

Teresa Potter

From: Richard Moreno <rmoreno@bhope.org>
Sent: Friday, April 18, 2025 8:24 AM
To: SPCSA Public Comment
Subject: Public Comment - Agenda Item 17 Nevada Prep Charter School

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Dear Members of the Nevada State Public Charter School Authority Board,

I, Richard Moreno, am writing today as Nevada Prep's Financial Advisor to convey our concerns regarding the possibility of formal action against Nevada Prep and to share with you the severe and long-term consequences that such action would impose—not only on this single school, but also on the larger charter school community throughout Nevada.

Charter schools are increasingly gaining more attention in the capital markets. Investors, banks, and philanthropic funders are coming to view the sector as an important and effective space for growing lending and investment activity. This is fueled by strong student results, reliable state revenues, and lending facilities collateralized by real estate. However, the most fundamental credit risk perceived by investors in this space is authorizer-related, namely, renewal uncertainty, probationary actions, and any official notice of breach.

If a charter school is threatened with adverse action by its authorizer, the pool of available capital contracts immediately. Lenders, bond investors, and grantmakers all significantly reduce their willingness to invest, no matter a school's academic or operating history. This is particularly unfortunate news for schools trying to enhance their bottom line by becoming owners of their facilities—a path that nearly always leads to reduced long-term costs than leasing.

This issue is especially urgent in the case of Nevada Prep. The school is currently undergoing due diligence for a bond financing that would enable it to purchase its facility—eliminating rising lease obligations and unlocking millions in long-term savings. In parallel, Nevada Prep is also positioned to receive a major philanthropic cash infusion. Both opportunities will be lost immediately if a notice of breach is issued. This kind of notice renders the risk profile of the school unsustainable for investors and grantmakers.

Formal negative action not only limits the supply of capital for a school's project—it also erodes the demand from investors willing to take the risk, raising the cost of borrowing. Not being able to borrow the funds, will extend rising lease obligations and create ongoing financial challenges for the school. Plus, when risk increases, interest rates follow. Higher interest costs mean less money in the classroom, weaker academic outcomes, decreased community demand, and eventually, lower revenue—all contributing to a harmful cycle that undermines a school's ability to serve its students.

As a Financial Advisor focused on Charter Schools, we have seen how this dynamic plays out across the country, and how it is avoidable. Charter schools succeed when they have the ability to exercise purchase options and stabilize their facilities costs. Financing tools such as capitalized interest and interest-only periods can bridge short-term enrollment or budget gaps. These are standard features of well-structured facilities financings—but they are only available when the school has a stable charter standing.

Our mission, like yours, is ultimately about students. There is a clear and present need for high-quality seats in Nevada, particularly in communities where district options are underperforming. The question before us is not whether charter schools are the right solution—they have proven that they are. The question is whether we will support those schools in accessing the tools they need to thrive.

We strongly encourage the Authority to take into account the broad-ranging consequences of a breach notice on Nevada Prep. Although the action may appear to be narrowly technical or administrative, the academic and financial consequences are significant. We request that you proceed in a collaborative fashion with the school to resolve concerns while ensuring that their capacity to develop a financing solution that directly serves their educational mission is not hindered.

Thank you for your reflective leadership and for your ongoing support of Nevada's public charter schools.

Sincerely,

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RICHARD MORENO

President

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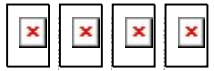
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