



STATE PUBLIC CHARTER SCHOOL AUTHORITY

1749 North Stewart Street Suite 40
Carson City, Nevada 89706-2543
(775) 687-9174 · Fax (775) 687-9113

2080 East Flamingo Road Suite 230
Las Vegas, Nevada 89119-5164
(702) 486-8895 · Fax (702) 486-5543

ACTION MEMORANDUM

TO: SPCSA Board
FROM: Mike Dang, Manager, Manager of Financial and Organizational Performance
Mark Modrcin, Director of Authorizing
SUBJECT: Agenda Item #8 - Recommendation Regarding Revolving Loan Fund Application for
Las Vegas Collegiate (LVC)
DATE: April 23, 2021

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 Las Vegas Collegiate School (LVC) 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

LVC was approved by the SPCSA Board at the December 17, 2019 Board meeting to open in the fall of 2020. LVC subsequently applied for a deferral to open in the fall of 2021 and that amendment request was approved at the May 29, 2020 SPCSA Board meeting. The school is in negotiations to enter into a lease in either the 89032 or 89101 zip codes but is still committed to serving the 89106 community and will provide transportation to ensure they enroll children from the targeted community. The school is approved to locate in the 89106 zip code, or within 1.5 miles of this zip code.

The LVC Board, on February 16, 2021, 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 March 9, 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, SPCSA staff 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. LVC has a contract with EdTec as a back office provider to support fiscal management including accounting, payroll, legal compliance, and other compensating controls that support segregation of duties and healthy fiscal management. The Board of LVC submitted an assurance and the internal financial and procedural controls attachments to this revolving loan application.

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.

There are two rating options for each section: Meets the Standard or Does Not Meet the Standard. Overall, LVC achieved a Meets Standard rating with no Does Not Meet Standards ratings.

Revolving Loan and Repayment

LVC is requesting a SPCSA Revolving Loan in the amount of \$81,000, 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](#). LVC's budget reflects a plan to enroll 162 students in its upcoming first year of operation in grades Kindergarten and First. 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 LVC 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 currently is 3.25%](#) and subject to change prior to issuance.

Repayment will occur as deductions from the Distributive School Account apportionments made to LVC 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 pursuant to NDE policy in amounts corresponding with apportionments to LVC.

LVC intends to utilize the first year of operations to establish a solid financial position and build a healthy cash reserve for operational purposes. Subsequently, in year 2 and 3 (fiscal years 2022-23 and 2023-24 respectively), Las Vegas Collegiate will make 24 equal monthly installment payments to repay the principal plus interest of the Revolving Loan Fund loan.

Summary and Recommendation

LVC explained in the application that due to the timing of receipt of state DSA and federal revenues, the school will have an initial cash flow need to cover ongoing operational costs in the early months, including facility rent and staff salaries. The school anticipates that the loan proceeds will go towards rent expenses in the first two months preceding the start of the school year, totaling \$30,000. The remaining \$51,000 will be used to cover

staff salaries and benefits.

The provided business plan indicates that the school will have sufficient cash flow to repay the loan plus interest.

As a brand new public charter school, LVC 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 LVC has received a Charter School Programs (CSP) grant. If approved, a Revolving loan would be a timely influx of cash that would strengthen LVC's ability to open this fall in a strong financial position as the CSP functions on a reimbursement basis.

Overall, SPCSA staff finds the LVC 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 LVC Revolving Loan application for \$81,000.

Proposed Motion:

Approve the Revolving Loan Fund Application for \$81,000 for the Las Vegas Collegiate School according to the repayment terms described in this Memo.

Enrollment Caps for Las Vegas Collegiate

2021 – 22	2022 – 23	2023 – 24	2024 – 25	2025 – 26	2026 -27
162	243	342	405	486	486