



STATE PUBLIC CHARTER SCHOOL AUTHORITY

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ACTION MEMORANDUM

TO: SPCSA Board
FROM: Mike Dang, Manager, Manager of Financial and Organizational Performance
Mark Modrcin, Director of Authorizing
SUBJECT: Agenda Item #5: Recommendation Regarding Revolving Loan Fund Application for
Girls Athletic Leadership School (GALS)
DATE: April 24, 2020

Summary of Request and Recommendation

Pursuant to [NAC 388A.665](#), the governing body of a public charter school may submit an application to the State Public Charter School Authority (SPCSA) for a loan from the Revolving Loan Fund account as authorized by the Legislature for purposes including, pursuant to [NRS 388A.435\(2\)\(a\)](#), “preparing a charter school to commence its first year of operation.”

Authority staff received a Revolving Loan Fund Application for the Girls Athletic Leadership School (GALS) before the March 15 submission deadline. Subsequently, staff reviewed the application to ensure alignment with at least one of the statutory purposes and that there was a strong plan in place for management and repayment of funds should the loan be awarded.

After review of the application, SPCSA staff recommends approval of this loan application.

Background

GALS was approved by the SPCSA Board at the January 31, 2020 Board meeting to open this fall of 2020. GALS will be located in Las Vegas, initially, at the John D. Jackie Gaughan Boys and Girls Club of Southern Nevada, located at 920 Cottage Grove Ave, Las Vegas, NV 89119 on the UNLV campus. The school is in negotiations to enter a long-term lease in either the 89119 or 89120 zip codes, which would require an amendment and Authority approval at a future date. These zip codes are adjacent to one another and are among the zip codes recognized by the SPCSA Board as being areas of high need. Additionally, both zip codes are listed in the [2020 Academic and Demographic Needs Assessment](#) showing 1 & 2 Star schools.

The GALS Board, on November 11, 2019, approved a motion that the school submit an application to the SPCSA for a revolving loan. The school submitted its application to the SPCSA thereafter.

Summary of the Process

The application was submitted on February 10, before the March 15, 2020 submission deadline. Staff then conducted a completeness check shortly thereafter, confirming that the application contained all appropriate and relevant information. During the months of March and April, two members of the authorizing team evaluated the 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 an 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 a 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 Executive Director, Jennifer McCloskey, and the governing board Treasurer, Katherine Vaughn, are licensed CPAs. Both have reviewed the internal financial and procedural controls policy, which include their internal financial and procedural controls. Staff have requested an independent CPA review of their assessment of their internal financial and procedural controls policy, though the application rubric does not require this. The school's Executive Director has agreed to submit an external CPA review of this area within 30 days after the school receives its first DSA payment later this calendar year.

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 four rating options for each section: Meets the Standard, Approaches the Standard, Partially 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. Overall, GALS achieved a Meets Standard rating with no Does Not Meet Standards ratings.

Revolving Loan and Repayment

GALS is requesting a SPCSA Revolving Loan in the amount of \$62,500, which is "the lesser of an amount equal to \$500 per pupil enrolled or to be enrolled at the charter school or \$200,000" pursuant to [NRS 388A.435](#). GALS budget reflects a plan to enroll 135 students in its upcoming first year of operations. SPCSA staff have determined, pursuant to [NAC 388A.665](#), that the balance of money in the applicable account is sufficient to make this loan.

Pursuant to [NAC 388A.675](#) regarding repayments, should GALS be awarded a Revolving Loan, the school will repay the loan at the rate of interest that is the prime rate at the largest bank in Nevada, as ascertained by the Commissioner of Financial Institutions, on January 1 or July 1, as the case may be, immediately preceding the date of the transaction. The applicable [prime rate is 4.75%](#).

Repayment will occur as deductions from the Distributive School Account apportionments made to GALS pursuant to [NRS 387.124](#) in an amount of money equal to the annual repayment amount of the loan, including interest. The deductions will occur quarterly in an amount corresponding with the quarterly apportionment to GALS.

GALS will repay the loan within a period not to exceed three years.

As GALS is not in operations but will have a charter contract executed, the deductions begin the first fiscal year immediately succeeding the fiscal year in which the charter school becomes an operational charter school, or July 2021 in this case.

Summary and Recommendation

GALS Las Vegas aims to achieve double digit gains in academic growth in pursuit of 4- or 5-star status. The school plans to first understand where each student is starting from and to then help them develop from that point forward.

The provided business plan indicates that the school will have sufficient cash flow to repay the loan plus interest. The school plans to use the funds in “preparing a charter school to commence its first year of operation.”

As a brand new public charter school, GALS 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 GALS qualified for and is a recipient of a Charter School Programs (CSP) grant. If approved, a Revolving loan would be a timely influx of cash that would strengthen GALS’ ability to open this fall as the CSP functions on a reimbursement basis.

GALS has provided enrollment updates to SPCSA staff and as of this date, the school is working to effectively enroll students in this challenging Covid-19 environment. The school does plan to keep a waitlist so that vacated seats may be backfilled throughout the year.

Overall, SPCSA staff finds the GALS Revolving Loan 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 GALS Revolving Loan application for \$62,500, with the condition that the school obtain additional confirmation from a third-party CPA that their internal financial and procedural controls policies are sound.

Proposed Motion:

Approve the Revolving Loan Fund Application for \$62,500 for the Girls Athletic Leadership School (GALS) according to the repayment terms described in this Memo. If approved, the school will work with an external CPA within 30-days after receiving its first DSA payment later this calendar year to further verify that the school has sound internal financial controls, and provide this documentation to SPCSA staff.