

# Understanding the Affiliated Building Company

*Purpose, governance, financial interaction, and board oversight*

Prepared for the St. Croix Preparatory Academy School Board

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## Key Focus

How the building company supports the school and what the board must monitor.

## Mission Context

A classical K-12 public charter school on a 59-acre campus, with facilities central to long-term sustainability.

## Why the affiliated building company exists

*A separate entity, aligned to the school mission*

### Primary purpose

- Own the 59 acres and all occupied buildings
- Serve as landlord to the school
- Hold and manage bond-financed facility obligations
- Support major capital replacement and facility stewardship

### Board takeaway

**The building company is separate legally, but inseparable strategically: facilities, lease aid, debt service, and long-term sustainability all flow through it.**

### School side

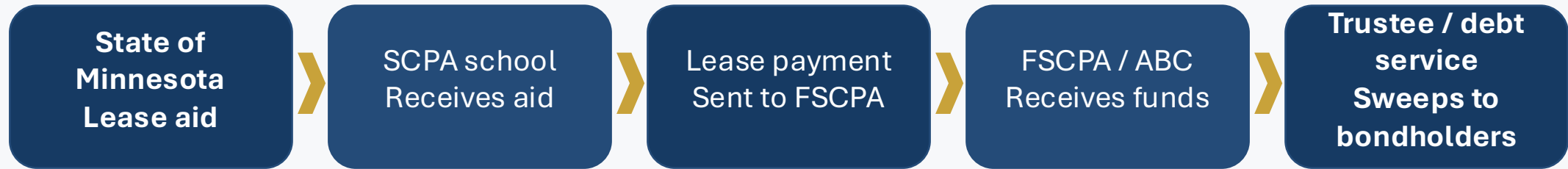
- Educational program
- Budget and compensation
- Enrollment and pupil units
- Board governance

### Building company side

- Facility ownership
- Lease structure
- Bond covenants
- Capital reserve planning

# How money flows

*From state lease aid to debt service*



**~ \$1,300.00 per pupil unit**

Board planning must follow pupil units, not simple headcount.

**Pupil unit weighting**

K-6 = 1.0  
7-12 = 1.2  
PSEO = 1.2

**Why the board cares**

Enrollment mix, upper school retention, and PSEO participation all affect lease-aid-supported facility revenue.

## Governance and oversight

*Who does what—and what must stay aligned*

### School Board

- Educational program
- Budget approval
- Compensation plan
- Strategic planning
- Oversight of school leadership

### ABC / FSCPA

- Facility ownership
- Lease agreements
- Bond compliance
- Capital planning
- Major facility stewardship

### Shared work

- Annual memo to maximize lease aid
- Long-range capital forecasting
- Monitoring covenant ratios
- Facility decisions that affect school operations

*Good governance means the school and building company remain distinct in role but coordinated in decision-making.*

## Restricted vs. available facility dollars

*Why a large balance can still be constrained*

### Restricted / trustee-controlled

- Capital improvement fund
- Reserve fund held with trustee
- Debt-service-related balances
- Approvals required before certain reimbursements

### Board implication

**Fund balance does not equal discretionary cash.**

Board lens: ask “how much is truly available after trustee restrictions and known replacement needs?”

## Life-cycle replacement planning

*Large assets require board-level visibility*

**Parking lot**

**~\$350k**

**Rooftop units**

**\$1M+**

Board questions to ask quarterly: Are major repairs being deferred? Are reserves sufficient for the next 3–5 years? What happens if several projects hit at once?

## How the building company can support school priorities

*A facilities-cost bridge—not unrestricted operating revenue*

### Allowed use

Building company funds can be used only for investments or expenditures that relate to facilities.

Ex: When the ABC covers eligible facilities costs, school operating dollars may be preserved for alternative operational needs made through the board-approved budget.

### Important guardrail

The board should describe this as a strategic bridge, not a permanent substitute for sustainable operating revenue or philanthropy.

## Board oversight dashboard

*The few numbers board members should never lose sight of*

Metric	Why it matters	Board question
<b>Days cash on hand</b>	Operational resilience and covenant awareness	Are we trending safely into year-end?
<b>Debt service coverage ratio</b>	Ability to satisfy current debt obligations	Will ratios remain above covenant thresholds?
<b>Enrollment / pupil units</b>	Lease-aid-supported facility revenue	How are the 2 shifting across grades and PSEO?
<b>Capital reserve outlook</b>	Readiness for known replacement needs	What is underfunded or deferred?

## Closing message

*A governance summary for board members*

**The affiliated building company exists to protect and sustain the campus that makes the SCPA mission possible.**

**For the board, that means asking not only “Can we pay for the building?” but also “Are we stewarding facilities and long-term school stability together?”**