

\$10,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
SCHOOL FACILITY REVENUE BONDS
(GRANADA HILLS CHARTER HIGH SCHOOL OBLIGATED GROUP)
SERIES 2017A (TAX-EXEMPT) AND 2017B (TAXABLE)

EXECUTIVE SUMMARY
RESOLUTION 17-03

Borrower:	17081 Devonshire, LLC (the "Borrower")
Project User:	Granada Hills Charter High School (the "Lessee")
Loan Amount:	Not to exceed \$10,000,000
Expected Issuance:	March 2017
Project:	The proceeds of the bonds will be used to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing and/or Equipping of Educational Facilities Located in Los Angeles County, California
Bond Type:	School Facility Revenue Bonds
Project Location:	See "Project Information" section
Counties Served:	Los Angeles
District in which Project is Located:	Los Angeles Unified School District
Charter Authorizer:	Los Angeles Unified School District
Est. Annual Payment:	\$396,000
Anticipated Rating:	BB+
Structure:	\$5,796,747.15 (tax-exempt); \$223,326.00 (taxable)
Sale Method:	Public Offering
Underwriter:	Piper Jaffray & Co.
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Trustee:	Wilmington Trust, National Association

I. Use of Bond Proceeds / Project Information

The proceeds of the Bonds will be used to (1) finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of the charter school educational facility known as Granada Hills Charter School Devonshire Campus, located at 17081 Devonshire Street, Northridge, California 91325, (2) pay certain

expenses incurred in connection with the issuance of the Bonds, and (3) fund a debt service reserve fund and a repair and replacement fund with respect to the Bonds.

Site	Landlord	Location	Purpose	Amount
Granada Hills Charter High School	17081 Devonshire LLC	17081 Devonshire Street, Northridge, CA 91325	Improvements	\$1,300,000
Granada Hills Charter High School	17081 Devonshire LLC	17081 Devonshire Street, Northridge, CA 91325	Refinance an Outstanding Loan	\$4,000,000
Total Estimated Project Costs				\$5,300,000

II. Granada Hills Charter High School

17081 Devonshire, LLC, a California limited liability company and “participating party” under the California School Finance Authority Act, is requesting a loan of bond proceeds from the Authority finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of the charter school educational facility known a Granada Hills Charter School Devonshire Campus, located at 17081 Devonshire Street, Northridge, California 91325. Such loan structure complies with Section 17180(i) of California Education Code.

Granada Hills Charter High School (“Granada Hills Charter HS”) is a California non-profit public benefit corporation and an organization described in Section 501(c)(3) of the Code that operates a charter school established pursuant to the Charter School Law. Granada Hills Charter HS currently holds a charter for and operates a charter high school serving over 4,400 students in Los Angeles, California. Granada Hills Charter HS is the sole member of 17081 Devonshire, LLC.

III. Financial Structure

The Bonds are expected to be issued in two series, (Tax-Exempt) of approximately \$5,790,000 and (Taxable) of approximately \$225,000. The Bonds will have a final maturity of July 1, 2048. The Bonds will be have interest and principal payments through July 1, 2048 (the first principal payment will be July 1, 2018). It is anticipated that the bonds will be set at a tax-exempt rate of 5.0% till 2038 when the rate would increase to 5.25%; and a taxable rate of 5.5%.

IV. Security and Source of Payment

The Bonds will be payable out of Payments under the Indenture, consisting primarily of Loan Repayments under the Loan Agreement. The obligations of the Borrower under the Loan Agreement are secured by: (i) the rent payments received under the Lease (and potentially additional leases in the future due to an obligated group structure), and (ii) the Reserve Account. The Reserve Account will be funded initially by proceeds of the Bonds.

As additional security for the Bonds, in connection with the issuance of the Bonds, the Lessee will provide instructions to the State Controller’s Office to make an apportionment to the Trustee with respect to the School in amounts and on 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 if necessary, 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 State Controller pursuant to the Intercept.

V. Preliminary Sources and Uses/Cost of Issuance

Below are the preliminary sources and uses, and detailed information about the costs of issuance for board consideration. Please note that these figures are subject to change between the time of board packets being distributed and the time of the board meeting – members will be provided updated figures should they change before the board meeting date.

Preliminary Sources and Uses

Sources:	Series 2016A (Tax-Exempt)	Series 2016B (Taxable)	Total
Bond Proceeds:			
Par Amount	\$5,790,000.00	\$225,000.00	\$6,015,000.00
Net Original Issue Premium	\$6,747.15	-\$1,674.00	\$5,073.15
Total Bond Proceeds	\$5,796,747.15	\$223,326.00	\$6,020,073.15
Uses:	Series 2016A (Tax-Exempt)	Series 2016B (Taxable)	Total
Project Fund Deposits:			
Loan Refinance	\$4,000,000.00	\$0.00	\$4,000,000.00
New Money	\$1,300,000.00	\$0.00	\$1,300,000.00
	\$5,300,000.00	\$0.00	\$5,300,000.00
Other Fund Deposits:			
Debt Service Reserve Fund	\$380,789.96	\$14,797.54	\$395,587.50
Delivery Date Expenses:			
Cost of Issuance	\$57,967.48	\$205,859.52	\$263,827.00
Underwriter's Discount	\$57,967.47	\$2,233.26	\$60,200.73
	\$115,934.95	\$208,092.78	\$324,027.73
Other Uses of Funds:			
Contingency	\$22.24	\$435.68	\$457.92
Total	\$5,796,747.15	\$223,326.00	\$6,020,073.15

Preliminary Cost of Issuance

Bond Counsel	\$75,000.00
Borrower Counsel	\$50,000.00
Underwriter Counsel	\$50,000.00
CSFA - Issuance Fee	\$9,924.75
CSFA - Agent for Sale Fee	\$6,000.00
CSFA - Issuer Counsel	\$7,000.00
CSFA - Admin Fee	\$902.25
Rating Agency - S&P	\$30,000.00
Trustee	\$10,000.00
Title	\$15,000.00
Miscellaneous COI	\$10,000.00
Contingency	\$0.00
Total COI	\$263,827.00

**Numbers are based on a preliminary par amount of \$6,015,000*

VI. Borrower Financial Data

Pursuant to Section 17183.5 of the CSFA Act, financing through the Authority is to be provided only to projects demonstrated by the participating party to be financially feasible. In demonstration feasibility, the participating party may take into account all of its funds, and may base future projections upon historical experience or reasonable expectations, or a combination thereof. Nothing in Section 17183.5 shall be construed to imply that any project is required to produce revenue in order to be financed under this chapter. Pursuant to this provision, Exhibit A contains financial information for Granada Hills Charter High School Education Foundation.

VII. Due Diligence Undertaken to Date

No information was disclosed to question the financial viability or legal integrity of the Borrower. Standard opinions of counsel (i.e., that the borrowing entity has been duly organized, is in good standing, has the full authority to enter into all documents which are valid and binding, etc.) will be delivered at closing.

VIII. Bond Sales Restrictions

The following sales restrictions will apply to the financing given the expected rating of BB+ or better. 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 \$100,000;
2. Bonds will be privately placed or publicly offered initially to QIBs and AIs;
3. Initial bond purchasers will be required to execute an Investor Letter;
4. Subsequent transfers of bonds will be 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. 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

IX. Staff Recommendation

Staff recommends CSFA approve Resolution Number 17-03 Authorizing the Issuance of School Facility Revenue Bonds in an Amount Not To Exceed \$10,000,000 to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing and/or Equipping of Educational Facilities Located in Los Angeles County, California for use by Granada Hills Charter High School .

EXHIBIT A
Financial Position

Granada Hills Charter High School
Historical Income Statement

	FY2013	FY2014	FY2015	FY2016
Current Assets				
Cash and cash equivalents	4,078,894	9,579,958	13,787,256	12,983,226
Investments	-	1,647,368	1,665,690	2,653,984
Accounts receivable	11,754,332	3,751,556	972,472	1,880,915
Inventory	135,503	113,995	119,720	125,044
Prepaid expenditures	120,261	66,986	55,203	313,635
Other current assets	-	-	-	1,325
Total Current Assets	<u>16,088,990</u>	<u>15,159,863</u>	<u>16,600,341</u>	<u>17,958,129</u>
Noncurrent Assets				
Capital assets, net	12,982,842	12,881,269	13,648,145	14,713,889
TOTAL ASSETS	<u>29,071,832</u>	<u>28,041,132</u>	<u>30,248,486</u>	<u>32,672,018</u>
LIABILITIES AND NET ASSETS:				
Current Liabilities				
Accounts payable	231,698	1,533,639	1,586,268	1,381,578
Accrued payroll	2,020,395	3,637,418	2,192,932	4,335,055
Due to student groups	200,343	221,270	217,817	292,666
Unearned revenue	23,369	63,595	-	75,000
Accrued vacation liability	166,813	166,813	170,814	198,400
Note payable	4,398,727	-	4,000,000	4,000,000
Total Current Liabilities	<u>7,039,345</u>	<u>5,622,735</u>	<u>8,167,831</u>	<u>10,282,699</u>
Long-Term Liabilities				
Loan payable, less current portion	5,000,000	5,000,000	5,000,000	5,000,000
Total Long-Term Liabilities	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
Total Liabilities	<u>12,039,345</u>	<u>10,622,735</u>	<u>13,167,831</u>	<u>15,282,699</u>
NET ASSETS				
Unrestricted	16,233,081	16,582,281	16,986,810	17,002,942
Temporarily restricted	799,406	836,116	93,845	386,377
Total Net Assets	<u>17,032,487</u>	<u>17,418,397</u>	<u>17,080,655</u>	<u>17,389,319</u>
TOTAL LIABILITIES AND NET ASSETS	<u>29,071,832</u>	<u>28,041,132</u>	<u>30,248,486</u>	<u>32,672,018</u>

Balance Sheet Metrics

Unrestricted Cash & Investments	4,078,894	11,227,326	15,452,946	15,637,210
Days Cash on Hand	41	104	128	112
Unrestricted Net Assets as % of Expenses	45%	42%	39%	33%
Cash & Investments to Debt	43%	225%	172%	174%

Financial Position

Granada Hills Charter High School Historical Income Statement

	FY2013	FY2014	FY2015	FY2016
Revenues:				
LCFF/EPA	\$ 19,775,478	\$ 23,974,943	\$ 26,927,531	\$ 30,142,338
State Aid, Prior Year	(7,927)	18,745	-	16,060
PILOPT	5,816,083	6,224,807	7,018,694	8,374,645
Federal Revenue	2,477,941	2,495,201	3,005,189	3,350,705
Other State Revenue	6,168,927	4,277,502	3,760,719	6,630,497
Interest	261,053	264,430	100	289,176
Other Local Revenue	2,710,185	2,860,224	3,275,050	3,033,127
Total Revenue	37,201,740	40,115,852	43,987,283	51,836,548
Expenses				
Certified salaries	15,361,044	16,572,416	18,512,348	20,850,788
Classified Salaries	5,153,766	5,582,982	6,441,428	7,305,720
Taxes and Employee Benefits	6,387,683	6,608,990	7,450,964	8,589,381
Books and Supplies	1,730,734	3,391,719	4,074,195	5,303,442
Rentals, Leases and Repairs	-	-	1,714,571	2,599,687
Other Operating Expenditures	7,141,536	6,992,161	5,589,503	5,971,588
Debt Service Interest	270,981	240,127	221,300	221,300
Depreciation	342,993	341,547	320,715	455,362
Total Expenses	36,388,737	39,729,942	44,325,024	51,297,268
Change in Net Assets	813,003	385,910	(337,741)	539,280
Net Assets - Beginning	16,219,484	17,032,487	17,418,397	16,850,039
Net Assets - Ending	17,032,487	17,418,397	17,080,656	17,389,319
Proforma Available for Debt Service:				
Change in Net Assets	813,003	385,910	(337,741)	539,280
Plus: Depreciation	342,993	341,547	320,715	455,362
Plus: Interest	221,300	221,300	221,300	221,300
Proforma Net Income Available for Debt Service	1,377,296	948,757	204,274	1,215,942
Series 2010 MADS	221,300	221,300	221,300	221,300
Series 2017 MADS	395,588	395,588	395,588	395,588
Proforma MADS	616,888	616,888	616,888	616,888
Proforma MADS Coverage	2.23	1.54	0.33	1.97

Financial Projections

Granada Hills Charter High School Financial Projections

	Budget FY2017	Projected FY2018	Projected FY2019	Projected FY2020	Projected FY2021
Enrollment	4,640	4,640	4,640	4,640	4,640
Revenue					
LCFF	42,020,211	42,595,017	44,152,112	45,867,530	47,878,767
Federal	3,126,877	3,183,317	3,224,431	3,268,813	3,316,657
State	5,149,979	3,931,243	3,776,932	3,843,566	3,915,395
Other	3,160,290	3,278,900	3,403,900	3,278,900	3,108,900
Total Revenue	53,457,358	52,988,476	54,557,375	56,258,809	58,219,719
Expense					
Certificated Salaries	21,786,171	22,064,857	21,851,670	22,397,962	22,957,911
Classified Salaries	7,674,952	7,754,443	7,679,521	7,871,509	8,068,296
Employee Benefits	10,061,941	10,977,173	11,866,154	12,999,964	14,020,176
Books & Supplies	3,483,090	3,280,600	3,478,800	3,571,900	3,700,500
Other Operating	7,374,793	6,353,820	6,606,996	6,706,436	6,807,165
Capital/Depreciation	550,031	550,000	550,000	550,000	550,000
Other Outgo ⁽¹⁾	1,402,098	1,647,753	1,675,222	1,705,592	1,518,665
Total Expense	52,333,076	52,628,646	53,708,363	55,803,363	57,622,714
Net Income	1,124,281	359,830	849,012	455,446	597,005
Coverage Ratio:					
Net Income	1,124,281	359,830	849,012	455,446	597,005
Plus: Depreciation	550,031	550,000	550,000	550,000	550,000
Plus: Interest	301,400	531,238	526,563	521,888	295,563
Available for Debt Service	1,975,712	1,441,068	1,925,575	1,527,333	1,442,567
Series 2017 A&B Principal	-	85,000	85,000	95,000	100,000
Series 2017 A&B Interest	80,067	309,938	305,263	300,588	295,563
Series 2010 Interest	221,333	221,300	221,300	221,300	-
Total Debt Service	301,400	616,238	611,563	616,888	395,563
Debt Service Coverage Ratio	6.56	2.34	3.15	2.48	3.65

⁽¹⁾ Interest Included above in Other Outgo

Historical and Projected Enrollment

Historical Enrollment by Grade Level Fiscal Years 2011-12 through 2015-16 The School					
Grade Level	2011-12	2012-13	2013-14	2014-15	2015-16
9th Grade	1,054	1,069	1,090	1,119	1,140
10th Grade	1,242	1,071	1,093	1,121	1,153
11th Grade	1,050	1,035	1,079	1,090	1,102
12th Grade	855	1,049	1,011	1,080	1,085
Totals	4,201	4,224	4,273	4,410	4,480

Projected Enrollment by Grade Level Fiscal Years 2016-17 through 2020-21 The School					
Grade Level	2016-17⁽¹⁾	2017-18⁽²⁾	2018-19⁽²⁾	2019-20⁽²⁾	2020-21⁽²⁾
9th Grade	1300	1220	1220	1220	1220
10th Grade	1120	1220	1220	1220	1220
11th Grade	1120	1100	1100	1100	1100
12th Grade	1100	1100	1100	1100	1100
Totals	4640	4640	4640	4640	4640