



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 #10: Recommendation Regarding Revolving Loan Fund Application
for Battle Born Academy
DATE: May 19, 2023

Summary of Request and Recommendation

Pursuant to [NAC 388A.665](#), the governing body of a public charter school may apply 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\(2\)\(b\)](#), “to improve a charter school that has been in operation.”

Authority staff received a Revolving Loan Fund Application for the Battle Born Academy (BBA) after the March 15 submission deadline, with a request for Good Cause Exemption. According to the submitted application, the school is seeking the loan to assist with improvements to their facilities and growth during their second year of operation.

Upon receipt, 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 reviewing the application, SPCSA staff recommends that the Authority grant the requested Good Cause Exemption and approve this loan application.

Background

BBA was approved by the SPCSA Board at the April 23, 2021, board meeting to open the fall of 2022. BBA is completing its first year of operations, primarily serves students and families residing in the 89101, 89104,

89106, and 89110-zip codes and is located at 4201 E. Bonanza Rd, Las Vegas, NV 89110.

The BBA Board, on April 5, 2023, approved a motion that the school apply to the SPCSA for a revolving loan. The school submitted its application and request for Good Cause Exemption to the SPCSA on April 26, 2023.

Summary of the Process

After receiving the application, staff conducted a completeness check shortly, thereafter, confirming that the application contained all appropriate and relevant information or requesting such information. SPCSA staff then evaluated the revolving loan application using the SPCSA revolving loan rubric which sets forth the standards of review for the approval of 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 opened, the school is required to provide the most recent three years of audited financial statements. While BBA is already operating, they have not yet completed their first year, so do not yet have any audited financial statements. They were also required to provide three credit references, which were included in the application. Additionally, the applicant did provide the required EIN and DUNS numbers.

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

Revolving Loan and Repayment

BBA is requesting a SPCSA Revolving Loan in the amount of \$109,500, 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](#). The submitted BBA budget reflects a plan to enroll 300 students in its upcoming second 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 BBA be awarded a Revolving Loan, the school will begin repaying 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. The applicable [prime rate is currently 7.5% and subject to change prior to issuance](#).

Repayment will occur as deductions from the Pupil Centered Funding Plan apportionments made to BBA 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, BBA will repay the loan within a period not to exceed three years.

Summary and Recommendation

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 on improving the facility and classrooms with the instructional supplies and furniture necessary for an operating school.

As a new and growing public charter school, BBA 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 BBA 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 BBA's ability to expand this fall in its new, permanent facility as the CSP functions on a reimbursement basis.

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

Overall, SPCSA staff finds the BBA 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 BBA Revolving Loan application for \$109,500.

Proposed Motion:

Grant the requested Good Cause Exemption and approve the Revolving Loan Fund Application for \$109,500 for the BBA to the repayment terms described in this memo.

Enrollment Caps for BBA

2023 – 24	2024 – 25	2025 – 26	2026 – 27	2027 – 28
300	330	360	390	430

Demographic and Enrollment Information for 2022-23

Total	Asian	Black	White	Hispanic	American Indian	Two or More	Pacific Islander	FRL	IEP	ELL
144	0%	18%	14.5%	65.9%	0%	1.3%	0%	83.3%	15.2%	45.8%