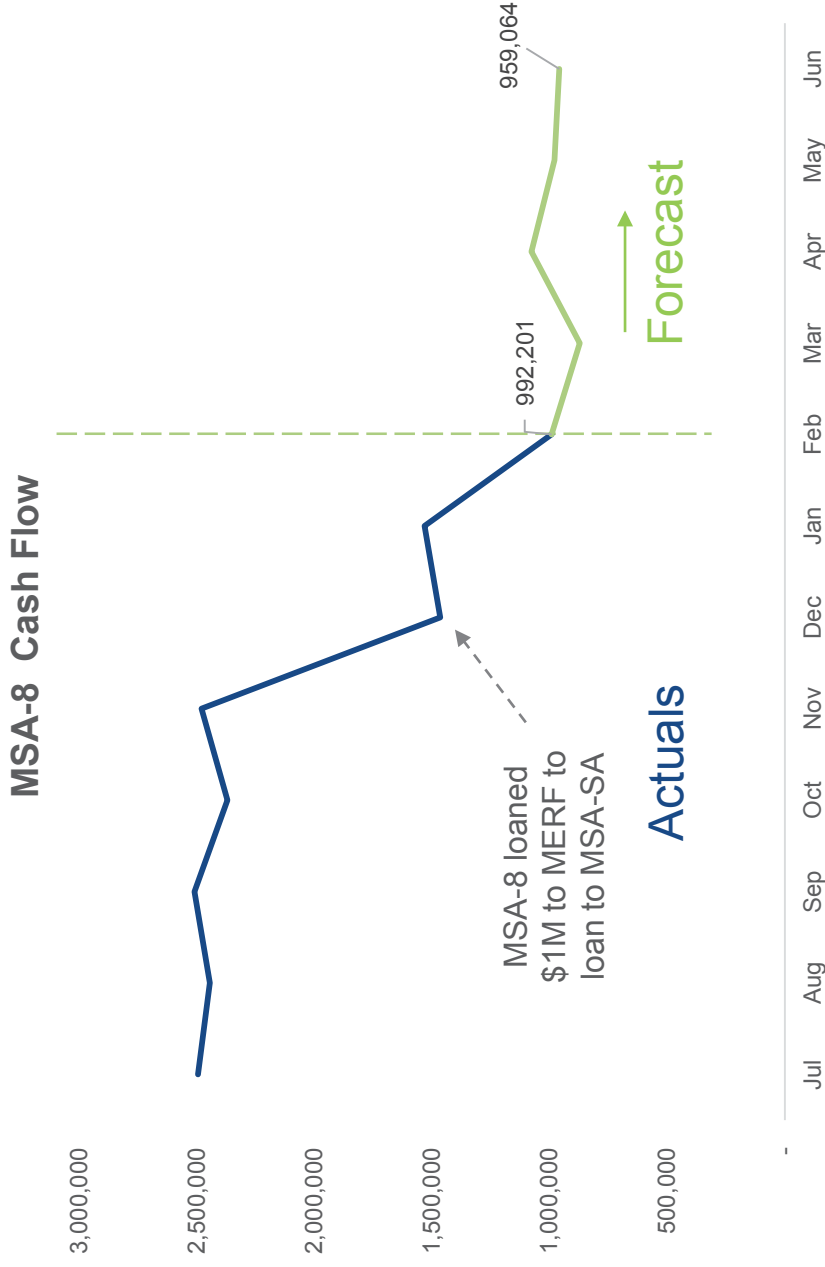
MSA-7 Cash Flow Forecast

Ending cash balance as of 2/29 was \$1,233,741, and forecasted ending cash balance as of 6/30 is \$1,934,887



MSA-8 Cash Flow Forecast

Ending cash balance as of 2/29 was \$992,201, and forecasted ending cash balance as of 6/30 is \$959,064



MSA-SA Cash Flow Forecast

Ending cash balance as of 2/29 was \$166,764, and forecasted ending cash balance as of 6/30 is \$13,391,653

