

MEMORANDUM

DATE: Wednesday, July 23, 2025

TO: Marlo Oaks, State Treasurer and Utah Charter School Finance Authority Board

FROM: Japheth McGee, Vice President of Zions Public Finance and Johnathan Ward, Senior Vice President

RE: Salt Lake Academy High School Academy Application to the Utah Charter School Finance Authority

Conflicts of Interest

In general, Zions Bancorporation, National Association is made up of many departments and provides various services. Some of those services and departments can be involved on the same transaction. Zions Public Finance Inc. and Zions Corporate Trust are affiliated entities operating under Zions Bancorporation and we all benefit from a strong stock price derived from strong performance by the company and its component members and affiliates across the country. Zions Public Finance does not receive financial or other benefits in association with transactions performed by Zions Corporate Trust who may act as Trustee on charter school transactions. Likewise, Zions Public Finance operates separately from commercial loan divisions of the Bancorporation who may have provided private financing to developers or charter schools to construct the school initially. Zions Public Finance is not aware of the circumstances where this occurs unless told when a charter school applies. Zions Public Finance does not receive financial or other benefits that could result from actions taken by the Charter School Finance Authority outside of the agreed upon fees for services rendered to the Authority.

Zions' entities engaged with the School:

Zions Public Finance:	Yes. (Advisor to the Authority)
Zions Corporate Trust:	No
Zions Commercial Involvement:	Yes

Executive Summary

Borrower:	Real Salt Lake Academy High School (dba Salt Lake Academy)
Management Company:	Business Manager: Red Apple Financial Services
Municipal Advisor:	RoundTable Funding: Clint Biesinger
Borrower's Counsel:	Farnsworth Johnson: Brandon Johnson
Underwriter:	Carty, Harding, & Hearn: Edmond Hurst
Bond Counsel:	Chapman and Cutler: Eric Hunter
Issuer's Counsel:	Gilmore and Bell: Jacob Carlton
Trustee:	US Bank: Laurel Bailey

Par Amount:	\$34,495,000 in taxable and tax-exempt bonds.
Enhancement Requested:	No
Purpose:	Refinance existing loans for two campus facilities (the Salt Lake Academy loan was financed through Zions Bank), fund a debt service reserve, and pay costs of issuance.
Structure:	Bonds will be repaid over a 30-yr term with a roughly level amortization of principal and interest payments from 2028-2054 before a balloon payment in 2055. The bonds will carry a 5-yr par call.
Term:	Final maturity in 2055.
Rating:	Non-rated
Costs of Issuance Estimate:	\$438,500
Underwriter Fee Estimate:	\$16.50/bond (estimated \$578,572.50)
Litigation:	None of which we are aware.
Summary:	Salt Lake Academy High School will be bringing on significant leverage from Athlos Academy while it is in the midst of righting its own ship. This will create challenges for the School. The School has an executive director who has a strong track record with another high performing charter school in Utah. Current enrollment expectations are at the level the School projects will be required to meet coverage obligations going forward but the School's history of projections is poor.

Purpose

The purpose of this memo is to document the adherence of Salt Lake Academy (the "School") to the application requirements of the Utah Charter School Finance Authority (the "Authority") conduit issuance program and provide credit analysis of the School for review. The analysis contained herein is based on the School's application to the Authority and inquiry for clarification of the Municipal Advisor to the Authority.

Introduction

The School is a non-profit, 501c3 designated, public K-12 charter school with two campuses located in Herriman. Salt Lake Academy High School has historically operated in grades 9-12 only. In March of this year, the School received approval from the State Charter School Board to begin operating in grades K-8. This was designed to accommodate the takeover of Athlos Academy charter in Herriman, with whom the School had a prior enrollment partnership. Athlos has been in distress for a number of years. The Authority received an application in 2020 from Athlos Academy that was denied by the Board. The application was denied largely because Athlos Academy failed to disclose important information in its application and communications to investors related to its status with its charter authorizer. Additional concerns existed around the relationship between Athlos Academy of Utah and Athlos Academies charter management organization based in Idaho.

The School lists the following mission.

MISSION

We believe in the power of academies and athletics to maximize the potential of each individual. We are here to develop students who are lifelong learners, responsible global citizens, and champions of their own success.

Enrollment/Student Demand

October 2024 enrollment between the two campuses was 855 students. The School is expecting enrollment growth over the next five years of 17%. Average daily membership was above 99% and reenrollment rates were near statewide averages. Neither school has had a waitlist.

The School has received applications from 357 students who previously enrolled at Athlos and another 222 students who were not previously enrolled. It anticipates enrollment of between 450 and 500 students in K-8. Salt Lake Academy High School has received 530 students in grades 9-12 and expects to enroll around 450 students.

	ADM	SLAHS	Re-enrollment Rates		
			'21-'22	'22-'23	'23-'24
2024	96%				
2023	98%		83%	84%	82%
2022	98%	Utah	82%	83%	83%

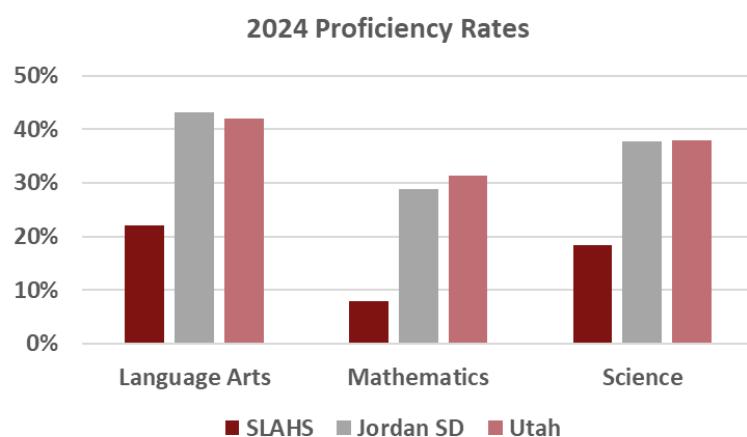
Salt Lake Academy High School LEA Enrollment*

Grade	Historic					Projected				
	'20-'21	'21-'22	22-'23**	23-'24**	'24-'25	'25-'26	'26-'27	'27-'28	'28-'29	'29-'30
K	103	74	80	94	63	65	65	65	65	65
1	78	70	65	70	69	63	65	65	65	65
2	92	66	61	57	75	69	63	65	65	65
3	69	59	58	67	55	75	75	63	65	65
4	87	57	55	57	61	56	75	75	63	65
5	68	55	41	54	52	61	56	75	75	63
6	61	52	53	42	42	52	61	56	75	75
7	34	20	23	33	18	35	52	61	56	75
8	19	19	14	14	23	18	35	52	61	56
9	123	113	100	114	112	114	115	115	115	115
10	111	126	111	115	111	112	115	115	115	115
11	93	98	91	96	94	95	95	95	95	95
12	79	74	74	85	80	83	90	90	90	90
Totals	1,017	883	826	898	855	898	962	992	1,005	1,009

*Gray highlighted figures are for Athlos Academy

**9th grade figures do not include Athlos Academy students

Academic Performance



Management

1. The School currently has a five-member board. The board members have backgrounds in: software development, education, and professional athletics.
2. The School employs Sam Gibbs as Executive Director. Mr. Gibbs has a Bachelor of Science in Social Studies Education and a Master of Education from the University of Cincinnati. Mr. Gibbs previously served as the Director at Vista School in Ivins for 7 years.
3. The School employs Red Apple Financial for business services.
4. The School has adopted fiscal policies that govern cash handling, debt, budgeting, and procurement. The School does not have a formal policy governing investments, fundraising, and donations for which we could find record.

Plan of Finance

The School intends to sell \$34,495,000 of non-rated bonds via negotiated sale with Carty, Harding, & Hearn acting as the underwriter. The School is NOT seeking credit enhancement through the Utah Charter School Credit Enhancement Program. The bonds will be tax-exempt bonds for the purpose of refunding the School's existing note (a bank note provided by Zions Bank an affiliate of Zions Public Finance, Inc.), taking the Athlos Academy facility loan out, funding a debt service reserve fund, and paying costs of issuance. The bonds will carry a fixed rate of interest. The School will repay bonds over a 30-year period with debt service payments in 2028-2054 being roughly level, around \$2.4 million a year. Debt service will balloon in 2055 to \$19.34 million. At that time the assumption is that the School will refinance and amortize the remaining debt service. An amortization of debt service based off a 6% interest rate and targeting the \$2.4 million annual debt service range would result in a ten-year financing maturing in 2065 for a total 40-year financing between the two issues. The bonds are secured by an assignment and secured interest in the revenues of the School and trust accounts and a security interest and pledge of the deed of trust in the land and buildings located at:

- 14787 S Building B Academy Parkway, Herriman, Utah 84096
- 12309 Mustang Trail Way, Herriman, Utah 84096

An appraisal was performed on each campus by Rigby and Company. The old Athlos Academy building on Mustang Trail Way appraised at \$23,000,000. The existing Salt Lake Academy campus on Academy Parkway appraised for \$17,900,000. This brings a total value of \$40,900,000 compared to expected bonds of \$34,495,000.

Ratings

No rating is anticipated.

Financial Performance

Summary:

The financial summaries below show Salt Lake Academy High School's historic solo operations, a combined statement of the Salt Lake Academy High School and Athlos Academy financials on a historic basis, and projections from the new combined LEA going forward provided by the School and its advisor. While the School has had some poor financial years, notably deficits in FY 21 through FY 23. Its most recent solo operations have been improving with 1.43x coverage on debt service in FY 2024 (audited) and 1.15x coverage on debt service in FY 2025 (unaudited).

- The School has had troubles budgeting in several years in the lookback period. FY 2023 saw expenditures come in 22% higher than budgeted amounts but since then, projections have become more reliable. Information on historical practices at Athlos are unknown since the old charter management company exited the school and the State. FY 2025 expenses came in higher in part due to a \$50,000 unexpected charge from Real Salt Lake for use of fields.

	Actual Variation from Budget				
	'20-'21	'21-'22	'22-'23	'23-'24	'24-'25
Revenue	13.7%	12.8%	-1.3%	11.2%	4.8%
Expenditures	28.4%	14.0%	22.1%	3.8%	8.7%

- Cash Position

	Measure at end of FY 2025	
	Benchmark	(unaudited)
At least 30 days		48

The School's days cash on hand has experienced the same ups and downs as the general operations of the School in the past five years. Cash on hand at the end of FY 24 reached its highest point (66 DCOH). That level is in Moody's Ba2 rating range and considered vulnerable under the S&P Ratings criteria. Salt Lake Academy dropped into S&P's "Highly Vulnerable" rating category (S&P's lowest category) in FY 2023. The School has expended some cash as part of taking on the Athlos building and rebranding the School. Those funds are expected to be reimbursed out of bond proceeds increasing the School's cash balance.

Salt Lake Academy				
Days Cash on Hand				
'20-'21	'21-'22	'22-'23	'23-'24	'24-'25
56	42	26	66	48

Athlos Academy			
Days Cash on Hand			
'20-'21	'21-'22	'22-'23	'23-'24
72	79	38	66

Combined Schools			
Days Cash on Hand			
'20-'21	'21-'22	'22-'23	'23-'24
66	63	32	66

3. Fund Balance

Benchmark	Measure at end of FY 2024
At least 15% of following year expenses	4%

Both schools have had a negative fund balance in recent years with Salt Lake Academy pulling back into the black in FY 2024 but with Athlos Academy remaining at a negative fund balance.

Salt Lake Academy				
	'20-'21	'21-'22	'22-'23	'23-'24
Fund Balance	236,977	189,391	(60,461)	176,466
Following Year Operating Expenses	3,683,859	4,049,448	4,075,776	4,543,926
Fund Balance % of Future Expenses	6%	5%	-1%	4%

Athlos Academy				
	'20-'21	'21-'22	'22-'23	'23-'24
Fund Balance	581,275	(249,407)	(997,383)	(812,358)
Following Year Operating Expenses	4,655,669	4,310,285	4,324,164	-
Fund Balance % of Future Expenses	12%	-6%	-23%	0%

Combined Historical				
	'20-'21	'21-'22	'22-'23	'23-'24
Fund Balance	818,252	(60,016)	(1,057,844)	(635,892)
Following Year Operating Expenses	8,339,528	8,359,733	8,399,940	4,543,926
Fund Balance % of Future Expenses	10%	-1%	-13%	-14%

Combined Pro-Forma				
	'25-'26	'26-'27	'27-'28	'28-'29
Fund Balance	775,250	1,400,224	2,204,020	3,232,068
Following Year Operating Expenses	11,180,187	11,686,654	11,942,924	12,271,363
Fund Balance % of Future Expenses	7%	12%	18%	26%

4. Debt Coverage Ratio

	Benchmark	Measure at end of FY 2025 (unaudited)
	At least 115%	115%

In FY 2024, the combined schools had debt coverage of 108%. This was the only year over the past five that the combined operations of the two schools met 100% of coverage. Going forward the School relies on increased enrollment (roughly 900 students) to meet debt service coverage.

	Salt Lake Academy				
	'20-'21	'21-'22	'22-'23	'23-'24	'24-'25
Net Income Available for Debt Service	436,524	510,208	295,632	791,228	635,747
Annual Debt Service	460,100	554,343	552,673	554,301	552,119
Debt Coverage Ratio	95%	92%	53%	143%	115%

	Athlos Academy			
	'20-'21	'21-'22	'22-'23	'23-'24
Net Income Available for Debt Service	1,474,201	963,532	991,919	1,569,340
Annual Debt Service	1,577,174	1,367,955	1,600,473	1,630,963
Debt Coverage Ratio	93%	70%	62%	96%

	Combined Historical			
	'20-'21	'21-'22	'22-'23	'23-'24
Net Income Available for Debt Service	1,910,725	1,473,740	1,287,551	2,360,568
Annual Debt Service	2,037,274	1,922,298	2,153,146	2,185,264
Debt Coverage Ratio	87%	67%	59%	108%

	Combined Pro-Forma				
	'25-'26	'26-'27	'27-'28	'28-'29	'29-'30
Net Income Available for Debt Service	2,775,802	3,268,299	3,506,728	3,805,731	3,932,433
Annual Debt Service	1,742,136	2,435,000	2,435,000	2,435,000	2,435,000
Debt Coverage Ratio	159%	134%	144%	156%	161%

5. Debt Burden Ratio

		Measure at end of FY 2025
Benchmark		(Unaudited)
	Less than 25%	10.9%

The School's fund balance ratio of 18% as of FY 2024 puts the School in the debt burden range of less than 25%. Athlos Academy has been operating with a debt burden significantly above the benchmark while Salt Lake Academy's debt burden has been below the benchmark. The combined school will meet this metric though debt burden will remain on the higher end. This will continue to put pressure on the School especially if it fails to increase enrolment.

Salt Lake Academy					
	'20-'21	'21-'22	'22-'23	'23-'24	'24-'25
Maximum Annual Debt Service	554,343	554,343	554,343	554,343	554,343
Unrestricted Operating Revenues	3,639,726	4,194,067	4,345,080	4,867,004	5,108,651
Debt Burden Ratio	15.2%	13.2%	12.8%	11.4%	10.9%

Athlos Academy				
	'20-'21	'21-'22	'22-'23	'23-'24
Maximum Annual Debt Service	1,630,963	1,630,963	1,630,963	1,630,963
Unrestricted Operating Revenues	6,447,343	5,619,201	5,302,204	5,893,504
Debt Burden Ratio	25.3%	29.0%	30.8%	27.7%

Combined Historical				
	'20-'21	'21-'22	'22-'23	'23-'24
Maximum Annual Debt Service	2,185,306	2,185,306	2,185,306	2,185,306
Unrestricted Operating Revenues	10,087,069	9,813,268	9,647,284	10,760,508
Debt Burden Ratio	21.7%	22.3%	22.7%	20.3%

Combined Pro-Forma					
	'25-'26	'26-'27	'27-'28	'28-'29	'29-'30
Maximum Annual Debt Service	2,435,000	2,435,000	2,435,000	2,435,000	2,435,000
Unrestricted Operating Revenues	11,076,538	12,125,639	12,870,535	13,425,808	13,880,949
Debt Burden Ratio	22.0%	20.1%	18.9%	18.1%	17.5%

6. Operating Margin

Benchmark	Measure at end of FY 2025 (Unaudited)
At least 7%	12.4%

The operating margin benchmark is a function of the level of the School's fund balance ratio or days cash on hand. The fund balance ratio of 18% places the School in the operating margin benchmark range of at least 7%. Athlos Academy has had a strong operating margin over the past several years but that should be taken with a grain of salt. Schools with higher debt burden require higher operating margins simply to break even. Athlos' operating margin would have needed to be 32% in order to achieve the benchmark debt coverage ratio. This does mean that combining operations may give Salt Lake Academy room to achieve slightly lower margins and meet debt service coverage.

Salt Lake Academy					
	'20-'21	'21-'22	'22-'23	'23-'24	'24-'25
Net Income Available for Debt Service	436,524	510,208	295,632	791,228	635,747
Revenues	3,639,726	4,194,067	4,345,080	4,867,004	5,108,651
Operating Margin	12.0%	12.2%	6.8%	16.3%	12.4%

Athlos Academy				
	'20-'21	'21-'22	'22-'23	'23-'24
Net Income Available for Debt Service	1,474,201	963,532	991,919	1,569,340
Revenues	6,447,343	5,619,201	5,302,204	5,893,504
Operating Margin	22.9%	17.1%	18.7%	26.6%

Combined Historical				
	'20-'21	'21-'22	'22-'23	'23-'24
Net Income Available for Debt Service	1,910,725	1,473,740	1,287,551	2,360,568
Revenues	10,087,069	9,813,268	9,647,284	10,760,508
Operating Margin	18.9%	15.0%	13.3%	21.9%

Combined Pro-Forma					
	'25-'26	'26-'27	'27-'28	'28-'29	'29-'30
Net Income Available for Debt Service	2,775,802	3,268,299	3,506,728	3,805,731	3,932,433
Revenues	11,076,538	12,125,639	12,870,535	13,425,808	13,880,949
Operating Margin	25.1%	27.0%	27.2%	28.3%	28.3%

7. Current Ratio

	Benchmark	Measure at end of FY 2025 (unaudited)
At least 150%		128%

The current ratio is defined as current unrestricted assets divided by current liabilities (including current year debt service). The schools have both had current ratios that are underwater, greater current liabilities than current assets for most of the past four years.

Salt Lake Academy				
	'20-'21	'21-'22	'22-'23	'23-'24
Current Assets	559,727	662,808	430,291	859,791
Current Liabilities	601,561	755,051	786,254	987,946
Current Ratio	93%	88%	55%	87%
				128%

Athlos Academy				
	'20-'21	'21-'22	'22-'23	'23-'24
Current Assets	1,344,343	1,054,899	659,244	909,330
Current Liabilities	412,841	747,720	969,580	1,207,969
Current Ratio	326%	141%	68%	75%

Combined Schools				
	'20-'21	'21-'22	'22-'23	'23-'24
Current Assets	1,904,070	1,717,707	1,089,535	1,769,121
Current Liabilities	1,014,402	1,502,771	1,755,834	2,195,915
Current Ratio	188%	114%	62%	81%

Bond Documents

Legal bond documents are being reviewed by Gilmore & Bell in its capacity as Issuer's Special Counsel to the Authority, and all requirements are being incorporated. In addition, Chapman & Cutler as Bond Counsel, will confirm that each of the required legal provisions will be present if not already in the bond documents.

Continuing Disclosure

The School has not been subject to a continuing disclosure obligation.

Conclusion

The School's operations have improved in the past two years after several tough years of operations. The School has baggage related to taking over the charter for Athlos Academy. Both schools have improved operations since the larger Athlos charter manager left Athlos Academy of Utah and Sam Briggs took over. Forward looking projections seem reasonable and should allow the School to meet its obligations going forward.