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# CONSTRUCTION BONDS AND STATE INTERCEPTS



**Empowering Charter Schools & Districts For Success**

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## **Construction Bonds and State Intercepts: Key Takeaways**

### **1. Financing Options**

#### **Schools have two primary financing pathways:**

- Bank Loans (Tax-Exempt): Often quicker with flexible prepayment terms but shorter (5–10 year) maturities that may create balloon payment risk.
- Bond Financing: Fixed interest rates for the life of the bond, no balloon payments, and more market-driven covenants, though less prepayment flexibility.

### **2. Financing Process**

#### **The process includes:**

- Draft Appendix A and develop a financial planning model.
- Assemble a credit package with an investment banker.
- Engage rating agencies and commercial banks for proposals.
- Compare financing options (direct purchase, letter of credit, or line of credit).
- Board approves financing, documentation is prepared, and closing occurs.

### **3. Preparation for Investors**

#### **Schools must prepare a thorough finance package including:**

- Five-year financial forecast with enrollment projections.
- Student achievement and performance data.
- Academic accolades and board governance details.
- Historical retention rates (students and staff).
- Faculty education levels.

### **4. Debt, Bonds, and TABOR Restrictions**

- In Colorado, the Taxpayer's Bill of Rights (TABOR) requires voter approval for new taxes, tax increases, or debt issuance. Multi-year debt typically requires non-appropriation clauses, and short-term debt must be repaid within 60–90 days.

### **5. Bond Types**

- General Obligation Bonds (GO Bonds)\*\*: Backed by taxpayers, require voter approval, and are subject to valuation limits.
- Certificates of Participation (COPs)\*\*: Lease-purchase structures that do not require voter approval but may carry higher risks.

### **6. Bond Ratings and Documents**

- Bond ratings (S&P, Moody's, Fitch) reflect the school's creditworthiness. Higher ratings can reduce borrowing costs and improve investor demand. Key documents include the Official Statement, Bond Resolution, Purchase Agreements, and ongoing Continuing Disclosure filings.

### **7. State Intercept Program**

- The Colorado State Intercept Program guarantees bond payments for participating schools by redirecting state funding to cover debt service if needed. This enhances bondholder confidence and may improve financing terms.

### **About Leadjoy Education Consulting, Inc**

*Leadjoy Education Solutions provides strategic consulting services to charter schools and districts across Colorado, focusing on school administration, operations, and financial sustainability. Whether you're beginning or aiming to improve your current framework, we assist schools and districts in creating resilient and efficient organizations. Our mission is to ensure staff and students are well-prepared and supported within a thriving school environment. Leadjoy's unique blend of expertise in leadership, governance, operations, and finance in both charter schools and districts distinguishes our company from others. Let us know how we can assist you.*