D|A DAVIDSON

Capital Planning & Financing: Understanding Your Facility Financing Options

Colorado League of Charter Schools Annual Finance Seminar - 2026

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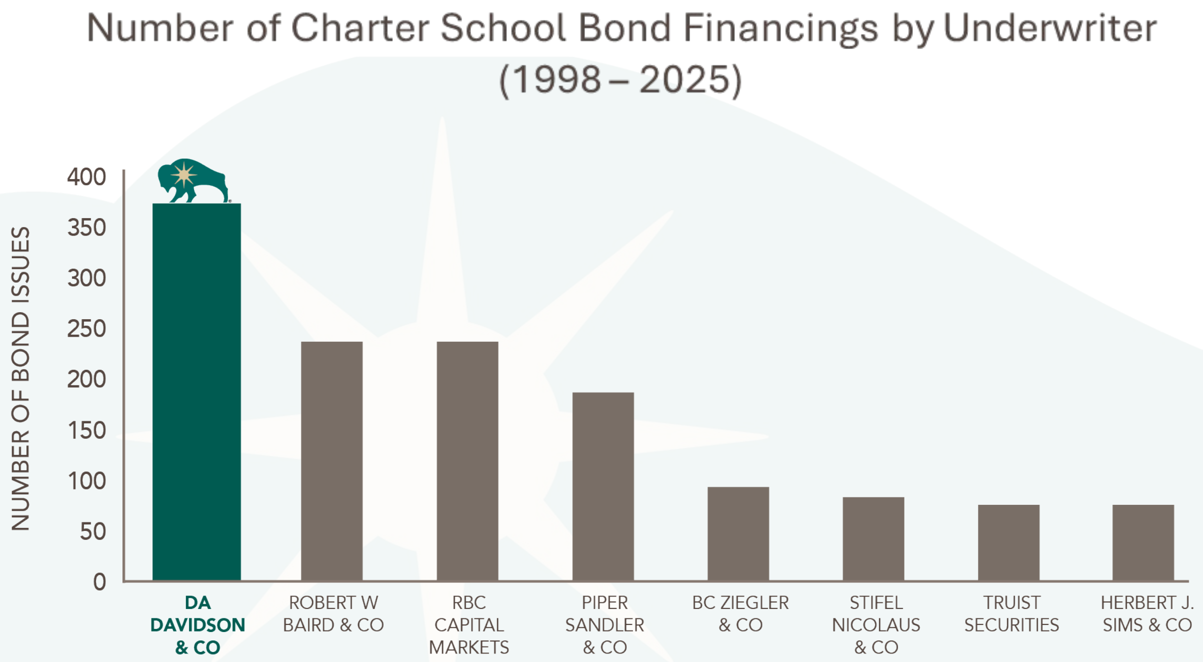
Introduction to D.A. Davidson's
Education & Not For Profit Group

A PROVEN PARTNER IN CHARTER SCHOOL FINANCING

D.A. Davidson has been focused on the borrowing needs of charter schools since 1998 when we executed our first charter school transaction. As of today, we have executed **394 underwritings** totaling over **$7.3 billion**. We are the **#1 underwriter** of charter school bond transactions dating back to 1998.



**Does not include co-managed deals*
Source: Refinitiv, EMMA, Bloomberg, MuniOS

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ERIC J. DURAN is a Managing Director of D.A. Davidson in the Public Finance Division of Investment Banking. Mr. Duran provides financial advisory services and bond financing to clients in local government, charter schools, nonprofits and affordable housing (private and non-profit developers). Mr. Duran has worked in the public finance business for over twenty years. In 2002, he served as the State of Colorado's Financial Advisor on two note offerings that totaled a billion dollars, the largest note offering in Colorado's history.

Mr. Duran earned his Bachelor of Arts at Colorado College and a M.P.A. from the University of Pittsburgh. He is a Woodrow Wilson fellow and a former Presidential Management Intern. Mr. Duran currently serves on the Colorado College Board of Trustees and the Denver Metro Chamber Leadership Foundation Board. He previously served on the Colorado League of Charter Schools Board, Denver Public Library Commission, Board of Denver Health & Hospitals Authority and acted as the Treasurer of the Colorado Municipal Bond Dealers Association.

SECTION 2:

Financing Options Available to Charter Schools

HOW ARE SCHOOL BUILDINGS FUNDED?

School Districts
- Ad Valorem Property Taxes

Charter Schools
- School Operating Budget

SAMPLE FINANCIAL FORECAST

Cash Flow Projections

	FY26	FY27	FY28	FY29	FY30	FY31
Funded Enrollment Count	*253*	*281*	*311*	*341*	*371*	*401*
Local Funding Sources	$ -	$ 5,000	$ 2,000	$ 2,000	$ 2,300	$ 2,300
State Funding Sources	5,083,730	5,266,565	5,791,896	6,327,734	6,854,289	7,391,375
Federal Funding Sources	170,515	114,734	117,029	119,369	121,757	124,192
State Competitive Grants	1,500	1,000	1,500	1,500	1,500	1,500
Rental Income - Housing	18,000	20,000	20,000	24,000	24,000	24,000
Rental Income - All other	5,000	5,000	5,000	5,000	5,000	5,000
Donations	1,500	1,000	1,500	1,500	1,500	1,500
Fundraisers	2,500	4,000	2,500	2,500	2,500	2,500
Activity Fees	15,000	19,500	19,500	19,500	22,000	22,000
Other Income	8,000	5,000	8,000	8,000	8,000	8,000
Interest	12,000	15,000	20,000	25,000	25,000	28,000
Total Revenues	$ 5,317,745	$ 5,456,799	$ 5,988,925	$ 6,536,103	$ 7,067,846	$ 7,610,366
Salaries	$ 2,135,526	$ 2,639,954	$ 2,745,552	$ 3,027,919	$ 3,349,035	$ 3,689,507
Benefits	497,311	685,417	719,688	820,672	926,706	1,038,041
Purchased & Professional Services	470,015	331,578	338,210	419,974	498,373	578,341
Purchased Services from CSI/CDE	119,278	125,179	127,683	130,236	132,841	135,498
Utilities	100,000	100,000	104,000	108,160	147,486	153,386
Communications	29,400	32,400	33,048	33,709	34,383	35,071
Printing/Copying	35,000	30,000	30,600	31,212	46,836	47,773
Marketing	60,000	60,000	61,200	60,000	63,000	63,500
Supplies & Materials	413,150	420,000	428,400	456,968	466,107	475,430
Property - Capital Improvements	80,000	70,000	70,000	70,000	40,000	40,000
Community Activities	37,300	40,000	40,000	40,000	50,000	50,000
Other Expenditures	7,500	10,000	10,000	10,000	13,000	13,000
Debt Service - Principal & Interest	510,308	505,075	575,075	975,075	975,075	975,075
Debt Service - Fees	44,329	44,340	44,340	45,000	45,000	45,000
Contingency	22,696	25,000	25,500	10,000	10,000	10,000
Total Expenses	$ 4,561,812	$ 5,118,943	$ 5,353,295	$ 6,238,925	$ 6,797,844	$ 7,349,620
Net Operating Income	$ 755,932	$ 337,856	$ 635,630	$ 297,179	$ 270,002	$ 260,746
Add Back: Capital Improvements	80,000	70,000	70,000	70,000	40,000	40,000
Add Back: Contingency	22,696	25,000	25,500	10,000	10,000	10,000
Add Back: Debt Service & Fees	554,637	549,415	619,415	1,020,075	1,020,075	1,020,075
Net Revenue Available for Debt Service	$ 1,413,265	$ 982,271	$ 1,350,545	$ 1,397,254	$ 1,340,077	$ 1,330,821
Prior Bond Debt Service	$ 485,307	$ -	$ -	$ -	$ -	$ -
Bond Principal	-	-	-	140,000	150,000	160,000
Bond Interest & Fees	85,390	760,625	760,625	760,625	750,475	740,725
Capitalized Interest	(85,390)	(87,673)	-	-	-	-
Net Debt Service	$ 485,307	$ 672,952	$ 760,625	$ 900,625	$ 900,475	$ 900,725
Bonds Outstanding	$ 13,120,000	$ 13,120,000	$ 13,120,000	$ 12,980,000	$ 12,830,000	$ 12,670,000
Debt Service Coverage Ratio	2.91	1.46	1.78	1.55	1.49	1.48
Net Cash Flow after Debt Service	$ 927,957	$ 309,319	$ 589,920	$ 496,629	$ 439,602	$ 430,096
Less: Capital Improvements	(80,000)	(70,000)	(70,000)	(70,000)	(40,000)	(40,000)
Net Cash Flow	847,957	239,319	519,920	426,629	399,602	390,096
Unrestricted Fund Balance	$ 3,952,470	$ 4,800,427	$ 5,039,746	$ 5,559,666	$ 5,986,295	$ 6,385,896
Plus: Net Cash Flow	847,957	239,319	519,920	426,629	399,602	390,096
Ending Unrestricted Fund Balance	$ 4,800,427	$ 5,039,746	$ 5,559,666	$ 5,986,295	$ 6,385,896	$ 6,775,993
Days Cash on Hand	392	353	371	358	350	343

THE BIG SIX

USDA Loans

CDFI Loan

Bank Financing

Lease to Purchase

Bond Financing

New Markets Tax Credit

LEASE TO PURCHASE

- Type of school
  - Start ups/early-stage schools/some replicating schools
- Type of financing
  - Lease to the school (no ownership)
- Why this approach?
  - Developer identifies site, finances, and builds to suit
- Worth noting
  - Option to purchase at a later date with a premium (years 3 to 5)
- Keep in mind…
  - Most costly option (for profit & not for profit developers)

CDFI LOAN

Monarch Montessori of Denver
est.2010

- Type of school
  - Early stage & mature schools serving low-income students
- Type of financing
  - Provide both senior (5 to 10 years) and subordinate financing
  - Historically have financed leasehold improvements in some cases
- Why this approach?
  - CDFIs (non-profit) provide loans to schools that fit their <u>mission</u>
- Worth noting
  - Loan size may be limited (<$10M); 80%-90% loan to value
- Keep in mind…
  - Can be a good source of capital for inner city schools

NEW MARKET TAX CREDIT

- Type of school
  - Schools in distressed communities serving high FRL population
- Type of financing
  - Interest only loan (25%) converts to equity at end of 7 years
- Why this approach?
  - Can make an expensive project feasible (subsidized interest rate)
- Worth noting
  - Limited NMTC allocation available from CDEs, competitive process
- Keep in mind…
  - Complicated legal structures leads to significant upfront fees

USDA LOAN

- Type of school
  - Rural schools (< 50,000 population)
- Type of financing
  - New money or acquisition up to 40-year permanent financing
- Why this approach?
  - Schools that may not qualify for other types of financing due to location/credit profile are provided access to financing
- Worth noting
  - Below market interest rates, < 4% for 40 years
- Keep in mind…
  - Longest financing process, can take up to 24 months, regionalized with certain states having better offices than others

TAX EXEMPT BOND FINANCING

- Type of school
  - ➢ Start up/early-stage schools, mature/replicating schools
- Type of financing
  - ➢ Low risk, long term (30 to 40 years) permanent financing
- Why this approach?
  - ➢ Interest rate not subject to taxation = lower interest rate for school
- Worth noting
  - ➢ 100% financing = no loan to value/equity
- Keep in mind…
  - ➢ Charter schools are eligible prior to first charter renewal

BANK FINANCING

- Type of school
  - Established schools w/ equity (strong cash balances)
- Type of financing
  - Interim/bridge financing; predominantly tax-exempt loans
- Why this approach?
  - Attractive interest rates due to shorter term (up to 15 years)
- Worth noting
  - Depository relationship
- Keep in mind…
  - Typically subject to loan to value ratio requirement, requiring a significant equity investment by the charter school

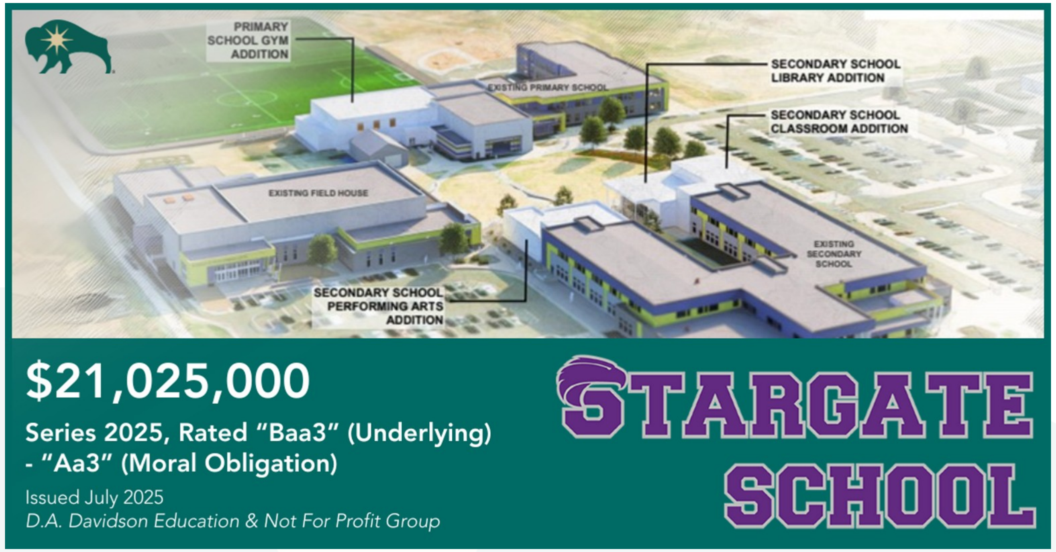
SECTION 3:

Case Studies

STARGATE SCHOOL BOND FINANCING

Transaction Highlights:

- D.A. Davidson served as Sole Managing Underwriter
- Proceeds funded a new Performing Arts Center, Gymnasium, Library, Secondary School Addition
- Bonds issued on parity with Stargate's 2018 Bonds
- Moody's affirmed "Baa3" underlying rating
- Qualified for the Colorado Moral Obligation Program, enhancing rating to "Aa3"



STARGATE SCHOOL BOND FINANCING

Project Background:

- Stargate was included in Adams 12 Five Star School District's 2024 successful bond election
- School is scheduled to receive its share of district bond funds in 2028
- Construction inflation rising up to 12% annually, making delay significantly more costly

Financing Challenge:

- Large cost escalation projected if construction waited until 2028
- School requested an affordable way to begin construction asap
- D.A. Davidson evaluated multiple financing options – bank financing and bond financing

Innovative Solution:

- Structured a short-term bridge financing via the 2025 Bond issuance
- Maintained investment grade rating
- Unique 3-year par call to align with expected 2028 district fund allocation

Outcome & Benefits:

- School expects to redeem the 2025 Bonds with district funds in 2028
- Enabled construction to begin nearly three years earlier than waiting for 2028 funds
- Avoided millions in additional inflation-driven construction costs
- Provides students access to facilities much sooner

FORT COLLINS MONTESSORI SCHOOL BANK FINANCING

Transaction Highlights:

- Bank loan placed with Columbia Bank (formerly Umpqua Bank)
- Proceeds used to refinance the Schools Series 2022 Bonds prior to balloon maturity
- 10-year term, 30-year maturity, 7-year par call
- True Interest Cost – 5.22%

FORT COLLINS MONTESSORI SCHOOL BANK FINANCING

Series 2019 – Short Term Bonds: Proceeds used to acquire the campus and construct Phase 1 of the campus

Series 2022 – Short Term Bonds: Proceeds used to refinance the Series 2019 Bonds and fund construction of Phase 2 of the campus

Series 2025 – Bank Loan: Proceeds used to refinance the Series 2022 Bonds prior to maturity

TEAMWORK

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Mr. Duran earned his Bachelor of Arts at Colorado College and a M.P.A. from the University of Pittsburgh. He is a Woodrow Wilson fellow and a former Presidential Management Intern. Mr. Duran currently serves on the Colorado College Board of Trustees and the Denver Metro Chamber Leadership Foundation Board. He previously served on the Colorado League of Charter Schools Board, Denver Public Library Commission, Board of Denver Health & Hospitals Authority and acted as the Treasurer of the Colorado Municipal Bond Dealers Association.

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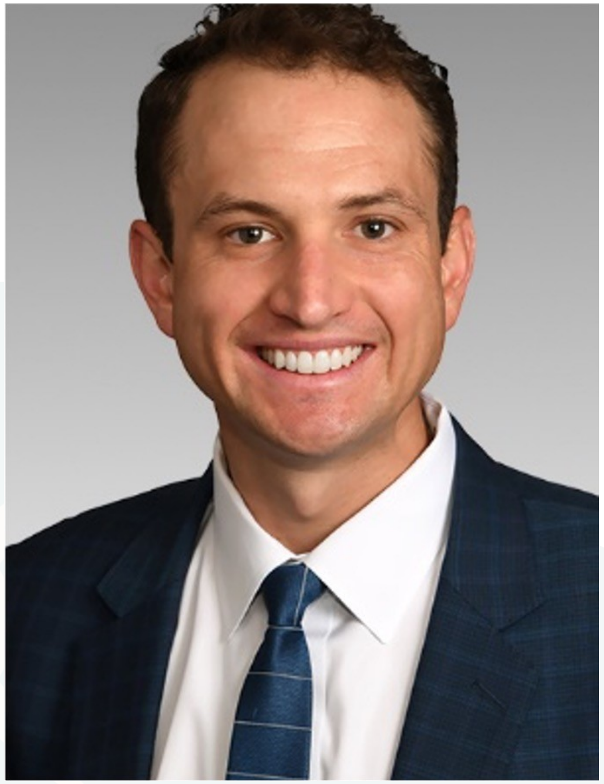

MATT DEANGELIS is a Managing Director of D.A. Davidson in the Public Finance Division of Investment Banking. Mr. DeAngelis has been in investment banking since 2007. Matt is focused on the debt financing needs of educational and nonprofit institutions across the country including charter schools, independent schools, higher education institutions, museums, and other nonprofits. He serves clients in a myriad of roles and is responsible for sourcing and executing debt financings for clients. Mr. DeAngelis has served a wide array of clients from small start-up charter schools to large flagship public universities.

Mr. DeAngelis frequently publishes articles related to debt financing for education and nonprofit institutions and is a regular presenter at industry conferences and meetings including the Colorado League of Charter Schools, National Business Officers Association (independent schools), and other state independent school associations (CAL-ISBOA).

Mr. DeAngelis holds a BS in Finance from the University of Colorado. He is a member of the Board of the Colorado Children's Campaign and formerly served on the Board of Trustees at the New America Charter School (three campuses in Colorado, two in New Mexico) where he served as Board Treasurer and served on the Colorado charter school quality task force.

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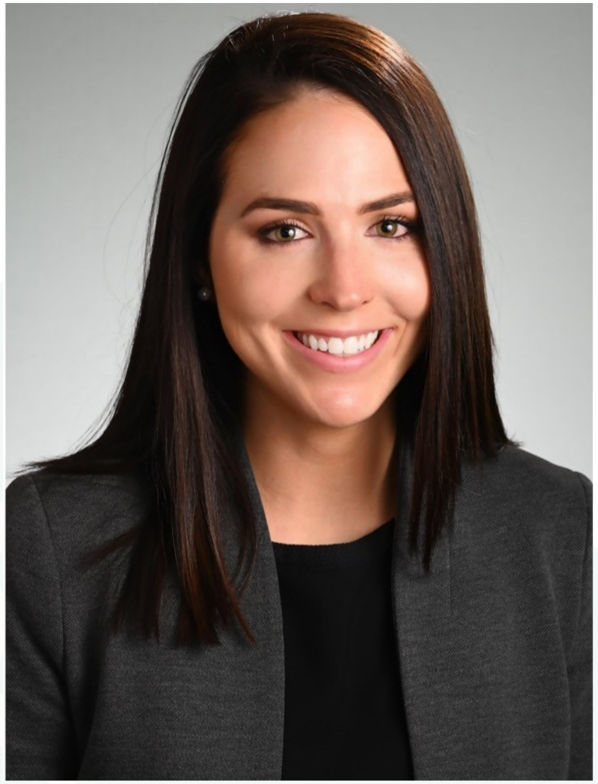

MAGGIE MIRSKY is a Managing Director, Public Finance Banker in D.A. Davidson's Denver office.
Ms. Mirsky has dedicated her career to serving nonprofit and education organizations in issuing municipal bonds to allow them to finance new facilities.

In 2014, Ms. Mirsky began working exclusively with charter schools to help them navigate the debt capital markets and underwrite bonds. She has tremendous experience working nationwide with stand-alone charter schools, charter management organizations and early stage/start-up schools. Her current focus is serving charter schools in Texas, Arizona, North Carolina, South Carolina, Florida, and Georgia.

During her time as an investment banker, Ms. Mirsky has also issued debt for independent schools, colleges and universities, affordable housing developments, and student housing projects. She is a frequent presenter at industry conferences.

Besides holding her FINRA licensing, Ms. Mirsky holds a bachelor's degree in political science, summa cum laude, and a minor in business from Texas Christian University. Post grad, she trained in quantitative analytics at a boutique investment bank, structuring complex debt financings.

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Vice President

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MEGAN ELDER is a Vice President for D.A. Davidson in the Public Finance Division of Investment Banking. Ms. Elder specifically focuses on charter schools, independent schools, and other nonprofit bond financings. She provides day-to-day transaction management and support for D.A. Davidson's charter school group.

Ms. Elder holds a Bachelor of Arts degree from the University of Denver. She is an active member of the Junior League of Denver where she previously served as the League's Treasurer, Vice President of Finance & Operations, and as a Director of the Junior League of Denver Foundation. She currently serves on the Board of Directors for Ralston House, a local Child Advocacy Center.

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JILL DELROSS is a Senior Public Finance Associate for D.A. Davidson in the Public Finance Division of Investment Banking.

Ms. DelRoss provides project support for D.A. Davidson's charter school team who specifically focus on charter schools, independent schools, and other nonprofit bond financings. Ms. DelRoss has been in public finance for over 15 years. She attended college at Colorado Mountain College and is an active volunteer with the American Red Cross, delivering blood to local hospitals.

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LISA MAY is a Managing Director and Head of Municipal Underwriting at D.A. Davidson. She is responsible for managing the firm's origination, distribution and trading of all negotiated and competitive fixed income securities.

Ms. May has led tax-exempt and taxable transactions in the higher education, single and multi-family housing, water/ sewer, charter school, land development, and general municipality sectors. Ms. May began her career in public finance more than 20 years ago at George K. Baum & Company before joining the underwriting team at Stifel Nicolas & Co. in 2019, serving a variety of local and large entities across the country. Ms. May received a BS in Finance from Regis University and is a FINRA registered securities representative, currently holding series 7, 50, 53 and 63 licenses.

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ELIZABETH ASHTON is a quantitative analyst for D.A. Davidson's Fixed Income Capital Markets Public Finance group. Ms. Ashton joined D.A. Davidson in 2013 from the Denver CPA and consulting firm, Causey, Demgen & Moore P.C., where she worked for three years as a verification analyst preparing verification reports for current and advance refundings, commercial defeasances, arbitrage rebate calculations, etc. She also has past experience as a broker for Charles Schwab and as a contract quantitative analyst for the City and County of Denver.

Ms. Ashton holds a Bachelor of Arts degree in Pure and Applied Mathematics from Boston University. Prior to her graduation, she gained experience as an intern at Surge Capital Management and MainLine West LLC.

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D.A. Davidson & Co. has served separately as either a financial advisor or underwriter to charter schools and as such receives compensation for services.

THANK YOU

WE LOOK FORWARD TO WORKING WITH YOU.

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