

## Charter School Revolving Loan Committee Minutes

9:00 - 11:00 am

April 29, 2019

Utah State Board of Education

Room 156

250 E. 500 S.

Salt Lake City, Utah 84114

### Committee Members in Attendance

Gavin Hutchinson - Chair

Jacob Wright

David Kaufman

Jennifer Lambert - non voting

### Others in Attendance

Lani Rounds - Bridge

Cole Arnold - Academics West

Jeff Biesinger from Red Apple - Davinci, Wasatch, Mountain Sunrise

Stewart Okobia - SCSB

Monty Hardy from Red Apple - via phone

### Welcome:

Called to order at 9:09 a.m. by Chair Hutchinson.

### Review and Approval of Minutes from April 30, 2018 meeting

Chair requested a review of the minutes. Motion made to approve by Member Wright, seconded by Member Kaufman – motion passed unanimously.

### Rates and Total Amount to be Loaned

Stewart Okobia of the SCSB covered the loan option amounts. USBE Finance is comfortable loaning the total \$1,414,039 of requested loans.

### Loan applications for FY20

a. Lakeview Academy	New Satellite	\$300,000
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SCSB received notification on April 26th, that the school has decided not to move forward with the loan application.

b. Bridge Academy	New School	\$300,000
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Lani Rounds, Board Chair for Bridge Academy and Cole Arnold spoke on behalf of Bridge Academy. Member Hutchinson asked what the funds are going to be used for. Ms. Rounds



explained that the funds would be used for a part-time curriculum instructor, furniture, chrome books, mobile carts, marketing, a phone line, setting up the Child Nutrition Program etc. Member Wright asked Lani what an E-Media standard-based repository was. Ms. Rounds explained that is a free place for schools to store curriculums, a place for teachers to save, share, and access educational materials and lesson plans. Member Wright asked if there was cost to use the repository. Ms. Rounds answered that it was free to use. Member Kaufman asked about enrollment contingency plans since budgeted earnings for the first couple of years ranged between 4-6%. Ms. Rounds explained that their model would allow them to make staffing costs cuts. Member Kaufman also asked if the school had a facility agreement. Ms. Rounds explained that they have vetted two developers and since they are looking to locate in Roy instead of Salt Lake City, the school will have more property options available. Member Hutchinson asked where the school would like to be located. Ms. Rounds would like to be as far east as possible. Member Hutchinson raised concern about the number of district and charter schools in the target area. Ms. Rounds explained that Roy has a large enough population to support a charter school.

c. Mountain Sunrise Academy      New School      \$300,000

Mr. Jeff Biesinger from Red Apple attended on behalf of Mountain Sunrise Academy. He explained that the school will be opening in the Lehi/Saratoga Springs area and have engaged with a land developer. Mr. Biesinger explained that the funds would be used mostly for technology, furniture, Waldorf training and to hire a consultant director that will be paid through 2009. Member Kaufman asked what the training budget was for and Mr. Biesinger explained that Waldorf schools require extensive training for staff before the school opens. They will be offering staff a stipend to attend the Waldorf training. Member Hutchinson asked how the school will reach 400 students. Mr. Biesinger felt that schools that are run well with good leadership will attract students. He explained that currently there is a strong demand and a waitlist for Waldorf model schools. Member Wright asked how many were on Wasatch Waldorf Charter School's waitlist from Utah County. Mr. Biesinger estimated about 100-150 students. Member Wright asked about the school's incomplete background checks and Mr. Biesinger explained that all background checks would be completed before any funds are received. Ms. Lambert asked why leaders from the school were not present at the meeting and Mr. Biesinger wasn't sure as he was the one coming to represent the school. Member Kaufman asked about the board member that was not able to sign the application and Mr. Biesinger explained that the board member was not at the board meeting where the application was signed but sent an email giving them permission to use her signature. Member Kaufman asked if the school's model was flexible enough to adjust if enrollment were to be 10% lower than their expected enrollment since budgeted earnings for the first couple of years were below 10%. Mr. Biesinger explained that the school would make the necessary cuts if needed and since lease payments are favorable for the first year, where only 9 payments are required instead of 12, the school could absorb a lower enrollment. Member Hutchinson asked about the size of the building and Mr. Biesinger thinks it would be about 40,000 square feet. Member Kaufman asked if the lease agreement had been signed but Mr. Biesinger explained that it had not been signed and would be sent to the SCSB after their attorney has reviewed it. The school is using Boyer as their developer. Mr. Biesinger explained that it is possible to bond the building 18-24 months after the school has opened. Member Hutchinson asked for the property tax budget and Mr. Biesinger explained that there is no property tax liability.



## d. Davinci Academy

Existing School

\$130,000

Mr. Jeff Biesinger from Red Apple attended on behalf of Davinci Academy. He explained that the requested funds are for an elementary school playground. The school is strong on cash but if they paid for the playground with cash, they could fall below their bond covenant cash threshold. Member Hutchinson asked if they were not able to fund the full request, would the school be willing to accept less than was requested and Mr. Biesinger believed so. Member Hutchinson asked for the effective interest rate of the loan and how the loan would affect the school's bond covenants. Mr. Biesinger explained that the school has calculated the numbers to ensure that it still fits within their bond covenants. As per SCSB staff, the interest rate is at 2.75%. Member Hutchinson asked if the school would be paying out of pocket for their building permit and other city costs. Mr. Biesinger was not sure but thinks the school can handle such costs. Ms. Lambert asked if any of the requested funds would be used to build a classroom on the 2<sup>nd</sup> level and Mr. Biesinger explained that the school did not request funds for that project. Member Hutchinson asked about the \$282,500 of expenses categorized as settlements on the Income Statement and Mr. Biesinger explained that it was a settlement from breaking a prior contract with Harmony. Member Kaufman asked about the two board members that were not able to sign the loan resolution, but Ms. Lambert did not think that would be a problem. Monty Hardy from Red Apple joined via phone. Member Hutchinson asked Mr. Hardy if the \$282,500 was the final settlement payment and Mr. Hardy agreed. He was also asked what the \$200,000 Accounts Receivables was for, but Mr. Hardy was not sure. Member Kaufman acknowledged that the loan request does not qualify as a priority request.

## e. Wasatch Waldorf Academy

Existing

\$99,039

Mr. Jeff Biesinger from Red Apple attended on behalf of Wasatch Waldorf Academy. Wasatch Waldorf Academy is seeking \$62,980 to upgrade their playground area and \$36,059 to build solar panels. The school is applying for a grant from Rocky Mountain Power, who will contribute 85% of the total cost with the school responsible for the remaining 15%. The school will not pursue the project unless they get the grant from Rocky Mountain Power. Member Hutchinson asked if the solar panels were for educational purposes. Mr. Biesinger explained that the solar panels are to help the school be self-sustaining. Member Hutchinson inquired about the close to a million dollars of net loss on the Income Statement. Monty Hardy from Red Apple joined via phone and explained that the loss was from the building that was purchased next door to the school to house the preschool. Member Hutchinson later asked the school to provide detail for the bond liabilities. Member Kaufman asked about the outstanding loan balance from the prior revolving loan and Stewart Okobia from the SCSB confirmed that schools can have more than one outstanding revolving loan as long as the total loan balance was less than \$300,000. Ms. Lambert recommended that the committee approve the \$36,059 of requested funds contingent upon the school getting the grant from Rocky Mountain Power.

## f. Utah Mountain School

New School

\$285,000

Member Kaufman inquired about why there was no budget for faculty and staff. There was no representation from the school to provide clarification. Ms. Lambert asked what kind of notification was given to the schools about coming to the meeting. Mr. Okobia explained that the



meeting date was published but no formal direction was given to the schools. Ms. Lambert asked if the revised budget sent by the school addressed the concerns of not having a budget for faculty and staff and Mr. Okobia did not think that the revised budget addressed the concerns. Member Hutchinson wanted more detailed information about the items listed in the budget. For example, there was a budget of \$50,000 for training of Kitchen and Non-Educational staff, \$100,000 for two Geodesick domes. Ms. Lambert asked for the total amount that could be loaned this year under the revolving loan program. Mr. Okobia explained that the state had about \$2M to loan. Ms. Lambert suggested opening another round for the revolving loan program to allow schools to fix things on their application and to give more schools the opportunity to apply since there are available funds to loan. Member Hutchinson agreed that a second round would be beneficial to schools. Ms. Lambert explained that it takes three months after the loan is approved to get funding.

Motions: Member Wright made a motion to approve the loan requests of Bridge Academy and Mountain Sunrise Academy each for \$300,000, seconded by Member Kaufman, passed unanimously.

Member Hutchinson wants to see updated financial statements for Wasatch Waldorf that includes Long Term Liabilities to establish that the school can repay the loan. He noted that as of the FY18 audited financial statements, the school did not pass the Days Cash on Hand metric.

On Davinci Academy, Member Hutchinson was concerned about the \$200,000 deficit and would like to get updated financials to determine if the deficit has increased or decreased. Ms. Lambert recommended that the committee make motions contingent on the items that needed further review. Ms. Lambert asked how to proceed if the review did not turn out well. Member Hutchinson explained that if the review doesn't go well, then the matter should go back to the committee for further discussion.

Motions: Member Wright made a motion to approve the loan requests of Davinci Academy and Wasatch Waldorf Academy contingent on the schools providing updated financial statements including disclosure of all Long-Term Liabilities, the review by Stewart Okobia to ensure that the school meets the Debt to Asset Ratio metric, and with the added stipulation that if Wasatch Waldorf Academy is unable to secure the solar grant from Rocky Mountain Power, the school's loan amount would be reduced by \$36,059. Motion was seconded by Member Kaufman, passed unanimously.

Regarding Utah Mountain School, no action was taken by the committee. Member Hutchinson felt that the budget needed more detail because it had too much ambiguity. For example, there was a \$50,000 budget item for training. He would have liked to know what the training was for, who is getting the training? When would the training occur? Etc. He also explained that the state is less willing to approve loans for site work because if the school fails to open, the state is out of that money with no way of recouping back any funds. He encouraged Utah Mountain School to reapply and look for ways to spend the money other than on facility work. Since this school is using a different educational model, he also strongly encouraged the school to be present during the next committee meeting to provide more detail and to answer questions.



### Other items

The committee decided to open a second round to give schools another opportunity to apply for the revolving loan with the intention that school would receive funding before the end of the calendar year. The committee set their next meeting date for Tuesday, September 3, 2019.

### Adjourn

Member Wright made a motion to adjourn, seconded by Member Kaufman. Meeting was adjourned at 10:45 am.