Executive Director's Report to the Board
Date of the Report: 9/29/2025
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Enrollment Update

I am providing an update showing the current enrollment for this school year:

- **ADM (Adjusted Daily Membership):** 1021.47
- **WADM (Weighted Adjusted Daily Membership):** 1112.21

The reported ADM of 1021.47 is a rough calculation based on our actual student enrollment with rollover PSEO data from SY24–25 subtracted out. Updated Postsecondary enrollment data is submitted directly by colleges/universities and typically will not be available until January.

For reference, the FY26 budget is based on an ADM of **1015** and a WADM/PPU of **1104**.

Bond Rating Update

Nova Classical Academy held its bond confirmation call with Standard & Poor's (S&P). We have been informed that S&P will affirm our BB+ rating with a stable outlook. This outcome was anticipated and is favorable, as it maintains our current rating and keeps Nova at the highest bond rating among Minnesota charter schools. A stronger rating positions us for more favorable interest rates on our upcoming bond issuance.

In its rating publication, S&P identified several strengths contributing to the affirmation:

- Healthy demand profile, reflected in enrollment at or near facility capacity, a sizable waitlist exceeding 100% of total enrollment, and high student retention.
- Distinguished academic performance, highlighted by the 2023 National Blue-Ribbon award and consistently above-average test scores compared with both state and local benchmarks.
- Positive operating margins sustained over the past five years, supporting healthy liquidity growth, though some moderation is anticipated as the school deploys cash reserves for capital projects.

S&P also noted areas that partially offset these strengths:

- Elevated pro forma debt burden metrics related to the upcoming 2025 bond issuance.
- Slim lease-adjusted MADS coverage, based on fiscal 2025 preliminary results and the fiscal 2026 budget, though still sufficient for the current rating level.
- Sector risk inherent to charter schools, including the potential for closure due to nonperformance of charter contracts or financial distress before the 2065 bond maturity.

Expansion Project Approvals

We have received two significant approvals connected to the expansion project. The Saint Paul City Council voted to approve our amendment to the Victoria Park Master Plan. In addition, the Capital Regional Watershed Board of Managers approved our application. These represent two more important steps among the many required approvals needed before we can move forward with bonding on the project. The most notable remaining approvals are the application for Air Rights Vacation, which would allow for the use of airspace for the skyway, and the Site Plan Review application.

Construction Manager Bids and Expansion Project Financing

The expansion project has reached an important milestone with the receipt of three Construction Manager bids. These bids came in higher than projected by the company we paid to complete an estimate in July, and the school is now working closely with the building company, design team, and the Construction Manager that scored the highest on the bid evaluation rubric to identify value engineering opportunities and adjustments to bring the project closer to our target range.

Over the past few months, interest rates have generally moved upward, but in recent weeks they have begun to trend down. For perspective, a change of just 0.1% in rates translates into an impact of roughly $300,000 on the project.

Based on financial guidance, the school's goal is to bring total project costs into a range between $11.0 million and $12.0 million. Because of the additional conversations around project costs and the timing of the Air Rights Vacation request, the likely closing target has moved from October into November.

If value engineering can bring the project into the desired budget range, the next step will be to negotiate contract details for presentation to the Board for approval. While costs are higher than initially projected, the recent trend in bond rates and the continued collaboration of our partners provide reasons to be optimistic about alignment with our financial parameters.