

Arizona State Board for Charter Schools
Financial Framework Subcommittee

December 4, 2023
Virtual Meeting
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SUMMARY

Members Present- Wendy Miller- Superintendent Designee (Virtual) Carlos Ruiz- Public Member (Virtual) James Swanson – Business Member (Virtual) Meeting began at 9:02 am	Members Absent- Timothy Stratton – Business Member
Agenda Item A. Roll Call (2:07)	Ashley Berg called the roll and confirmed a quorum.
Agenda Item B. Consent Agenda (2:38)- Approval of Meeting Minutes from the Financial Framework Subcommittee meeting on November 8, 2023.	Carlos Ruiz made the following motion: <i>I move to pass the meeting minutes as presented.</i> Wendy Miller seconded the motion. Motion Passed (Aye: Ruiz, Swanson, Miller)
Agenda Item C. Financial Intervention Overview (3:23)- Presentation by Board staff and discussion on the requirements for charter holders assigned a summative financial performance rating of “Intervention” or identified as “On Probation” under the Board’s	Recorded comments are available.

<p>Financial Performance Framework and related performance data.</p>	
<p>Agenda Item D. Factors Affecting Days Liquidity (25:05)- Discussion and possible action on 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>Wendy Miller made the following motion: <i>I move that the subcommittee take no action and continue this discussion at a future subcommittee meeting.</i></p> <p>Carlos Ruiz seconded the motion.</p> <p>James Swanson made a comment. Wendy Miller made a comment.</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. Unrestricted Days Liquidity Measure (52:22)- Discussion and possible action on a proposal that reflects the changes currently under consideration by the Subcommittee to the Financial Performance Framework's Unrestricted Day Liquidity measure, including changes to the formula used for calculating charter holders' performance, the number of days liquidity charter holders must have and the current definitions, and the audit cycle(s) the changes will take effect.</p>	<p>Wendy Miller made the following motion: <i>I move that the Unrestricted Days Liquidity Measure proposal, as presented today and found in the materials for today's meeting be incorporated by Staff into the Subcommittee's draft recommendation to the Board, with the modifications discussed today, which would include using the "proposed" fiscal year 2026 audit goal of 45 days with below increase to 30 days as the final measure rating goal for fiscal year 2027 audits, shifting the fiscal year 2025 and fiscal year 2026 expectations accordingly to provide incremental targets to reach the final goal in fiscal year 2027 audits and to be finalized by the subcommittee at a subsequent meeting.</i></p> <p>James Swanson seconded the motion.</p> <p>Member Ruiz made a comment. Wendy Miller made a comment.</p> <p style="text-align: center;">Motion Passed</p> <p style="text-align: center;">(Aye: Ruiz, Swanson, Miller)</p>

	Recorded comments are available.
<p>Agenda Item F. Options to Use Cash Reserves (1:30:26)- Discussion and possible action on 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 (“Lease Adjusted DSCR Measure”) or both.</p> <p>Discussion for this item was interrupted by connection issues and can be found at this link, along with the reminder of the meeting’s agenda items.</p>	<p>Wendy Miller made the following motion: <i>I move that the changes discussed in Item F at today’s meeting be incorporated into the Subcommittee’s draft recommendation to the Board, using 90 days liquidity instead of 120 days liquidity which the Subcommittee will finalize at a subsequent meeting.</i></p> <p><i>I further move to direct Board staff to solicit preliminary public comment on the changes discussed in Item F today for a period of not less than five business days and report the results of the public comment to the Subcommittee at a subsequent meeting. The Subcommittee shall consider the results of the preliminary public comment when considering its final recommendation to the Board.</i></p> <p>Carlos Ruiz seconded the motion.</p> <p>Wendy Miller provided clarification to 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. Adjusted Net Income Measure (10:05)- Discussion and possible action on a proposal that reflects the changes currently under consideration by the Subcommittee to the Financial Performance Framework’s Adjusted Net Income measure, including changes to the formula used for calculating charter holders’ performance, the number of years considered when determining charter holders’ performance and the current definitions, and the audit cycle(s) the changes will take effect.</p>	Item removed from agenda.
<p>Agenda Item H. Lease Adjusted DSCR Measure (10:49)- Discussion and possible action on a</p>	Wendy Miller made the following motion: <i>I move that the Lease Adjusted Debt Service</i>

<p>proposal that reflects the changes currently under consideration by the Subcommittee to the Financial Performance Framework’s Lease Adjusted DSCR Measure, including options for addressing unique situations, such as debt being paid off early, and changes to the current definitions, and the audit cycle(s) the changes will take effect.</p>	<p><i>Coverage Ratio Measure proposal, hereinafter referred to as the “LADSCR proposal”, as presented today and found in the materials for today’s meeting be incorporated by Staff into the Subcommittee’s draft recommendation to the Board, which the Subcommittee will finalize at a subsequent meeting.</i></p> <p><i>I further move to direct Board staff to solicit preliminary public comment on the LADSCR proposal discussed today for a period of not less than five business days and report the results of the public comment to the Subcommittee at a subsequent meeting. The Subcommittee shall consider the results of the preliminary public comment when considering its final recommendation to the Board.</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 I. Average Daily Membership Measure and Rating Adjustment (24:51)- Discussion and possible action on a proposal that reflects the changes currently under consideration by the Subcommittee to the Financial Performance Framework’s Average Daily Membership measure and measure rating adjustment, including having the rating adjustment be to “Meets Standard” in all situations and modifying the measure to capture large decreases in ADM that could be lost under the measure’s current practice of averaging the three most recent growth rates, and the audit cycle(s) the changes will take effect.</p>	<p><i>Wendy Miller made the following motion: I move that the Average Daily Membership Measure and Rating Adjustment proposal, as presented today and found in today’s materials, with the presented measure changes to include the elimination of the small medium and large delineation and to exclude considering audit year growth rate separately be incorporated by Staff into the Subcommittee’s draft recommendation to the Board, which the Subcommittee will finalize at a subsequent meeting.</i></p> <p>James Swanson seconded the motion.</p> <p>Wendy Miller made a comment.</p> <p style="text-align: center;">Motion Passed</p> <p style="text-align: center;">(Aye: Ruiz, Swanson, Miller)</p>

	Recorded comments are available.
<p>Agenda Item J. Default Measure (42:45)- Discussion and possible action on a proposal that reflects the changes currently under consideration by the Subcommittee to the Financial Performance Framework’s Default measure and the audit cycle the changes will take effect.</p>	<p>Wendy Miller made the following motion: <i>I move that the Default Measure proposal, as presented today and found in the materials for today’s meeting, be incorporated by Staff into the Subcommittee’s draft recommendation to the Board, and to be finalized by the subcommittee at a subsequent 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 K. Scheduling and Next Steps (45:46)- Discussion and possible action on scheduling additional Subcommittee meeting(s) and the Subcommittee’s next steps.</p>	<p>Wendy Miller made the following motion: <i>I move that Board staff work with Subcommittee members to schedule a subsequent meeting for the Subcommittee to further consider and discuss the Adjusted Net Income Measure and the measures and items identified today for public comment and further discussion.</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 L. Public Comment Regarding Future Items for Consideration by the Financial Framework Subcommittee(50:30)- 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</p>	Recorded comments are available.

<p>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>Agenda Item M. Summary of Current Events, Future Meeting Dates and Items for Future Agendas (54:04)- 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 N. Adjournment</p>	<p>The meeting was adjourned at approximately 11:37pm.</p>