CASE STUDY

FINANCING FOR K-12 SCHOOLS

MARCH 24, 2022

$122,475,000 | GENERAL OBLIGATION BONDS | 2022

School District No. 1 in the City and County of Denver (Denver Public Schools) | Denver, Colorado

DENVER PUBLIC SCHOOLS

Client Profile

Denver Public Schools (the "District" or "DPS") is the only public school district serving the City and County of Denver, Colorado, and encompasses approximately 155 square miles. The District is the largest in the State with a fall 2021 enrollment of 90,250 across 207 schools, including traditional public schools, charter schools, and innovation schools. DPS is a diverse and dynamic school district committed to providing equitable and inclusive educational environments. As of the closing of this transaction, the District owns and leases approximately 185 facilities and approximately 2,100 acres of land. From 2010 to 2020, the population of Denver grew 19.2%. This growth has further increased the District's need to expand and upgrade its current infrastructure and technologies.

In order to support the District's growth, an election was held in 2020 to authorize $795 million in bond funding to build and improve schools. The District expended a portion of the 2021 Bond proceeds on the following projects: five schools received new cooling systems, 27 schools received mechanical, electrical, or plumbing upgrades or repairs, galvanized piping was replaced in four buildings, and 17 buildings had general renovation projects completed. The District also secured 11.5 acres of land in the far northeast area for a future elementary school as well as four buildings on the former Johnson & Wales campus for a Denver Schools of the Arts expansion.

The Project & Structure

The proceeds of the Series 2022A Bonds were used to fund the cost of constructing and acquiring capital improvements approved at the 2020 Election. The Bonds carried an underlying rating of 'Aa1/AA+/AA+' and were supported by the Colorado state-intercept program, which carries ratings of 'Aa2/AA/AA'. The Bonds were structured with an optional 10-year par call and had serial maturities through 2042 and a term bond in 2045 to provide investors with larger block sizes, often sought out by municipal bond investors. Each maturity was priced with 5% coupons to generate additional proceeds (premium) above the authorized par amount and to allow for future refunding opportunities in the case rates were to fall below 2022 levels. The majority of the principal repayments amortizes beginning in 2034.

On an aggregate basis, inclusive of the District's existing debt service, the Bonds were also structured with a large step down in debt service starting in the 2034 maturity to allow for additional issuance capacity and potential no tax increase elections going forward.

Pricing Results

During the order period, the MMD AAA Benchmark increased by 3-7 basis points for all maturities. Given the large municipal supply that day and the changing market conditions, investors were in a better position to demand higher rates.

Other school districts that priced in the market that day saw upward adjustments in their yields by 15-20 basis points. However, due to the District's strong credit quality and Stifel's extensive marketing efforts, there was sufficient demand for the District's bonds, which allowed for only minor adjustments of 1-4 basis points on the longer end of the curve. Stifel committed to underwriting $27 million of balances at the time of the award to secure the District's strong market rates. The sale completed with net premium in excess of 22% and a true interest cost of 3.34%.

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