

\$16,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY (CSFA)
SCHOOL FACILITY REVENUE BONDS
(GRANADA HILLS CHARTER)
SERIES 2021A \$15,000,000 (TAX-EXEMPT) AND 2021B \$1,000,000 (TAXABLE)
ITEM # 4- RESOLUTION 21-16

STAFF SUMMARY

EXECUTIVE SUMMARY			
Applicant/Borrower:	17081 Devonshire LLC	Par Amount Requested:	Not-to-Exceed * \$16,000,000
Financing Term: 27 years for tax-exempt, maturing in 2048; 3 years for taxable, maturing in 2024, 10-year call		Interest Rate: 5.00% on the Tax-Exempt; 5.5% on the Taxable	
Applicant Description: 17081 Devonshire LLC is a limited liability company formed for the single purpose of supporting its sole member, Granada Hills Charter, Incorporated, a 501(c)(3) nonprofit public benefit corporation.			
Type of Financing: Tax-Exempt and Taxable Charter School Refunding Revenue Bonds			
Project User:	Granada Hills Charter	County Served:	Los Angeles County
District in Which Project is Located:	Los Angeles Unified School District	Charter Authorizer:	Los Angeles Unified School District
Project Description: Bond proceeds will be used to refinance the 2017 Granada Hills Charter bonds issued through CSFA. Additionally, proceeds may be used to finance remodeling at the 17081 Devonshire campus in Granada Hills.			
Project Site: 17081 Devonshire Street, Northridge, CA 91325			
Financing Team:		Financing Details:	
Bond Counsel:	Orrick Herrington	Type of Issue:	School Facility Revenue Bonds
Underwriter:	Ziegler	Tax Status:	Tax-Exempt & Taxable
Borrower's Counsel:	Musick Peeler	Maturity:	2024 (Taxable) & 2048 (Tax-Exempt)
Issuer's Counsel:	Attorney General's Office	Credit Enhancement:	Yes
Issuer:	California School Finance Authority	Credit Rating:	BBB- Stable
Bond/ Trustee:	Wilmington Trust	Fees:	See Costs of Issuance Table
CSFA Analyst: Robby Biegler		Date of Staff Report: June 17, 2021	
Date of CSFA Board Meeting: June 24, 2021		Resolution Number: 21-16	
Staff Recommendation: Staff recommends the California School Finance Authority Board approve Resolution Number 21-16 authorizing the issuance of School Facility Revenue Bonds in an amount not to exceed \$16,000,000 to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, furnishing, and/or equipping of certain educational facilities located in Los Angeles County for Granada Hills Charter School.			

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 2020-21 enrollment of 5,416 students. Beginning in school year 2019-20, GHC expanded to include TK-8th grades, with a staggered rollout that includes TK/K, 1st and 6th grades the first year, two additional grades the next two years (2nd and 7th in 2020-21, 3rd and 8th 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 High School	10535 Zelzah Ave. Granada Hills	Los Angeles Unified School District	2018/19-2023/24
Granada Hills Charter TK-8	17081 Devonshire Street, Northridge	Los Angeles Unified School District	2018/19-2023/24

Current GHC demographics include:

2020-21 Demographics	Granada Hills Charter
Free-Reduced Lunch	48.8%
English Language Learner	2.4%
Students with Disabilities	8.8%
African American	4.2%
Latino/Hispanic	40.8%
Asian/Filipino/Pacific Islander	26.3%
White	25.5%

The current enrollment outlook for the GHC obligated group includes:

ENROLLMENT	<i>Budget</i> 2020-21	<i>Projected</i> 2021-22	<i>Projected</i> 2022-23	<i>Projected</i> 2023-24	<i>Projected</i> 2024-25	<i>Projected</i> 2025-26	<i>Projected</i> 2026-27
TK/K	156	156	225	225	225	225	225
Grade 1	130	130	150	150	150	150	150
Grade 2	130	130	150	150	150	150	150
Grade 3	-	130	150	150	150	150	150
Grade 4	-	-	150	150	150	150	150
Grade 5	-	-	-	150	150	150	150
Grade 6	150	150	150	150	150	150	150
Grade 7	150	150	150	150	150	150	150
Grade 8	-	150	150	150	150	150	150
Grade 9	1,175	1,091	1,195	1,195	1,195	1,195	1,195
Grade 10	1,175	1,237	1,175	1,195	1,195	1,195	1,195
Grade 11	1,175	1,173	1,175	1,175	1,195	1,195	1,195
Grade 12	1,175	1,178	1,175	1,175	1,175	1,195	1,195
Total Enrollment	5,416	5,675	5,995	6,165	6,185	6,205	6,205

The enrollment increases over the projected five years stem from a combination of adding grades and the school reaching total enrollment in their TK/K program.

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

This is the fourth 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. 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. This fourth issuance will be used to refund the 2017 bonds and finance improvements and other costs.

Granada Hills Obligated Group			
Bonds	School/Site	Amount	Obligated Group
Granada Hills QSCB 2010	Granada Charter High School (Zelzah Campus Acquisition)	\$5,000,000 (Matured)	Yes
Granada Hills Bonds 2017	Granada Charter TK-8 (Devonshire Campus Acquisition)	\$5,790,000	Yes
Granada Hills Bonds 2019	Granada Charter TK-8 (Devonshire Campus Expansion)	\$47,845,000	Yes
Granada Hills Bonds 2021 (Proposed)	Refund 2017 Devonshire Campus Bonds and other improvements	\$16,000,000 (not-to-exceed)	Yes

PROJECT DESCRIPTION

The proceeds of the Bonds will be used to (i) refund the \$5,790,000 of the 2017 GHC issuance; (ii) fund any reserve funds, capitalized interest and/or related working capital in connection with such

Bonds, as necessary; (iii) pay certain costs of issuance of the Bonds; and (iv) potentially pay for additional renovation costs at the Devonshire campus.

Project Breakdown				
Site	Landlord	Location	Purpose	Amount
Granada Hills Charter TK-8	17081 Devonshire LLC	17081 Devonshire Street, Northridge	Refunding	\$6,423,153
Granada Hills Charter TK-8	17081 Devonshire LLC	17081 Devonshire Street, Northridge	Renovation Costs	\$9,576,847
Total Estimated Project Costs				\$16,000,000

GHC issued \$5,790,000 in bonds in 2017 to acquire the Devonshire campus. Those bonds included an optional redemption feature that triggers on July 12, 2021 at 105% (meaning there will be an additional 5% surcharge on the original issuance amount). Given GHC’s strong credit rating of BBB-, and the ongoing favorable interest rate environment, particularly for well rated municipal debt, GHC and their financing team have decided to refund the original issuance.

In addition to the refunding, again owed to the favorable interest rate environment, GHC will likely pursue needed renovations at the Devonshire campus, specifically the updating and expansion (addition of a second floor) of an existing GHC facility on the Devonshire campus as well as potential work on a parking lot. GHC and its legal and financing team are analyzing the opportunity to apply already expended-and-future school-funded components of the Devonshire Project to the 2021 Bond Plan of Finance.

FINANCING

The Bonds will be issued in two series: (or potentially a third series of tax-exempt 2021 iGranada facility improvement bonds, as illustrated in the Sources and Uses table that would otherwise be included in the Series 2021A). The proposed bond structure includes (1) (tax-exempt) that will be approximately \$15,000,000 in total and (2) Series 2021B (taxable) will be approximately \$1,000,000 (Bonds). The tax- exempt series will be issued to finance items eligible for use of tax-exempt bond proceeds. The taxable series will be used to finance the costs of issuance in excess of 2% of the tax-exempt series. The tax-exempt series is expected to consist of three term bonds maturing on July 1, 2027, July 1, 2037, and July 1, 2048. The taxable series is expected to be issued as one term bond, maturing on July 1, 2024.

The facility that will be refunded is leased to Granada Hills Charter, a nonprofit public benefit corporation, pursuant to a lease from 17081 Devonshire and GHC. The facility is used by the lessee to operate GHC TK-8.

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 Education Code 17199.4.

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.

GHC is also a recipient of the CSFA issued Advances on State Aid Payments (ASAP) Program, the short term note issuance that funded advancements on state deferrals of education funding. Because of both their shorter duration and the fact that the ASAP notes are a state credit the intercept of those repayments is prioritized over bond repayments. While bond repayments should not commence before ASAP repayments have been completed, all applicable bond documents would reflect the seniority of the ASAP notes over the Bonds.

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

Sources:	Series 2021A (Tax-Exempt)	Series 2021B (Taxable)	Series 2021C 2021 Project (Tax Exempt)	Total
Bond Proceeds:				
Par Amount	\$5,090,000	\$215,000	\$8,820,000	\$14,125,000
Bond Premium	\$669,488	\$0	\$1,160,095	\$1,829,582
Equity Contribution	\$374,500	\$0		\$374,500
Total:	\$6,133,988	\$215,000	9,980,095	\$16,329,083
Uses:	Series 2021A (Tax-Exempt)	Series 2021B (Taxable)	Series 2021C 2021 Project (Tax Exempt)	Total
Project Fund Deposits:				
Refund Deposit	\$5,712,000	\$0		\$5,712,000
	\$5,712,000	\$0		\$5,712,000
Other Fund Deposits:				
Debt Service Reserve Fund	\$317,695	\$0	\$550,505	\$868,200
2021 Project Fund		\$0	\$9,250,000	\$9,250,000
Delivery Date Expenses:				
Cost of Issuance	\$65,346	\$137,922	\$113,232	\$316,500
Underwriter's Discount	\$36,454	\$76,941	\$63,168	\$176,563
	\$101,800	\$214,862	\$176,400	\$493,063
Other Uses of Funds:				
Contingency	\$2,493	\$138	\$3,190	\$5,820
Total:	\$6,133,988	\$215,000	9,980,095	\$16,329,083

Total Costs of Issuance*

Expense	Amount
CDLAC Fee	\$2,000
Bond Counsel	\$85,000
Borrower's Counsel	\$45,000
Underwriter's/Disclosure Counsel	\$75,000
CSFA Issuance Fee	\$25,000
CSFA 1st Admin Fee	\$1,000
CSFA Issuer Fee - PFD Fee	\$6,000
Issuer's Counsel (AG)	\$7,000
Underwriter's Discount	\$176,563
Rating Agency Fee	\$26,500
Trustee & Trustee Counsel Fee	\$10,000
Financial Printer Fee	\$4,000
Title Insurance Estimate	\$25,000
Contingency	\$5,000
Total	\$493,063

**Estimates based on the proposed \$6,423,153 refunding amount. If renovation costs are pursued certain amounts (include CSFA & underwriter fees) will increase proportionally.*

Credit Enhancement

A \$500,000 not-to-exceed credit enhancement award application for GHC for this financing is before the CSFA Board at the June 2021 meeting. The enhancement award will replace the current projected Debt Service Reserve Fund of \$329,200. *The credit enhancement award was sized on the refinancing portion only. Should the financing team seek a larger enhancement grant, they will come back to the board at its July meeting for a larger award.*

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, 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 Webpage on June 17, 2021. The TEFRA hearing will take place on Thursday, June 24, 2021. 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 pursuant to 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 as a support organization for 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 because GHC is its sole member.

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 21-16 authorizing the issuance of School Facility Revenue Bonds in an amount not to exceed \$16,000,000 to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, 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:** Refunding and Renovation
3. **Amount of Financing:** Not to exceed \$16,000,000
4. **Maturity:** July 1, 2048
5. **Repayment/Security:** Lease Payments and Deed of Trust on Real Property
6. **Preliminary Interest Rate:** 5% on tax-exempt bonds and 5% on taxable bonds
7. **Fees:** \$493,063 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

Jim Salin	Member-at-Large
Joan Lewis	Member-at-Large
Jody Dunlap	Member-at-Large
Lorene Dixon	Member-at-Large
Supriya Chakravarty	Member-at-Large
Richard Nolan	Member-at-Large
Christine Hutton	Retired Teacher
Maribel Campos	Parent

School Leadership

Brian Bauer	Executive Director
Jana Davenport	Administrative Director TK-8
Jennifer DaCosta	Administrative Director, Instruction
Julia Howelman	Administrative Director, Instruction
Joy Kasper	Administrative Director, Special Education

APPENDIX B: ESTIMATED BUDGET PROJECTIONS AND ENROLLMENT

		2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
A. REVENUES	Account Codes	COMBINED FUNDS					
1) LCFF Sources	8010 - 8099	53,918,891	61,788,224	66,010,877	69,552,792	71,957,778	74,494,680
2) Federal Revenues	8100 - 8299	12,401,279	15,012,103	4,510,695	4,601,708	4,844,844	4,844,844
3) Other State Revenues	8300 - 8599	8,668,515	3,623,519	3,035,725	3,157,376	3,157,376	3,157,376
4) Other Local Revenues	8600 - 8799	7,212,912	9,254,885	6,760,604	6,850,821	6,888,321	6,888,321
5) TOTAL REVENUES		82,201,597	89,678,731	80,317,901	84,162,697	86,848,319	89,385,221
B. EXPENDITURES							
1) Certificated Salaries	1000 - 1999	27,090,793	29,177,855	29,252,658	32,288,035	32,801,871	32,949,571
2) Classified Salaries	2000 - 2999	7,446,327	9,389,129	9,160,530	9,441,054	9,612,126	9,816,629
3) Employee Benefits	3000 - 3999	13,990,468	15,649,164	17,543,167	18,179,813	18,726,072	19,101,654
4) Books & Supplies	4000 - 4999	6,692,306	6,355,626	5,843,947	6,048,556	6,221,601	6,398,834
5) Services, Other Expenses	5000 - 5999	12,452,772	14,038,739	11,869,488	12,157,065	12,511,473	12,798,551
Direct Cost Transfers	5710	-	-	-	-	-	-
6) Capital Outlay	6000 - 6999	1,035,924	1,041,869	526,976	618,667	521,767	618,667
7) Other Outgo	7100 - 7299						
7400 - 7499		4,213,321	4,437,300	2,021,052	2,076,410	2,100,460	2,125,829
7300 - 7399		-	-	-	-	-	-
8) Direct/Indirect Costs		-	-	-	-	-	-
9) TOTAL EXPENDITURES		72,921,911	80,089,682	76,217,818	80,809,600	82,495,370	83,809,735
C. EXCESS (DEFICIENCY) OF REV/EXP		9,279,686	9,589,049	4,100,083	3,353,097	4,352,949	5,575,486
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		9,279,686	9,589,049	4,100,083	3,353,097	4,352,949	5,575,486
F. NET POSITION							
1) Beginning Balance							
a) As of July 1, Unaudited	9791	27,913,386	37,193,072	46,782,121	50,882,204	54,235,301	58,588,250
b) Audit Adj/Restatement	9793/9795	-	-	-	-	-	-
c) As of July 1, Audited		27,913,386	37,193,072	46,782,121	50,882,204	54,235,301	58,588,250
2) Ending Balance, June 30		37,193,072	46,782,121	50,882,204	54,235,301	58,588,250	64,525,216

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Coverage Ratio:						
Net Income	9,279,686	9,589,049	4,100,083	3,353,097	4,352,949	5,575,486
Plus: Depreciation	1,035,924	1,041,869	526,976	618,667	521,767	618,667
Plus: Interest	1,448,400	2,884,138	2,894,469	2,856,500	2,818,150	2,777,150
Available for Debt Service	11,764,010	13,515,056	7,521,528	6,828,264	7,692,866	8,971,303
Series 2021 Refunding of 2017 Bonds plus New Project		831,989	867,319	864,750	867,800	864,200
Series 2019 P&I	1,171,075	2,342,150	2,977,150	2,976,750	2,975,350	2,977,950
Series 2017 P&I	372,325					
Total Debt Service	1,543,400	3,174,139	3,844,469	3,841,500	3,843,150	3,842,150
Debt Service Coverage Ratio	7.62	4.26	1.96	1.78	2.00	2.33
Consolidated Days Cash on Hand	131	134	125	118	115	113