RECOMMENDATION MEMORANDUM

TO: SPCSA Board

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

SUBJECT: Agenda Item No. 6a: Doral Academy of Las Vegas Bond Amendment Request

DATE: December 13, 2019

Summary of Request

The Doral Academy of Nevada Board of Directors (Doral) is requesting the Nevada State Public Charter School Authority approve their request for Doral Academy of Nevada to issue bonds to acquire the Pebble Campus, facility and lands, they are currently leasing.

Approval would be subject to the application they have submitted regarding this matter and subject to the terms stated within their attached application and its attendant documents, applicable law, regulations and their existing contract.”

SPCSA staff recommends approval, with conditions, as detailed in this memo.

Background

Doral serves 5,746 students (as of validation day) in Kindergarten through 12th grade in five campuses in Las Vegas, Nevada. The school is operating under a charter contract entered into in 2012 and renewed in 2018.

The Doral Pebble campus serves 978 students in Kindergarten through 8th. Doral submitted a request to restructure their leases for the Pebble campus on October 15, 2019.

The Doral Pebble campus is located at 6435 W. Pebble, Las Vegas, NV 89139.

Doral Academy of Las Vegas currently leases the Pebble campus under a triple-net lease (and related amendments), which includes a purchase option which is 37 months after the lease-commencement date. It is SPCSA staff’s understanding that Doral will continue to occupy the
Pebble campus under the existing lease, although the terms of the bond financing program will overlay the existing lease and will potentially provide more favorable terms to Doral.

Doral previously utilized bonds issued through the Department of Business & Industry (B&I) in 2017. Doral now seeks to issue bonds under a similar debt structure as were utilized in 2017. Under the current proposal, the bond issuance and project costs will not exceed $13 million.

Doral’s financial assumptions project that the school will borrow approximately $13 million at an interest rate of 5.50% over 30 years. Under Doral’s financial model, the total facility costs, including debt service, maintenance, and utilities will be approximately 17.9% of total expenditures, and Doral claims that its financial model allows for facility costs of approximately 19.6% of total expenditures and that this capacity will increase in the coming 5-year period.

The school completed a lease versus buy analysis comparing their estimated costs under their existing lease and their estimated costs under the proposed bond financing. Under a purchase option, bond payments will begin in SYE 2021. The breakeven year will be SYE 2022, after which bond payments will become more cost effective than leasing. The projected net savings as of SYE 2023 will be $27,411.

Legal Authority and Requirements Related to Amendment Requests:

Doral has submitted an amendment request to the Authority, seeking to restructure the financing of the existing lease and lease amendments related to Doral’s Pebble campus. Doral seeks to accomplish this through the Arizona Industrial Developmental Authority (AZIDA) bond financing program.

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 includes those schools rated at the approaches standards, unsatisfactory, or critical level on the authority performance framework either in aggregate or at the elementary, middle, or High School level. This memo now summarizes staff’s review in light of the Eligibility Requirements.

1. Academic Performance Framework

The Doral Pebble school programs have achieved among the three highest ratings of performance pursuant to the statewide system of accountability for public schools, putting it in good standing. Please see the Academic Performance table on page 5 of this memo.

Specifically, under the 2018-19 Nevada State Performance Framework, the Doral Pebble elementary school program is rated at the 5-star level and the Doral Pebble middle school program is rated at the 5-star level.

2. Financial Performance Framework

Overall, the Doral schools received a “Meets standards” for all eight measures under the most recent approved Financial Measure Summary, covering SY 2016-2017. The Board did not take action to confirm the ratings for all schools for this period. For the prior period, SY 2015-2016, the board did take action to accept the ratings, for all schools. For that prior
period, Doral received two “Does Not Meet Standard” ratings and six "Meets Standard" ratings.

3. Organizational Performance Framework

While this framework was approved by the Authority over the summer, School-Year-End (SYE) results were not contemplated for or available for (SYE) 2019. This framework primarily covers compliance with legal requirements including Open Meeting Laws, compliance reporting, meeting reporting and other requirements. To date, staff finds Doral Academy to be in compliance and in good standing.

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 Doral in good standing with regards to the three aspects of the performance framework and also regarding the statutory, regulatory and SPCSA requirements mentioned above.

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.

- A revised budget showing existing and planned facility lease payment amounts with planned new principal payments, under a bond issue, the current and budgeted Debt Service Coverage Ratio.
- Submission of a revised budget, with new lease payment amounts.
- A copy of the term sheet, or other AZIDA bond program documents evidencing the terms of the bonds upon approval by AZIDA. Staff recommends that the Board delegate staff the authority to review and approve.
- Compliance with all requirements regarding submittal of 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 following approval of this matter by the SPCSA Board.
- Execution of a formal contract amendment acknowledging the results of the SPCSA Board’s decision regarding this matter.

It should be noted that the current charter for Doral expires on June 30, 2025. This conditional approval does not supersede that obligation, and the renewal of the Doral charter will be considered by the Board under a separate item before the expiration of the charter contract.

Proposed Motion:

Accept staff’s recommendation to approve, with conditions, Doral Academy of Nevada’s request to issue bonds to acquire the Doral Pebble Campus facility and lands they have been leasing.
Profile:

Academic Performance

Doral Academy of Las Vegas

<table>
<thead>
<tr>
<th>Year</th>
<th>NSPF Rating</th>
</tr>
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| 2019 | **Pebble elementary: 5 stars**  
**Pebble middle: 5 stars**  
Cactus Campus elementary: 5 stars  
Cactus Campus middle: 5 stars  
Fire Mesa elementary: 5 stars  
Fire Mesa middle: 5 stars  
Red Rock elementary: 5 stars  
Red Rock middle: 4 stars  
Red Rock high: NR  
Saddle elementary: 4 stars  
Saddle middle: 5 stars |
| 2018 | **Pebble elementary: 5 stars**  
**Pebble middle: 4 stars**  
Cactus Campus elementary: 4 stars  
Cactus Campus middle: 5 stars  
Fire Mesa elementary: 3 stars  
Fire Mesa middle: 4 stars  
Red Rock elementary: 5 stars  
Red Rock middle: 5 stars  
Red Rock high: NR  
Saddle elementary: 4 stars  
Saddle middle: 3 stars |
| 2017 | Elementary: 5 stars  
Middle: 5 stars |
| 2016 | Elementary: 5 stars  
Middle: 3 stars |
| 2015 | Elementary: 5 stars  
Middle: 3 stars |
### School Demographic Change since 2016
(prior to 18-19, demographic data was not separated by campus)

<table>
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<tr>
<th>Name</th>
<th>Year</th>
<th>Total Enrolled</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>H</th>
<th>I</th>
<th>M</th>
<th>P</th>
<th>IEP</th>
<th>ELL</th>
<th>FRL</th>
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<td>2659</td>
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<td>58.0%</td>
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<td>0.0%</td>
<td>12.8%</td>
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<tr>
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<tr>
<td>Doral Academy West Pebble</td>
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<td>1.7%</td>
<td>7.8%</td>
<td>7.3%</td>
<td>25.8%</td>
</tr>
</tbody>
</table>

**Definitions:**
- **A** – Asian
- **B** – Black
- **C** – White
- **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