

\$50,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(GRANADA HILLS CHARTER PROJECT)
SERIES 2019A (TAX-EXEMPT)

EXECUTIVE SUMMARY
RESOLUTION 19-09

Borrower :	17081 Devonshire LLC (the "Borrower")
Owner of Facilities:	17081 Devonshire LLC
Project User:	Granada Hills Charter
Loan Amount:	Not to exceed \$50,000,000
Expected Issuance:	July 17, 2019
Project:	The borrower is requesting the issuance of tax-exempt and taxable bonds to finance the acquisition and renovation of certain educational facilities for use by Granada Hills Charter, specifically a 300,000 square foot TK-8 facility with a 1,900 student capacity, scheduled for occupancy in August 2020.
Bond Type:	Educational Facility Revenue Bonds (Tax-Exempt and Taxable Series)
Project Location:	17081 Devonshire, Street, Northridge, CA 91325
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:	\$2,900,000
Anticipated Rating:	BB+
Structure:	\$ 46,100,000 (Tax-Exempt)
Sale Method:	Public Offering
Underwriter:	Ziegler
Bond Counsel:	Orrick Herrington
Trustee:	Wilmington Trust

*Not to Exceed Amount

I. Use of Bond Proceeds

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 (the "Project") of the charter school educational facilities known as Granada Hills Charter Devonshire Campus, located at 17081 Devonshire Street, Northridge, California 91325 (the "Devonshire Campus"), (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. The facilities are located on an approximately 6.95 net acre site at 17081 Devonshire Street, in Northridge, California. A portion of the school is currently located at the Devonshire Campus, specifically 250 students in the 2018-19 school year, with the school's remaining 4,450 students located less than one mile away at the main campus, 10535 Zelzah Avenue, Granada Hills ("Zelzah Campus"). Granada Hills Charter operates at the Zelzah Campus pursuant to a Sole Occupant Agreement by and between Granada Hills Charter, as occupant thereunder, and the Los Angeles Unified School District, as owner of the Zelzah Campus ("Occupancy Agreement"). The term of the Occupancy Agreement is co-terminus with the charter petition for the School, subject to any renewal, denial of renewal, or revocation. Granada Hills Charter's property interest in the Zelzah Campus is not a source of security for the payment of the Bonds.

Site	Landlord	Location	Purpose	Amount
17081 Devonshire Street Northridge, CA	17081 Devonshire LLC	17081 Devonshire Street, Northridge, CA	Construction	\$40,000,000.00
Total Estimated Project Costs				\$40,000,000.00

II. Granada Hills Charter

Granada Hills Charter: Granada Hills Charter began as a public high school in 1960, and operated as such until 2003, when the Los Angeles Board of Education approved the then school administration's request to convert to a charter school. The school is one of the largest independent charter high schools in the country, with a 2018-19 enrollment of 4,700 students.

Beginning in school year 2019-20, Granada intends to expand to include TK-8th grades, with a staggered rollout that includes TK/K, 1st and 6th grades the first year, 2 additional grades the next 2 years (2nd and 7th in 2020-21, 3rd and 8th in 2021-22) and one grade per year thereafter, with the school fully enrolled in school year 2023-24.

At their September 2018 meeting LAUSD pulled the item from consent, the renewal of the high school charter petition was approved on a vote of 6-0. The addition of the TK-8 was approved on a vote of 4-1-1. The enrollment expanded was to 6,925 by the end of the new 5-year charter term to reflect the TK-12 expansion.

Granada Hills Charter decided to expand to TK-8 after four years of research and the success of the high school's International Baccalaureate program. The intention is to align the grade school and junior high with the International Baccalaureate (IB) program using the IB's Primary Years and Middle Years Programs. There currently is not a continuous TK-12 International Baccalaureate school in LAUSD.

This is the third bond issuance for Granada Hills. They first issued bonds in 2010. The proceeds of the 2010 bonds were used to finance a project at the Zelzah Campus. Their second issue of bonds in 2017 was rated BBB- and the proceeds were used for the acquisition and improvement of the Devonshire Campus.

Granada Hills 5-Year Budget Projections, Enrollment, and Coverage Ratios are included in Exhibit A. Enrollment projections for all grades, including the TK-8 expansion, for the next six years are included in more granular form in Exhibit B.

The Borrower: 17081 Devonshire LLC (the Borrower) is a California limited liability company, the sole member of which is Granada Hills Charter. The Borrower was formed in 2017 to support schools operated by Granada Hills Charter, specifically for the purpose of holding title to property and managing, operating and leasing property, collecting income, and transmitting that income to Granada Hills Charter. The Borrower is a party to the Loan Agreement as borrower; to the Master Indenture and Supplemental Master Indenture as a Member of the Obligated Group and the representative of the Members of the Obligated Group.

The Project Users: The Project will be owned by the Borrower, 17081 Devonshire LLC, a California limited liability company whose sole managing member is Granada Hills Charter, a California nonprofit public benefit corporation. The Borrower was created for the purpose of owning the Mortgaged Property which includes the Project facilities. The project will be leased to Granada Hills Charter.

Granada Hills Charter (a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986), established and operates Granada Hills Charter as a public charter school.

III. Financial Structure

The Bonds will be issued in one series, a tax-exempt issuance not to exceed \$50,000,000. The tax exempt series will be issued to finance items eligible for financing with tax-exempt bond proceeds, including allowable costs of issuance. The tax exempt series is expected to consist of three term bonds maturing on 7/1/2029, 7/1/2039, and 7/1/2054.

The facilities financed with proceeds of the Bonds will be leased to Granada Hills Charter.

IV. Security and Source of Payment

The Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Trustee pursuant to the Loan Agreement, the Intercept, and Obligation No. 2 issued by the Borrower in an amount equal to the aggregate principal amount of the Bonds pursuant to the Master Indenture. The obligations of the Borrower under the Loan Agreement and Obligation No. 2 are secured on a parity basis with the Loan Agreement, dated as of March 1, 2017, by and between the Authority and the Borrower, and Obligation No. 1, which was issued by the Authority pursuant to the Master Indenture. Obligation No. 1 was issued in connection with the California School Finance Authority School Facility Revenue Bonds (Granada Hills Charter High School Obligated Group), Series 2017A, in the aggregate principal amount of \$5,420,000 and, Series 2017B (Taxable), in the aggregate principal amount of \$370,000, which were issued pursuant to an Indenture, dated as of March 1, 2017, by and between the Authority and the Trustee.

Pursuant to and to the extent described in the Bond Indenture, the Authority assigns to the Trustee certain of the Authority's rights under the Loan Agreement, including the right to receive payments thereunder, but excluding any deposits to the Rebate Fund and other Retained Rights, as defined in the Bond Indenture. Pursuant to the Loan Agreement, the Borrower certifies that it will cause the Lessee to make payments of Base Rent under the Lease directly to the Trustee for deposit in the Revenue Fund. In addition, pursuant to the Mortgage, the Borrower grants to the Master Trustee a first priority lien on the charter school facilities located at 17081 Devonshire Street, Los Angeles, California. Granada Hills Charter holds the charter for the School and is the tenant under the Lease. The School will initially be the only "School," as defined in the Master Indenture

as a charter school operated by Granada Hills Charter in a facility leased from a Member of the Obligated Group. Rent under the Lease is payable solely from the revenues derived from the School, and any future Schools located at the facilities. Revenues generated from any other schools whose charters are held or that are operated or managed by Granada Hills Charter, or assets and revenues generated from sources other than the Related Projects (as defined in the Master Indenture), are not available for payment of Rent or otherwise available to the Authority, Master Trustee, Trustee or Bondholders. Granada Hills Charter's property interest in the Zelzah Campus is not a source of security for the payment of the Bonds.

V. Preliminary Sources and Uses/Costs 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.

Sources and Uses

Sources:	Series 2019A (Tax-Exempt)	Series 2019B (Taxable)	Total
Bond Proceeds:			
Par Amount	\$46,030,000	\$0.00	\$46,030,000
Premium	\$0.00	\$0.00	\$0.00
Total:	\$46,030,000	\$0.00	\$46,030,000
Uses:	Series 2019A (Tax-Exempt)	Series 2019B (Taxable)	Total
Project Fund Deposits:			
Acquisition Cost	\$40,000,000	\$0.00	\$40,000,000
	\$40,000,000	\$0.00	\$40,000,000
Other Fund Deposits:			
Debt Service Reserve Fund	\$2,855,412.50	\$0.00	\$2,855,412.50
Capitalized Interest Fund	\$2,320,601.88	\$0.00	\$2,320,601.88
Delivery Date Expenses:			
Cost of Issuance	\$476,850	\$0.00	\$476,850
Underwriter's Discount	\$391,255	\$0.00	\$391,255
	\$868,105	\$0.00	\$868,105
Other Uses of Funds:			
Contingency	\$880.62	\$0.00	\$880.62
Total:	\$46,045,000	\$0.00	\$46,045,000

Cost of Issuance

Expense	Amount
CSFA Issuance Fees	\$35,000
CSFA Admin Fees	\$7,500
Issuer's Counsel Fees	\$15,000
Agent-for-Sale Fees	\$8,000
Financial Advisor Fee	\$0
Underwriter's/Disclosure Counsel Fees	\$75,000
Bond Counsel Fees	\$120,000
Borrower's Counsel Fees	\$50,000
Trustee Fees	\$15,000
Trustee's Counsel Fee	\$5,000
Rating Agency Fees	\$70,000
Financial Printer Fee	\$5,000
Underwriter Fee	\$0
Title & Escrow	\$50,000
Verification Agent	\$3,000
Appraiser Fee	\$0
Contingency Fees	\$18,350
Total	\$476,850

**Estimates based on a total Par Amount of \$46,100,000.00*

VI. Borrower Financial Data

The Borrower is a California Limited Liability Company formed to support charter schools operated by Granada Hills. The Borrower is disregarded as separate from Granada Hills Charter for federal income tax purposes. Granada Hills Charter has received a determination letter from the Internal Revenue Service recognizing it as an entity described in Section 501(c)(3) of the Code.

The Borrower is a single purpose entity with no assets other than the 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 the Facility and is not expected to have any other assets or revenue available to it to make payments due under the Loan Agreement. Attached at Exhibit A is a schedule of Granada Hills' 5-year budget and its 2017-18 Financial Position.

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, is a 501(c)(3) organization or is disregarded as separate from a 501(c)(3) organization, 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+. 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 will be 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 19-07 Authorizing the Issuance of Educational Facility Revenue Bonds in an Amount Not to Exceed \$50,000,000 to Finance and Refinance the Acquisition, Construction, Renovation, Furnishing, and Equipping of certain Educational Facilities Located in Los Angeles County, California for Granada Hills Charter.

Exhibit A

Granada Hills 5-Year Budget Projections, Enrollment, and Coverage Ratios

**2018-19 SECOND INTERIM BUDGET
MULTI-YEAR FINANCIAL PROJECTIONS
ALL FUNDS COMBINED**



		2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
A. REVENUES		COMBINED FUNDS					
1) LCFF Sources	8010 - 8099	46,568,566	51,575,744	55,313,952	61,571,112	64,654,893	67,310,097
2) Federal Revenues	8100 - 8299	3,595,959	3,551,825	3,628,661	3,576,813	3,624,547	3,672,858
3) Other State Revenues	8300 - 8599	5,309,696	3,526,878	3,847,615	3,821,741	4,107,457	4,185,943
<i>SB 740 Rental Reimb</i>	8590	-	428,928	697,008	1,256,625	1,424,175	1,591,725
4) Other Local Revenues	8600 - 8799	6,447,935	6,405,590	5,854,316	5,971,181	6,007,177	6,094,835
5) TOTAL REVENUES		61,922,156	65,488,965	69,341,552	76,197,472	79,818,249	82,855,458
B. EXPENDITURES							
1) Certificated Salaries	1000 - 1999	21,508,647	24,161,391	25,527,386	27,720,628	28,633,729	29,457,326
2) Classified Salaries	2000 - 2999	7,425,904	8,437,732	8,744,469	9,192,160	9,339,426	9,596,190
3) Employee Benefits	3000 - 3999	12,837,316	14,809,517	16,092,155	17,513,281	18,103,296	18,942,846
4) Books & Supplies	4000 - 4999	4,169,411	4,533,659	4,594,463	4,925,104	4,932,083	5,056,082
5) Services, Other Expenses	5000 - 5999	8,222,838	8,759,546	8,970,504	9,309,968	9,586,788	9,881,545
Direct Cost Transfers	5710	-	-	-	-	-	-
6) Capital/Depreciation	6000 - 6999	3,225,931	1,631,368	1,636,500	1,207,863	1,205,867	1,205,867
7100 - 7299							
7) Other Outgo ⁽¹⁾	7400 - 7499	1,693,463	1,818,055	3,934,411	4,170,920	4,762,285	4,824,088
8) Direct/Indirect Costs	7300 - 7399	-	-	-	-	-	-
9) TOTAL EXPENDITURES		59,083,511	64,151,268	69,499,888	74,039,924	76,563,474	78,963,944
C. EXCESS (DEFICIENCY) OF REV/EXP		2,838,645	1,337,697	(158,336)	2,157,548	3,254,775	3,891,514
D. OTHER FINANCING SOURCES/USES							
1) Interfund Transfers							
a) Transfers In	8910 - 8929	-	-	-	-	-	-
b) Transfers Out	7610 - 7629	-	-	-	-	-	-
2) Other Sources/Uses							
a) Sources	8930 - 8979	-	-	-	-	-	-
b) Uses	7630 - 7699	-	-	-	-	-	-
3) Contributions	8980 - 8999	-	-	-	-	-	-
4) TOTAL OTHER FINANCING SOURCES/USES		-	-	-	-	-	-
E. CHANGE IN NET POSITION		2,838,645	1,337,697	(158,336)	2,157,548	3,254,775	3,891,514
F. NET POSITION							
1) Beginning Balance							
a) As of July 1, Unaudited	9791	18,601,138	20,121,315	21,182,540	21,991,768	23,108,405	24,791,467
b) Audit Adj/Restatement	9793/9795	23,511	-	-	-	-	-
c) As of July 1, Audited		18,624,649	20,121,315	21,182,540	21,991,768	23,108,405	24,791,467
2) Ending Balance, June 30		20,121,315	21,182,540	21,991,768	23,108,405	24,791,467	26,617,563

Coverage Ratio:	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Net Income	2,838,645	1,337,697	(158,336)	2,157,548	3,254,775	3,891,514
Plus: Depreciation	3,225,931	1,631,368	1,636,500	1,207,863	1,205,867	1,205,867
Plus: Interest	510,450	508,250	282,275	277,325	272,100	267,000
Available for Debt Service	6,575,027	3,477,315	1,760,439	3,642,736	4,732,742	5,364,381
Series 2019 P&I projected ⁽²⁾	-	-	1,390,000	2,250,000	2,850,000	2,850,000
Series 2017 P&I	371,350	371,950	372,275	372,325	372,100	372,000
Series 2010 P&I	721,300	721,300	-	-	-	-
Total Debt Service	1,092,650	1,093,250	1,762,275	2,622,325	3,222,100	3,222,000
Coverage Ratio	6.02	3.18	1.00	1.39	1.47	1.66

⁽¹⁾ Interest included above in Other Outgo.

⁽²⁾ Capitalized interest anticipated in 2019-20 and 2020-21.

Exhibit B

Granada Hills Enrollment Projections

GHC TK-8 PROGRAM - DEVONSHIRE CAMPUS

PLANNING ASSUMPTIONS - as of 3/22/19

ENROLLMENT	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
TK/K	0	0	0	144	144	225	225	225
Grade 1	0	0	0	120	120	150	150	150
Grade 2	0	0	0	0	120	150	150	150
Grade 3	0	0	0	0	0	150	150	150
Grade 4	0	0	0	0	0	0	150	150
Grade 5	0	0	0	0	0	0	0	150
Grade 6	0	0	0	120	120	150	150	150
Grade 7	0	0	0	0	120	150	150	150
Grade 8	0	0	0	0	0	150	150	150
Grade 9	1,304	1,211	1,173	1,175	1,175	1,175	1,175	1,175
Grade 10	1,129	1,270	1,191	1,175	1,175	1,175	1,175	1,175
Grade 11	1,135	1,119	1,218	1,175	1,175	1,175	1,175	1,175
Grade 12	1,094	1,139	1,121	1,175	1,175	1,175	1,175	1,175
Total Enrollment	4,662	4,739	4,703	5,084	5,324	5,825	5,975	6,125