



Nevada State Public Charter School Authority

FINANCIAL PERFORMANCE FRAMEWORK (FPF)

January 18, 2019

PURPOSE & AGENDA

Present staff's recommended revisions to the SPCSA Financial Performance Framework (FPF)

- **1. Look back—how did we get here?**

- **2. SPCSA staff recommendations**
 - Unchanged Indicators and Measures
 - Proposed changes

- **3. Summary and Next Steps**

HOW DID WE GET HERE?

June

- Presented FY17 FPF recommendations
- Directed to revise FPF based on a number of concerns:
 - Days of Cash-on-Hand
 - Total Margin
 - Debt to Asset Ratio
 - Debt Service Ratio



August – November

- Held Listening Sessions
- Facilitated Board Financial Framework Discussion
 - Are best practices being followed?
 - What is the financial health of the school?
 - Is there integrity and fidelity in what is being reported to the board?
- Researched best practices
- Consulted with leading authorizers



December – January

- Finalized Recommendations
- Tested proposed recommendations
- Discussed proposed recommendations with charter leaders

SPCSA FINANCIAL FRAMEWORK (FPF)

➤ Indicator 1: Near Term Measures

- 1 – Current Ratio
- 2 – Unrestricted Days Cash-on-Hand Ratio
- 3 – Enrollment Forecast Accuracy
- 4 – Debt Default

➤ Indicator 2: Sustainability Measures

- 1 – Total Margin
- 2 – Debt to Asset Ratio
- 3 – Cash Flow
- 4 – Debt Service Coverage Ratio

SPCSA FINANCIAL FRAMEWORK (FPF) – CONT.

➤ Ratings

- Meets Standard
- Does Not Meet Standard
- Falls Far Below Standard

➤ Intervention Ladder

- Good Standing
- Notice of Concern
- Notice of Breach
- Notice of Intent to Terminate

STAFF RECOMMENDATIONS

<u>Indicator</u>	<u>Specific Measures</u>	<u>Recommendation</u>
Near-Term	Current Ratio	NO CHANGE
	Debt Default	NO CHANGE

SPCSA staff also recommends no changes to the ratings and intervention ladder under the proposed Financial Performance Framework.

STAFF RECOMMENDATIONS – CONT.

<u>Indicator</u>	<u>Specific Measure</u>	<u>Recommendation</u>	<u>Rationale</u>
Near-Term	Unrestricted Days Cash-on-Hand Ratio	<i>Implement an escalating standard for newer schools until Year 3</i>	Balances pre-opening expenses with a reasonable cash balance
	Enrollment Forecast Accuracy	<i>Implement a escalating standard for newer schools until Year 3</i>	Allows school to establish initial enrollment base
Sustainability	Total Margin	<i>Measure based on accrual method</i>	Recommended best practice
	Debt to Asset Ratio	<i>Reverse out state pension liability</i>	Eliminates overstatement of school debt
	Cash Flow	<i>Allow possible capital expenditure exception</i>	Accommodate planned capital expenditures
	Debt Service Coverage Ratio	<i>Account for schools leasing facilities</i>	Adds monitoring coverage for major facility expenses

ADDITIONAL STAFF RECOMMENDATIONS

- Measure financial performance using Accrual Method Statements
- Focus on recommended source financial statements
- Establish minimum line items and titles to appear in the Government-Wide statements
- Update narrative language in FPF Workbook
- Publish a FAQ document to provide written clarification to schools and auditors

SUMMARY AND NEXT STEPS

- ✓ Worked to address school and Authority concerns with current Financial Performance Framework
 - ✓ Are best practices being followed?
 - ✓ What is the financial health of the school?
 - ✓ Is there integrity and fidelity in what is being reported to the board?
- ✓ Engaged with a variety of stakeholders; researched and tested to formulate recommendations
- ✓ If approved, these Recommended Revisions will go into effect in FY20

QUESTIONS?

