



ZIONS PUBLIC FINANCE, INC.

## MEMORANDUM

**DATE:** Friday, September 19, 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:** Canyon Grove 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:	<b>Yes. (Advisor to the Authority)</b>
Zions Corporate Trust:	<b>No</b>
Zions Commercial Involvement:	<b>No</b>

### Executive Summary

Borrower:	Quail Run Primary School, Inc. dba Canyon Grove Academy
Management Company:	Business Manager: Red Apple Financial
Municipal Advisor:	RoundTable Funding: Clint Biesinger
Borrower's Counsel:	Yorgason Law Offices: Chris Yorgason
Underwriter:	Raymond James: Hanna Degen
Purchaser:	Hamlin Capital Management
Bond Counsel:	Chapman and Cutler: Eric Hunter
Issuer's Counsel:	Dorsey & Whitney: Nate Canova
Trustee:	US Bank: Laurel Bailey

Par Amount:	\$16,250,000 in tax-exempt bonds.
Enhancement Requested:	No
Purpose:	Purchase an 18K Sq Ft former LDS Church Building, purchase land, construct a new performing arts theater, fund a debt service reserve fund, and pay costs of issuance.
Structure:	Bonds will be repaid over a 7-yr term. Principal and interest will amortize based off a 30-year term before a balloon payment in 2032. The bonds will be callable in 2027 at 100.25%.
Term:	Final maturity in 2032 (to line up with the maturity of the School's Series 2022 bonds).
Rating:	Non-rated
Costs of Issuance Estimate:	\$223,402
Underwriter Fee Estimate:	\$3.00/bond (estimated \$50,000)
Litigation:	None of which we are aware.
Summary:	The School has a good history of operations and operates under a unique hybrid attendance model. Canyon Grove has assumed the charter and operations for the Salt Lake School for the Performing Arts (SPA). This transaction is somewhat related to that as the School expands space to accommodate the programming and storage for both schools. SPA did not have any debt outstanding so no new debt goes to refund existing debt. The School has modest operating margins, strong debt coverage ratios, and modest cash balances.

## Purpose

The purpose of this memo is to document the adherence of Canyon Grove 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 one campus located in Pleasant Grove. The School began operations in 2008. The School operated as a K-8 school until the assumption of the charter from Salt Lake School for the Performing Arts.

The School lists the following mission.

### MISSION

Canyon Grove is an inspired community of learners, parents, and educators who find fulfillment and joy in pursuing excellence in learning, self-accountability, and in meeting unique individual needs in order to prepare students for the life-long pursuit of knowledge to attain their full potential.

## Enrollment/Student Demand

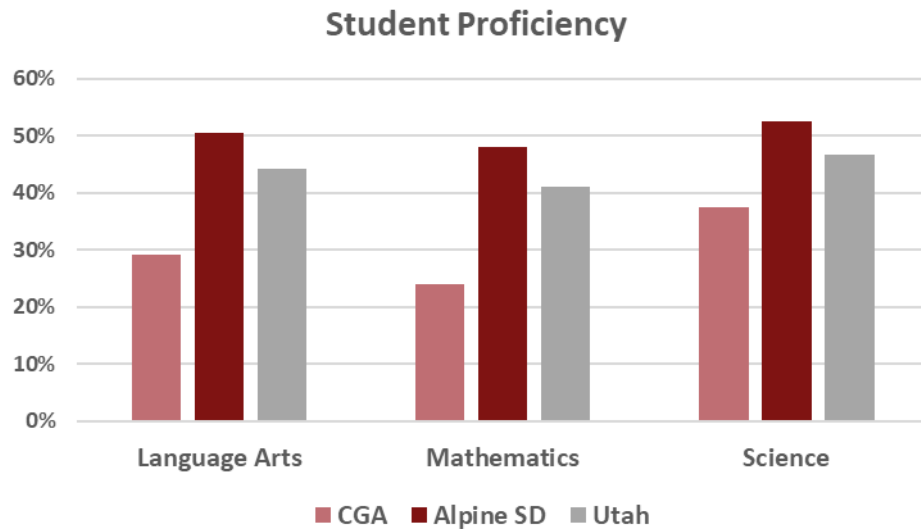
October 2024 LEA enrollment was 692 students with current enrollment estimated to be 1,069 students for FY 2025-2026. Average daily membership was above 97%. While reenrollment rates were significantly below statewide averages the School has a unique model that has seen stable enrollment in spite of the reenrollment rate.

	ADM		Re-enrollment Rates		
			'21-'22	'22-'23	'23-'24
2024	100%	CGA	54%	63%	53%
2023	99%				
2022	97%		82%	83%	83%

#### Canyon Grove Academy 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	107	85	94	89	167	166	165	165	165	165
1	91	110	98	112	131	206	165	165	165	165
2	104	97	101	104	142	144	145	145	145	145
3	93	112	83	94	124	138	145	145	145	145
4	81	87	100	79	124	108	100	100	100	100
5	88	85	69	93	88	108	100	100	100	100
6	55	66	62	67	73	91	100	100	100	100
7	11	29	31	33	37	63	100	100	100	100
8	1	22	17	21	28	40	70	70	70	70
9		-	-	-	41	39	40	40	40	40
10		-	-	-	49	27	30	30	30	30
11		-	-	-	40	27	25	25	25	25
12		-	-	-	25	13	15	15	15	15
Totals	631	693	655	692	1,069	1,170	1,200	1,200	1,200	1,200

## Academic Performance



## Management

1. The School currently has a five-member board. The board members have backgrounds in: local government, education, business administration, law, and graphic design.

2. The School employs Kim Goates as Executive Director. Ms. Goates studied Psychology, Music, and Art at Adams State College. She began teaching in charter schools in 2012 before taking the position as Executive Director at the School in 2016.
3. The School employs Red Apple for business services.
4. The School has adopted fiscal policies that govern cash handling, fundraising, budgeting, debt, and procurement. The School does not have a formal policy governing investments for which we could find record.

## Plan of Finance

The School intends to sell \$16,250,000 of non-rated bonds via limited offering to Hamlin Capital Management investors with Raymond James 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 purchasing a former LDS Church building they have been renting and using as a satellite campus, purchasing land, constructing a new performing arts theater, and paying costs of issuance. The bonds will carry a fixed rate of interest. The bonds will begin with interest only payments in 2026 before principal begin in 2027. Bonds become due in 2033 but will amortize in 2027-2032 on the basis of a 30-year amortization. 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:

- 588 W 3300 N, Pleasant Grove
- 3406 W Maple Loop Dr, Lehi (new theater to be constructed)
- 8435 S 2700 W, West Jordan (existing LDS Church built in 1988)

## Ratings

No rating is anticipated.

## Financial Performance

### Summary:

The School is coming down from extraordinarily high levels of cash to just under 6 months of cash on hand. The School's debt burden ratio will rise in the near term but won't rise above the prior five year high. The School's operating margin has declined significantly over the past several years but is still above the Authority target. All figures for FY 2025 are unaudited.

1. FY 2024 expenditures came in 16% higher than budgeted leading to a net deficit for the School. Excluding capital outlay of just over \$504,000 put the School in a positive operating position and changes the calculation here to show a net operating surplus.

	Actual Variation from Budget				
	'20-'21	'21-'22	'22-'23	'23-'24	'24-'25
Revenue	5.0%	9.3%	3.4%	7.1%	18.2%
Expenditures	6.8%	11.8%	2.9%	16.2%	19.3%

## 2. Cash Position

Benchmark	Measure at end of FY 2025
At least 75 days	120

The School's days cash on hand has declined by more than 50% over the past five years as it used some cash around its 2022 bond issue. Days cash on hand has fluctuated much less over the past 3 years but is at a five year low. Current cash levels however are strong and do not provide much reason for concern.

Days Cash on Hand				
'20-'21	'21-'22	'22-'23	'23-'24	'24-'25
267	186	156	143	120

## 3. Fund Balance

Benchmark	Measure at end of FY 2025
At least 15% of following year expenses	50%

The School's fund balance level in FY 2025 is unaudited and does not represent an apples to apples comparison where FY 2021 through FY 2024 are unassigned fund balances. FY 2025 because it is from unaudited financials is total fund balance. This still represents an increase in total fund balance (and as a percent of operating expenses) from FY 2024 to FY 2025 (\$3,531,696 to \$5,376,883).

	'20-'21	'21-'22	'22-'23	'23-'24
Fund Balance	1,564,488	1,649,607	1,801,735	1,567,086
Following Year Operating Expenses	4,776,807	4,559,811	5,910,108	9,790,337
Fund Balance % of Future Expenses	33%	36%	30%	16%

	'25-'26	'26-'27	'27-'28	'28-'29
Fund Balance	5,376,883	7,298,359	9,326,155	11,463,362
Following Year Operating Expenses	10,831,143	11,087,214	11,351,022	11,622,716
Fund Balance % of Future Expenses	50%	66%	82%	99%

## 4. Debt Coverage Ratio

<b>BB+ Benchmark</b>	<b>Measure at end of FY 2025</b>
At least 115%	182%

Debt service for FY 2024 was a healthy 1.82x. This falls in the Baa1 rating range for Moody's.

	'20-'21	'21-'22	'22-'23	'23-'24	'24-'25
Net Income Available for Debt Service	1,566,833	1,217,887	1,425,759	1,346,781	1,899,264
Annual Debt Service	1,044,905	1,071,027	404,622	882,813	1,043,151
Debt Coverage Ratio	150%	114%	352%	153%	182%

	'25-'26	'26-'27	'27-'28	'28-'29	'29-'30
Net Income Available for Debt Service	4,513,833	4,848,649	4,985,733	5,135,448	5,287,701
Annual Debt Service	1,834,445	2,286,681	2,282,004	2,285,839	2,287,889
Debt Coverage Ratio	246%	212%	218%	225%	231%

## 5. Debt Burden Ratio

<b>BB Benchmark</b>	<b>Measure at end of FY 2025</b>
Less than 16%	9.2%

Canyon Grove was used as an example during the recent process of reviewing the Charter School Credit Enhancement Program Standards of a school that may have trouble meeting the Debt Burden Ratio metric while meeting all other standards set. The School did have some years in the backward and forward looking analysis where it did not meet the debt burden ratio standard. It is able to stay under the BB+ standard on a forward looking basis, even with an increased debt load.

	'20-'21	'21-'22	'22-'23	'23-'24	'24-'25
Maximum Annual Debt Service	1,071,027	1,071,027	1,071,027	1,071,027	1,071,027
Unrestricted Operating Revenues	4,912,526	5,742,708	5,985,570	6,752,817	11,689,601
Debt Burden Ratio	21.8%	18.7%	17.9%	15.9%	9.2%

	'25-'26	'26-'27	'27-'28	'28-'29	'29-'30
Maximum Annual Debt Service	2,287,889	2,287,889	2,287,889	2,287,889	2,287,889
Unrestricted Operating Revenues	13,006,791	13,393,111	13,790,943	14,200,631	14,622,528
Debt Burden Ratio	17.6%	17.1%	16.6%	16.1%	15.6%

## 6. Operating Margin

BB Benchmark	Measure at end of FY 2025
At least 14%	16.2%

The School has met this metric in every year during the lookback period and is expected to continue to meet this metric going forward.

	'20-'21	'21-'22	'22-'23	'23-'24	'24-'25
Net Income Available for Debt Service	1,566,833	1,217,887	1,425,759	1,346,781	1,899,264
Revenues	4,912,526	5,742,708	5,985,570	6,752,817	11,689,601
Operating Margin	31.9%	21.2%	23.8%	19.9%	16.2%

	'25-'26	'26-'27	'27-'28	'28-'29	'29-'30
Net Income Available for Debt Service	4,513,833	4,848,649	4,985,733	5,135,448	5,287,701
Revenues	13,006,791	13,393,111	13,790,943	14,200,631	14,622,528
Operating Margin	34.7%	36.2%	36.2%	36.2%	36.2%

## 7. Current Ratio

Benchmark	Measure at end of FY 2025
At least 150%	112%

The current ratio is defined as current unrestricted assets divided by current liabilities (including current year debt service).

	'20-'21	'21-'22	'22-'23	'23-'24	'24-'25
Current Assets	2,807,151	2,897,444	2,276,752	2,624,110	3,727,116
Current Liabilities	886,746	1,332,720	558,203	1,043,804	644,154
Current Ratio	317%	217%	408%	251%	579%

## Bond Documents

Legal bond documents are being reviewed by Dorsey & Whitney 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 and will be under a limited obligation for this financing.

## Conclusion

The School has over 1,000 students putting it in a position to take advantage of scale. The new addition to the School of the campus and students from Salt Lake Performing Arts Academy creates some difficulty but should be manageable for a School with a strong track record of operating margins and cash balances.