

Approved Minutes
Utah Charter School Finance Authority
September 17, 2015

Members of the Authority present:

Richard Ellis (Chair of Authority, Utah State Treasurer)
Phil Dean (Governor's Office of Management and Budget)

Others Present:

David Damschen (Deputy Utah State Treasurer)
Perri Babalis (Attorney General)
Reed Stringham (Attorney General)
Stacy Carroll (State Charter School Board)
Marlies Burns (State Charter School Board)
Dennis Bullard (Spectrum Academy)
Marney DeVroom (Spectrum Academy)
Brad Nelson (Spectrum Academy)
Jason Steenblik (Spectrum Academy)
David Robertson (Lewis Young Robertson & Burningham)
Eric Hunter (Chapman and Cutler)
Brandon Johnson (Farnsworth Johnson)
Jacob Carlton (Ballard Spahr)
Max Meyer (Charter Solutions/Providence Hall)
Sonja Peterson (Providence Hall)
Lincoln Fillmore (Charter Solutions/Providence Hall)
Erin Preston (Lear & Lear)
Bruce Williams (Zions Public Finance)
Jon Bronson (Zions Public Finance)

Meeting called to order by Richard Ellis at 3:00 p.m.

Items of Business:

1. Approval of Minutes

Motion was made by Phil Dean to approve the minutes of the Authority's July 23, 2015 meeting. The motion passed unanimously.

2. Spectrum Academy Application for Financing

Bruce Williams (Zions Bank Public Finance) discussed his analysis of the school's application and summarized the memo prepared for the Utah Charter School Finance Authority. Mr. Williams discussed the school's mission statement and explained the unique student population (those on the autism disorder spectrum) that the school serves, indicating that this population tends to provide the school with strong re-enrollment characteristics. Mr. Williams expressed confidence that the school can adequately service the debt contemplated by the application. It was mentioned that the school hopes to issue the bonds with a four- or five-year call provision, with the intention of refunding the bonds in several years under the charter school credit

enhancement program. Mr. Ellis asked David Robertson, financial advisor to the school, how much this short optional redemption feature might cost. Mr. Robertson indicated that the investors in these bonds actually favor the prospect of being called out in within this time horizon and suggested that the cost was nominal. Mr. Damschen asked what the history of retention was at the secondary level at the North Salt Lake campus, and a school representative indicated it was about 87%. Mr. Dean made a motion to approve the resolution and the motion passed unanimously.

3. Independent Consultant's Report on Providence Hall

Mr. Ellis requested updated enrollment numbers. Mr. Fillmore reported current attendance level at 2,059, which is 98% of the school's projected level, and an increase of about 77 students over the prior academic year. Mr. Williams expressed concern about the ability of the school to meet its projected growth of 100 students and wanted to know how Providence Hall would manage, considering those reduced revenues. He further noted that the projections showed 563 students in the high school, and that current enrollment is at only approximately 500, pointing out also the higher WPU for high school students vs. those in lower grades. Mr. Williams expressed a concern that projected increases in federal funding were invalid, because federal revenues are not projected by the State Office of Education to increase, but rather to remain flat or actually decrease. Mr. Fillmore stated that overall enrollment is down by one percent, but indicated the school expects to have 98% of the estimated revenue going forward. Additionally, he explained that there was a two percent expenditure buffer built into the budget that could be used to offset the reduced revenues. Mr. Dean asked whether final fiscal year 2015 financials are available, and Mr. Fillmore indicated that unaudited financials are available. Those financials indicate the school's debt coverage ratio has risen to 117%, above the covenanted requirement of 115%. Mr. Fillmore went on to respond to Mr. Williams' concern that the school was just seeking to "grow out of" its condition (and not aggressively enough seek expense reductions in its efforts to come back into compliance), stating that the school had implemented cuts that the Authority isn't cognitive of because the cuts were enacted prior to the adoption of the school's 2015 budget. Mr. Ellis asked that the school provide an update on actual enrollment once final attendance numbers are determined after October 1.

Motion was made by Mr. Dean to adjourn.