



# Veritas Preparatory Charter School

## Finance Committee Meeting

Published on June 18, 2024 at 2:56 PM EDT

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### Date and Time

Thursday June 20, 2024 at 4:00 PM EDT

### Location

Veritas Prep Charter School 1st Floor Conference Room or Dial-In Number: 866-848-2216, Conference Code: 7 783935205, Leader Code: 2356

### [Join Zoom Meeting](#)

ID: 82384629673

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### Agenda

	Purpose	Presenter	Time
<b>I. Opening Items</b>			<b>4:00 PM</b>
<b>A.</b>	Record Attendance	Nicole Gauthier	1 m
<b>B.</b>	Call the Meeting to Order	Denise Ford	1 m

	Purpose	Presenter	Time
C.	Approve Minutes	Denise Ford	1 m

Approve minutes for Finance Committee Meeting on May 16, 2024

## II. Procurement Recommendation

4:03 PM

A.	Purchasing Activity Vans to Meet Transportation Needs - FYI	FYI	Rachel Romano	5 m
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### Context:

Management proposes the purchase of two (2) 14-passenger activity vans in order to meet the transportation needs of the high school in the 24-25 school year and beyond. Given supply issues, we need to act swiftly to ensure we have them in time for SY24-25 school year. The van purchase will be financed so minimal cash would need to be outlaid at this time.

### Background:

The high school requires more transportation for athletics, early college, work-based learning and other small group student activities at both our middle and high school. To date, we have contracted for transportation services and this is not a sustainable solution. Based on an evaluation of the current transportation agreements that exist with a few local companies like Five Star Transportation, Rozki Rides, and First Student. Too many times these companies experienced a shortage of drivers and had to cancel scheduled trips and other times were extremely late. This caused some of our athletic games to be forfeited and college activities to be postponed or canceled. The costs will be about the same and eventually, probably next year, become more expensive.

In Fall of 2023 Lynne started the research and due diligence to prepare for the purchase of activity vans. Lynne tried for four to five months to find used activity vans to purchase, but was not successful. She has recently worked with multiple school bus vendors to obtain proposals on different types of multi-passenger vans. The best layout for the value and ability to accommodate our athletic teams is a 14-passenger activity van. It is also safe and the style most school systems use for student activities. While we anticipate needing and being able to use more than two vans, we will hold off on purchasing any additional vans at this time as we anticipate costs coming down in the future when all the stimulus money has been expended. Our FY25 budget for student athletic and activity transportation costs is \$65,000 annually and we have funds budgeted in other categories to support field trips, early college and other types of programmatic transportation as well. Thus, we have the funds to

support this expense covered in the school's annual budget. We have followed our procurement policies to solicit multiple quotes and have determined the top vendor and are ready to move forward with the purchase.

We have consulted with our attorneys and auditors to ensure we are considering all future actions and decisions needed before the vans go into operation. We will continue to bring these policies before the board for input and approval prior to operating vans. See notes from attorneys at Krokidas and Bluestein (attached PDF).

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|-----------|--|---------|---------------|------|
| <b>B.</b> | Procurement of Activity Vans - Discussion and Recommendation | Discuss | Rachel Romano | 25 m |
|-----------|--|---------|---------------|------|

We are asking the finance committee to help us determine which entity should purchase the activity vans and make a recommendation to the Board of Trustees for their approval on June 27th. We have outlined two potential scenarios through which to purchase the activity vans for your consideration and discussion.

**Scenario #1: Friends procures and owns the vans**

- Friends needs a lease agreement in place with the school to obtain financing
- Friends incurs/is responsible for the debt with PeoplesBank
- DESE needs to approve the school entering a lease agreement as it would extend beyond the current charter term

**Scenario #2: School procures and owns the vans**

- School needs to follow VPCS fiscal procurement procedures (already done)
- School finances the vans through PeoplesBank
- DESE has to approve the financing, which must include language that DESE is not fiduciarly responsible for the debt, because it would extend beyond the current charter term

**Same for either scenario:**

- The two entities are related and the lease agreement and policies (to be developed) articulate the use of the vans by the school and school employees. Thus, there is no difference between the related party entities (VPCS & Friends of VPCS) in terms of immunity. The same immunity limits that apply to the school would apply to the Friends under Mass law (refer to notes and recording of our meeting with attorneys from Krokidas & Bluestein upon request).

Purpose

Presenter

Time

- If we decide on zero down and spread the cost over 72 months (6 years) the monthly cost will be about \$2,016 which is \$24,192 annually so the total for both is \$48,384.
- Updated insurance quotes for this vehicle type are \$1,695 per van (\$3,390 total) and includes the highest limits available (management also expects to increase Umbrella coverage to \$5,000,000)
- Management is working on a vehicle use policy that will be in place prior to the vehicles being placed in use in August 2025
- Management is working on a maintenance plan that will be in place prior to the vehicles being placed in use in August 2025 which includes a manufacturers warranty

### III. Approval Request

4:33 PM

#### A. Debt Service Covenant Revision - Discussion

Discuss

Denise Ford

15 m

Denise, Rachel and Lynne met with the auditors to review our current debt service covenant as it relates to our mortgage with PeoplesBank. Veritas engaged our auditors to draft a revision to the covenant and share the proper calculation for Veritas and PeoplesBank to agree upon which is based on the revised language below.

We are asking the Finance Committee to review and approve a language revision to our debt service covenant for the current fiscal period with the understanding that they will recommend to the Board at the July 2024 Board meeting to review and approve the revised language.

#### **CURRENT LANGUAGE (which has our related entities meeting covenants separately):**

- DSCR for Borrower (Friends): Borrower shall maintain a Debt Service Coverage Ratio (DSCR) of not less than 1.00:1.00 Defined as: Net income plus depreciation, amortization and interest expense divided by annual principal and interest payments.
- DSCR for Guarantor (Veritas): Guarantor shall maintain a Debt Service Coverage Ratio (DSCR) of not less than 1.20:1.00 Defined as: Net income plus depreciation, amortization and interest expense divided by annual principal and interest payments.

#### **REVISED LANGUAGE COMBINING THE RELATED PARTIES (aka component units):**

Purpose

Presenter

Time

- **DSCR: Borrower (Friends) and Guarantor (Veritas) on a combined basis, shall maintain a Debt Service Coverage Ratio (DSCR) of not less than 1.20:1.00 Defined as: Combined Change In Net Position (aka Net Income) less cash paid on lease liabilities (GASB 87 adjustment) plus depreciation, amortization and interest expense divided by annual principal and interest payments.**

**B.** Debt Service Covenant Revision - Vote                      Vote                      Denise Ford                      5 m

A motion to accept the Debt Service Covenant Revision as presented.

Any further discussion?

Role call vote of all Finance Committee members.

**IV. Finance** **4:53 PM**

**A.** Monthly Financial Reports - FYI                      FYI                      Lynne Mills                      5 m

As time allows, Lynne will answer any questions committee members have.

Financials will not be presented this month at the Board meeting due to the Board Retreat, so a review of the year end financial reports will happen more thoroughly at the July meetings.

**V. Other Business**

**VI. Closing Items** **4:58 PM**

**A.** Adjourn Meeting                      Vote                      Denise Ford                      1 m