

STATE OF NEVADA

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STATE PUBLIC CHARTER SCHOOL AUTHORITY

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**BRIEFING MEMORANDUM**

To: SPCSA Board  
From: Jennifer Bauer and Duffy Chagoya  
Subject: Agenda Item #8 - Financial Framework Discussion  
Date: September 29, 2017

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Background:

In June of 2013, following the passage of Assembly Bill 205, the Authority adopted the Performance Framework along with the Charter Contract. Pursuant to NRS 388A.273, the SPCSA Performance Framework is divided into an Academic Framework, an Organizational Framework, and a Financial Framework.

Current and potential issues with financial indicator criteria in the Financial Framework will be presented. A proposed solution will be provided for each of the identified issues for board review. Approved resolutions will be implemented into a revised version of the Financial Framework and applied to the review of the 16-17 audited financial statements for SPCSA sponsored charter schools.

Agency staff requests permission to present additional revisions to the Financial Framework at a subsequent board meeting.

# Revisions Needed to the 8/19/14 Version of the Financial Performance Framework

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## Debt Default – Current Standards

Meets Standard:

School is not in default of loan covenant(s) and is not delinquent with debt service payments

Does Not Meet Standard:

Not Applicable

Falls Far Below Standard:

School is in default of loan covenant(s) or is delinquent with debt service payments

**Current Issue:** There is not a designation for schools that do not have a loan.

**Solution:** Add an additional Meets Standard criteria based on a school being in a better financial standing if it does not have a loan.

Meets Standard:

School is not in default of loan covenant(s) and is not delinquent with debt service payments

or

School does not have an outstanding loan

## Debt to Asset Ratio – Current Standards

Meets Standard:

Debt to asset ratio is less than 0.90

Does Not Meet Standard:

Debt to asset ratio is between 0.90 and 1.0

Falls Far Below Standard:

Debt to asset ratio is greater than 1.0

**Current Issue:** The criterion does not address the possibility of a Debt to Asset Ratio of 0.90 or 1.0 which would result in N/A.

**Solution:** Revise the criterion to cover the complete range of possibilities.

Does Not Meet Standard:

Debt to asset ratio is greater than or equal to 0.90 and less than or equal to 1.0

## Debt Service Coverage Ratio – Current Standards

Meets Standard:

Debt service coverage ratio is equal to or exceeds 1.10

Does Not Meet Standard:

Debt service coverage ratio is less than 1.10

Falls Far Below Standard:

Blank

**Current Issue:** There is not a designation for schools that do not have a loan. Also, Debt Service Coverage Ratio cannot be calculated for schools that do not have a loan because all the required variables do not exist.

**Solution:** Add an additional Meets Standard criteria based on a school being in a better financial standing if it does not have a loan.

Meets Standard:

Debt service coverage ratio is equal to or exceeds 1.10

or

School does not have an outstanding loan.