



STATE PUBLIC CHARTER SCHOOL AUTHORITY

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ACTION MEMORANDUM

TO: SPCSA Board
FROM: Mike Dang, Manager, Manager of Financial and Organizational Performance
Michael Gawthrop-Hutchins, Management Analyst III
SUBJECT: Agenda Item #8: Recommendation Regarding Revolving Loan Fund Application for
Sage Collegiate Public Charter School
DATE: May 20, 2022

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 Sage Collegiate Public Charter School (Sage Collegiate) 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

Sage Collegiate was approved by the SPCSA Board at the November 6, 2020, Board meeting to open the fall of 2021. During the June 25, 2021, SPCSA Board meeting, Sage Collegiate requested and was granted a deferral to open the fall of 2022. Sage Collegiate will plan to primarily serve students and families residing in the 89107, 89108 and 89146 zip codes, which are recognized by the SPCSA Board as being areas of high need as shown in the [2022 Academic and Demographic Needs Assessment](#) showing 1 & 2 Star schools.

The Sage Collegiate Board, on January 12, 2022, approved a motion that the school submit an application to the SPCSA for a revolving loan. The school submitted its application to the SPCSA on March 9, 2022.

Summary of the Process

The application was submitted on March 9, before the March 15, 2022 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, team 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 governing board Treasurer, Justin Long is a licensed CFP. According to the revolving loan request, he has reviewed the internal financial and procedural controls policy, which include their internal financial and procedural controls. Additionally, EdTech, the school's back-office service provider has performed an additional independent review of the internal financial and procedural controls policy.

The second section requires the school to describe its current financial needs, including "a written description of the manner in which the loan will be used to prepare the charter school for its first year of operation or to improve a charter school that has been in operation, pursuant to [NRS 388A.438](#),...the effect of the loan,...anticipated expenses, etc., pursuant to [NAC 388A.665](#)." It must also include a budget showing all sources of revenues and expenses, the cost for repayment of the loan, and "a written narrative explaining...the assumptions made in developing the budget. The loan repayment plan is governed by NRS 388A and NAC 388A.

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 Sage Collegiate Revolving Loan application achieved a Meets Standard rating with no Does Not Meet Standards ratings.

Revolving Loan and Repayment

Sage Collegiate is requesting a SPCSA Revolving Loan in the amount of \$112,000, 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 Sage Collegiate budget reflects a plan to enroll 224 students in its upcoming first year of operations. SPCSA staff have determined, pursuant to [NAC 388A.665](#), that the balance of funds in the applicable account is sufficient to make this loan.

Pursuant to [NAC 388A.675](#) regarding repayments, should Sage Collegiate 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 apportionments made to Sage Collegiate 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 with each apportionment to the school.

According to the application, Sage Collegiate will repay the loan within a period not to exceed three years. As Sage Collegiate 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 2023 in this case.

Summary and Recommendation

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

Sage Collegiate 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 plans to keep a waitlist so vacated seats may be backfilled throughout the year.

Overall, SPCSA staff finds the Sage Collegiate 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 Sage Collegiate Revolving Loan application for \$112,000.

Proposed Motion:

Approve the Revolving Loan Fund Application for \$112,000 for the Sage Collegiate Public Charter School according to the repayment terms described in this Memo.

Enrollment Caps for Sage Collegiate

2022 – 23	2023 – 24	2024 – 25	2025 – 26	2026 – 27	2027-28
224	308	392	476	532	588

Demographic and enrollment appendix information will be available after October 1, 2022.