

## MINUTES OF THE REVOLVING LOAN MEETING

Thursday, May 25, 2017  
Board Rooms

### **Committee Members Present:**

(Chair) Gavin Hutchinson  
Jacob Wright  
Jennifer Lambert (non-voting)

### **Members Absent:**

Sterling W. Orton

### **Staff Present:**

Rabecca Cisneros  
James Madsen

### **Others Present:**

Scott Jones (USBE)  
Brett Baltazar (USBE)  
Patrick Munson (Capstone)  
Sue Goers (Capstone)  
Chris Gurnee (Capstone)  
Nate Taggart (NUAMES)  
Lincoln Fillmore (Charter Solutions)  
Stephanie Eccles (Excelsior)

### **Call to Order**

Chair Hutchinson called the meeting to order at 9:07 am

### **Promissory Note and Loan Servicing Fee**

Chair Hutchinson led a discussion regarding the amount of money the committee should loan out. USBE School Finance is recommending \$1.5 million is the maximum loaned out because of a loan that had to be written off, and two other loans in deferment.

Member Lambert asked about whether the number of applications is a larger or smaller request. To which the chair replied was average.

Chair Hutchinson led a discussion on the interest rate of the loan.

Member Wright motioned that the committee increase the interest rate. Discussion ensued. Member Wright withdrew and changed his motion to have staff recommend a rate. Discussion ensued. Member Wright changed his motion increase the rate from 1.75% to 2.1%. Discussion ensued. Member Wright withdrew his previous motion and instead motioned to "increase the rate from 1.75% to 2% and task staff with looking at what the rate should appropriately be, if it should be something other than 2%". Discussion ensued. Superintendent Jones reminded recipients of the \$125 per year loan servicing fee. Discussion ensued regarding the SCSB member's role on the committee of voting vs. non-voting. Chair Hutchinson seconded the motion. No further discussion to the motion. Passed favorably.

**Motion: Increase the rate from 1.75% to 2% and task staff with looking at what the rate should appropriately be, if it should be something other than 2%.**

Chair Hutchinson led a discussion on the maximum amount of money the committee would recommend to loan out. Member Wright motioned to defer to school finance and loan out \$1.5 million this year. Chair Hutchinson seconded the motion. Discussion ensued. Passed favorably.

**Motion: Defer to school finance and loan out \$1.5 million this year.**

### **Late and Incomplete Applications**

Discussion regarding if the committee should accept and award funds to late applications. Much of the discussion centered on a single late application and what has happened historically when an application was received after the initial committee hearing. The committee has concern with setting negative precedent on accepting late applications. Mr. Wright and Chair Hutchinson discussed asking the school if they have other options. Ms. Lambert recommended hearing the school's story, but also considering their lateness. Mr. Wright suggested hearing everyone out, and then setting procedure after. Member Wright motioned that the revolving loan application will be amended to specifically state the late application will not be considered. Chair Hutchinson seconded the motion. Passed favorably.

**Motion: Amend the Charter School Revolving Loan Application that for subsequent years we will specifically state late applications will not be considered, but could apply for the next funding cycle.**

### **Loan Applications for FY18:**

#### **"Advantage Arts Academy"**

Advantage Arts Academy is a new school requesting \$300,000. There were not representatives from the school. The Committee discussed the application. Ms. Cisneros commented that the application was on time, complete, had no problematic elements in credit report, all expenses allowed under rule and statute, will have final charter approved in June meeting.

Chair Hutchinson asked if schools could still request for salaries in Start Up grants. Ms. Cisneros commented that they could request \$5,000/month. Ms. Cisneros commented that, in the Start Up funds, the school is using \$2500 in salaries and \$800 in benefits for the secretary in final month of planning year. Chair Hutchinson commented that he just wanted to clarify that the school was not planning to "double-dip."

#### **"Capstone Classical Academy"**

Capstone Classical Academy is a new school requesting \$300,000. Representatives were present from the school. There was significant discussion regarding the budget and the misunderstanding on the school's part to submit the full operational budget versus the specific loan budget. The Committee had concerns with the school not detailing out the specifics of the loan proceeds. Sue Goers spoke to using the funds on professional development and technology. Patrick Munson spoke about buying curriculum. There was a discussion regarding concerns with the money being spent on professional development for Weber District. Representatives described a \$3,500 professional development event that would be training teachers of Weber District, to which Chair Hutchinson commented that he doesn't believe it qualifies as the legal definition of professional development. Representatives of the school said the rest of the money would be used for their first initial payment on Z-Space. Chair Hutchinson asked what happens with the contract with Z-Space if the school fails to open. Representatives said the school has not executed that contract at this time, and their lawyer will negotiate the contract to protect against debts if the school does not open.

Chair Hutchinson commented that this school would be competing with NUAMES, and asked what is in plan to ensure they meet enrollment. Representatives stated their break even budget is 260 students in the first year with a building, and that they are located 13-15 miles away from NUAMES.

Mr. Wright commented that he is concerned not knowing exactly where the money will be spent without the budget specifically detailing it. Representatives commented that they could move their allocation request to curriculum if it would make the committee happier, and confirmed there is no duplication in their Start Up request.

#### **"Northern Utah Academy of Math, Engineering, and Science (NUAMES)"**

NUAMES is a new Replication requesting \$300,000. Nate Taggart was present as a representatives from the school. Chair Hutchinson commented that the application was listed as incomplete for missing signatures and a credit score. Nate Taggart commented that he has a hard copy back at the school with those signatures, and that their accounting firm can get the credit score.

Chair Hutchinson commented that the loan proceeds budget is also missing. Representative said they would use the money on equipment and property. Ms. Lambert asked if they could send the budget of the proceeds now, and representatives said they could send it when they have it. Chair Hutchinson said the committee has historically not been willing to loan money for property. Representative of the school said they can use the funds for other uses.

Mr. Wright commented that his concern is also a lack of a detailed budget for the loan proceeds. Ms. Lambert expressed similar concerns with the budget, as well as with an incomplete application.

#### **"Leadership Academy of Utah"**

Leadership Academy of Utah will be in their first operational year and requesting \$275,700. Jeff Biesinger of Red Apple is their representative. Mr. Biesinger described the school as an online school with no facility cost. Said they have 288 full enrollment packets turned in, which necessitated them of taking advantage of the SCSB 3% Safe Harbor, since their first year cap is 280, with a wait list of 70 students. Described the bulk of the loan being used for IT (laptops, three servers, online curriculum) and student books.

Ms. Lambert asked them to clarify if they are planning to buy computers for all of their students, because in their application they said they did not anticipate that expense. Mr. Biesinger said based on the "sister school" in Nevada, the school decided that not all of the student's laptops are compatible, so they want to ensure all students are on the same playing field. The school will figure replacement computers into the budget moving forward.

Mr. Wright asked if the expense is for loaner laptops or gifted laptops to the students. Mr. Biesinger said these are loaner laptops and he believed that after a certain amount of time the student can purchase at a minimal cost.

Chair Hutchinson asked about the fixed cost of \$250.00/student for curriculum and the school program.

#### **"Leadership Learning Academy"**

Leadership Learning Academy is an existing school with a Replication in its first operational year. They are requesting \$299,971. Ms. Lambert commented that staff is watching the school's numbers, but are not concerned about the school's ability to open. Chair Hutchinson commented that the budget provided doesn't ask for anything out of the ordinary.

#### **"Excelsior Academy"**

Excelsior Academy is an existing school requesting \$300,000. Stephanie Eccles and Sen. Lincoln Fillmore represented the school.

Ms. Eccles commented that the school is approved for 675 enrollment, but has received a safe harbor for 730 this year. Ms. Eccles commented that she understands they are at the bottom of the priority list. Sen. Fillmore commented that it is \$300,000 to add 1,300 square feet for adding staff restrooms and expanding the cafeteria. Ms. Eccles commented that the total cost for the construction will be \$315,000, and commented that they will be grateful for anything. Sen. Fillmore commented that they didn't want to receive this funding at the expense of startup schools.

Sen. Fillmore said they will be using USDA funding to build an additional building. Chair Hutchinson asked if there was a possibility to use the USDA for this expansion to their current building. Sen. Fillmore commented that he didn't believe so. This loan would "pay back" the money expended on the expansion to ensure sufficient cash reserves.

### **"Endeavor Hall"**

Endeavor Hall is an existing school requesting \$235,000. Chair Hutchinson commented that they will hear this application, but cannot make any guarantees because of its lateness.

Ms. Brittney Cummins said that \$175,000 of the loan will be used to fix a leaking roof. Ms. Cummins commented that they were initially told they could perform simple repairs, but upon more investigation now see they need to reroof the building; another \$65,000 will be used for HVAC repairs.

Ms. Cummins said the school is enrolled at 561 students for next year, and are in the process of hiring a new director for the school. Ms. Cummins that marketing enrollment is the project for the summer, and that the school has added full day kindergarten to provide for their surrounding demographic needs.

Chair Hutchinson asked if they owned their building and if their bond provided for those repairs. Representatives stated that they spent that money down last year by replacing carpet. Chair Hutchinson asked if they had solid bids for the roof. Ms. Cummins said they have two bids, but were waiting to identify funding before they moved forward with the official RFP process. Sen. Fillmore confirmed that the roof is urgent, but the HVAC expense can wait.

Sen. Fillmore commented that one of the key legislative intents for this loan was for issues like this, so by their nature, deadlines aren't always able to be met.

Chair Hutchinson called a 10 minute recess.

#### **Discussion for how to handle lack of money:**

Director Lambert shared her feelings that the \$1.5 million cap is too conservative and hurts schools.

Member Wright shared his desire to support Endeavor Hall's facility needs and the budget concerns on other schools. A discussion ensued. Each committee member's recommendations for loans was shared. Chair Hutchinson confirmed with Sen. Fillmore confirmed that the roof is urgent, but the HVAC expense can wait.

Chair Hutchinson asked Excelsior Academy's Stephanie Eccles if she would be willing to come back to the committee, so they could review Capstone Classical Academy, NUAMES, and Excelsior Academy together, once the other schools provide a budget of their loan proceedings. Ms. Eccles said she is willing.

Members made preliminary recommendations for grant awards. Director Lambert asked staff about the number of loans a school could have out at one time. Member Wright suggested raising the maximum total loan award to \$1.6 million.

The committee discussed how to handle Endeavor Hall and whether they should split the loan into one or two loans (one for the HVAC, and one for the roof). Mr. Baltazar of USBE School Finance stated that a charter school could have more than one loan, so long as it does not exceed \$300,000.

The committee discussed timelines and suggestions for another committee meeting.

#### **Motions for Loan Recommendations:**

Member Wright made, and Chair Hutchinson seconded, each of the following motions in turn:

- **Motion: Recommend a loan of \$300,000 to Advantage Arts Academy. Passed.**
- **Motion: Table Capstone Classical Academy's request until a subsequent meeting. Passed.**
- **Motion: Table NUAMES loan application until a further meeting. Passed.**
- **Motion: Recommend a loan of \$275,000 to Leadership Academy of Utah. WITHDRAWN. Recommend \$275,700 to Leadership Academy of Utah.**
- **Motion: Recommend a loan of \$299,971 for Leadership Learning Academy. Passed.**
- **Motion: Table Excelsior Academy's loan application until a subsequent meeting. Passed.**

- **Motion: Recommend \$175,000 for Endeavor Hall. Passed.**

**Motion:**

Member Wright moved to include language in application that that some consideration will be given to urgent facility needs, Chair Hutchinson seconded. Ms. Cisneros asked if they want to her to bring wording to next meeting for application. Chair Hutchinson agreed.

**Motion: Include language in application that that some consideration will be given to urgent facility needs.**

**Adjourn:**

Wright motion to adjourn. Motion carried.