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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:** Agenda Item No. 6b: Pinecrest Academy of Nevada Bond Amendment Request

**DATE:** December 13, 2019

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**Summary of Request**

The Pinecrest Academy of Nevada Board of Directors (Pinecrest) is requesting the Nevada State Public Charter School Authority approve their request **for Pinecrest Academy of Nevada to issue bonds to acquire the Cadence Campus, facility and lands, they have been 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**

Pinecrest serves 5,994 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 Pinecrest Cadence campus serves 1,814 students in Kindergarten through 12<sup>th</sup> grade. Pinecrest submitted a request to restructure their leases for the Cadence campus on October 15, 2019.

The Pinecrest Cadence campus is located at 225 Grand Cadence Dr. Henderson, NV 89015.

Pinecrest Academy of Nevada currently leases the Cadence 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 Pinecrest will continue to occupy the Cadence 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 Pinecrest.

Pinecrest previously utilized bonds issued through the Department of Business & Industry in 2017. Pinecrest now seeks to issue bonds under similar a debt structure as were utilized in 2017. Under the current proposal, the bond issuance and project costs will not exceed \$13 million. Pinecrest's financial assumptions project that the school will borrow approximately \$30 million at an interest rate of 5.50% over 30 years. Under Pinecrest's financial model, the total facility costs, including debt service, maintenance, and utilities will be approximately 19.53% of total expenditures, and Pinecrest claims that its financial model allows for facility costs of approximately 19.83% 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 2020. The breakeven year will be SYE 2021, after which bond payments will become more cost effective than leasing. The projected net savings as of SYE 2023 will be \$1,119,838.

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

Pinecrest has submitted an amendment request to the Authority, seeking to restructure the financing of the existing lease and lease amendments related to the Pinecrest Cadence campus. Pinecrest 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 campus of this Pinecrest application has achieved one of the three highest ratings of performance pursuant to the statewide system of accountability for public schools, putting it in good standing. Please see the attached Academic Performance table.

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

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

Pinecrest “met standards” for all 8 measures in the two most recent years available (SYE 18 and SYE 17), and for SYE 16 “met standards” for 6 measures, “did not meet standards” for one measure (Unrestricted Days Cash on Hand) and “fell far below standard” on one measure (Cash Flow).

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

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

Staff have 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 Pinecrest in good standing with regards to the performance framework and also with regards to 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 Pinecrest expires on June 30, 2025. This conditional approval does not supersede that obligation, and the renewal of the Pinecrest 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, Pinecrest Academy of Nevada's request to issue bonds to acquire the Pinecrest Cadence Campus, facility and lands they have been leasing.**

**Background:**

**Academic Performance**

**Pinecrest Academy of Las Vegas**

Year	NSPF Rating
2019	Cadence elementary: 4 stars Cadence middle: 5 stars Horizon Campus elementary: 4 stars Inspirada elementary: 5 stars Inspirada middle: 5 stars St. Rose elementary: 4 stars St. Rose middle: 4 stars
2018	Cadence elementary: 5 stars Cadence middle: 5 stars Horizon Campus elementary: 5 stars Inspirada elementary: 5 stars Inspirada middle: 5 stars St. Rose elementary: 4 stars St. Rose middle: 5 stars
2017	Elementary: 5 stars Middle: 5 stars

**School Demographic Change since 2016 (prior to 17-18, demographic data was not separated by campus)**

Name	Year	Total Enrolled	A	B	C	H	I	M	P	IEP	ELL	FRL
PAN Systemwide	2016-2017	3716	7.2%	5.1%	54.5%	21.3%	0.4%	9.9%	1.6%	8.2%	1.7%	22.0%
PAN Horizon	2017-2018	866	3.8%	8.2%	55.2%	25.3%	0.0%	6.0%	0.0%	11.2%	1.5%	17.7%
PAN Horizon	2018-2019	703	4.6%	5.1%	51.6%	29.9%	0.3%	7.8%	0.7%	10.2%	1.9%	27.7%
PAN Horizon	2019-2020	771	3.6%	7.3%	47.5%	31.6%	0.4%	8.7%	0.9%	12.1%	0.8%	31.1%
PAN Inspirada	2017-2018	1017	10.4%	3.9%	52.0%	18.6%	0.0%	12.9%	0.0%	9.6%	0.0%	3.2%
PAN Inspirada	2018-2019	1099	10.7%	4.6%	50.3%	19.2%	0.4%	13.3%	1.6%	8.5%	0.0%	11.0%
PAN Inspirada	2019-2020	1193	12.1%	4.5%	49.9%	18.4%	0.4%	12.9%	1.8%	9.1%	1.0%	9.9%
PAN St. Rose	2017-2018	982	12.0%	5.3%	44.7%	23.0%	0.0%	10.5%	0.0%	7.3%	2.6%	8.3%
PAN St. Rose	2018-2019	992	13.2%	5.0%	42.1%	23.9%	0.2%	11.7%	3.8%	8.6%	1.9%	19.6%
PAN St. Rose	2019-2020	980	15.8%	6.6%	34.2%	27.6%	0.2%	12.7%	3.0%	8.6%	1.4%	26.0%
PAN Sloan Canyon	2019-2020	1236	14.1%	4.9%	38.4%	25.8%	0.2%	14.5%	2.1%	8.8%	1.8%	17.1%
PAN Cadence	2017-2018	1261	5.2%	6.6%	53.1%	25.4%	0.0%	8.6%	0.0%	11.4%	3.7%	18.0%
PAN Cadence	2018-2019	1628	5.9%	7.3%	49.3%	26.9%	0.4%	8.7%	1.6%	11.6%	3.6%	30.8%
PAN Cadence	2019-2020	1814	5.5%	7.2%	48.3%	27.9%	0.4%	9.0%	1.6%	12.5%	2.8%	30.9%

- 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