

**\$40,000,000\***  
**CALIFORNIA SCHOOL FINANCE AUTHORITY (CSFA)**  
**SCHOOL FACILITY REVENUE BONDS**  
**(GRANADA HILLS CHARTER OBLIGATED GROUP)**  
**SERIES 2024A \$39,500,000 (TAX-EXEMPT) AND 2024B \$500,000 (TAXABLE)**  
**ITEM # 5 RESOLUTION 24-04**

**STAFF SUMMARY**

<b>EXECUTIVE SUMMARY</b>			
<b>Applicant/Borrower:</b>	17081 Devonshire LLC	<b>Par Amount Requested:</b>	Not-to-Exceed * \$40,000,000
<b>Financing Term: 40 Years</b>		<b>Interest Rate: 5.25% (5.05% Arb Yield, est.)</b>	
<b>Applicant Description:</b> 17081 Devonshire LLC is a limited liability company formed for the single purpose of supporting its sole member, Granada Hills Charter, a 501(c)(3) nonprofit public benefit corporation.			
<b>Type of Financing:</b> Tax-Exempt and Taxable Charter School Revenue Bonds			
<b>Project User:</b>	Granada Hills Charter	<b>County Served:</b>	Los Angeles County
<b>District in Which Project is Located:</b>	Los Angeles Unified School District	<b>Charter Authorizer:</b>	Los Angeles Unified School District
<b>Project Description:</b> This is Phase 3 Modernization, a new construction project. Bond proceeds will be used to replace the last original building at the Granada Hills Charter TK-8 campus with a new, approximately 39,000 square foot building.			
<b>Project Site:</b> 17081 Devonshire Street, Northridge, CA 91325			
<b>Financing Team:</b>		<b>Financing Details:</b>	
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP	<b>Type of Issue:</b>	School Facility Revenue Bonds
Underwriter:	B.C. Ziegler and Company	<b>Tax Status:</b>	Tax-Exempt & Taxable
Borrower's Counsel:	Musick Peeler	<b>Maturity:</b>	7/1/2064
Issuer's Counsel:	Attorney General's Office	<b>Credit Enhancement:</b>	Yes
Issuer:	California School Finance Authority	<b>Credit Rating:</b>	BBB
Bond Trustee:	Wilmington Trust	<b>Fees:</b>	See Costs of Issuance Table
<b>CSFA Analyst:</b> Mita Parikh		<b>Date of Staff Report:</b> February 27, 2024	
<b>Date of CSFA Board Meeting:</b> March 28, 2024		<b>Resolution Number:</b> 24-04	
<b>Staff Recommendation:</b> Staff recommends the California School Finance Authority Board approve Resolution Number 24-04 authorizing the issuance of School Facility Revenue Bonds in an amount not to exceed \$40,000,000 to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and/or equipping of certain educational facilities located in Los Angeles County for Granada Hills Charter Devonshire Campus.			

## BACKGROUND AND HISTORY

Granada Hills Charter (GHC) began as a public high school in 1960 and operated as such until 2003 when the Los Angeles Board of Education approved the school administration's request to convert to a charter school. GHC is one of the largest charter high schools in the country, with a 2023-24 enrollment of 6,005. Beginning in school year 2019-20, GHC expanded to include TK-8<sup>th</sup> grades, with a staggered rollout that includes TK/K, 1<sup>st</sup> and 6<sup>th</sup> grades the first year, two additional grades the next two years (2<sup>nd</sup> and 7<sup>th</sup> in 2020-21, 3<sup>rd</sup> and 8<sup>th</sup> in 2021-22) and one grade per year thereafter, with the school anticipated to be fully enrolled in school year 2023-24. At their September 2018 meeting, the Los Angeles Unified School District (LAUSD) approved renewal of the high school charter petition on a vote of 6-0. The addition of the TK-8 was approved on a vote of 4-1-1. The allowable enrollment was expanded to 6,925 by the end of the new 5-year charter term to reflect the TK-12 expansion. GHC decided to expand to TK-8 after four years of research and the success of the high school's International Baccalaureate (IB) program. The intention is to align the grade school and junior high with the IB program using the IB's Primary Years and Middle Years Programs. There currently is not a continuous TK-12 IB school in LAUSD.

### Charter Terms and Authorizers for GHC

School	Address	Authorizer	Charter Term
Granada Hills Charter TK-12	10535 Zelzah Ave. Granada Hills (9-12) and 17081 Devonshire Street, Northridge (TK-8)	Los Angeles Unified School District	2018/19-2026/27

The table below shows the student demographics of Granada Hills Charter for the 2022-23 school year. About 49.7% of Granada Hills Charter students qualify for free and reduced-price meals and about 42.3% of Granada Hills Charter students identify as Latino/Hispanic.

2022-23 Demographics	Granada Hills Charter
Free-Reduced Lunch	49.7%
English Language Learner	2.5%
Students with Disabilities	8.3%
African American	4.2%
Latino/Hispanic	42.3%
Asian/Filipino/Pacific Islander	26.9%
White	23.4%

The tables below show projected grade level enrollment for Granada Hills Charter in the school year 2024-25 through the 2028-29 school year.

**Projected Enrollment by Grade Level  
School Years 2024-25 through 2028-29**

	Projected 2024-25	Projected 2025-26	Projected 2026-27	Projected 2027-28	Projected 2028-29
TK/K	170	225	225	225	225
1 <sup>st</sup> Grade	130	150	150	150	150
2 <sup>nd</sup> Grade	130	150	150	150	150
3 <sup>rd</sup> Grade	130	150	150	150	150
4 <sup>th</sup> Grade	150	150	150	150	150
5 <sup>th</sup> Grade	150	150	150	150	150
6 <sup>th</sup> Grade	150	150	150	150	150
7 <sup>th</sup> Grade	150	150	150	150	150
8 <sup>th</sup> Grade	150	150	150	150	150
9 <sup>th</sup> Grade	1,175	1,175	1,175	1,175	1,175
10 <sup>th</sup> Grade	1,175	1,175	1,175	1,175	1,175
11 <sup>th</sup> Grade	1,175	1,175	1,175	1,175	1,175
12 <sup>th</sup> Grade	1,175	1,175	1,175	1,175	1,175
<b>TOTAL</b>	<b>6,010</b>	<b>6,125</b>	<b>6,125</b>	<b>6,125</b>	<b>6,125</b>

Source: Granada Hills Charter

GHC leadership, including the Board of Directors and School Leadership, is included in Appendix A.

This is the fifth bond issuance for GHC through the California School Finance Authority (CSFA). They first issued bonds in 2010; the proceeds of the 2010 bonds were used to finance a project at the 9-12 Zelzah Campus. These bonds were repaid at maturity on July 1, 2020. Their second issue of bonds in 2017 was rated BBB- and these proceeds were used for the acquisition and improvement of the TK-8 Devonshire Campus. The third issuance was in 2019 and expanded the Devonshire Campus to reflect the LAUSD-approved charter for the TK-8. The fourth issuance in 2021 was to refund the 2017 bonds and finance improvements on the Devonshire Campus and other costs.

<b>Granada Hills Obligated Group</b>			
<b>Bonds</b>	<b>School/Site</b>	<b>Amount</b>	<b>Obligated Group</b>
Granada Hills Bonds 2019	Granada Charter TK-8 (Devonshire Campus Expansion)	\$47,845,000	Yes
Granada Hills Bonds 2021	Refund 2017 Devonshire Campus Bonds and make Devonshire Campus improvements	\$13,615,000	Yes

## PROJECT DESCRIPTION

The proposed project will replace the last original building at the Granada Hills Charter TK-8 campus with a new, approximately 39,000 sq. ft. building that will include classrooms, a student assembly, eating areas and administrative offices. Existing classes and administrative offices will be relocated to temporary modular facilities while construction is in progress. Plans are expected to be submitted for permitting in early April, and permits should be completed by June. The interim housing plans have been submitted by the school to the Division of State Architect for approval on February 20th. Upon completion, the total student capacity for TK-8 will be approximately 1,925 students. A portion of the total project cost will be funded from approximately \$10 million in remaining proceeds from the Borrower's Series 2021 bond issue.

Project Breakdown				
Site	Landlord	Location	Purpose	Amount
Granada Hills Charter TK-8	17081 Devonshire LLC	17081 Devonshire Street, Northridge	Construction Costs	\$40,000,000
<b>Total Estimated Project Costs</b>				<b>\$40,000,000</b>

## FINANCING

The Bonds will be issued in two series: The proposed bond structure includes (1) Series 2024A (tax-exempt) which will be approximately \$39,500,000 in total and (2) Series 2024B (taxable) which will be approximately \$500,000 in total. The tax-exempt series will be issued to finance items eligible for use of tax-exempt bond proceeds including the Series 2024 project and costs of issuance up to 2% of the tax-exempt proceeds. The tax-exempt Series is expected to mature 7/1/2064 (40-year term). The taxable series will be used to finance the costs of issuance over 2% of the tax-exempt series and is expected to mature 7/1/2025. The Series 2024 A& B Bonds will be issued as fixed-rate bonds, including serial bonds and term bonds.

GHC finances are included as Appendix B.

## Security and Source of Payment

The Bonds will be secured by lease payments made by GHC to 17081 Devonshire and a deed of trust on the property. The lease payments will be paid directly to the Bond Trustee via the California School Finance Authority (CSFA) intercept pursuant to California Education Code Section 17199.4, as further described below.

As additional security and in connection with the issuance of the Bonds, the lessee will provide instructions to the State Controller's Office (SCO) to make an apportionment to the Trustee with respect to GHC in the amounts and on the dates provided in a written notice sufficient in the aggregate to repay the Bonds and pay necessary and incidental costs. Funds received by the Trustee pursuant to such Intercept will be held in trust and will be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture, including the payment of debt service on the Bonds. Under the laws of the State of California, no party, including the lessee, the Borrower or any of their respective creditors will have any claim to the money apportioned or to be apportioned to the Trustee by the SCO pursuant to the Intercept.

## Preliminary Sources and Uses and Preliminary Costs of Issuance

Below are the preliminary estimated sources and uses, and detailed information about the expected costs of issuance for board consideration. Please note these figures are subject to change between the time the board packets are distributed and the time the board meets and are further subject to final pricing. Members will be provided updated figures should significant changes occur before the board meeting date.

### Sources and Uses of Funds

<b>Sources:</b>	<b>Series 2024A (Tax-Exempt)</b>	<b>Series 2024B (Taxable)</b>	<b>Total</b>
<b>Bond Proceeds</b>			
Par Amount:	\$30,725,000	\$145,000	\$30,870,000
Bond Premium	\$543,028	\$0	\$543,028
Equity Contribution:	\$2678,598	\$8,670	\$2,687,268
<b>Total:</b>	<b>\$33,946,626</b>	<b>\$153,670</b>	<b>\$34,100,296</b>
<b>Uses:</b>	<b>Series 2024A (Tax-Exempt)</b>	<b>Series 202B (Taxable)</b>	<b>Total</b>
<b>Project Fund Deposit</b>			
Project #1 Project Fund	\$31,500,000	\$0	\$31,500,000
<b>Other Fund Deposits</b>			
Debt Service Reserve Fund	\$1,837,118	\$8,670	\$1,845,788
<b>Delivery Date Expenses</b>			
Cost of Issuance	\$302,258	\$143,550	\$445,808
Underwriter's Discount	\$307,250	\$1,450	\$308,700
<b>Total</b>	<b>\$33,946,626</b>	<b>\$153,670</b>	<b>\$34,100,296</b>

**Total Costs of Issuance\***

<b>Cost of Issuance</b>	<b>Budgeted Amount</b>
Issuer Fee	\$26,935
Annual Admin Fee	\$4,631
Agent-for-Sale Fee	\$6,500
CDLAC Fee	\$5,000
Issuer's Counsel Fee	\$15,000
Financial Advisor Fee (If Applicable)	-
Bond Counsel Fee	\$95,000
Borrower's Counsel Fee	\$80,000
Underwriter's/Disclosure Counsel Fee	\$90,000
Rating Agency Fee (If Applicable)	\$53,500
Trustee Fee	\$9,750
Trustee's Counsel Fee	\$3,000
Financial Printer Fee	\$4,000
Underwriter Fee (If Applicable)	\$10,000
Title Insurance Fee	\$15,000
Appraiser Fee	-
Contingency	\$25,492
Other:	\$2,000
<b>Total COI</b>	<b>\$445,808</b>

**Credit Enhancement:** A \$2,000,000 credit enhancement award application for GHC for this financing is before the CSFA Board at the March 28, 2024, meeting. The enhancement award will fund the Debt Service Reserve Fund for the Series 2024 Bonds, which is currently projected to be \$1,845,788.

**SALES RESTRICTIONS**

The following sales restrictions will apply to the financing given the Bonds are rated BBB. The Authority's sales restrictions can be viewed at: <http://treasurer.ca.gov/csfa/financings/guidelines.pdf>.

1. Bonds will be in minimum denominations of **\$25,000** (BBB);
2. Bonds may be publicly offered or privately placed;
3. Bonds will be sold initially only to Qualified Institutional Buyers (QIB) and Accredited Investors (AI);
4. Subsequent transfers of bonds are limited to QIBs and Ais;
5. Sales restrictions conspicuously noted on bond and described in detail in offering materials, if any, as well as in the bond documents;
6. If the rating is BB+ or below or the bonds are unrated, bonds will be in minimum denominations of \$100,000, and one or more of the following will be required depending on the transaction, as requested by the financing team and approved by the Authority:
  - a. Traveling Investor Letter; or

- b. Higher minimum denominations of \$250,000; or
  - c. Physical Delivery; or
  - d. Limited initial sale to QIBs, with subsequent transfers limited to QIBs as well; or
  - e. Other investor protection measures
7. Bond payments will be made via the intercept mechanism outlined in Section 17199.4 of the Education Code.

## OTHER PROJECT DATA

**Tax Equity and Fiscal Responsibility Act (TEFRA):** The TEFRA Notice was published on the CSFA website on March 20, 2024. The TEFRA hearing will take place on Wednesday, March 27, 2024. Staff does not anticipate any comments but will provide an update to the Board if any are received.

**Due Diligence Undertaken to Date:** The financial, operating, and other information concerning the borrower, the project, and related matters presented in this Staff Summary was provided by the borrower and lender. The analysis contained herein was prepared by Authority Staff for the limited purpose of determining financial feasibility under Section 17183.5 of the CSFA Act and providing the Authority Board with information concerning certain aspects of the project. The review undertaken by Authority staff, the recommendation of Authority Staff to the Authority Board to approve the financing, or any approval by the Authority Board are not intended to and did not, include all of the due diligence activities and other investigations necessary or desirable for the purpose of making an investment decision relating to the making of the financing by the lender, and should not be relied on by any party for such purpose.

**Borrower Financial Data:** The Borrower is a California limited liability company formed to support charter schools formed and controlled by GHC, its sole member. GHC has received a determination letter from the Internal Revenue Service recognizing it as an entity described in Section 501(c)(3) of the Code. For federal tax purposes, the Borrower is treated as a “disregarded entity” of GHC.

The limited liability company is a single-purpose entity with no assets other than the applicable Facility and its rights under the Lease, which will be assigned to the Trustee. The limited liability company was formed for the purpose of owning facilities and is not expected to have any other assets or revenue available to it to make payments due under the Loan Agreement.



## STAFF RECOMMENDATION

Staff recommends the California School Finance Authority's (CSFA) Board approve Resolution Number 24-04 authorizing the issuance of School Facility Revenue Bonds in an amount not to exceed \$40,000,000 to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and/or equipping of certain educational facilities located in Los Angeles, California for use by Granada Hills Charter.

1. **Applicant / Borrower:** 17081 Devonshire LLC
2. **Project:** New Construction
3. **Amount of Financing:** Not to exceed \$40,000,000
4. **Expected Maturity:** 7/1/2064
5. **Repayment/Security:** Lease Payments and Deed of Trust on Real Property
6. **Preliminary Interest Rate:** 5.25% on tax-exempt bonds and 6.00% on taxable bonds, if any
7. **Fees:** \$446,308 is the total estimated Costs of Issuance, based on proposed project costs related to refunding, if the financing expands to include renovation, certain fees (including CSFA's and the underwriter's) will increase proportional to increased issuance amount.
8. **Not an Unconditional Commitment:** The CSFA resolution shall not be construed as unconditional commitment to finance the Project, but rather CSFA's approval pursuant to the resolution conditioned upon entry by CSFA and the Borrower into a loan agreement, in form and substance satisfactory to CSFA and its counsel.
9. **Limited Time:** The Board's approval expires 12 months from the date of its adoption. Thus, CSFA must issue the bonds no later than 12 months from such date. Once the approval has expired, the item must return to the Board for new approval.
10. **Loan Agreement Covenants:** N/A

**APPENDIX A:  
SCHOOL GOVERNANCE**

***Board of Directors***

<b>Member</b>	<b>Position</b>	<b>Profession</b>	<b>Member Since</b>	<b>Term Expires</b>
Jody Dunlap	Chair/ At Large/Community	Associate Professor and Department Chair, California State University, Northridge	2015	2025
Luis Cervantes	At Large/Community	Executive Director/CEO, El Centro de Amistad	2022	2025
Supriya Chakravarty	Parent Member	Senior Manager, First Citizens Bank and Trust	2017	2025
Lorene Dixon	At Large/Community	Vice President of Bookkeeping and Business Management, Kellogg & Andelson Global Management, Inc.	2015	2025
Joan Lewis	At Large/Community	Retired, Granada Hills Charter Administrator and Teacher	2003	2024
Richard Nolan	At Large/Community	Director of Contracting, Northrop Grumman	2020	2024
Maribel Ramirez	TK8 Parent Ambassador	TK-8 PTSA Representative	2022	2024
James Salin	At Large/Community	Retired, Former Vice President of Community Bank	2006	2024

***School Leadership***

<b>Member</b>	<b>Position</b>	<b>Year Joined</b>
Brian Bauer	CEO/Superintendent	2000
Tamar Stanton	Chief Financial Officer	2021
David Bensinger	Chief of Staff	2013
Norm Holloway	Chief Operating Officer	2004
Jenny DaCosta	Chief Academic Officer	2011
Julia Howalman	High School Administrative Director	1997
Margaret Nayfield	TK8 Administrative Director	2022

## APPENDIX B: ESTIMATED BUDGET PROJECTIONS AND ENROLLMENT



### 2023-24 2ND INTERIM ESTIMATED ACTUALS MULTI-YEAR FINANCIAL PROJECTIONS ALL FUNDS COMBINED

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
<b>Total Enrollment</b>	6,000	6,010	6,125	6,125	6,125	6,125
<b>ADA</b>	5,700.00	5,709.50	5,818.75	5,818.75	5,818.75	5,818.75
<b>ADA %</b>	95%	95%	95%	95%	95%	95%
<b>Statutory COLA</b>	8.13%	0.76%	2.73%	3.11%	3.17%	3.00%
<b>REVENUES</b>	<b>COMBINED FUNDS</b>					
1) LCFF Sources	75,881,027	75,827,975	79,366,611	81,782,249	84,326,267	86,778,957
2) Federal Revenues	7,420,532	5,080,698	4,898,476	4,933,957	5,081,975	5,234,435
3) Other State Revenues	8,909,074	8,552,296	9,328,795	9,416,848	9,614,577	9,806,868
4) Other Local Revenues	9,198,276	10,610,557	12,793,562	12,866,833	13,121,161	13,389,328
<b>5) TOTAL REVENUES</b>	<b>\$ 101,408,909</b>	<b>\$ 100,071,526</b>	<b>\$ 106,387,443</b>	<b>\$ 108,999,886</b>	<b>\$ 112,143,980</b>	<b>\$ 115,209,588</b>
<b>EXPENDITURES</b>						
1) Certificated Salaries	36,454,100	37,214,767	38,952,135	40,141,624	41,366,798	42,628,726
2) Classified Salaries	10,361,278	10,775,729	11,099,000	11,431,971	11,774,930	12,128,178
3) Employee Benefits	20,974,534	21,603,770	22,467,921	23,366,638	24,301,303	25,273,355
4) Books & Supplies	7,252,539	4,430,539	4,825,150	5,151,598	5,534,598	5,740,778
5) Services, Other Expenses	19,640,040	14,534,598	14,690,916	14,942,728	15,683,298	16,013,525
Direct Cost Transfers	-	-	-	-	-	-
6) Capital Outlay	1,616,976	4,921,453	3,518,214	3,518,214	3,518,214	3,518,214
7) Other Outgo	4,347,256	5,326,713	7,766,583	7,814,265	7,811,315	7,811,315
8) Direct/Indirect Costs	-	-	-	-	-	-
<b>9) TOTAL EXPENDITURES</b>	<b>\$ 100,646,722</b>	<b>\$ 98,807,569</b>	<b>\$ 103,319,919</b>	<b>\$ 106,367,038</b>	<b>\$ 109,990,455</b>	<b>\$ 113,114,090</b>
<b>EXCESS (DEFICIENCY) OF REV/EXP</b>	<b>\$ 762,187</b>	<b>\$ 1,263,957</b>	<b>\$ 3,067,525</b>	<b>\$ 2,632,849</b>	<b>\$ 2,153,525</b>	<b>\$ 2,095,497</b>
<b>CHANGE IN NET POSITION</b>	<b>762,187</b>	<b>1,263,957</b>	<b>3,067,525</b>	<b>2,632,849</b>	<b>2,153,525</b>	<b>2,095,497</b>
<b>NET POSITION</b>						
1) Beginning Balance						
a) As of July 1, Unaudited	51,742,865	50,357,121	51,621,078	54,688,603	57,321,451	59,474,976
b) Audit Adj/Restatement	-	-	-	-	-	-
c) As of July 1, Audited	51,742,865	50,357,121	51,621,078	54,688,603	57,321,451	59,474,976
-	-	-	-	-	-	-
<b>2) Ending Balance, June 30</b>	<b>\$ 50,357,121</b>	<b>\$ 51,621,078</b>	<b>\$ 54,688,603</b>	<b>\$ 57,321,451</b>	<b>\$ 59,474,976</b>	<b>\$ 61,570,474</b>
<b>Coverage Ratio</b>						
Net Income	762,187	1,263,957	3,067,525	2,632,849	2,153,525	2,095,497
Plus: Depreciation	1,616,976	4,921,453	3,518,214	3,518,214	3,518,214	3,518,214
Plus: Interest	2,856,500	2,818,150	2,777,150	2,777,150	2,777,150	2,777,150
<b>Available for Debt Service</b>	<b>\$ 5,235,663</b>	<b>\$ 9,003,560</b>	<b>\$ 9,362,889</b>	<b>\$ 8,928,213</b>	<b>\$ 8,448,888</b>	<b>\$ 8,390,861</b>
Series 2024 P&I - Phase 3 Project	260,909	1,841,988	1,843,038	1,844,788	1,845,788	1,841,038
Series 2021A & 2021B P&I	578,750	833,800	835,800	837,200	833,000	833,400
Series 2019 P&I	1,818,375	2,975,350	2,977,950	2,974,350	2,974,750	2,978,950
<b>Total Debt Service</b>	<b>\$ 2,658,034</b>	<b>\$ 5,651,138</b>	<b>\$ 5,656,788</b>	<b>\$ 5,656,338</b>	<b>\$ 5,653,538</b>	<b>\$ 5,653,388</b>
<b>Debt Service Coverage Ratio</b>	<b>1.97</b>	<b>1.59</b>	<b>1.66</b>	<b>1.58</b>	<b>1.49</b>	<b>1.48</b>
<i>Projected Cash Balance as of June 30</i>	<i>\$ 40,512,009</i>	<i>\$ 37,199,793</i>	<i>\$ 42,681,785</i>	<i>\$ 44,302,226</i>	<i>\$ 46,003,129</i>	<i>\$ 47,190,192</i>
<b>Consolidated Days Cash on Hand</b>	<b>147</b>	<b>137</b>	<b>151</b>	<b>152</b>	<b>153</b>	<b>152</b>

Financial projections reflect Granada Hills Charter assumptions regarding future year's enrollment and funding. Series 2024 debt service reflects current market interest rates as of February 5, 2024.