



Elgin Math & Science Academy

Meeting of Finance & Operations Committee

Date and Time

Tuesday February 21, 2023 at 8:00 AM CST

Agenda

	Purpose	Presenter	Time
I. Opening Items			8:00 AM
Opening Items			
A. Record Attendance and Guests	Discuss	Dan Alexander	1 m
B. Call the Meeting to Order	Discuss	Dan Alexander	1 m
This Meeting is being held remotely due to the COVID public health emergency.			
C. Approve Minutes of the January 17 2023 Meeting of the Finance Committee	Approve Minutes	Dan Alexander	3 m
II. Operations Update			8:05 AM
A. COO Report on Operations	Discuss	Dan Alexander	10 m

1. FY24 PCTC rate

We were able to obtain an "unofficial" PCTC rate paid in FY24, meaning it is subject to change with ISBE review of U-46 spending in FY22 ongoing. Detail on that calculation is attached. Last year, ISBE review caused a change of just a few dollars in PCTC rate between what we have now, and the final official rate. ISBE should release the official PCTC rate to be paid in FY24 in either March or April, last year it was on March 17th.

Unofficially, the PCTC rate paid in FY24 will be \$14,121 which would represent a year-to-year increase of 12.8%, or \$1,599 from the official PCTC rate paid in FY23, which is \$12,521. The reasons align with previous discussions - higher U46 spending (plus, minor factor though it is, increased EMSA spending) divided by lower overall combined U-46/EMSA Average Daily Attendance. An updated table showing these trends is attached. In December, we had forecast a 10.0% PCTC increase which was thought conservative.

2. EMSA Expansion:

- Almost all contracts are set, just finalizing with attorney. We will likely utilize about \$100,000 of Owner Contingency to resolve previously unknown structural conditions, leaving a little more than \$250,000 of Owner Contingency (inclusive of the last \$100,000 of Contingency reserved to Board to use or not use at its discretion).
- Asbestos remediation was completed on January 31st. B&A to assemble on-site and start construction soon. Awaiting City Permit.
- Bond closing work on schedule for late March closing. Further bond update in next section.

B. Bond Financing Update	Vote	Akshai Patel and Dan Alexander	30 m
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We are on schedule to do our bond pricing on/around March 9th, and bond closing on/around March 22nd.

Brief overview of process with color commentary/analysis from Akshai Patel of RBC Capital Markets.

Moody's rating

Moody's has given EMSA an indicative rating of Ba2, which means EMSA qualifies to have a "rated" credit which most people would describe as "double B." This is per our

plan, to increase investor interest in EMSA's credit via a public rating. Next steps: have Moody's publish a public rating, as part of our bond offering.

Further detail on Moody's rating

On Feb. 15th, Moody's held a call with EMSA/Longhouse/RBC in which it disclosed the results of the rating Committee of Moody's which made this decision, with input from its analyst Blake Cullimore and his supervisor Dan Wilson. We were on the edge of a Ba1 rating (even better) as recommended by the Moody's analyst, but what held us back was the very conservative view Moody's Committee has, to require that any school's Days Cash On Hand and Debt Service Coverage Ratio be evaluated on the basis of its last audited financial year (FY22), to afford the projected debt service (even though that will begin to be paid in FY25, when EMSA's enrollment will be larger and the PCTC rate much higher than in FY22). However, the Moody's report when it is issued will clearly signal to potential bond investors that EMSA is a strong credit for a Ba2 credit. Lindsay Wall captured the analyst's rationale for his assessment EMSA is on the borderline between Ba1 and Ba2 as follows:

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- Impressive and experienced leadership team that is a credit to the Board's selection of personnel to lead the School.
- Because of the strength of leadership, the School is able to "punch above its weight class" in competing with larger, more established schools.
- While EMSA today has metrics (debt service coverage ratio and days cash on hand most specifically) that do not match comparable schools' metrics that are currently in the Ba1 category, there was a case to be made just based on the quality of management that EMSA is on the edge of being in that higher category.
- Analysts commented that the financial reports and detailed level of projections provided were the most sophisticated they had seen among all charter schools that Moody's rates.
- The future of EMSA is bright and its goals achievable with current management team at the helm

Recommendation by Committee to Board of Directors

Should EMSA:

(a) Opt for the lowest possible annual P&I payment (derived mostly from interest rate) by opting for a 40-year fixed bond with an option to prepay at year 10. On Feb. 13th, this was estimated to result in a \$950,000 annual cost to EMSA for debt service, about \$40,000 less than projected in December 2022.

(b) Opt to pay more in annual P&I in order to obtain a 40-year fixed bond with an option to prepay at year 5. On Feb. 13th, this was estimated to result in a \$990,000 annual cost to EMSA for debt service, almost exactly what was estimated in December 2022.

If the Committee would like to opt to finance the bonds such that a 5 year debt retirement is possible, what is the limit of annual additional debt service, which it recommends that EMSA be willing to pay?

III. Financial Report **8:45 AM**

A. January 31 2023 Interim Financial Statements	Discuss	Shannan Egger and Douglas DeJong	40 m
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Shanan Egger and Douglas DeJong will present the interim financial statements for January 31 2023.

IV. TRACKING ITEMS **9:25 AM**

A. Enrollment, FR Percentage	FYI	Dan Alexander	3 m
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Every student brings \$12,251 to EMSA in PCTC revenue over the course of a year. EMSA had 414 students at the Q1 census, two short of our full enrollment, 416. This resulted in a revenue shortfall for EMSA of \$6,125 for Q1. The second enrollment certification of 410 students results in a revenue shortfall of \$18,750 for Q2. The third enrollment certification on January 3, 2022 of 412 students results in a revenue shortfall of \$12,375 for Q3. \$37,250 is the total revenue shortfall to date, resulting from enrollment shortfalls.

EMSA's Free/Reduced rate percentage, so far unofficial, now stands at 56.5%. ISBE certification of this has occurred. EMSA is now eligible for an 80% discount rate through the e-rate program, as forecasted.

V. Other Business **9:28 AM**

A. Next meeting(s)	Discuss	Dan Alexander	2 m
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The next regularly scheduled Meeting of the Finance & Operations Committee will be Tuesday March 21, 2023.

	Purpose	Presenter	Time
VI. Closing Items			9:30 AM
A. Adjourn Meeting	Vote	Adam Gray	1 m