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**STATE OF NEVADA**

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**STATE PUBLIC CHARTER SCHOOL AUTHORITY**

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**RECOMMENDATION MEMORANDUM**

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**TO:** SPCSA Board

**FROM:** Mike Dang, Manager of Financial and Organizational Performance  
Mark Modrcin, Director of Authorizing

**SUBJECT:** Founders Academy of Las Vegas Amendment Requests

**DATE:** December 17, 2019

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**Summary of Request**

Founders Academy of Las Vegas (Founders) is requesting the Nevada State Public Charter School Authority approve their request to amend their current charter contract to allow Founders to secure bond financing to accomplish the following facilities matters:

1. Acquire or Construct a New or Additional Facility (to reduce facility costs and accommodate existing enrollment growth)
2. Occupy New or Additional Facility

SPCSA staff recommends approval, with conditions, as detailed in this memo. The request by Founders Academy will not impact their current enrollment cap, and the school recognizes that it will need to submit a future amendment to expand enrollment above the current cap.

**Background**

Founders serves 779 students (as of validation day) in Kindergarten through 12th grade at one campus in northwest Las Vegas, Nevada. The Founders campus is located at 5730 W. Alexander Road, Las Vegas, NV 89130.

Founders operates under a contract which began July 1, 2014 with a six-year expiration of June 30, 2020. The school is currently up for renewal, and staff plans to present a recommendation regarding the Founders renewal application on January 31, 2020.

The mission of Founders Academy of Las Vegas is to train the minds and improve the hearts of young people through a rigorous, classical education in the liberal arts and sciences, with instruction in the principles of moral character and civic virtue.

Founders leases its school – property and school plant – from The Boyer Company. The Boyer Company served as the developer for the school build project under the supervision of the Founders GBODs. LM Construction was hired by The Boyer Company and contracted sub-contractors.

In August 2018, the CEO/Principal determined that the school plant was near capacity. The CEO/Principal requested and received Founders BOD approval to add a two-classroom portable building for the 2019-2020 school year at an annual cost of just over \$22,000 per two-classroom building to accommodate additional students. Founders projects a need for a second single-two classroom portable building for the 2020-2021 school year.

The enrollment cap for the school is 750 students.

### **Bond Financing**

To address its school growth and facility issues, the Governing Board explored various options including bond financing to acquire their campus so that improvements can be made. The Governing Board worked with bond advisors and the board ultimately voted unanimously to bond finance Founders to buy-out The Boyer Company and to carry out the improvements and expansion described herein.

As a result of a favorable bond market and positive academic and financial standing, Founders finds itself in an exceptional position to bond finance.

Founders' current annual lease payment is \$1,108,404 annually with a 2% annual increase. According to bond advisor Mr. Solarczyk, or RBC Capital Markets, without adding in the 2% annual lease increases, the savings annually warrant bond financing and are projected to result in the following cost savings from acquiring rather than leasing.

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<b>OPTIONS:</b>	<b>ANNUAL SAVINGS:</b>	<b>MONTHLY SAVINGS:</b>
Boyer Buyout:	\$229,154.00	\$19,096.17
Boyer Buyout w/ Building Improvements:	\$215,986.00	\$17,998.83
Boyer Buyout w/ Building Improvements w/ Expansion:	\$90,542.00	\$7,545.17

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### **Proposed Improvements to the Existing School Plant**

In addition to a buy-out of The Boyer Company, Founders intends to finance improvements to the existing school plant – sound damping panels and gym bleachers. These proposed improvements are necessary to improve the existing building, providing improved usefulness and capacity in specific areas of the building. The approximate cost of this improvement is just under \$49,000.

## **Proposed Expansion on the Current Property – Classroom Annex**

To meet growing enrollment demands, the GBODs and CEO-Principal intend to build an expansion annex of nine classrooms of 9,700 square feet on the school's existing property using the financing.

Founders intends to seek a bond finance issuance of nearly \$17.7m with about \$15.2m to buy out the existing lease, campus facility and land and the additional \$2.5m to complete the improvements and expansions.

### **Legal Authority and Requirements Related to Amendment Requests:**

The RFA application includes Eligibility Requirements, per NRS 388A.279, that a school must be in good standing in all three domains of the Authority's academic, financial and organizational performance frameworks and it must not be considered a low-performing school or otherwise ineligible. This memo summarizes staff's review in light of the Eligibility Requirements.

#### **1. Academic Performance Framework**

Founders is in good standing under this framework. Students have achieved among the three highest ratings of performance pursuant to the statewide system of accountability for public schools, putting it in good standing. While the elementary program was previously operating under a Notice of Breach as a result of the 2018 Nevada School Performance Framework (NSPF), the program was moved back into good standing as a result of the 2019 NSPF ratings. Founders Academy earned a four-star rating this past year, while both the middle and high school programs earned five and three stars, respectively.

#### **2. Financial Performance Framework**

Founders is in good standing in this area. It has improved each year since the School Year Ending (SYE) 2016 and appears to be in good standing at this time. The Board reviewed but did not take action to confirm financial performance ratings for the School Year Ending (SYE) 2017 and 2018 periods, for all schools. If it had taken action, Founders would have met standards, overall, for both years, though the school struggled SYE 2016.

#### **3. Organizational Performance Framework**

Founders is in compliance and good standing. The Organizational Performance Framework (OPF) framework was approved by the Authority over this past summer (2019) and is now active. Consequently, School-Year-End (SYE) results are not available for (SYE) 2019. Still, this framework primarily covers compliance with legal requirements including Open Meeting Laws, reporting and other requirements.

Staff has reviewed the application in light of relevant NRS law and NAC regulations mentioned above, the RFA template with its Eligibility Requirements, and prior and current best practices. Staff finds the school to be in good standing with regards to the three aspects of the performance framework above and statutory, regulatory and SPCSA requirements in general.

### **Recommendation: Approve with Conditions**

Based on the findings above and the academic performance table shown below, staff recommends the Board approve this request, subject to the below conditions and submissions:

- A revised budget showing existing and planned facility lease/acquisition terms and payment amounts with planned interest rates, principal payment amounts under a bond issue, current and budgeted Debt Service Coverage Ratios.
- A copy of the term sheet and other bond program documents identifying the bond issuer and evidencing the terms of the bonds upon approval by the bond issuer. Staff recommends the Board delegate staff the authority to review and approve.
- Compliance with requirements regarding submittal of annual financial statements approved by the school's auditor that demonstrate that the school is improving or maintaining a meets standards performance within the financial framework performance metrics. Quarterly reports must be submitted, as regularly scheduled, following approval of this matter by the SPCSA Board and do not require auditor approval.
- Execution of a formal contract amendment acknowledging the results of the SPCSA Board's decision regarding this matter.
- All approvals necessary from Clark County and the respective municipality.

It should be noted that the current charter for Founders expires on June 30, 2020. This conditional approval amends but does not supersede the existing charter. Renewal of the school's charter will be considered by the Board under a separate item before the expiration of the charter contract. Currently this recommendation is slated to be heard at the January 31, 2020 Authority meeting.

**Proposed Motion:**

Accept staff's recommendation to **approve, with conditions, Founders Academy of Las Vegas' request to issue bonds to acquire the campus it has been leasing and to implement its improvement and expansion plans for the facility only as described herein based on its application.**

**Founders Academy of Las Vegas School Profile:**

***I. School Performance (NSPF Star) Ratings:***

<b>Year</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Stars (ES)	2	2	4	-	-	-
Stars (MS)	N/A	3	5	-	-	-
Stars (HS)	N/A	N/A	3	-	-	-

***II. Total Current Enrollment Across All Campuses:***

<b>Enrollment by Grade Level</b>					
<b>Year:</b>	<b>15-16</b>	<b>16-17</b>	<b>17-18</b>	<b>18-19</b>	<b>19-20</b>
<b>Grade</b>					

<b>Pre-K</b>	-	-	-	-	-
<b>K</b>	51	57	58	76	79
<b>1</b>	54	58	58	81	83
<b>2</b>	55	58	58	80	83
<b>3</b>	54	56	58	56	82
<b>4</b>	55	58	59	56	81
<b>5</b>	53	57	58	57	59
<b>6</b>	45	55	58	56	56
<b>7</b>	49	52	56	56	55
<b>8</b>	33	52	53	57	56
<b>9</b>	23	24	44	55	47
<b>10</b>	10	22	26	39	51
<b>11</b>	4	9	21	24	31
<b>12</b>	-	6	11	21	16
<b>Total</b>	486	564	618	714	779

**III. School Demographics:**

Year	Ethnicity							Special Population		
	A	B	C	H	I	M	P	FRL	IEP	ELL
15-16	3.1%	4.3%	61.7%	21.0%	0.4%	8.8%	0.6%	15.6%	6.6%	1.9%
16-17	2.8%	5.0%	59.2%	23.2%	0.4%	8.9%	0.5%	11.9%	8.3%	3.5%
17-18	2.9%	6.6%	54.9%	25.1%	0.3%	9.7%	0.5%	18.6%	8.1%	2.6%
18-19	2.9%	7.0%	49.6%	29.7%	0.1%	10.5%	0.1%	17.1%	6.3%	5.0%
19-20	3.5%	7.6%	44.9%	34.8%	0.0%	9.1%	0.1%	27.0%	6.4%	4.9%
20-21	-	-	-	-	-	-	-	-	-	-

A – Asian

B – Black

C - Caucasian

H – Hispanic

I – American Indian/Alaskan Native

M – Two or more races

P – Pacific Islander

IEP – Individualized Education Plan –A student with a disability/special education student

ELL – English Language Learner

FRL – A student who qualifies for Free or Reduced-Price Lunch