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Regional News

Utah's New Charter School Bond Program Gets Tryout

by: [Richard Williamson](#)

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DALLAS – Utah Charter School Finance Authority will price \$17.8 million of revenue bonds for Ogden Preparatory Academy under a new program that allows the state to back the issue with its moral pledge.

The deal, underwritten by Robert W. Baird & Co., includes \$17.43 million of tax-exempt bonds and \$375,000 of taxable debt and is the first under the new state law. Zions Bank Public Finance is financial advisor to the issuer, with Buck Financial Advisors LLC as financial advisor to the school. Bond counsel is the law firm of Ballard Spahr.

The bonds carry an underlying rating of BBB-minus from Standard & Poor's, a low investment-grade rating that is typical for rated charter schools. But the state has also applied for a rating based on its moral pledge.

“The stable outlook reflects our expectation that during the next two years the project will be completed on time and on budget, the school will maintain or grow days cash on hand and MADS (maximum annual debt service] coverage (as calculated by S&P), produce operating surpluses, and enrollment and demand will be steady,” wrote S&P analyst Jessica A Matsumori.

Ogden Preparatory Academy was originally granted its charter in 2003 and has been operational since 2005.

Proceeds from the series 2012A and B bonds will be used to acquire land and fund the construction of a new elementary and junior high school, which will replace OPA's current facilities, as well as fund a debt service reserve.

Utah state Senate Bill 152, signed by the governor in March, established the Charter School Credit Enhancement Program and required the Utah Charter School Finance Authority to establish criteria for a charter school to be designated as a qualifying charter school for purposes of issuing bonds. The bill appropriated \$3 million one-time from the Education Fund to the Charter School Reserve Account.

Charter school enrollment in the Beehive State has soared from 1,526 students in 2002 to 50,785 this year, according to the Salt Lake Tribune.

While the finance authority has served as a conduit issuer for charter schools in previous years, those bonds have carried only the underlying credit of the school. Some have been rated below investment grade.

Ogden Preparatory Academy grew its enrollment slowly until fall 2010 when it added another building and doubled its K-4 class size to approximately 103 per grade, increasing from an

enrollment of 630 to 1,067 in one year. Since then, enrollment has stayed relatively stable at nearly 1,050 students with no plans to expand that enrollment in the future.



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