



DISTRICT OF COLUMBIA  
OFFICE OF THE STATE SUPERINTENDENT OF

# EDUCATION

## PUBLIC CHARTER SCHOOL CREDIT ENHANCEMENT COMMITTEE

Please find below the notes from the Public Charter School Credit Enhancement Committee (“Committee”) Meeting held on Thursday, **March 16, 2023**.

### **PUBLIC MEETING NOTES:**

#### **Call To Order:**

1. By Michael Musante at 12 p.m.
2. Michael Musante reminded the 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. Sara Batterton
2. Mark Medema
3. Stefan Huh
4. Michael Musante\*

\*Left meeting before the vote

**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. Brianna Griffin, Manager, OPCSFS
3. Nagesh V. Tammara, Senior Assistant General Counsel, Office of the General Counsel

#### **Guests (Public Meeting Attendees all via GoToMeeting):**

1. Jerome Adams, Business Manager, Friendship Public Charter School
2. James Waller, Chief of School Operations, Friendship Public Charter School
3. Catherine Sanwo, Chief Financial Officer, Friendship Public Charter School
4. Wallace Henry, Chief Executive Officer, Community College Prep Public Charter School
5. Monica Ray, Board Chair, Community College Prep Public Charter School

6. Molly Melloh, Consultant, EdOps
7. Monica Jones, Board Liaison, Community College Prep Public Charter School
8. Stacii Bryson, Finance Manager, Mary McCleod Bethune Day Academy Public Charter School\*
9. Andy Botticello, Consultant, IDS Development Company

\*Attended via telephone

**Approval to Move into Executive Session:**

1. Michael Musante requested a motion to go into 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. Mark Medema made a motion to go into Executive Session.
3. Stefan Huh seconded the motion.
4. All said aye.

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The Public Meeting was reopened and called back to order at 12:30 p.m.

**Approval of March 16, 2023 Committee Meeting Agenda:**

1. Mark Medema requested a motion to approve the meeting agenda.
2. Stefan Huh made a motion to approve the meeting agenda.
3. Sara Batterton seconded the motion to approve the meeting agenda.
4. All said aye.
5. Agenda approved by unanimous vote.

**Approval of Dec. 15, 2022 Committee Meeting Minutes**

1. Mark Medema inquired as to whether there were any changes to the public meeting minutes from Dec. 15, 2022, and hearing none, requested a motion to approve said meeting minutes.
2. Stefan Huh made a motion to approve the Dec. 15, 2022 meeting minutes.
3. Sara Batterton seconded the motion.
4. All said aye.
5. The Dec. 15, 2022 meeting minutes were approved by unanimous vote.

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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), Michael Musante, Chair inquired of the Committee membership the following as it relates to the transactions presented (i.e., **Friendship Public Charter School and CC Prep 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)
<b>Serve as a board member, officer, or employee?</b>	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N
<b>Receive compensation for serving as a board member?</b>	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N
<b>Receive compensation for a position (officer or employee)?</b>	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – M	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N
<b>Any contractual relationship (individual or through an employment or Sub contractual relationship)?</b>	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N
<b>Perform consulting or other services?</b>	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N
<b>Own shares of stock, stock options, partnership interest, or other ownership interest?</b>	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N

<b>Employed by an organization on whose board of directors an individual involved in the transaction sits?</b>	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N
<b>Registered as a lobbyist on behalf of the interests?</b>	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N
	<b>Financially Interested Entities (FIEs)</b>			
	<b>The public charter school(s) seeking financing from the Committee</b>		<b>Any other financially interested entity involved in the transaction</b>	
	<b>Current</b>	<b>Prior (past 5 years)</b>	<b>Current</b>	<b>Prior (past 5 years)</b>
<b>Parent of a child attending?</b>	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N
<b>Volunteer(ed) at or with?</b>	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N
<b>Any other information to disclose?</b>	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N	Medema – N Batterton – N Huh – N Musante – N

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## **A. FRIENDSHIP PCS' REQUEST FOR NEW DIRECT LOAN IN THE AMOUNT OF \$2 MILLION**

### **1. Darryl Brantley introduced the request as follows:**

- a. Friendship PCS has requested a \$2 million direct loan. The purpose of the new direct loan is to support the installation of an elevator at real property located at 725 19th St. NE in ward 7.
- b. The total acquisition cost is \$2 million and OPCSFS is the only lender in the transaction.
- c. The direct loan would be for a five-year term carrying an interest rate of one percent per annum and have eight quarterly interest-only payments followed by 3 years of principal and interest payments based on a 25-year amortization period. The loan would have a balloon payment due at the end of the five-year term. There will be a one percent origination fee of \$20,000.
- d. The direct loan would be repaid out of the school's cashflow from operations and be unsecured due to the lack of collateral available and the existing lienholders unwillingness to further encumber any real estate that secures \$165M in primarily bond debt. The loan would also be secured by a subordinate position lien on per pupil funding and facility allowance.
- e. The primary risks identified are the enrollment risks along with the general construction risks associated with a project of this size and nature. It is also noted that the school has a lot of debt.
- f. The strengths identified include experienced school leadership team and a strong board of directors along with its successful track record of operating a charter school in the city. The school has historically been able to meet its debt obligations and remains very liquid. The school also exceeds the OPCSFS cash flow coverage of debt service ratio of 1.15x.

### **2. Discussion**

- a. Sara Batterton asked whether the school was concerned about the project/construction risks for this transaction.
- b. James Waller indicated that the school has done a lot pre work for this project. The school has been planning on installing an elevator for some time and are now at the stage where the construction can begin. The school wanted to wait until after The Partnership for Assessment of Readiness for College and Careers (PARCC) testing was completed to start construction to avoid disruption for the students. The school has completed its due diligence and the contractors are all ready to start.
- c. Stefan Huh asked about the extent the elevator will help the school to serve students with disabilities better and mobility.
- d. James Waller indicated that students with disabilities and related mobility was the driving force behind this project. The school has had to develop and utilize alternative plans to help with accessibility, such as making sure disabled students had classrooms on the ground floor or ensuring that there was an aide assigned to the students to assist them. He indicated that the school also had emergency drills to ensure that students with disabilities could exit the building quickly and efficiently. He indicated that having the elevator installed is vital to the school's operations going forward.

- e. Stefan Huh indicated that this project reinforces the importance of the Direct Loan program in assisting schools in their educational mission.
- f. Mark Medema mentioned that he was comfortable with the transaction given the school's strong cash position and congratulated the school for addressing the accessibility issues at the school.

### **3. Transaction APPROVAL**

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

## **B. COMMUNITY COLLEGE PREP PCS (CC PREP) – REQUEST FOR A NEW \$2 MILLION DIRECT LOAN**

### **1. Darryl Brantley introduced the request as follows:**

- a. CC Prep PCS has requested a new \$2 million direct loan.
- b. The purpose of the new OPCSFS Direct Loan is to support the acquisition of land and construction of a 41,000 square foot adult charter school building located at 1802 Woodmont Pl. SE in ward 8.
- c. The total project cost is \$23.5 million and OPCSFS is a subordinate lender in the transaction.
- d. The loan will be for a seven-year term and be priced at one percent per annum and have eight quarterly interest-only payments followed by five years of principal and interest based on a 25-year amortization period with a balloon payment due upon maturity. There will be a one percent origination fee of \$20,000.
- e. The direct loan will be secured by a subordinate DOT lien on the property by OPCSFS. There would also be a subordinate lien on per pupil and facilities funding. The direct loan will be repaid with cashflow from operations of the school.
- f. The risks identified include the enrollment risks and the normal construction risks that go along with a construction project of this size and nature. It is also noted that the school has a lot of debt.
- g. The strengths include the strong school leadership and board of directors along with having the in-house experience to manage the renovation. The school is also very liquid and meets the OPCSFS cash flow coverage requirement of 1.15x DSC.
- h. The Direct Loan request was originally approved at the June 16, 2022 Credit Enhancement Committee meeting, however since that time the project metrics has changed, and the school is seeking to do a NMTC transaction.

### **2. Discussion:**

- a. Mark Medema expressed concerns about the enrollment numbers provided and wanted clarification on the enrollment numbers provided and as compared to the building

- occupancy.
- b. Monica Ray indicated that 557 students was the 2021-22 school year audited enrollment number and 611 was the current enrollment for the 2022-23 school year. She was unsure about the 426 number. She indicated that the forecast for 600 students for the 2023-24 school year is accurate. She mentioned that the 426 enrollment number may be what the school provided on a specific day when putting together the initial package for financing.
  - c. Darryl Brantley indicated that 426 was in the initial application package provided.
  - d. Mark Medema inquired about whether there was a conflict of interest with the developer providing financial advice to the school. He also wanted to ensure that the developer was not also serving as a municipal advisor because public funds are being utilized for the loan.
  - e. Andy Botticello indicated that there is not a conflict of interest or contract between the school and the developer and that he and his company are not serving as a financial advisor to the school. He also indicated that there is a consultant that is working directly with the school regarding the new market tax credits. He indicated that neither he nor his company are serving as a municipal advisor.
  - f. Stefan Huh asked why the school was not purchasing the land directly as opposed to going through the QualicB.
  - g. Andy Botticello indicated that this ownership will allow the school to own the property, noting that the QualicB is for legal purposes only. CC Prep owns 95 percent of the QualicB (entity formed for the new markets tax credit) and IDS owns five percent of the QualicB. IDS, the developer is restricted from taking any funds out. The structure is a legal mechanism used to allow the new market tax credits to be utilized. At the end of the new market tax credit period, the school will own the property.
  - h. Stefan Huh indicated that OSSE staff should make sure that they understand the terms of lending to an LLC as opposed to a non-profit.
  - i. Andy Botticello indicated that the OSSE funds are not leveraged and the loan is simply a direct loan as normal.
  - j. Stefan Huh asked whether at the end of the new markets period the school will need to refinance. He also indicated that OSSE needed to get disclosures of any related parties and indicated them in the file.
  - k. Stefan Huh asked for the timeline for the transaction.
  - l. Andy Botticello indicated that the entire transaction will be closing at one time approximately mid-April.
  - m. Monica Ray mentioned that the school is scheduled for its hearing for the renewal of its charter on March 20, but had already received a recommendation for approval without conditions.

## 5. Transaction APPROVAL

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



**B. Other Business**

- a. None

**C. Adjournment:**

- a. Mark Medema asked for a motion to adjourn the meeting
- b. Sara Batterton made a motion to adjourn the meeting.
- c. Stefan Huh seconded the motion.
- d. All said aye.
- e. The meeting adjourned at 1:11 p.m.