



STATE PUBLIC CHARTER SCHOOL AUTHORITY

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BRIEFING MEMORANDUM

TO: SPCSA Board
FROM: Mark Modrcin, Director of Authorizing
SUBJECT: Agenda Item #11: Recommendations regarding Revolving Loan Fund Applications for Nevada Prep, Nevada Rise and Futuro Academy
DATE: May 14, 2018

Introduction & Overall Recommendation

Under [NAC 386.435](#), the governing body of public charter schools may make application to the State Public Charter School Authority for a loan from the Revolving Loan Fund account. The State Public Charter School Authority provides loans at or below market rate to charter schools for the costs incurred in preparing a charter school to commence its first year of operations, and to improve the operations of existing charter schools. The lack of low-cost financing, or other capital, to support the operations of new and existing charter schools presents a significant hurdle to expanding and improving the quality of Nevada’s charter schools.

Authority staff received three applications for this cycle before the March 15 submission deadline. Futuro Academy opened its doors this past fall, is located in East Las Vegas and was approved for a loan of \$58,000 during the previous application cycle. Futuro Academy is authorized by the Nevada Achievement School District (ASD), and currently serves approximately 125 total students in Kindergarten and 1st grade. Eventually the school plans to grow to a Kindergarten - 8th grade school serving over 500 students. Nevada Prep, also authorized by the Nevada ASD, will open its doors this August, is also located in East Las Vegas and will grow to be a 5th – 8th grade middle school serving no more than 448 students by the 2022 – 2023 school year. Nevada Rise Academy is also authorized by the Nevada ASD and will also open its doors for the 2018 – 2019 school year in East Las Vegas. The school will grow to a Kindergarten – 5th grade elementary program by the 2023 – 2024 school year, serving no more than 504 students at that time.

After a thorough review of each application against a rubric, SPCSA staff recommends that the Authority Board approve each of the revolving loan applicants for the requested amounts:

- Futuro Academy: \$67,000 (from available state FY19 funds)
- Nevada Prep: \$70,000

- Nevada Rise Academy: \$70,000

Summary of the Process

As previously mentioned, all three applications were submitted on or before the March 15, 2018 submission deadline. Staff then conducted a completeness check shortly thereafter, confirming that each application contained all the appropriate and relevant information. During the month of April, two members of the authorizing team evaluated each revolving loan application using a rubric which set forth the standards of obtaining a revolving loan. The application and rubric are divided into three sections. The first section confirms each applicant understands the Revolving Loan Fund account and explores the financial health and viability of the school. If the school has yet to open, the school is required to provide letter from a certified public accountant that confirms the school has, or is expected to have strong internal financial and procedural controls based on the information available. The second section requires the school to describe its current financial needs, provide context for why receiving this loan is critical to operations, as well as explain the school's plan to repay the loan should it be approved. The third section of the rubric evaluates the school's business plan and ability to maintain a healthy student enrollment.

The evaluation team rated each application independently so as to maintain impartiality. There are only two rating options for each section: Meets the Standard and Does Not Meet the Standard. After the initial, independent scoring, the review team then came together to compare notes and arrive at an overall recommendation for each application.

Futuro Academy – Summary and Recommendation

Futuro Academy provided a strong letter of endorsement from the Nevada ASD. Additionally, Nevada ASD personnel confirmed to SPCSA staff during multiple conversations that the school is expected to have strong results after its first year. Futuro Academy provided three credit references, a copy of its most recent financial report that was delivered to the governing Board in March, and documentation confirming that the Board understands and accepts the terms of the Revolving Loan Fund, even if the school were to close.

It is noteworthy that Futuro applied for and was awarded a \$58,000 loan from the Revolving Loan fund during the previous cycle. Repayment of that loan will begin this upcoming fiscal year, and SPCSA staff has no reason to believe the school will struggle to make these loan payments.

Futuro proposes to borrow the \$67,000 for the 2018 -2019 school year, and subsequently paying it off during the 2019 – 2020 and 2020 – 2021 school years. The loan is intended to provide the school with a healthy cash reserve so that the Charter School Programs (CSP) grant, which has already been awarded to the school, can be more effectively leveraged. The CSP grant is issued on a reimbursement basis, so the cash is needed to maximize its utility. The school notes that if not received, they would be forced to eliminate several programs and resources that are geared towards the development of teachers.

The school has reasonable enrollment projections, and currently exhibits a robust enrollment with a healthy waitlist. The school was able describe how they will continue to take student applications throughout the school year, enrolling students on a first-come, first-serve basis should seats be vacated throughout the year. The school also detailed strategies that will be implemented in both English and Spanish so as to eliminate barriers for students and families wishing to enroll.

Overall, SPCSA staff found the information presented to be thorough. The school has a strong plan for repayment of the loan, and it will help the school maintain a steady cash position while aiding its ability to more effectively leverage the CSP grant. For these reasons, SPCSA staff recommends that the Authority Board approve the Futuro Academy Revolving Loan application for \$67,000. Because this is the second loan from the account for Futuro, SPCSA staff recommends that these funds be encumbered from the 2019 fiscal year funds. This means that funds would not be disbursed to the school until July, 2019.

Nevada Prep – Summary and Recommendation

In its application, Nevada Prep provided an endorsement letter from the ASD leadership. While the school will open in August, 2018, the school did undergo a rigorous third-party review, and aims to be at least a three-star school by the end of its fourth year of operation. This allows the school to have a baseline year plus three additional years of measured progress. Nevada Prep also provided a letter from a CPA indicating that they fully expect Nevada Prep to have adequate internal financial controls when it is fully operating.

Nevada Prep provides a loan repayment plan that begins at the beginning of year 2 (July 1, 2019), and will last for the following 24 months. The provided business plan indicates that the school will have sufficient cashflow to repay the loan plus interest. The school plans to use the loan to pay for anticipated staff and benefit expenses occurring this July and August, which should total right around the requested \$70,000. If approved, this loan would be a timely influx of cash as the timing of state Distributive School Accounts (DSA) payments create an undue financial hardship for the school, leaving it short on cash as the school begins operations. The ability for the school to focus on the implementation of curriculum and instruction rather than worry about how to manage negative cashflow would be very beneficial to the Nevada Prep community.

The school provided a thorough and detailed enrollment information. As of mid-March, 103 students have been admitted to the school, and the school had an internal goal of 115 students by the end of March. The school does plan to keep a waitlist so that vacated seats may be backfilled throughout the year.

Overall, SPCSA staff found the Nevada Prep application to be compelling and complete. The school has a strong plan for repayment of the loan and presents a need for additional start-up cash. For these reasons, SPCSA staff recommends that the Authority Board approve the Nevada Prep Revolving Loan application for \$70,000.

Nevada Rise – Summary and Recommendation

In its application, Nevada Rise provided an endorsement letter from the ASD leadership. While the school will open in August 2018, the school did undergo a rigorous third-party review, and aims to be at least a three-star school by the end of its fourth year of operation. This allows the school to have a baseline year plus three additional years of measured progress. Nevada Rise also provided a letter from a CPA indicating that they fully expect Nevada Rise to have adequate internal financial controls when it is fully operating.

Nevada Rise provides a loan repayment plan that begins at the beginning of year 2 (July 1, 2019), and will last for the following 24 months. The provided business plan indicates that the school will have sufficient cashflow to repay the loan plus interest. The school plans to spend the loan on telecommunications and information technology. As a brand new public charter school, Nevada Rise would greatly benefit from a low-interest loan to ensure that it maintains adequate cash flow

and the facility is fully functional for staff and students. It is also worth noting that Nevada Rise is a recipient of a CSP grant. If approved, a Revolving loan would be a timely influx of cash that would allow the Executive Director and Director of Operations to begin preparing the facility for students with the necessary technology as they are reimbursable under the CSP grant.

Nevada Rise provided thorough and detailed enrollment information for SPCSA staff. As of mid-March, 136 students have been admitted to the school, surpassing the school's internal goal of 125 students by the end of that month. The school does plan to keep a waitlist so that vacated seats may be backfilled throughout the year.

Overall, SPCSA staff found the Nevada Rise application to be compelling and complete. The school has a strong plan for repayment of the loan and presents a need for additional start-up cash. For these reasons, SPCSA staff recommends that the Authority Board approve the Nevada Rise Revolving Loan application for \$70,000.