



STATE PUBLIC CHARTER SCHOOL AUTHORITY

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**ACTION MEMORANDUM**

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**TO:** SPCSA Board  
**FROM:** Katie Broughton, Director of Authorizing  
Mike Dang, Manager, Manager of Financial Performance  
Michael Gawthrop-Hutchins, Management Analyst III  
**SUBJECT:** Agenda Item 7c: Recommendation Regarding Revolving Loan Fund Application for  
Do & Be Arts Academy of Excellence  
**DATE:** April 12, 2024

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**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](#), “preparing a charter school to commence its first year of operation,” as well as to “improve a charter school that has been in operation.”

Authority staff received a Revolving Loan Fund Application for the Do & Be Arts Academy of Excellence (DBAE). According to the submitted application, the school is seeking the loan to be used for the purposes of preparing the school to commence its first year of operation.

SPCSA staff have 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 approve this loan application.

**Background**

DBAE was approved by the SPCSA Board at the [August 25, 2023](#), board meeting and is scheduled to begin its first year of operations this fall of 2024. DBAE will primarily serve students and families residing in the 89030, 89031, 89032, and 89081 zip codes and plans to locate in a yet to be determined facility in North Las Vegas, NV, currently planned for the 89031 zip code area. The school intends to open serving students in grade levels K-3, and at full scale serve students in grades K-8.

The DBAE Board approved a motion, on March 13, 2024, that the school apply to the SPCSA for a revolving loan. The school submitted its application to the SPCSA for the March 15, 2024, deadline.

### **Summary of the Process**

After receiving the application, staff conducted a completeness check, requested, and received any missing files, then, after full receipt, confirmed that the application did contain all appropriate and relevant information or additional requested required 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 school met the requirements described in the rubric.

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. As DBAE is not yet operational, they were not required to provide a copy of these. In lieu of that requirement, a new school opening for the first time is required to submit a copy of their internal financial and procedural controls and a letter from a CPA, or other SPCSA approved financial professional, attesting to the appropriateness of the school's financial controls and procedures.

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

### **Revolving Loan and Repayment**

DBAE is requesting a SPCSA Revolving Loan in the amount of \$90,000 which “must not exceed 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 DBAE budget reflects a plan to enroll 180 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 or that the SPCSA is working with another agency and the Governor's office to borrow or otherwise receive sufficient funds to enable funding of this loan application.

Pursuant to [NAC 388A.675](#) regarding repayments, should DBAE be awarded a Revolving Loan, the school will begin repaying the loan according to the terms provided by the SPCSA in a forthcoming Loan Agreement and 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 8.5% and subject to change prior to issuance](#).

Repayments will occur as deductions from the Pupil Centered Funding Plan apportionments otherwise due

to DBAE pursuant to [NRS 387.124](#) the annual total of which is 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, DBAE will repay the loan within a period not to exceed four 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 for the purposes of preparing the school to commence its first year of operation.

As a new public charter school beginning its first year of teaching students, DBAE 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. If approved, a Revolving loan would be a timely influx of cash that would strengthen DBAE’s ability to expand this fall in its new facility as the Charter School Program (CSP) functions on a reimbursement basis.

It is also worth noting that DBAE has been approved for a CSP grant in the amount of \$474,845 in year one.

DBAE has provided enrollment updates to SPCSA staff, and as of this date, the school is working to effectively enroll students. The school plans to keep a waitlist, so vacant seats may be back filled throughout the year.

Overall, SPCSA staff finds the DBAE 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 DBAE Revolving Loan application for \$90,000.

**Proposed Motion:**

**Approve the Do and Be Revolving Loan Fund Application for \$90,000. Allow SPCSA staff to work with the school to make budget revisions based on the available balance in the Revolving Loan account and the number of students enrolled as long as the total funding does not exceed the lesser of \$200,000 or \$500 per student enrolled at time of funds disbursement.**

**Planned Enrollment (Contract term 2.3)**

School Year	2024 – 25	2025 – 26	2026 – 27	2027 – 28	2028 – 29	2029 – 30
Grade Levels	K-2, 6	K-3, 6-7	K-4, 6-8	K-8	K-8	K-8
Total Enrollment	280	420	560	630	630	630

The school may adjust the number of students served by up to and including 10% of the maximum enrollment pursuant to the contract.

**Demographic and Enrollment Information for 2024-25**

Total	Asian	Black	White	Hispanic	American Indian	Two or More	Pacific Islander	FRL	IEP	ELL
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

DBAE is scheduled to begin teaching classes for the school year beginning this fall of 2024 during which time this type of information will be collected.