



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 11: Recommendation Regarding Revolving Loan Fund Application for
Battle Born Academy
DATE: December 3, 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 Battle Born Academy before the October 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

Battle Born Academy was approved by the SPCSA Board at the April 23, 2021, Board meeting to open the fall of 2022. Battle Born Academy will be located in Las Vegas, at 2800 Walnut Ave, Las Vegas, NV, 89101. This zip code is among the zip codes listed in the [2020 Academic and Demographic Needs Assessment](#). With the number of 1 & 2 Star schools in the area it is recognized by the SPCSA Board as an area of high need. The Battle Born Academy Board, on July 7, 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 Review Process

The application was submitted not later than the October 15, 2021 submission deadline. Staff then conducted a completeness check shortly thereafter, confirming that the application contained all appropriate and relevant information. During the months of October and November, a team member 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. Kristin Dietz, VP of Client Management and Financial Compliance at EdTech, has reviewed and attested to the adequacy of the school's internal controls.

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 two rating options for each section: Meets the Standard or 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, the Battle Born Academy Revolving Loan application achieved a Meets Standard rating with no Does Not Meet Standards ratings.

Revolving Loan and Repayment

Battle Born Academy is requesting a SPCSA Revolving Loan in the amount of \$124,000, 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](#). The Battle Born Academy's budget reflects a plan to enroll 248 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 issue this loan.

Pursuant to [NAC 388A.675](#) regarding repayments, should Battle Born Academy 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 currently 3.25% and subject to change prior to issuance](#).

Repayment will occur as deductions from the Pupil Centered Funding Plan State Education Fund Account apportionments made to Battle Born Academy 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 monthly in an amount corresponding with the monthly apportionment to the school.

The school intends to utilize the first year of operations to establish its financial position and build its cash reserve for operational purposes. As the school is not in operation but will have a charter contract executed, the deductions begin, pursuant to [NAC 388A.675.3](#) the first fiscal year immediately succeeding the fiscal year in which the charter school becomes an operational charter school, or July 2023 in this case.

Subsequently, in year 2 and 3 (fiscal years 2023-24 and 2024-25 respectively), the school will make 24 equal monthly installment payments to repay the principal plus interest of the Revolving Loan Fund loan. The school will repay the loan within the [NAC 388A.675](#) statutorily set period not to exceed three years.

Summary and Recommendation

Battle Born Academy intends to use these funds during the first year of operations to establish a solid financial position and build a healthy cash reserve for operational purposes. The provided business plan indicates that the school will have sufficient cash flow to repay the loan plus interest should enrollment targets be met.

As a new public charter school, Battle Born Academy 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 Battle Born Academy has applied and been approved for a Charter School Programs (CSP) grant. If approved, a Revolving loan would be a timely influx of cash that would strengthen Battle Born Academy's ability to open this fall as the CSP functions on a reimbursement basis.

Battle Born Academy has provided enrollment updates. As of the most recent update provided on November 9, 2021, Battle Born Academy had received 213 intent to enroll forms and an additional 153 people who have completed an interest sign up that are receiving follow up communication from the school. It is very reasonable to assume that the school will be able to achieve 248 students enrolled prior to opening in the fall of 2022.

Overall, SPCSA staff finds the Battle Born Academy's 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 Battle Born Academy Revolving Loan application for \$124,000.

SPCSA staff note that no funds will be released until after SPCSA conducts an enrollment audit and verifies the enrollment supports the requested loan amount. SPCSA staff will work with the school to schedule an enrollment audit at an appropriate time.

Proposed Motion:

Approve the Revolving Loan Fund Application for \$124,000 for the Battle Born Academy according to the repayment terms described in this memo.

Enrollment Caps for Battle Born Academy

2022 – 23	2023 – 24	2024 – 25	2025 – 26	2026 – 27	2027 – 28
240 ¹	360	480	540	540	540

¹ Enrollment caps allow for a school to enroll between 10% below and above the cap. The projected enrollment of 248 students is within this 10% bound.