



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
Michael Gawthrop-Hutchins, Management Analyst III
SUBJECT: Agenda Item #10: Recommendation Regarding Revolving Loan Fund Application
for Southern Nevada Trades High School
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\(2\)\(a\)](#), “preparing a charter school to commence its first year of operation.”

Authority staff received a Revolving Loan Fund Application for the Southern Nevada Trades High School, Public Charter School (SNTHS) by the March 15 submission deadline. According to the submitted application, the school is seeking the loan to assist with initial cash flow entering the first year of operation in 2023-24. SNTHS intends to utilize the first year of operations to establish a solid financial position and build a healthy cash reserve for operational purposes.

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 review of the application, SPCSA staff recommends approval of this loan application.

Background

SNTHS was approved by the SPCSA Board at the August 29, 2022 board meeting to open this fall of 2023. SNTHS plans to primarily serve students and families residing in the 89110 zip code by locating near the corner of Owens and Christy, just north of Eldorado High School.

The SNTHS Board, on March 6, 2023, approved a motion that the school apply to the SPCSA for a revolving loan. The school submitted its application to the SPCSA on March 15, 2023.

Summary of the Process

After receiving the application, SPCSA 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 yet to open, the school is required to provide a letter from a certified public accountant or other financial or accounting professional, pre-approved in writing by the SPCSA, which professional attests that the internal financial controls and procedure controls therein are, in the opinion of the CPA or other financial professional, not unreasonable and are such as to provide reasonable assurances of repayment of the Revolving Loan to the SPCSA. According to the revolving loan request, EdTech, the school's back-office service provider, has reviewed the internal financial and procedural controls policy, and so attested.

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

Revolving Loan and Repayment

SNTHS is requesting a SPCSA Revolving Loan in the amount of \$100,000, 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 SNTHS budget reflects a plan to enroll 200 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 SNTHS 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 SNTHS 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, SNTHS will repay the loan within a period not to exceed three years. As SNTHS is not in operation but will have a charter contract executed, the deductions begin at the beginning of the first fiscal year, FYE 2025. This is the first fiscal year immediately following the first fiscal year in which the charter school becomes an operational charter school FYE 2024, in this case.

Summary and Recommendation

According to the revolving loan application and approved charter application, SNTHS 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.” More specifically, the school states that it intends to use the funds to “assist with initial cash flow entering the first year of operation in 2023-24. SNTHS 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 2024-25 and 2025-26 respectively), SNTHS will make 24 equal monthly installment payments to repay the principal plus interest of the Revolving Loan Fund loan.”

As a new public charter school, SNTHS 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 SNTHS 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 SNTHS’s ability to open this fall as the CSP functions on a reimbursement basis.

SNTHS 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 a result of which seems to be enrollment challenges nationwide, to both district schools and charter schools.

Overall, SPCSA staff finds the SNTHS 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 SNTHS Revolving Loan application for \$100,000.

Proposed Motion:

Approve the Revolving Loan Fund Application for \$100,000 for the SNTHS Public Charter School according to the repayment terms described in this memo.

Enrollment Caps for SNTHS

2023 – 24	2024 – 25	2025 – 26	2026 – 27	2027-28	2028-29
200	300	400	450	500	550

Demographic and enrollment appendix information will be available after October 1, 2023.