

# Executive Director's Report to the Board



**Date of Report:** November 23rd, 2020

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## **MSHSL Extracurricular Activities**

As a part of our response to COVID-19, Nova made the decision not to start any new extracurriculars until at least January 4<sup>th</sup>. Last week, the Governor issued Executive Order 20-99 which issued a 4 week “dial back” on sports. This will close in person extracurricular activities for all schools. The Executive Order is in effect from 11:59 p.m. on Friday, Nov. 20 through Friday, Dec. 18.

## **Nova's Bond Rating**

Over the past several weeks, Joe Aliperto and I have been working with S&P on the annual review of our bond rating. Unfortunately, our bond rating will be downgraded this year. The S&P Global Ratings report states it:

*“... lowered its rating to 'BB+' from 'BBB-' on St. Paul Housing and Redevelopment Authority, Minn.'s series 2016A, 2016B, 2011A, and 2011B charter school lease revenue bonds, issued for Nova Classical Academy (NCA). The outlook is stable.*

*The downgrade reflects NCA's weakened financial profile, with the school posting a large operational deficit in fiscal 2019, leading to a drop in liquidity and lease-adjusted maximum annual debt service coverage (MADS) of less than 1.0x, which we consider weak. While we expect improvement in both financial metrics in fiscals 2020 and 2021, in our view, ratios are more in line with 'BB+' rated peers. Additionally, we believe the school could face some liquidity challenges if state holdbacks were to increase to 40%. Management has confirmed that NCA was in compliance with its coverage covenants for fiscal 2019 and that calculations were reviewed and approved by bondholders.”*

When we spoke with S&P, it was clear that FY19 was the justification used for the downgrade. This was done even though we have audited FY20 financials which show an improved financial status. This is not out of line with what I have had from some other charter schools, and to me it seems likely that S&P is downgrading charter schools when possible due to some of the inherent risk in the charter school environment related to COVID-19.

Except for an initial round of meetings with bondholders, this downgrade will likely not have an impact on Nova until we choose to either refinance our current bonds or seek out new bonds.

## **Potential Refinancing**

After reviewing details of our bonds with the company who underwrote our bonds, Piper Sandler & Co., I have become aware that Nova currently has several bonds that can become callable on September 1, 2020. Nova becomes eligible to refinance these bonds on June 1, 2020. Along with the favorable interest rates currently being offered in the marketplace, the status of the bonds makes this an opportune time to investigate options for refinancing the bonds. In the next few months, I will be working with Piper Sandler & Co., Dieci School Finance, and the Finance Committee to identify the options available to us with the goal of bringing a refinance opportunity to the Board in the first half of 2021.

## **Website**

An area where we get a lot of criticisms is Nova's website. One of the only new major projects that we are looking at taking on this year is the build of a new website. After looking at several options for this, we have selected a company that we would like to work with on this project. The bid for this is included for approval in this month's consent agenda. Samples of the company's work can be seen at other MN Schools including:

[New Century Academy](#)

[Fit Academy](#)

[DaVinci Academy of Art & Science](#)

**Give to the Max**

November 19 was Give to the Max Day. Because of the pandemic and hardships being faced by many families this year, we took a very minimal approach to our communications with GTTM day this year. We feel blessed that Nova met it's goal of \$40,000 which is a 6.4% increase from the previous year.