



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, **Dec. 15, 2022.**

PUBLIC MEETING NOTES:

Call To Order:

1. By Michael Musante at 12:00 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. Yair Inspektor is a board member of Sela Public Charter School (*not present*).
4. There were no recusals.

Committee Members Present: (appearing via GoToMeeting):

1. Sara Batterton
2. Mark Medema
3. Stefan Huh*
4. Michael Musante*

*Appeared via telephone

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

Guests (Public Meeting Attendees all via GoToMeeting):

1. Joshua Bork, Head of School, Sela Public Charter School (PCS)
2. Ryan Benjamin, Director of Operations, Sela Public Charter School (PCS)
3. Rebecca Jenkins, Financial Analyst, Building Hope Services

Approval to Move into Executive Session:

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

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EXECUTIVE SESSION NOTES

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

A. SELA PCS – REQUEST FOR A NEW \$2 MILLION DIRECT LOAN AND A CREDIT ENHANCEMENT IN THE AMOUNT OF \$1 MILLION.

1. Darryl Brantley introduced the request as follows:

- a. Sela PCS has requested a new \$2,000,000 direct loan and a new \$1 million credit enhancement.
- b. The purpose of the new OPCSFS Direct Loan is to support the acquisition and renovation of the school's existing building located at 6015 Chillum Place NE, Washington, DC 20011.
- c. The total acquisition cost is \$7.5 million and is also supported by a \$5.7 million 12-month senior bridge loan from Eagle Bank. The bank has also approved a \$10.2 million bond financing package to pay off the \$5.7 million 12-month bridge loan and provide funding for the renovation.
- d. The loan will be for a five-year term and be priced at 1.0 percent per annum and have eight (8) quarterly interest-only payments followed by three (3) years of principal and interest based on a 25-year amortization period. There will be a one percent (1%) origination fee of \$20,000.
- e. The OPCSFS direct loan will be subordinate to Eagle Bank, the senior lender in the transaction.
- f. The direct loan will be collateralized by a second position lien deed of trust on the school property located at 6015 Chillum Place NE, Washington, DC 20011. The direct loan will be repaid with cashflow from operations of the school.
- g. The risks identified include the enrollment risks and the normal construction risks that go along with a construction project of this size and nature.
- h. The strengths include the strong school leadership and board of directors along with having the in-house experience to manage the renovation.

2. Discussion:

- a. Mark Medema asked whether the school was going to use a project manager for the construction or manage in house.
- b. Darryl Brantley indicated that they were going to manage it in house with the Director of Operations Ryan Benjamin.
- c. Stefan Huh inquired whether the school had a contractor lined up to use.
- d. Nagesh Tammara mentioned that this is a two phased project. The school will do the acquisition and then do the renovation.
- e. Stefan Huh inquired about the cost of owning versus renting the property.
- f. Darryl Brantley indicated that it was pretty much a wash or no difference and that because of the contentious relationship between the school and their land lord that owning would be more beneficial for the school.
- g. Stefan Huh mentioned that he is familiar with the site and it is not a great site and asked from a cash flow standpoint is it a wash and what would be the impact on it.
- h. Darryl Brantley reiterated that the impact on cash flow would be minimal.
- i. Stefan Huh asked who commissioned the appraisal.

- j. Darryl Brantley mentioned that Metro Capital Analyst completed the appraisal for Eagle Bank.
- k. Darryl Brantley mentioned that Yair Inspektor, a Committee member, is a member of the school's board of directors.
- l. Michael Musante inquired whether the Committee wanted to incorporate any additional language in the credit memo or give a blanket approval.
- m. Stefan Huh indicated that he wanted to be sensitive to the school's needs and if the school was ok with the site and acquisition that he did not want to stand in the way of the approval and school timeline but want to also make sure that the Committee was being good stewards of the District's funds.
- n. Michael Musante agreed that the Committee has an obligation to be good stewards of the funds.
- o. Stefan Huh indicated that he was taking Darryl Brantley at his word that renting versus owning is a wash and also inquired about the status of the FY22 audit report.
- p. Darryl Brantley indicated that it was just received today.
- q. Stefan Huh also inquired about the projections and suggested that they start with the most recent audit and then roll forward to compare actuals against the most recent audited statements.
- r. Stefan Huh inquired about the cash reserves of \$2 million.
- s. Darryl Brantley indicated that the \$2 million was bank balances at the time of underwriting.
- t. Mark Medema mentioned that he is more comfortable knowing that Eagle Bank is the primary lender.
- u. Sara Batterton asked about the most recent audited enrollment statements and why they were not included.
- v. Nagesh Tammara indicated that the most recent audited enrollment has not been completed as of yet.
- w. Sara Batterton asked whether they have put together a project management team.
- x. Darryl Brantley mentioned that the school has not put together a project management team as of yet.
- y. Nagesh Tammara indicated that as part of the bond financing transaction that the school will be required to meet certain oversight metrics.

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PUBLIC SESSION NOTES

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

Approval of Dec. 15, 2022 Committee Meeting Agenda:

1. Michael Musante 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 Oct. 20, 2022 Committee Meeting Minutes

1. Michael Musante inquired as to whether there were any changes to the public meeting minutes from Oct. 20, 2022, and hearing none, requested a motion to approve said meeting minutes.
2. Mark Medema made a motion to approve the Oct. 20, 2022 meeting minutes.
3. Stefan Huh seconded the motion.
4. All said, aye.
5. The Oct. 20, 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., **Sela 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 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
Receive compensation for serving as a board member?	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
Receive compensation for a position (officer or employee)?	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
Any contractual relationship (individual or through an employment or subcontractual relationship)?	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
Perform consulting or other services?	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
Own shares of stock, stock options, partnership interest, or other ownership interest?	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

Employed by an organization on whose board of directors an individual involved in the transaction sits?	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
Registered as a lobbyist on behalf of the interests?	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
	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 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
Volunteer(ed) at or with?	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
Any other information to disclose?	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. SELA PCS' REQUEST FOR NEW DIRECT LOAN IN THE AMOUNT OF \$2 MILLION AND A \$1 MILLION CREDIT ENHANCEMENT

1. Darryl Brantley introduced the request as follows:

- a. Sela PCS has requested a \$2 million direct loan and a \$1 million credit enhancement. The purpose of the new direct loan is to support the purchase and renovation real property located at 6015 Chillum Street SE Washington, DC 20011.
- b. The total acquisition cost is \$7.5 million and is also supported by a \$5.7 million 12-month bridge loan from Eagle Bank. The bank also approved a \$10.2 million bond financing facility to pay off the \$5.7 million bridge note which includes \$4 million for the renovation.
- c. The direct loan would be for a five-year term carrying an interest rate of one percent (1%) 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 5 year term. There will be a one percent (1%) origination fee of \$20,000.
- d. The direct loan would be repaid out of the school's cashflow from operations and secured by a second position lien deed of trust on the school property located at 6015 Chillum Place NE in Washington, DC 20011. The loan would also be secured by a 2nd 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.
- 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. .

2. Discussion

- a. Mark Medema asked whether the school going to use a third party/ project manager.
- b. Joshua Bork indicated that the school will be using a project manager for the renovation once it begins.
- c. Michael Musante asked for the most recent enrollment numbers and what is projected for next year.
- d. Joshua Bork indicated that it was 280 students for Prek3 thru 5th grade. Next year, enrollment is anticipated to be at 284. He indicated that the building capacity is 372 students.

3. Transaction APPROVAL

- a. Michael Musante asked for a motion to approve the request for a new \$2 million direct loan and a new \$1 million credit enhancement for Sela PCS.
- b. Mark Medema made a motion to approve the transaction.
- c. Sara Batterton seconded the motion.
- d. All said, aye.
- e. The motion carried and the transaction was unanimously approved.

B. Other Business

- a. Darryl Brantley inquired to the Committee concerning a new time and day to conduct the meetings taking into account the schedules of Committee members and the LEA's
- b. Michael Musante asked staff to prepare a memo with any recommendations for a new day and time keeping in mind the considerations of all. He also asked that we continue the current time and day into the new year until such time that a new time slot has been agreed upon by all.
- c. Mark Medema indicated at the next meeting that we should review everyone's terms.

C. Adjournment:

- a. Michael Musante asked for a motion to adjourn the meeting
- b. Mark Medema made a motion to adjourn the meeting.
- c. Stefan Huh seconded the motion.
- d. All said, aye.
- e. The meeting adjourned at 1:00 p.m.