

Arizona State Board for Charter Schools
Financial Framework Subcommittee

November 8, 2023

1700 W. Washington, Executive Tower, 3rd Floor Boardroom
Phoenix, AZ 85007

https://www.youtube.com/channel/UCkPbhJyH-7N_Pw1hpl3nSA

SUMMARY

<p>Members Present- Wendy Miller- Superintendent Designee Carlos Ruiz- Public Member (Virtual) James Swanson – Business Member</p> <p>Meeting began at 9:09am</p>	<p>Members Absent- Timothy Stratton – Business Member</p>
<p>Agenda Item A. Roll Call (21:43)</p>	<p>Ashley Berg called the roll and confirmed a quorum.</p>
<p>Agenda Item B. Consent Agenda (22:11)- Approval of Meeting Minutes from the Financial Framework Subcommittee meeting on October 31, 2023.</p>	<p>James Swanson made the following motion: <i>I move to approve the consent agenda as presented.</i></p> <p>Wendy Miller seconded the motion.</p> <p>Motion Passed</p> <p>(Aye: Ruiz, Swanson, Miller)</p>
<p>Agenda Item C. Enrollment Trends (23:00)- Presentation by the Arizona Charter Schools Association and discussion on statewide and charter enrollment trends and what to expect in the coming years.</p>	<p>Recorded comments are available.</p>
<p>Agenda Item D. Average Daily Membership Measure (37:26) and (3:33:57) - Discussion and possible action on a proposal to identify large decreases in student enrollment and consider these decreases when assigning the measure ratings on the Financial Performance Framework’s Average Daily Membership measure (“ADM Measure”).</p>	<p>James Swanson made the following motion: <i>I move to table Agenda Item D to reconsider after Agenda Item L.</i></p> <p>Wendy Miller seconded the motion.</p> <p>Motion Passed</p> <p>(Aye: Ruiz, Swanson, Miller)</p> <p>Recorded comments are available.</p>

	<p>James Swanson made the following motion: <i>Based upon a review of the meeting materials and the Subcommittee’s deliberations, I move that the Subcommittee continue its discussion and consideration of Agenda Item D to the December 1, 2023 meeting of the Subcommittee and that the Subcommittee take no action at this time. I further direct Board staff to solicit preliminary public comment on the proposed changes discussed today for a period of not less than five business days and report the results of the public comment to the Subcommittee at its December 1, 2023 meeting.</i></p> <p>Wendy Miller seconded the motion.</p> <p style="text-align: center;">Motion Passed</p> <p style="text-align: center;">(Aye: Ruiz, Swanson, Miller)</p> <p>Recorded comments are available.</p>
<p>Agenda Item E. ADM Measure Rating Adjustment (1:14:34)- Discussion and possible action on the Financial Performance Framework’s provision that provides for a rating adjustment on the ADM Measure based on charter holders’ performance on the framework’s other measures and on certain recommendations included in the performance audit and sunset review of the Board issued by the Arizona Auditor General in September 2023.</p>	<p>James Swanson made the following motion: <i>Based upon a review of the meeting materials and the Subcommittee’s deliberations, I move that the Subcommittee recommend that we change from the current practice of one rating category increase to a movement to meets standards in all situations under the circumstances that would cause a rating adjustment. I further direct Board staff to solicit preliminary public comment on the proposed changes discussed today for a period of not less than five business days and report the results of the public comment to the Subcommittee at its December 1, 2023 meeting.</i></p> <p><i>Motion was clarified.</i></p> <p>Wendy Miller seconded the motion.</p> <p style="text-align: center;">Motion Passed</p>

	<p style="text-align: center;">(Aye: Ruiz, Swanson, Miller)</p> <p>Recorded comments are available.</p>
<p>Agenda Item F. Unrestricted Days Liquidity Targets (1:25:57)- Discussion and possible action on an updated proposal that increases, over multiple audit cycles, the number of days liquidity a charter holder must have under the Financial Performance Framework’s Unrestricted Days Liquidity measure and reflects the direction provided by the Subcommittee at its October 31, 2023 meeting.</p>	<p>James Swanson made the following motion: <i>Based upon a review of the meeting materials and the Subcommittee’s deliberations, I move that the Subcommittee continue its discussion and consideration of Agenda Item F to the December 1, 2023 meeting of the Subcommittee and that the Subcommittee take no action at this time. I further direct Board staff to solicit preliminary public comment on the proposed changes discussed today for a period of not less than five business days and report the results of the public comment to the Subcommittee at its December 1, 2023 meeting.</i></p> <p>Wendy Miller seconded the motion.</p> <p style="text-align: center;">Motion Passed</p> <p style="text-align: center;">(Aye: Ruiz, Swanson, Miller)</p> <p>Recorded comments are available.</p>
<p>Agenda Item G. Factors Affecting Days Liquidity (1:34:50)- Presentation and discussion on possible options to consider underlying factors, such as credit lines, advances on state equalization payments and transferring funds between related schools, that may alter charter holders’ performance on the Financial Performance Framework’s Unrestricted Days Liquidity measure.</p>	<p>Recorded comments are available.</p>
<p>Agenda Item H. Net Assets Considered under Framework (1:53:07)- Discussion and possible action on having the Financial Performance Framework consider net assets without donor restrictions instead of the current practice of using total net assets and a possible recommendation by the Subcommittee that the Board implement this change, for those</p>	<p>James Swanson made the following motion: <i>Based upon a review of the meeting materials and the Subcommittee’s deliberations, I move that the Subcommittee recommend the Financial Performance Framework consider charter holders’ net assets without donor restrictions, instead of total net assets, and that the Board implement this change, for</i></p>

charter holders that would be positively affected, with Staff's review of the fiscal year 2023 audits.

those charter holders that would be positively affected, with Staff's review of the fiscal year 2023 audits. It would not impact schools that are negatively impacted by this change for the fiscal year 2023 audits. Further, I move to direct Staff to solicit public comment on the Subcommittee's recommendation for the fiscal year 2023 audits in accordance with the Board's Procedures for Rule and Policy Adoption and to place the matter on the Board's December 14, 2023 agenda for the second opportunity for public comment and consideration and possible action by the full Board. However, this action on this item may continue to future board meetings based on data developed by staff.

Wendy Miller seconded the motion.

Motion Passed

(Aye: Ruiz, Swanson, Miller)

Recorded comments are available.

Agenda Item I. Noncash Expenses and Unusual Items (2:16:42) and (2:37:32) - Discussion and possible action on proposed changes to the [definition of "noncash expenses" considered by the Financial Performance Framework's Adjusted Net Income and Unrestricted Days Liquidity measures and on whether one-time, non recurring revenues should be removed](#) when determining charter holders' performance on the framework's Adjusted Net Income measure.

After a 5 minute break, Ashley Berg took roll to confirm a quorum.

Wendy Miller made the following motion: I move to continue Agenda Item I. conversation after Agenda Item. J.

James Swanson seconded the motion.

Motion Passed

(Aye: Ruiz, Swanson, Miller)

Recorded comments are available.

Wendy Miller made the following motion: *Based upon a review of the meeting materials and the Subcommittee's deliberations, I move*

	<p><i>that the Subcommittee continue its discussion and consideration of Agenda Item I to the December 1, 2023 meeting of the Subcommittee and that the Subcommittee take no action at this time. I further direct Board staff to solicit preliminary public comment on the suggestions made today for measuring noncash and unusual items for a period of not less than five business days and report the results of the public comment to the Subcommittee at its December 1, 2023 meeting.</i></p> <p>James Swanson seconded the motion.</p> <p style="text-align: center;">Motion Passed</p> <p style="text-align: center;">(Aye: Ruiz, Swanson, Miller)</p> <p>Recorded comments are available.</p>
<p>Agenda Item J. Adjusted Net Income Trends (2:21:42)- Presentation and discussion on possible options for including multiple fiscal years of performance when determining charter holders’ performance on the Financial Performance Framework’s Adjusted Net Income measure.</p>	<p>Recorded comments are available.</p>
<p>Agenda Item K. Options to Use Cash Reserves (2:53:13)- Presentation and discussion on possible options that would allow charter holders with a solid financial position to use their cash reserves without being penalized under the Financial Performance Framework’s Adjusted Net Income measure, Lease Adjusted Debt Service Coverage Ratio measure or both.</p>	<p>Recorded comments are available.</p>
<p>Agenda Item L. Debt Principal (3:16:34)- Presentation and discussion on the items considered “debt principal” by the Financial Performance Framework’s Lease Adjusted Debt Service Coverage Ratio measure and possible options for addressing unique situations, such</p>	<p>Recorded comments are available.</p>

<p>as debt being paid off early or balloon payments.</p>	
<p>Agenda Item M. Public Comment Regarding Future Items for Consideration by the Financial Framework Subcommittee (3:36:25)- This is the time for the public to comment regarding future items the Subcommittee may consider addressing at a subsequent meeting. Members of the Subcommittee may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. § 38-431.01(H), action taken as a result of comment during this item will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for further consideration and decision at a later date.</p>	<p>Recorded comments are available.</p>
<p>Agenda Item N. Summary of Current Events, Future Meeting Dates and Items for Future Agendas (3:36:54)- The executive director, presiding officer or a member of the Subcommittee may present a brief summary of current events pursuant to A.R.S. § 38-431.02(K) and may discuss future meeting dates and direct staff to place matters on a future agenda. The Subcommittee will not discuss or take action on any current event summary.</p>	<p>Recorded comments are available.</p>
<p>Agenda Item O. Adjournment</p>	<p>The meeting was adjourned at approximately 12:26pm.</p>