

Requested Amendment(s) to Charter

Amendment Requiring Utah State Board of Education (USBE) Approval

The following amendment request may take 2-3 months to complete.

Waiver from Board Rule

Rule Number and Title: R277-552

Describe why the waiver is necessary to meet the mission and/or purposes(s) of the school and help the governing board meet the terms and conditions in its contractual agreement.

Last year Monticello Academy was approached by a property owner in a high growth area of Davis County to assess the suitability of existing commercial buildings and land to facilitate a school. Monticello determined the real estate was appropriate for a K-6 school, with the possibility of expanding to K-8 as a replication.

The challenge with property acquisition as it relates to current timelines applied to charter school approvals is that frequently property is identified as part of the feasibility analysis prior to seeking a charter. Indeed, part of the application for a charter requires a description of facilities and any facility acquisition plans. This necessarily involves prior discussion or negotiations with property owners and/or developers for that property acquisition.

Given the process requires upwards of nearly a two-year time gap between application and opening, with attendant funding, schools are challenged with limited options for holding property for a year or more. Property owners are not always able to hold property for that length of time and may seek another buyer/lessee. If a school is seeking to purchase property outright, they do not have income to make payment on the property for the interim between application and operations, and there are limited options for mitigating this challenge. Charter schools are typically not able to secure traditional financing due to lack of operational history or collateral (though Monticello was one of the few schools to break this barrier). Many schools are subsequently forced to engage a charter development company, which will build the school and then either lease the property back or sell it to the school at a profit/premium. These companies typically have assets that allow them to capitalize property over that gap in time. But those capitalization costs are passed onto the school via lease or purchase payments. The school will still have to pay the lease/mortgage of that holding year prorated on top of the basis lease/mortgage, which is typically already at a premium, even though they did not have the use of the property. This is generally an unnecessary expense, though one that has been created through the imposition of the current timeline.

Monticello Academy has historically been one of the most fiscally strong schools since its inception, in large part due to having pioneered bond conduit financing in the country, enabling us to avoid the high cost of leasing/purchasing from development companies; maintaining strong fiscal controls; and practicing the refunding of bonds when markets were favorable. While Monticello was planning for replication soon, the presentation of available real estate expedited our plan. The property will be a remodel of existing commercial property, desirable for keeping our costs down. However, the timeline presents the challenge of holding property over prior to operations/funding. It is fiscally favorable to avoid the capitalization of this property for an additional year, or to avoid any other costs the property owner may assess for holding over the property. In

Amendment Request – REPLACE WITH SCHOOL NAME

other words, rather than spending money for a building we are not using, that money can go toward actual operations directly benefitting students.

Additionally, Monticello Academy, as a replication, is prepared to open this fall. Facilities modifications will be completed in August, and other preparations, such as marketing, enrolling, hiring, and purchasing will be conducted on a parallel timeline with the existing school. Monticello Academy was one of the first charter schools in the state, approved 13 years ago and in a cohort of schools numbering around eleven, and has proven to be a stable and reliable charter school.

Please consider this waiver to the timeline in order to open Fall of 2019 and save the school the added cost of capitalization.