

North Oakland Community Charter School (NOCCS)
General Board Meeting
@ 6:00 pm October 30, 2012
1000 42nd Street, Oakland

Our Overarching Role as Board Members:

Serve as pro-active stewards of NOCCS' sustainability and growth, in alignment with its guiding principles

Outcomes

Better understand the current state of the school

Make progress on strategic priorities; fine-tune implementation strategies

Address emerging policy issues

Agree on next steps

AGENDA

Present: Ken Sommer, Wendy Barry-Owen, Erica Mackie, Carolyn Gramstorff, Jay Weil, Kristin Zimmerman, Li-Mei Johnson, Jenny Bond, Kate Hayes, Josh Newman

Meeting called to order at 6:10 pm

Public Comment

Peter Trueblood: Shares that he is thrilled that the Board, under Jay's leadership is looking at creative ways to lead Capital Campaign. Thanks.

• **Discussion and Vote to proceed with building refinancing**

Jay provided power point that clarified the option of refinancing through First Republic. He explained that this would be a \$3,000,000 refinance at a 3.9% fixed rate (approximate). The existing mortgage is \$2,600,000 at 5.5% fixed rate on interest only. The \$400k excess equity is slated specifically to be the final pay off of the Charter Note.

Jay went on to propose rationale for this refinance option. He shared that at a time when interest rates are at a historical low, this very effectively solidifies the long term financial security of NOCCS. This refinancing would alleviate three significant considerations: Low Interest rates and stability, it would relieve pressure from the Operating Budget, and would help us to make significant progress towards our strategic goals

The Board posed a number of questions about this finance option at our prior meeting and Jay presented information on these issues through his powerpoint.

• **What are the costs?**

The initial estimate is ~\$125k which includes standard real estate fees (title insurance, appraisal...), issuer fees and legal counsel, and bank legal fees including a tax opinion for NOCCS.

- Are there conventional options?
 Yes. The taxable alternative is a 10 year note (25 year amortization) at ~4.75%. Payments would be ~\$17,104/mo and there would be a need to refinance in 10 years.
 What is the latest date we could refinance?
 There's no specific cutoff time at this point for this tax-exempt deal but the bank won't always have access to these deals. Traditional options will always exist.
- What is the latest date we could have the cash?
 We would receive the \$400k 'cash out' at closing and would immediately pay it to Charter. How the remaining Charter debt would be handled is to be determined. It is unlikely that the Charter note would need to be paid in full at closing. It's conceivable that a restriction might be placed on the use of Capital Campaign proceeds if in no other way than by a clause in the Guarantor Agreement.
- Is there a prepayment penalty?
 That specific term has not yet been addressed. It's entirely possible that there will be one.
- Is this in the best interest of the school?
 Absolutely. The question is not if but when the existing debt will be refinanced. The idea has always been to get in to a fully amortizing loan. That wasn't possible in 2011 because of the Charter debt but it will happen in 2016 at the latest. The main risk in waiting until then is that interest rates will be higher.
- Is this really a once in a lifetime deal?
 Not necessarily. FRB has been pretty clear that refinance options will always exist in some form. The questions are at what rate and how much can be financed.

• **Discussion and Vote on Size and Scope of Capital Campaign if building is refinanced**

Carolyn presented Options:

- Just pay off the \$455K debt and move forward with regular fundraising efforts
- Pay off the \$455K debt and pursue the Capital Campaign goals. She explained that the campaign would be structured into 2 phases
 Phase 1: Pay off the \$455 K debt by January 2013
 Phase 2: Raise funds for the Campaign, which could include the following options on how to position the goals
 Phase 2 Option A: \$815,000 which includes a \$565,000 Maintenance fund, \$150,000 to fund 6th-8th grade programming for interdisciplinary, project based curriculum and \$100,000 to invest in the growth and dissemination of the NOCCS model.
 Phase 2 Option B: \$250,000. This includes all of the above minus the Maintenance fund.

The Board proceeds to dialogue about these options and the Pros and Cons of each approach. It is discussed that Option 1 is a much smaller goal and would be relatively quick to attain. Option 2 is a much larger goal but would help provide future stability for the school. Board member concerns were shared regarding the change of rhythm for the Campaign, and the reality of raising the \$455K in a short amount of time. Erica shared that in her opinion, the game changed. WE did not have the option to raise \$1.5 million, we had to. Now we don't have to raise the \$1.5 million we could just raise the \$455K

Carolyn proposed that we have an opportunity here to move the school toward it's strategic plan so that it can operate as a strong organization for the next 25 years. To make sure the middle school moves from good to great to make sure the building is maintained and to model school reform.

Carolyn shared “List of Facility Repairs” for next 25 years.

- Board reviewed and discussed.

Erica asks if the Board needs to vote to approve refinancing tonight. Ken explains that there is information we still need to make informed decisions. It is agreed that the school may have to commit some money toward this effort.

Carolyn motions that we move ahead with authorizing refinancing subject to final approval of the full Board and that we further authorize \$30K of already raised funds to pay for information gathering.

Board votes on motion
10 approved
0 opposed
Unanimous approval

Carolyn motions that we move forward on Option 2 A
Jay seconded motion
Board voted:
10 approved, passes unanimously
0 opposed

- **Discussion and possible vote regarding PEC grants to NOCCS**
This issue is tabled until our next meeting.

Meeting adjourned at 8:00 pm