Joe Lombardo
Governor

STATE OF NEVADA

Melissa Mackedon
Executive Director

STATE PUBLIC CHARTER SCHOOL AUTHORITY

3427 Goni Rd., Suite 103
Carson City, Nevada 89706-8011
(775) 687-9174 · Fax (775) 687-9113

500 East Warm Springs Rd., Suite 116
Las Vegas, Nevada 89119-4344
(702) 486-8895 · Fax (702) 486-5543

MEMORANDUM

TO:	SPCSA Board
FROM:	Katie Broughton, Director of Authorizing Michael Gawthrop-Hutchins, Management Analyst III
SUBJECT:	Financial Performance Framework Recommendations for Fiscal Year 2024: Southern Nevada Trades High School (SNTHS)
DATE:	April 18, 2025

Background

All SPCSA charter schools are evaluated on the SPCSA Financial Performance Framework (FPF). All public charter schools are required to undergo an annual financial audit conducted by an independent third-party, as outlined in NAC 387.775 . The results of the annual audits are then analyzed against the SPCSA Financial Performance Framework.

The SPCSA is responsible for ensuring that sponsored schools are financially stable and meet the SPCSA board-approved financial performance standards, adopted pursuant to NRS 388A.273. These standards are designed to ensure schools maintain financial stability, safeguarding their ability to operate effectively and serve students both now and in the future.

The SPCSA Financial Performance Framework includes eight indicators, four aimed at assessing the near-term health of a school and four aimed at assessing the long-term sustainability and viability of a school. For each indicator, schools receive one of three ratings: Meets Standard (MS), Does Not Meet the Standard (DNMS), or Falls Far Below the Standard (FFBS).

As stated in the SPCSA Financial Performance Framework Technical Guide, poor financial performance measure ratings may result in intervention by the SPCSA. A school with financial framework profile results that include at least one indicator rated Falls Far Below Standard and/or at least three indicators rated at Does Not Meet Standard is generally considered out of compliance with the Financial Performance Framework. The indicators are as follows.

	Meets Standard	Does Not Meet Standard	Falls Far Below Standard
Near Term Indicators			
Current Ratio	Greater than or equal to 1.1	Between 0.90 and 1.0	Less than 0.9
Unrestricted Days Cash-On-Hand	Y1 Schools: 15+ days Y2 Schools: 30+ days All Others: 60+ days OR between 30 and 60 days with a one-year positive trend.	Between 15-30 days OR between 30 and 60 days with a one-year negative trend.	Less than 15 days
Enrollment Variance	Y1 Schools: 90%+ Y2 Schools: 92.5%+ All Others: 95%+	Between 85% and 95%	Less than 85%
Debt or Lease Default	School is not in default of any loans or lease payments.	N/A	School is in default of a loan or lease payment.
Sustainability Indicators			
Total Margin and Aggregated Three-Year Total Margin	Current Year and Aggregated Three-Year Margine are positive.	Current Year OR Aggregated Three-Year is negative.	Current Year AND Aggregated Three-Year are negative.
Debt to Asset Ratio	Less than 0.9	Between 0.90 and 1.0	Greater than 1.0
Cash Flow	Multi-year cash flow and most recent year cash flow are positive.	Muli-year cash flow OR most recent year cash flow are negative.	Both multi-year cash flow and most recent year cash flow are negative.
Debt/Lease Service Coverage Ratio	Ratio is greater than or equal to 1.10 or school does not have outstanding loan or long-term lease.	Ratio is less than 1.10.	N/A

Any school that materially fails to comply with the Financial Performance Framework may trigger revocation proceedings should financial performance not improve. Any school identified as such is typically issued a Notice to ensure the school and its governing board are aware of the material failure to comply with the Financial Performance Framework in alignment with NRS 388A.330. As a reminder, the Authority has three levels of intervention when schools do not meet organizational standards. These levels are as follows:

- Notice of Concern
- Notice of Breach
- Notice of Intent to Revoke

Southern Nevada Trades High School

	Current Ratio	UDCOH	Enrollment Variance	Debt Default	Total Margin	Debt to Asset Ratio	Cash Flow	Debt/Lease Coverage Ratio
Metric	≥1.1	15+ days	90%+	None	Both positive	Less than 0.9	Not Rated	≥1.1
FY24	4.22 MS	110.8 days MS	105.1% MS	None MS	Current Year: -59.2% 3-Year: N/A DNMS	1.029 FFBS		0.35 DNMS

Southern Nevada Trades High School (SNTHS) earned one "Falls Far Below Standard" rating and two "Does Not Meet Standard" ratings, making them eligible for a Notice of Concern. There is some important information to note regarding these ratings:

- Because FY24 was the school's first year of operation, the only Total Margin calculation is the Current Year. The school's Current Year Margin is -59.2%. This means that the school was operating at a significant loss.
- The Debt to Asset ratio is 1.029, which indicates that the school's debts are more than their assets. Though it is important to note that if this ratio took out the lease payments for the school, the ratio would decrease to .0196.
- The Debt/Lease Coverage Ratio is 0.35, which generally means that the school is generating less cash flow than is needed to cover the lease obligations.

SPCSA staff asked the school to provide additional documentation, including a lease agreement and 3-year financial forecast. Those documents were reviewed as part of this analysis. The current lease agreement is having a significant impact on the finances of SNTHS. For FY2025, the lease payment is budgeted for 44% of the school's total Pupil-Centered Funding Plan (PCFP) payment. For the next two years, even with projected enrollment doubling, the lease payments will still cost the school 29% of their total PCFP payment. This is far greater than the 10% to 20% that is generally seen amongst other schools in the SPCSA portfolio.

The SNTHS board and leadership team are aware of the impact of the current lease agreement and have shared plans to purchase their property in coming years. The school is carrying virtually no other debt and has significant private contributions, which they anticipate continuing to receive through FY2027.

Ultimately, SPCSA staff is recommending the school be issued a financial Notice of Concern due to the current financial metrics.

Proposed Motion: Issue a Notice of Concern under the Financial Performance Framework to Southern Nevada Trades High School.