



STATE PUBLIC CHARTER SCHOOL AUTHORITY

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ACTION MEMORANDUM

TO: SPCSA Board
FROM: Mike Dang, Manager, Financial and Organizational Performance
Mark Modrcin, Director of Authorizing
SUBJECT: **Signature Preparatory Academy**
1. Request for Approval of Request for Good Cause Exemption
2. Request for Approval to Acquire a Facility that will not affect approved enrollment
DATE: March 19, 2021

Summary of Request and Recommendation

Signature Preparatory Academy (“Signature”) is requesting the State Public Charter School Authority (SPCSA):

1. Approve its request for a good cause exemption to hear this matter and,
2. Approve its acquisition of its current facility that will not affect approved enrollment.

SPCSA staff have reviewed the application and recommend approval of both requests.

Background

Signature Preparatory is located at 498 S. Boulder Highway in Henderson, Nevada. The school is operating under a current contract with a start date of July 1, 2018 and a six-year expiration date of June 30, 2024. The school currently serves 809 students as of the most recent validation day numbers. Signature Prep was founded to provide parents a choice in their child’s education and is committed to partnering with families to help every student reach their highest individual potential academically, socially, and emotionally. Signature Prep’s mission is to provide the best educational experience to as many students as possible in a moral and wholesome environment. The school’s vision is: Learn. Lead. Change the World!

This amendment submission makes two requests. First, Signature Prep is requesting for a good cause exemption to hear this amendment outside of the traditional amendment windows. Additionally, the school is seeking to amend its charter contract to acquire its current facility. As presented in the amendment application, the school is not seeking to change its approved enrollment cap.

Signature Prep wishes to amend its charter contract in order to purchase the campus and facilities it has been leasing since the school opened in 2019. This request is driven, in part, by a three percent annual increase in lease payments under its current Build-to-Suit Lease with its landlord. The Build-to-Suit Lease contains an Option to Purchase, which allows the school to purchase its facilities. Signature Prep desires to exercise the option to purchase in order to avoid future rent escalators (and an increased purchase price), to lower facility costs, and to promote long-term financial stability. A tax-exempt bond issuance will fund 100% of the facility acquisition price, among other things.

At its January 21, 2021 board meeting, the School’s Board of Directors unanimously approved the request to amend its charter contract to acquire its current facility. The public meeting was properly noticed and held open to the public.

According to the amendment, the campus to be acquired consists of a K-8 school building of approximately 60,000 square feet of conditioned square footage designed to educate 835 students on 10.69 acres of land, all acquired by the school. In addition, there is a second, smaller building (10,000 sq ft) on the parcel, consisting of administrative offices and 9 classrooms in which the school can teach an additional 240 students, for a total of 1075 students in both buildings. The current enrollment and waitlist are now over 1,150 students. The campus will include required parking, open, recreational and any other required areas.

The Signature Prep amendment states that the total project cost is estimated to be approximately \$22,900,000. The bonds are planned to have a term of 35 years with an interest rate between 5% and 6%.

Additionally, the amendment notes the projected possible savings if the amendment is approved, depending on final issuance terms. This is shown in these two scenarios.

Table 1: 5-Year Facility Expense @ 5% Fixed Rate					
Signature Preparatory Facility Expense - Current Lease					
	2020-21	2021-22	2022-23	2023-24	2024-25
Scheduled/Anticipated Lease Payments	\$ 1,622,411	\$ 1,654,859	\$ 1,687,956	\$ 1,721,716	\$ 1,756,150
Facility and School Insurances	\$ 55,000	\$ 55,000	\$ 55,000	\$ 55,000	\$ 55,000
Public Utilities	\$ 102,000	\$ 102,000	\$ 102,000	\$ 102,000	\$ 102,000
Maintenance Expense	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000
Total	\$ 1,824,411	\$ 1,856,859	\$ 1,889,956	\$ 1,923,716	\$ 1,958,150
Signature Preparatory Facility Expense - Bond Finance @ 5% Rate					
	2020-21	2021-22	2022-23	2023-24	2024-25
Scheduled/Anticipated Lease Payments	\$ 1,145,000	\$ 1,145,000	\$ 1,145,000	\$ 1,145,000	\$ 1,145,000
Facility and School Insurances	\$ 55,000	\$ 55,000	\$ 55,000	\$ 55,000	\$ 55,000
Public Utilities	\$ 102,000	\$ 102,000	\$ 102,000	\$ 102,000	\$ 102,000
Maintenance Expense	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000
Total	\$ 1,347,000	\$ 1,347,000	\$ 1,347,000	\$ 1,347,000	\$ 1,347,000
ESTIMATED 5 YR SAVINGS					\$2,718,092

Table 1: 5-Year Facility Expense @ 6% Fixed Rate					
Signature Preparatory Facility Expense - Current Lease					
	2020-21	2021-22	2022-23	2023-24	2024-25
Scheduled/Anticipated Lease Payments	\$ 1,622,411	\$ 1,654,859	\$ 1,687,956	\$ 1,721,716	\$ 1,756,150
Facility and School Insurances	\$ 55,000.00	\$ 55,000.00	\$ 55,000.00	\$ 55,000.00	\$ 55,000.00
Public Utilities	\$ 102,000.00	\$ 102,000.00	\$ 102,000.00	\$ 102,000.00	\$ 102,000.00
Maintenance Expense	\$ 45,000.00	\$ 45,000.00	\$ 45,000.00	\$ 45,000.00	\$ 45,000.00
Total	\$ 1,824,411.04	\$ 1,856,859.28	\$ 1,889,956.48	\$ 1,923,715.60	\$ 1,958,149.96
Signature Preparatory Facility Expense - Bond Finance @ 6% Rate					
	2020-21	2021-22	2022-23	2023-24	2024-25
Scheduled/Anticipated Lease Payments	\$ 1,374,000.00	\$ 1,374,000.00	\$ 1,374,000.00	\$ 1,374,000.00	\$ 1,374,000.00
Facility and School Insurances	\$ 55,000	\$ 55,000	\$ 55,000	\$ 55,000	\$ 55,000
Public Utilities	\$ 102,000	\$ 102,000	\$ 102,000	\$ 102,000	\$ 102,000
Maintenance Expense	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000
Total	\$ 1,576,000.00	\$ 1,576,000.00	\$ 1,576,000.00	\$ 1,576,000.00	\$ 1,576,000.00
ESTIMATED 5 YR SAVINGS					\$1,573,092

Applicant Eligibility

When reviewing a formal amendment submission, SPCSA staff analyzes the eligibility of the applicant in terms of its school's academic, financial and organizational performance. Covid-19 impacts were felt during Signature's first operating and academic year (SYE 2020). Consequently, the Nevada Department of Education did not issue its Nevada School Performance Framework (NSPF) academic performance ratings.

Additionally, SPCSA staff finds that the school exhibits strong organizational performance. For the 2019 – 20 school year, the school earned the maximum 100 points under the Organizational Performance Framework as approved by the Authority on November 6, 2020.

Regarding financial performance, the Authority directed Signature Prep to develop a targeted remediation plan in collaboration with SPCSA staff due to the school underperforming in a few measures within the SPCSA Financial Framework. The school is not operating under a notice, and SPCSA staff believes that approval of the amendment will help improve the school's financial position.

Summary, Recommendation and Condition

Overall, SPCSA staff finds the Signature application eligible to be approved. As such, SPCSA staff recommend the Authority accept the school's Good Cause exemption request and grant the requested amendment as submitted with the condition that the school submit its bond prospectus or offering memorandum as well as the final terms to SPCSA staff when it is issued. A proposed motion can be found below.

Proposed Motion:

Approve Signature Preparatory Academy of Las Vegas's requests, first for a good cause exemption to hear this matter and, second, for it to acquire its campus and facilities in a way to not affect its approved enrollment level, subject to the condition that Signature submit its bond prospectus or offering memorandum and the final terms received upon issuance, including total debt encumbrance, term of years, interest rate, cost of issuance and issuance cost breakdowns. Staff will work directly with the school on the format of this information.

The enrollment cap for Signature will be as follows for the remainder of the charter term:

School Year	20-21	21-22	22-23	23-24
All grades (K-8)	1,080	1,080	1,080	1,080

School Demographics and Enrollment since 2019

Year	Total Enrollment ¹	A	B	C	H	I	M	P	IEP	ELL	FRL
19-20	548	3.6%	21.5%	23.7%	38.7%	1.5%	9.9%	1.1%	13.3%	12.2%	66.2%
20-21	819	5.8%	10.6%	31.8%	39.3%	0.8%	9.7%	1.7%	12.4%	8.6%	41.8%

A – Asian

B – Black

C – Caucasian

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

¹ Represents the Validation Day count for each year (October 1).