

PUBLIC CHARTER SCHOOL CREDIT ENHANCEMENT COMMITTEE

Please find below the notes from the Public Charter School Credit Enhancement Committee (“Committee”) Meeting held on Thursday, Feb. 15, 2024.

PUBLIC MEETING NOTES:

Call to Order:

1. By Mark Medema at 12 p.m.
2. Mark Medema reminded Committee members of the conflict-of-interest policy and asked if everyone had completed the form and if there were any recusals.
3. There were no recusals.

Committee Members Present: (appearing via GoToMeeting):

1. Stefan Huh
 2. Mark Medema
 3. Dominique Fortune
 4. Sara Batterton
- ** Yair Inspektor was not present

Note: Quorum was present.

Staff Members Present: (appearing via GoToMeeting):

1. Darryl Brantley, Financial Program Specialist, Office of Public Charter School Financing and Support (OPCSFS)
2. Linda Sun, Director, OPCSFS, OSSE
3. Andrew Ball, Attorney Advisor, Office of the General Counsel, OSSE

Guests (Public Meeting Attendees all via GoToMeeting):

1. Jeff Cooper, Chief Financial Officer, Center City Public Charter School
2. Kimberly Brown, Attorney Advisor, Office of Open Government, OOG

Approval to Move into Executive Session:

1. Mark Medema requested a motion to go in to the Executive Session to consult with counsel.
 - a. *Pursuant to 2-575 (b)(4)(A), and (b)(11) the Committee will enter into executive session to consult with its attorney to obtain legal advice and to review and discuss sensitive and confidential financial information before returning to the public session for the remainder of the meeting agenda.*
2. Dominique Fortune made a motion to go in to Executive Session.

3. Sara Batterton seconded the motion.
4. All said, aye.

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EXECUTIVE SESSION NOTES

Above-noted OPCSFS/Office of the State Superintendent of Education (OSSE) staff were in attendance via GoToMeeting.

A. CENTER CITY PCS – REQUEST FOR A NEW \$2,000,000 DIRECT LOAN

1. Darryl Brantley introduced the request as follows:

- a. Center City PCS has requested a new \$2,000,000 direct loan. The direct loan will be utilized to assist the school in creating a maker space for science, technology, engineering and technology for their elementary and middle school students.
- b. The school, which started in 2008, is an established charter school that serves grades pre-K through Grade 8 and operates six campuses across the District of Columbia.
- c. The school purchased the building with its own cash located at 2335 18th St., Washington, DC in June 2022 for \$4,050,000 and is owned free and clear. The total renovation project is \$11,000,000 that the school fund with the OPCSFS loan, an OSSE grant of \$683,000 and the school's cash resources.
- d. The property is a 20,000 sf, three-story building that has a basement and is located in Ward 5. The school will also continue to lease its current location at 301 N St. NE, Washington DC 20001.
- e. The loan will be for a five-year term, priced at 1 percent per annum, and will have eight quarterly interest-only payments followed by three years of principal and interest based on a 25-year amortization period. The loan would balloon at the end of the five-year period. There will be a 1 percent origination fee of \$20,000.
- f. The direct loan will be secured by a first position Deed of Trust (DOT) on the subject real estate located at 2335 18th St. NE, Washington, DC. The direct loan will also be secured by a first-position lien on per pupil and facility allowance funding and will be repaid with cashflow from operations of the school.
- g. The risks identified include the enrollment risks and financial risks.
- h. The strengths include the strong school leadership and board of directors, liquidity and strong collateral position.

2. Discussion:

- a. Sara Batterton indicated that it was astonishing that the school was going to be able to purchase the building and complete a \$11,000,000 project using primarily their own cash.
- b. Darryl Brantley indicated that the school has been very fiscally responsible in managing their cash flow and prudent with their financial resources.
- c. Stefan Huh mentioned that it is due to favorable lease terms with the archdiocese and the costs savings were captured and the school saved money.
- d. Dominique Fortune inquired how much the school was spending per student to capture so much cash at the bottom line.
- e. Darryl Brantley also mentioned that the school also received \$683,000 SOAR facilities grant for this project.

- f. Dominique Fortune inquired about how the students are expected to get to and return from the maker space.
- g. Darryl Brantley indicated that the school has a couple of buses that they will be using to transport the students to and from the maker space facility.
- h. Stefan Huh inquired about what the actual project cost was because of some inconsistencies in the credit memo and how OSSE could take a 1st position lien of the per pupil funding and facilities allowances over the archdiocese.
- i. Darryl Brantley indicated that the school proposed project costs changed over the course of the underwriting and that some parts were not updated after the changes.
- j. Stefan Huh inquired about an EBITDA table in the memo.
- k. Darryl Brantley mentioned that he would go back and add a table into the credit memo showing the cash flow coverage.
- l. Sara Batterton inquired about a site visit to the property.
- m. Darryl Brantley indicated that he will visit the property before closing.
- n. Dominique Fortune asked about whether OPCSFS will be changing the interest rate and fee structure anytime soon.
- o. Darryl Brantley indicated that OSSE was having internal discussions on the entire program structure from a pricing perspective and that by mid-year will be able to roll out a new pricing structure.
- p. Sara Batterton inquired about the school's days cash on hand on the books with PCSB as of fiscal year 2022 (FY22) and as it didn't equate to the level of cash that the school says they have.
- q. Darryl Brantley mentioned that he viewed the school's M&T Bank sweep account statement through January 2024 that showed an average balance of over \$8,000,000.

B. Other Business

- a. None.

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PUBLIC SESSION NOTES

The public meeting was reopened and called back to order at 12:30 p.m.

Approval of Feb 15, 2024 Committee Meeting Agenda:

1. Mark Medema requested a motion to approve the meeting agenda for Feb. 15, 2024.
2. Stefan Huh made a motion to approve the meeting agenda.
3. Dominique Fortune seconded the motion to approve the meeting agenda.
4. All said, aye.
5. Agenda approved by unanimous vote.

Approval of Jan 18, 2024 Committee Meeting Minutes

1. Mark Medema inquired as to whether there were any changes to the public meeting minutes from Jan. 18, 2024, and hearing none, requested a motion to approve said meeting minutes.
2. Stefan Huh made a motion to approve the Jan. 18, 2024, meeting minutes.
3. Dominique Fortune seconded the motion.
4. All said, aye.
5. The Jan. 18, 2024, meeting minutes were approved.

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Transactions Disclosure Checklist (Conflict of Interest Policy)

*As set forth in Attachment C (Transaction Disclosure Checklist) of the Office of Public Charter School Financing and Support - Conflict of Interest Policy (Policy), Mark Medema, Chair inquired of the Committee membership the following as it relates to the transactions presented (i.e., **Center City Public Charter School**) to the Committee for approval:*

Do you or a person closely affiliated (as defined by the policy) to you have any of the following relationships with any of the financially interested entities involved in this transaction? The respective questions and responses are captured in the table below with the noted exceptions.

N = No Y = Yes	Financially Interested Entities (FIEs)			
	The public charter school(s) seeking financing from the Committee		Any other financially interested entity involved in the transaction	
	Current	Prior (past 5 years)	Current	Prior (past 5 years)
Serve as a board member, officer, or employee?	Medema – N Fortune – N Huh – N Batterton -N	Medema – N Fortune – N Huh – N Batterton - N	Medema – N Fortune – N Huh – N Batterton -N	Medema – N Fortune – N Huh – N Batterton -N
Receive compensation for serving as a board member?	Medema – N Fortune – N Huh – N Batterton -N	Medema – N Fortune – N Huh – N Batterton -N	Medema – N Fortune – N Huh – N Batterton -N	Medema – N Fortune – N Huh – N Batterton -N
Receive compensation for a position (officer or employee)?	Medema – N Fortune– N Huh – N Batterton -N	Medema – N Fortune – N Huh – N Batterton -N	Medema – N Fortune – N Huh– N Batterton -N	Medema – N Fortune – N Huh – N Batterton -N
Any contractual relationship	Medema – N	Medema – N	Medema – N	Medema – N

(individual or through an employment or subcontractual relationship)?	Fortune – N Huh – N Batterton -N	Fortune – N Huh – N Batterton -N	Fortune – N Huh – N Batterton -N	Fortune – N Huh – N Batterton -N
Perform consulting or other services?	Medema – N Fortune – N Huh – N Batterton -N	Medema – N Fortune – N Huh – N Batterton -N	Medema – N Fortune - N Huh -N Batterton -N	Medema – N Fortune – N Huh – N Batterton -N
Own shares of stock, stock options, partnership interest, or other ownership interest?	Medema – N Fortune – N Huh – N Batterton -N	Medema – N Fortune – N Huh – N Batterton -N	Medema – N Fortune – N Huh – N Batterton -N	Medema – N Fortune – N Huh – N Batterton -N
Employed by an organization on whose board of directors an individual involved in the transaction sits?	Medema – N Fortune – N Huh – N Batterton -N	Medema – N Fortune – N Huh – N Batterton N	Medema – N Fortune – N Huh – N Batterton -N	Medema – N Fortune – N Huh – N Batterton -N
Registered as a lobbyist on behalf of the interests?	Medema – N Fortune – N Huh – N	Medema – N Fortune – N Huh – N	Medema – N Fortune – N Huh – N	Medema – N Fortune – N Huh – N
	Financially Interested Entities (FIEs)			
	The public charter school(s) seeking financing from the Committee		Any other financially interested entity involved in the transaction	
	Current	Prior (past 5 years)	Current	Prior (past 5 years)
Parent of a child attending?	Medema – N	Medema – N	Medema – N	Medema – N

	Fortune – N Huh – N Batterton -N	Fortune – N Huh – N Batterton -N	Fortune– N Huh – N Batterton -N	Fortune – N Huh – N Batterton -N
Volunteer(ed) at or with?	Medema – N Fortune – N Huh – N Batterton -N	Medema – N Fortune – N Huh – N Batterton -N	Medema – N Fortune– N Huh – N Batterton -N	Medema – N Fortune – N Huh – N Batterton -N
Any other information to disclose?	Medema – N fortune – N Huh – N Batterton -N	Medema – N Fortune – N Huh – N Batterton -N	Medema – N Fortune – N Huh – N Batterton -N	Medema – N Fortune – N Huh – N Batterton -N

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A. CENTER CITY PCS – REQUEST FOR A NEW \$2,000,000 DIRECT LOAN

1. Darryl Brantley introduced the request as follows:

- a. The Center City PCS has requested a new \$2,000,000 direct loan.
- b. The direct loan will be utilized to assist the school in creating a maker space for science, technology, engineering, and technology for their elementary and middle school students.
- c. The school, which started in 2008, is an established charter school that serves grades pre-K through Grade 8 and operates six campuses across the District of Columbia.
- d. The school purchased the building with its own cash located at 2335 18th Street NE Washington, DC in June 2022 for \$4,050,000 and is owned free and clear. The total project renovation costs are \$11,000,000 and will be funded by an OPCSFS loan of \$2,000,000, and OSSE facilities grant of \$683,000 and the school's cash reserves.
- e. The loan will be for a five-year term and be priced at 1 percent per annum and have eight quarterly interest-only payments followed by three years of principal and interest based on a 25-year amortization period. There will be a 1 percent origination fee of \$20,000.
- f. The direct loan will be secured by a first position Deed of Trust (DOT) on the school's real estate located at 2335 18th St. NE, Washington, DC in Ward 5.
- g. The direct loan will also be secured by a first-position lien on per pupil and facility allowance funding and will be repaid with cashflow from operations of the school.
- h. The risks identified include enrollment risks and financial risks.
- i. The strengths include the strong school leadership and board of directors, liquidity, and strong collateral.

2. Discussion:

- a. Mark Medema asked Jeff Cooper if he had anything to add to Darryl Brantley's presentation.
- b. Jeff Cooper indicated that the school is actively fundraising to assist with the project financing costs.
- c. Mark Medema inquired about how the school accumulated such large cash balances and how the school will do the renovation without incurring any debt.
- d. Jeff Cooper indicated that the school has budgeted very conservatively over the years and has been able to add to their cash reserves each year in anticipation of this project. The school has also benefited through ESSER and a PPP loan that was forgiven and strong fiscal management. He indicated that the school anticipates ending FY24 with more than \$10,000,000.
- e. Mark Medema asked whether the school would be renting out the facility in the future to recover some of the costs.
- f. Jeff Cooper indicated that at least the first few months up to a year but afterwards the school expects to open the facility to other charter schools and DCPS for field trips. The school anticipates a budget of \$1,100,000 to operate the facility. He also indicated that the school anticipates that about one third to one half of the facility's operating budget will be covered by fundraising and leasing of the facility.

- g. Mark Medema asked whether some student attrition is typical each year.
- h. Jeff Cooper indicated that it is typical to lose some students each year due to students moving out of the area and normal ebbs and flows. He indicated that the school was confident that enrollment will be around 1,350 to 1,400 students each year.
- i. Dominique Fortune asked about how the school expects to transport students to the facility and how construction will affect the community.
- j. Jeff Cooper indicated that the school currently owns two buses and they have ordered a third bus. He also indicated that the facility construction has started, and they don't envision any issues from the neighborhood in terms of the construction.
- k. Dominique Fortune asked if the school could send any renderings of the completed project.
- l. Jeff Cooper indicated that he would send over some renderings of the project.
- m. Sara Batterton inquired about the occupancy of the maker space and how many students can be there at any given time.
- n. Jeff Cooper mentioned that the maximum occupancy would be 120 students, at any given time 60 students on the first floor and 60 students on the second floor.
- o. Sara Batterton asked about how the school determined which contractors to use for the project.
- p. Jeff Cooper indicated that the school put the architecture/construction out for bid and that the school selected a firm that was highly recommended. The construction company selected was familiar to the CEO of Center City PCS from his prior work at Apple Tree PCS. The school was also happy with the references that were received for each of the contractors.

3. Transaction Approved

- a. Mark Medema asked for a motion to approve the request for a \$2,000,000 direct loan.
- b. Stefan Huh made a motion to approve the transaction as presented.
- c. Sara Batterton seconded the motion.
- d. All said, aye.
- e. The motion carried and the transaction was unanimously approved.

A. Other Business

- a. Darryl Brantley presented the Direct Loan and Credit Enhancement Program First Quarter FY24 update.

B. Adjournment:

- a. Mark Medema asked for a motion to adjourn the meeting.
- b. Stefan Huh made a motion to adjourn the meeting.
- c. Dominique Fortune seconded the motion.
- d. All said, aye.
- e. The meeting adjourned at 1 p.m.