NSHS Ending Fund Balance Investment Plan

Current Background & Context:

Nevada State High School has a current reserve balance of approximately $4,537,000. Based on current financials and enrollment, the projected annual increase in ending balance is $240,000 as a result of our 3% annual surplus requirement. As initially introduced during the August 2022 Governing Body meeting, NSHS has been exploring potential strategies to leverage existing reserve balances to improve the financial, operational, and academic standing of the school. Included below is (1) a comprehensive analysis of several specific areas of exploration for viability and impact, (2) the background regarding the options developed and considered, and (3) staff recommendations regarding investments to be made that have the highest impact on the financial, operational, and academic standing of the school. NSHS staff is seeking the approval of the Governing Body to implement the recommendations contained in this plan.

About the Options Developed:

During the Executive Leadership quarterly meeting in April, the team identified the organizational strength represented by the ending fund balance and initially tasked Dr. Hawk with a quarterly rock to explore the viability of purchasing versus leasing a facility. This Cost-Benefit Analysis identified that purchasing a facility was not currently a viable strategy as the break-even point was over 19 years. This analysis was presented during the August 2022 Governing Body meeting. Resulting from this analysis, the Executive Leadership Team, led by Dr. Welsh, developed alternative potential strategies for leveraging the ending fund balance that would have the greatest impact on operational, financial, and academic outcomes. This included projects that have been undertaken in the past as well as projects that have not been attempted previously. Data from previous projects were analyzed to extrapolate current costs and identify expected outcomes and possible limitations. Similar analysis was generated for potential new projects, collecting data to project costs, expected outcomes, and possible limitations. The completed summary and recommendations for implementation were reviewed and approved by the Executive Leadership team. The staff recommendations for implementation and leveraging the ending fund balance are included at the conclusion of this document.

Summary of Staff Recommendations for Projects to be Implemented:

The Executive Leadership team reviewed each project based on the project cost, anticipated outcomes, and possible limitations for viability and impacts on the financial, operational, and academic standing of the school. Based on the holistic review of all the potential projects included in this report, the recommendation of the Executive Leadership team is to move forward with implementation of the following projects:

- Spring Student Textbook Stipends (cost of approximately $53,000 annually)
- Staff PERS Buyout Incentive (cost of approximately $183,000 annually)

Potential Projects Developed for Ending Fund Balance Investment

1. Summer Course Reimbursement Program

Project Summary:

During Summer 2022, NSHS was able to provide returning and new students earning a C or better in one (1) college class with a reimbursement through the federal ESSER ARP grant. These were one-time funds due to the COVID-19 pandemic to support summer learning. Historically, students wishing to take a college class during summer pay out-of-pocket.

Project Cost:

330 students submitted reimbursement requests and approved requests totaled approximately $120,000 in summer 2022. Requirements included: funding of one college course per student, earning a C or better in course, and submitting required documentation including proof of payment and successful course completion.

Expected Outcomes:

- Increased proportion of students on track for completing AA degree.
- Increased likelihood of second-year students completing summer exemption for Intro to College. Historically, less than about 12 second-year students fail to complete a summer exemption, requiring enrollment in Intro to College.
- Continued implementation likely to leave additional, available funds for other priorities without depletion of cash reserves.

Possible Limitations:

- Implementation cost likely to increase significantly in future years with more students leveraging the program. In Summer 2022 only approximately 33% of students submitted requests. The anticipated annual cost for providing this program to all students is anticipated to range from $120,000 to $444,000. If the program were limited to returning students only, the anticipated annual cost is anticipated to range from $60,000 to $222,000.
- Operating and managing the program required significant time from staff within the Student Services and Finance and Operations Divisions.
- Continuing the program would create an expectation for NSHS to pay for summer coursework annually moving forward.

Staff Recommendation:

Continuation of the Summer Course Reimbursement Program is not fiscally viable based on cost and is not logistically viable based on time and effort. Tracking for this project took a significant amount of staff time and effort to implement, including counselor time over several months to communicate, collect, track, and confirm completion of summer coursework and payments as well as Finance and Operations staff time to process and remit payments via ACH and money order for the 256 qualifying submissions processes this summer. In addition, the potential cost and variability in that cost could exceed the projected annual increase in ending balance of $240,000, making implementation unsustainable over time.

2. Refresh Technology and Data Infrastructure

Project Summary:

Leverage cash reserves to update staff and student devices and back-end technology infrastructure. Currently, there are 56 staff computer boxes and 275 student laptops in service. Each campus has equipment on site for internet/server access. 13 computer boxes were purchased new for 2022-2023 and they are refreshed generally based on a six-year lifespan cycle. Many new student laptops were purchased during the COVID-19 pandemic leveraging GEER and ESSER funds; these are also generally refreshed based on a six-year cycle. The current supply has proven ample to meet the needs of use on-site at campuses and for student checkout. The lifespan for network equipment generally follows a similar timeframe before reaching end-of-life.

Project Cost:

The annualized cost of refreshing computer boxes and student laptops are approximately $12,320 and $28,800, respectively. This is generally built into site and Central Services budgets as an annual cost. Similarly, the annualized cost of upgrades and updates to servers is also built into budgets.

This project is already included in budgets and leveraging reserve balances for technology and data infrastructure is not and identified need.

Staff Recommendation:

Continue to build updates for technology into annual budgets and refresh computers and servers cyclically. The costs for computer refresh are minimal and locations are responsible for implementation and can best determine if technology should be refreshed sooner or later, based on equipment condition.

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3. Implement 1-to-1 computing for students

Project Summary:

Purchase a computer laptop for all NSHS students for checkout/assignment during their tenure at NSHS, to be returned upon graduation.

Project Cost:

The initial cost of devices for approximately 1,100 students would be $770,000. Based on a 6-year refresh cycle and including cost of loss and damage, the annualized cost would be approximately $142,000. Additional costs not included in this total include device management, repair and maintenance, and annual refurbishment, which would need to be explored and contracted.

Expected Outcomes:

- Moderate increase in student access to reliable computer devices.
- Possible increase in reach of NSHS to more students with low socio-economic backgrounds.

Possible Limitations:

- As noted in #2 above, the current inventory of 275 computers have proven sufficient for use on campuses and student check out to date.
- Operating and managing a 1-to-1 program would require significant additional staff time.
- Need to partner with a contracted service provider for computer repair and annual device setup.

Staff Recommendation:

Costs of implementing a 1-to-1 program do not justify the anticipated benefits. While the annualized cost is not projected to exceed the projected annual increase in ending balance of $240,000, it would take an enormous amount of time to manage and operate, including distributing devices, managing hardware support and repair, and device collection and refurbishment for redeployment. Additionally, the impact on student achievement as a result of this program is questionable.

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4. Refresh Furniture, Fixtures, and Equipment (FF&E)

Project Summary:

Establish a refresh cycle for and set aside cash reserves to update FF&E. Currently, based on our auditor's accounting recommendations, FF&E is depreciated over a 5-year period. The actual lifespan of FF&E, however, is significantly longer, with office furniture, student chairs, and tables designed to last between 15 to 20 years.

Project Cost:

The current value of NSHS FF&E inventory is approximately $300,100. Amortized over the 5-year accounting period, this will depreciate to a book value of zero by 2027-2028, with an annualized cost of approximately $60,000. Using the actual lifespan of 15-20 years, this represents an annualized cost of approximately $20,000 across the NSHS network. The cost or replacing furniture or equipment is generally built into site and Central Services budgets as an annual cost.

Staff Recommendation:

Continue to build updates for FF&E into annual budgets and refresh items cyclically once they reach end-of-life. The costs for FF&E refresh are minimal and locations are responsible for implementation and can best determine if items should be refreshed sooner or later, based on equipment condition.

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5. Purchase Student Textbooks

Project Summary:

Implement a program for the purchase of new student textbooks and storage and redistribution of used student textbooks. In the early years of NSHS (through approximately 2015), a program existed for students to submit and receive reimbursement for the purchase of college textbooks. NSHS collected used textbooks at the end of each semester and redistributed used textbooks to students at the start of each semester.

Project Cost:

Adjusting for inflation, the estimated annual cost per student for purchasing textbooks would be approximately $413 based on historical data, representing an annual cost of approximately $454,500. This far exceeds the current annual ending fund balance of $240,000 and would quickly deplete cash reserves over time.

Expected Outcomes:

- Increase in student access to textbooks and affordability.
- Possible increase in reach of NSHS to more students with low socio-economic backgrounds.

Possible Limitations:

- Based on current projections, the program would deplete approximately $214,000 from cash reserves annually, in addition to ending fund balances.
- Math "textbooks" have moved to online access codes, which are non-renewable and non-transferable, which is likely to result in higher costs per student.
- When NSHS operated only the Henderson Flagship campus, textbooks were stored on-site, however the network has grown significantly since then. Implementation would likely require identifying a location for permanent storage of books not in use during the year.
- Disposal of books no longer used would be an additional cost and a sensitive topic.
- Extremely high impact on staff time in managing and operating the program as well as the logistics of moving books between storage and campuses.

Staff Recommendation:

Resurrection of the student textbook purchase program is not fiscally viable based on cost and is not logistically viable based on time and effort. Historically, this project took a massive amount of staff time and effort to implement, including time of several staff members to collect, organize, and store books; collect textbook orders from students; package textbook bundles for students; and transport and deliver textbook bundles to students. This process would need to be repeated semi-annually. Additionally, the potential cost would exceed the projected annual increase in ending balance of $240,000, depleting cash reserves over time.

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6. Spring Student Textbook Stipends

Project Summary:

NSHS currently provides students with a $50 stipend for completing their Free and Reduced Lunch (FRL) paperwork, which increases to $100 if they qualify as FRL, that is generally applied to textbooks. This is for the first semester that students attend NSHS. Supplementing the current expenditure to $50 each semester would further offset the costs students incur for textbooks.

Project Cost:

Based on the current student enrollment, providing an additional $50 stipend to students in the spring, in addition to the stipend already received each fall, would incur an anticipated cost of $53,000.

Expected Outcomes:

- Increase in student access to textbooks and affordability.
- Possible increase in reach of NSHS to more students with low socio-economic backgrounds.
- Better marketing of the program, highlighting partial offset of textbook costs each semester.

Possible Limitations:

- Additional staff time in submitting and processing additional reimbursements in the spring.

Staff Recommendation:

Implement Spring Student Textbook Stipends beginning with the Spring 2023 semester. There is existing infrastructure and systems in place for processing the textbook stipends, as this currently occurs in the fall for all enrolled students and in the spring for newly enrolled students. Repeating the process in the spring would not have a significant impact on staff time. Implementation of this additional stipend would assist students directly with textbook purchases. The cost does not exceed the annual increase in ending fund balance, so the program would be sustainable over time.

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7. Facility Purchase

Project Summary:

Leverage cash reserves to purchase a facility for a campus location in lieu of renting, as shared in the cost-benefit analysis during the August 2022 Governing Body meeting.

Project Cost:

Based on available listings at the time of researching the concept for viability for the Southwest campus, the initial sale price and setup costs for a property meeting the square footage and location requirements of NSHS (approximately 2,000 – 2,500 sq ft) would be approximately $1,000,000. With a down payment of $350,000, amortized over 20 years, the annual payment would be approximately $58,000. NSHS would still be required to pay annual Common Area Maintenance (CAM) fees in addition.

Expected Outcomes:

- Greater decision-making and control over the property.
- Appreciation of the asset over time would be anticipated to result in a sale price of $1,800,000 over 20 years.

Possible Limitations:

- Based on analysis conducted by an outside real estate expert, the break-even point for owning versus leasing is 18 to 19 years.
- Decisions to relocate for business purposes would be more difficult as a vacant property can take months or years to sell.
- There are a limited number of properties that meet the square footage and location needs of NSHS.

Staff Recommendation:

Do not move forward with facility purchase at this time based on cost-benefit analysis and current market variables. The 20-year cost-benefit horizon is too long to represent a solvent financial approach. Continue to revisit the status of market conditions to determine if/when this may become a viable option. Depending upon market conditions including increases in rent, increases in property values, CAM fees, interest rates, and availability of properties, this could be viable at a later date.

8. Staff PERS Buyout Incentive

Project Summary:

Leverage cash reserves to implement a staff Nevada Public Employees Retirement System (PERS) buyout incentive. NSHS would pay for the purchase of a year of service annually (up to five years) for employees as an added benefit. Employees must be vested in PERS, in good standing, and with a renewed contract for the upcoming year to be eligible. Eligibility is proposed to be determined as follows:

- All employees: 5 years @ NSHS
- Executive Leadership: 3 years @ NSHS
- CEO: 1 year @ NSHS

The purchase would be made by NSHS, so there are no tax implications for the employee. Qualifying employees would be identified beginning June 2023.

Currently, the average (median) number of years with NSHS by proposed eligibility group is one year for all employees, one year for members of the executive leadership team, and 1.5 years for the CEO.

By including this incentive within the benefits section of position postings, prospective candidates who are familiar with the PERS system will recognize the value of this benefit and be significantly more inclined to apply. Specifically, this will also increase the likelihood that candidates applying for positions are already part of the PERS system and have more years of experience in education.

For current staff who may be considering leaving NSHS for positions with similar salaries and comparable benefits, this incentive will encourage them to remain at NSHS. This will increase the likelihood that experienced NSHS employees are retained within the organization, reducing turnover, retaining institutional knowledge, increasing operational efficiency, reducing training needs, increasing the proportion of staff with significant experience in their current roles, and creating stronger pipelines to advancement opportunities within the organization.

In the past, CCSD has implemented an analogous strategy, offering employees working at Title I schools with an increased calculation rate for years of service credit as an incentive to work in low-income schools. This strategy helped recruit teachers to work at these schools.

Project Cost:

1. **Scenario #1 (Max cost)- no EE turnover**- Based on the assumption that all staff with NSHS as of May 2022 continue with the organization, the annualized cost of implementation would be approximately $222,000. This would reach a high of $384,000 during the 2027-2028 fiscal year when new employees initially reach the five years of service.
2. **Scenario #2 (Estimated cost)- improvement from historical EE turnover**- Based on the assumption that half of employees who are in years 0 or 1 continue and become eligible for the program, the annualized cost of implementation would be approximately $183,000. This would reach a high of $300,000 during the 2027-2028 fiscal year when current new employees initially reach the five years of service.

Expected Outcomes:

- Invest in human capital as a strategy for improvement of the organization.
- Increase employee retention by incentivizing current employees to remain with the organization.
- Provide an additional benefit to aid with employee recruitment.

- Retain experienced staff and key institutional knowledge.

Possible Limitations:

- Perceptions regarding compensation for public employees.
- Other possible projects of greater impact (as listed in this report).

Staff Recommendation:

Implement the Staff PERS Buyout Incentive beginning in summer 2023. As evidenced by data, retention of staff at NSHS has remained a persistent issue. Recruiting and training new staff has time, effort, cost, and academic impacts. Providing an incentive for employees who have demonstrated strong performance reduces these ancillary costs, assisting in increasing student support and achievement. The cost is not anticipated to exceed the annual increase in ending fund balance, so the program would be sustainable over time.

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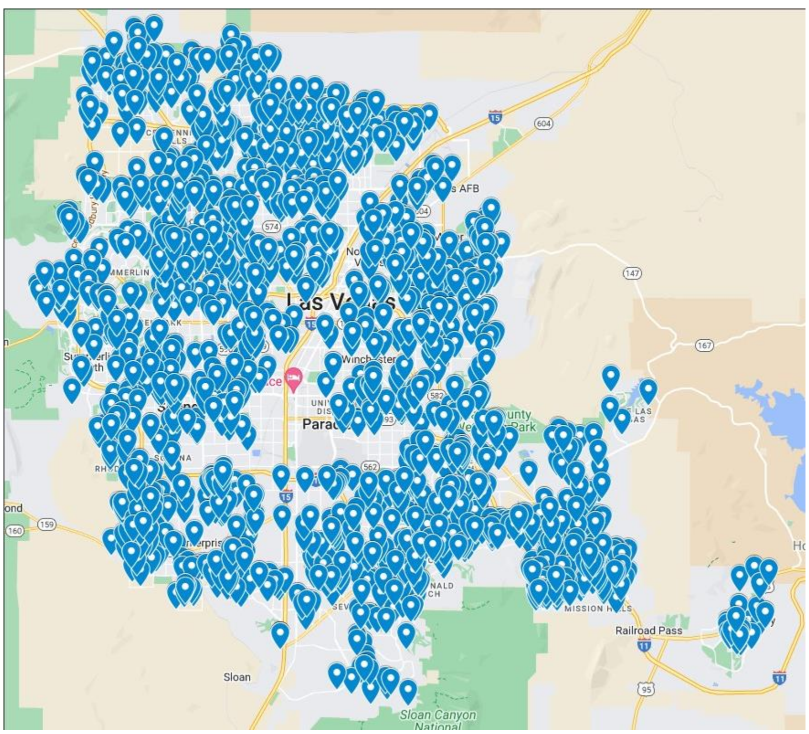
9. Opening a New NSHS Campus to Increase Access for Underserved Communities

Project Summary:

Based on current enrollment data and geographic analysis, identify a location for a new campus in the Greater Las Vegas Metropolitan area for a tenth NSHS campus. Leverage cash reserves to offset the initial startup costs of opening the new campus.



Current analysis of student applications over the last four years based on student addresses shows that applications are fairly evenly distributed throughout the target area. The weakest spot for potential targeting of a campus is the I-15 corridor south of Tropicana and north of Pebble. Further analysis of this area shows that there is less residential property in that area due to the flight path of the airport. As a comparison, the Clark County School District also has no secondary schools within that area for the same reason. Based on this analysis, NSHS is likely at a saturation point with campuses in southern Nevada and needs to grow out the enrollment of current campuses in southern Nevada as the primary growth strategy. NSHS opened the North Las Vegas campus for the current 2022-2023 school year. Additionally, prior to opening the North Las Vegas campus, NSHS explored the possibility of opening a campus in the target area in west Henderson but was denied by the State Public Charter School Authority as the area was not deemed to be high needs for reaching the underserved population.

Project Cost:

Based on the costs of the most recent campus in North Las Vegas, the anticipated cost of opening an additional site, including buildout, permits, equipment, FF&E, and technology would be a one-time cost of $150,000 to $200,000.

Historically, when opening a new campus, NSHS sets up an internal three-year, interest-free “loan” to pay off the initial setup costs within three to four years, without any long-term impact on the ending fund balance.

Expected Outcomes:

- Limited impact in reaching students not currently applying to NSHS based on proximity to a current NSHS campus.

Possible Limitations:

- Increase in access for students living in the west Henderson and Paradise areas.
- Opening a new campus in the identified target area could negatively impact enrollment at existing campuses including Henderson Flagship and Southwest.
- Strong possibility based on historical actions that a location in this area may not receive approval from the SPCSA.

Staff Recommendation:

Do not move forward with pursuing a new location in the west Henderson and Paradise area. The current locations in southern Nevada are meeting the needs of students, based on available data. Addition of campuses would likely on reduce the number of students attending current campuses, increasing costs and not increasing service provided or revenues. Concentrate further growth strategies on increasing the student enrollment at current sites and increasing enrollment in northern Nevada.

Additional Questions and Context

Question: Did we look into obtaining additional personnel resources (counselors/teachers/administrators)?

Over the last two years, we have added several additional supports in to the Central Services Office (CSO) budget to support students, including a Career and Technical Education Coordinator, a second Counselor position, and a Special Programs Coordinator. These positions provide the necessary student supports based on our current network size. One current limitation of the impact of these positions is two of the four are currently vacant, which could be aided by the PERS buyout incentive.

Question: Did we look into additional resources to help kids struggling with subjects (like math tutors)?

Each campus currently budgets for tutoring (primarily in math) to support students needing additional assistance. Sites that receive Title I funds also leverage those funds to provide tutoring to students. In addition to academic supports provided by NSHS, students have access to academic supports provided by the colleges, including Academic Success Centers and through online tutoring available 24/7. These tutoring supports are provided to students at no cost and are fully funded by site budgets. The capacity of available tutoring meets current demands; students are not on waiting lists for tutoring supports.

Question: Did we assess whether there were additional classes that could be offered to students?

Currently, students who have a green or yellow scorecard can take five college courses that NSHS pays for, which is generally a full load of 15 credits, depending upon the number of credits for each course taken. Additionally, students may opt to submit an extra course appeal to take an additional course, bringing the total to six or even seven courses.

It is not recommended that students take more classes at one time beyond what is currently offered as it proves very academically challenging.

Summary and Staff Recommendations

The Executive Leadership team conducted analysis to identify projects having the greatest impact on the financial, operational, and academic standing of the school. The costs, anticipated outcomes, and possible limitations of each project were considered. The need to ensure the long-term financial and logistical viability of options to be implemented was also a determining factor in terms of recommendations to move forward. Based on the analysis conducted, the Executive Leadership team is to move forward with implementation of the following projects:

- Spring Student Textbook Stipends (cost of approximately $53,000 annually)
- Staff PERS Buyout Incentive (cost of approximately $183,000 annually)

Specifically, based on the projected annual costs of these two projects, NSHS will be able to implement these without dwindling reserve funds. The SPCSA financial framework requires the school to maintain a 60-day unrestricted cash on hand availability. With an average daily expense of $20,000, this set aside amount would be approximately $1.2M (60 days) or $2.4M (120 days). The school is still able to maintain financial stability above the state standard and able to take advantage of proposed projects for implementation. Annual 3% ending fund balances should be able to sustain these projects, with maintaining the financial viability of NSHS should there be an economic downturn that requires tapping reserve funds to weather a decrease in funding from the Distributive Schools Account. These are also projected to have the greatest impact and return on investment based on financial, operational, and academic standing.