

Charter School Revolving Loan Committee Minutes

10:00 – 11:00
April 30, 2018
Utah State Board of Education
Room 248
250 E. 500 S.
Salt Lake City, Utah 84114

Committee Members in Attendance

Gavin Hutchinson – Chair
Sterling Orton
Jacob Wright
Jennifer Lambert – non voting

Others in Attendance

Richard Veasey - Lakeview Academy
Rabecca Cisneros – SCSB
Mary Johnston – HighMark Charter
Lincoln Fillmore – Charter Solutions
Brad Taylor – Academica West
Sandra Shepherd – Scholar Academy

Welcome

Called to order at 10:01 a.m. by Chair Hutchinson

Review and Approval of Minutes from July 13, 2017 meeting

Chair requested a review of the minutes. Motion made to approve by Member Orton Seconded by Member Wright – Passed unanimously.

Rates and Total Amount to be Loaned

Rabecca Cisneros of the SCSB covered the loan option amounts. School Finance is comfortable with the total \$2,000,000 being loaned out.

Loan applications for FY19

a. LEAP Academy	New School	\$299,715
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Brad Taylor, a representative from AW spoke on behalf of LEAP academy. Member Orton asked about the school's marketing plan. Jennifer Lambert asked about the status of the Charter Agreement. Mr. Taylor answered that the school understands that the school must have the Ex. A

agreement signed and in place prior to funds and that they understand that the loan will most likely be conditional. Ms. Lambert prodded further to ask why the charter is so late in being signed. Mr. Taylor answered that the board has been unable to convene a meeting and believes the charter will be signed in June or July. Mr. Orton asked about the board. Mr. Taylor answered about the members of their board and their strengths. Mr. Orton asked about the mission of the school. Mr. Taylor explained the school is a coaching mission. Ms. Lambert asked about why the board was not in attendance. Mr. Taylor answered that schedules did not allow the board to attend. Mr. Wright asked about the planning year budget and the disconnect between the request for the loan funds and the expenses. Mr. Taylor explained that the startup funds are included in the expenses page. He explained there was a separate page without the startup funds.

b. Lakeview Academy New Replication \$300,000

Mr. Rick Veasey from Lakeview introduced the school's application and expansion approval. Lakeview has engaged a real estate agent and is currently looking to approve land. The school's enrollment was discussed, as well as the school's mission and vision. Mr. Orton asked about the balance sheet and asked about the existing loan that is not referenced, as he expected. The school researched. In the meantime, Mr. Wright asked about the review criteria. Mr. Hutchinson requested an amended budget that covers the \$1000 difference from request to budget, as well as what shows more detail. Mr. Fillmore asked how detailed the budget should be. Chair Hutchinson provided examples. Mr. Fillmore asked about the accountability to that budget forecast. Chair Hutchinson answered most likely none, but it makes for a more accurate audit. He explained he's like to see more detail in the narrative and in the budget. He felt the information was too general. Lakeview answered the balance sheet was based on the State's modified accrual and so it was not reflected. Mr. Orton asked about the repayment schedule reflected in the application. Lakeview answered that the school used another school's criteria to determine that number. Chair Hutchinson reminded the committee that a revised budget had been sent.

c. Ascent Academy Replication \$300,00

Mr. Brad Taylor from AW attended on behalf of Ascent Academy. Chair Hutchinson asked if AA had an existing loan outstanding. AA's loan is completed in July. Mr. Orton asked about details of the school. Mr. Taylor gave a summary of the school and why they are asking for a loan. AA's budget felt that this fund was more prudent. Mr. Orton asked about the marketing plan. Mr. Taylor answered that the school has engaged a PR/Marketing firm and has a school marketing committee. He explained the process and that the company is effective. Mr. Taylor also updated on the building. Chair Hutchinson asked about the start date. The school is opening in August 2018. Mr. Orton asked about parental support. Mr. Taylor answered about the neighborhood and the board's strengths. Mr. Orton asked about the fund balance and that it is in the negative – the summary of all funds beginning balance for 2016. Mr. Taylor explained the deficit for the first year and that the end of the year was positive at about \$2 million. Mr. Orton asked about the Purchased Professional Services in the budget. Mr. Taylor explained this covered AW, payroll services, etc. Chair Hutchinson asked about the 6 months payment to the director for preoperational. Mr. Taylor explained it would be a repayment of a few months for the director's salary.

d. Highmark Charter Existing \$297,563

Highmark was moved up on the agenda. A board member for the school explained the school's makeup and mission. He explained the enrollment and capacity. He explained the issues with the Jr. High enrollment and building. He explained the loan request is to try to increase electives to generate more students. The school has a USDA loan. The school owns its building and has repaid its previous revolving loan. The school could expand out of pocket, but the loan maintains their cash flow balance. Mr. Taylor explained that the loan would support the expansion and would not compromise the cash balance. Mr. Orton asked about the figures submitted. Mr. Taylor explained that the school is only asking for \$300,000 out of the total cost and will be using cash from savings. Chair Hutchinson asked about the USDA's encouragement to seek out the Revolving Loan to keep the cash strong and if the loan was not awarded was the USDA loan in jeopardy. Mr. Taylor answered that the loan was not in jeopardy and that the school would like to keep the cash secure to protect the financial interests of the school. Mr. Orton asked about the loan covenants, Mr. Taylor answered.

e. Scholar Academy Existing \$255,000

Ms. Sandy Sheppard arrived for Scholar at 10:36. She explained the school is adding 7th and 8th grade and needs the funds for the expansion, as well as to provide some playground materials. The school has about 97 days cash on hand. Ms. Sheppard explained that their previous loan has been paid off as of 6 weeks ago. Mr. Orton asked about enrollment and the need for a jr. high. Ms. Sheppard explained that retention is good and that the parents have requested this growth. Chair Hutchinson asked about 7th and 8th matching the district configuration. Ms. Lambert asked about the loan being paid off early. Ms. Sheppard explained they paid the loan off early in order to ask for this loan. Mr. Orton asked about the board composition and finance experience. Ms. Sheppard explained the board composition and their financial experience. Mr. Orton asked about the administration strengths. Ms. Sheppard answered about her abilities as an administrator.

f. Maria Montessori Existing \$265,347

Mr. Brad Taylor from AW represented the school. He explained the school's situation. He explained about the USDA loan for the Jr. High expansion. The funds will be used for training of new teachers, general supplies, computers, kitchen supplies, and completion of the playground. Mr. Taylor explained that the build out will allow the school to grow to their max enrollment that they physically cannot. Mr. Orton asked about the board composition. Mr. Taylor explained each member's position and skill set. Chair Hutchinson asked about the payoff of the revolving loan. Mr. Taylor did not know the answer. Ms. Cisneros answered that according to Brett Baltazar MM paid off the loan early with an extra payment. Mr. Orton asked about the portables. Mr. Taylor answered that they were temporary and that they would be gone at the end of the summer.

Chair Hutchinson asked about thoughts. Ms. Lambert shared that the needs are there and that the money is there, but if all the money is loaned now a second round could not occur. Also that the SCSB would not want money loaned out to a school without a charter. Mr. Orton shared the concerns of a school without a charter and that the loan would be conditional. Mr. Wright asked

about the use of funding being used for professional development. Ms. Lambert shared that good PD could help the school and so the school should be able to use it. Chair Hutchinson reminded the committee about the concerns in the past and how this request is different. Mr. Orton did not see any other issues. Chair Hutchinson shared concerns with LEAP not having an agreement and Lakeview's budget. He covered additional financial issues with loans as some paperwork is showing as not paid off – but at the end of the discussion it was revealed that only AA may have a loan until July.

Motions: Mr. Orton made a motion we approved the requests as presented with condition that LEAP finish the charter contract and Lakeview amend their application to correct the \$1000 difference and that schools with outstanding balances are verified that they are paid off before funding.

No discussion to the motion.

All in favor. Passed unanimously.

Other items

Ms. Cisneros asked about the rate to be charged. The committee discussed the options for the rate. Chair Hutchinson liked the idea of keeping it at 2%. Mr. Wright agreed with keeping it at 2%. Mr. Orton suggested 2.25% to recognize where rates have gone and are headed. Ms. Lambert cautioned them to not raise them too quickly. Chair Hutchinson would like to set the floor and require no less than 2% or calculate the rate as the ½ of the 5-year Triple AAA bond rating at the time of the note, whichever is higher.

Motion: Mr. Wright moved that the greater of the two – 2% or the ½ of the rate. Mr. Orton seconded.

No discussion to the motion.

All in favor. Passed unanimously.

Adjourn

Mr. Orton made a motion to adjourn. Mr. Wright seconded. Meeting adjourned at 11:09 am.