Financing for Candelas and Sierra School Construction in Arvada Moves Forward

GOLDEN, Colo., April 4, 2016 – The Jeffco Public Schools Board of Education approved the use of Certificates of Participation (COPs) to finance the construction of a new K-8 school and an expansion of Sierra elementary, both in northwest Arvada, in early March. On March 31, the financing was secured and the lease-purchase agreement was cleared to proceed. Construction at the Candelas site will begin this spring, and construction at Sierra will begin over the summer. Both construction projects are scheduled to open for the 2017-18 school year, with the $31 million investment at the Candelas site providing room for up to 1,000 K-8 students and the $17 million investment in Sierra increasing K-6 school capacity by 250 students.

Background
The growth of Jeffco Public Schools’ facilities needs has increased dramatically over the past three years, most notably in the northwest corridor of the district. The elementary schools in that area are experiencing overcrowding due to population growth with the construction of many new residential developments. The Sierra Phase II project, which was put on hold due to a failed bond measure in 2008, is now at a critical point due to the increased number of students. The Board of Education has chosen to utilize lease-purchase financing, Certificates of Participation (COPs), to fund these needed projects.

How COPs Work
COPs are issued securities to raise capital as a means of financing facility construction. They are used by governments, municipalities, and school districts across the country to finance construction projects when funds are not available on a pay-as-you-go basis.

Typically, COPs are financed by transferring interest in a property to a third-party lessor, which is then leased back through annual payments. In the district’s case, it will transfer interest in an existing school building with the value of approximately $43 million, which will serve as collateral for the COP investors. The proceeds raised from the sale of COPs will then be used to construct the new facilities.

The interest rate paid by Jeffco Public Schools is fixed and was determined at the time the COPs were sold. The rate is 3.01%. The principal and interest repayment is $3.2 million annually, which will be paid from the district’s capital fund. The lease is renewed yearly, and when the lease ends, the district will own the facility at no additional cost.
Historic Use of COPs
Colorado government entities have been issuing COPs for more than 35 years -- cities, municipalities, and school districts have used the financing tool to make needed capital improvements or build new facilities. There has been more than $1.5 billion in COPs issued by Colorado school districts in the last five years, in response to population growth, the need to build new schools and make structural improvements to existing schools.

The Colorado Supreme Court has ruled on two occasions that COPs are exempt from TABOR, and therefore do not require prior voter approval. As the leases are renewed each year, and can be terminated at any time, COPs are not considered long-term debt.

Benefits of COPs for Jeffco Public Schools
The Jeffco Public Schools Board of Education was apprised of various short-term options to solve address the student growth issues. Although some of the options discussed may have solved minor capacity issues, they were not ideal for students, nor did they address the district’s long-term needs. Therefore, the Board approved the construction of a K-8 facility at the Candelas site in the Northwest area, and to move forward with Sierra Phase II.

COPs provide the district with the most immediate means of financing these critical school projects. Pursuing this option at this time also allows the district to secure a low interest rate and sustainable yearly lease payments. Moody’s Investors Service assigned an Aa3 rating, indicating high quality credit and very low credit risk. The rating outlook has been upgraded to positive by Standard and Poor’s Corp. and reflects the expectation that the district will maintain a strong financial position.

About Jeffco Public Schools
Jeffco Public Schools has been providing educational excellence for more than 60 years. Approximately nine percent of all the K-12 students in Colorado attend a Jeffco School. Our mission is to provide a quality education that prepares all children for a successful future. The district serves over 85,000 students at 154 schools on 168 campuses. Find Jeffco Public Schools on Facebook, Twitter, and YouTube.

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