

New Dawn Charter High School Board of Trustees Meeting

Place: New Dawn Charter High School
242 Hoyt Street
Brooklyn, NY 11217
Date: March 27, 2018
Time: 2:30 p.m.

Board Present: Darlene Anderson, George Crowley, Jane Sun, Ron Tabano, Phil Weitzman, Les Winter
Staff Present: Sara Asmussen, Fara Badrieva, Lisa DiGaudio, Jessica Morales, Eleni Salony
Visitors: Will Fossel, Tiny McLaughlin

I. Call to Order

Mr. Tabano called the meeting to order at 2:38 p.m. He immediately adjourned the meeting to go into Executive Session.

II. Executive Session

Staffing changes were discussed during the Session. The regular meeting was called to order again at 2:45 p.m.

III. Resolution: Minutes from February meeting

Motion: Mr. Tabano asked for a motion to approve the minutes from February.
Moved: George Crowley
Second: Les Winter
Vote: Unanimous

IV. Resolution: Pitney Bowes

A discussion was held about which service to choose, the suggestion was to go with the cheaper plan of the two.

Motion: Mr. Tabano asked for a motion to lease the Pitney Bowes postage meter.
Moved: George Crowley
Second: Phil Weitzman
Vote: Unanimous

V. Financials

Mr. Crowley pointed out an issue with the year to year comparison. Dr. Asmussen will meet with the accountants to correct.

VI. Charter School Expansion

The discussion raised at the February meeting about expanding New Dawn to Jamaica was continued. At issue was the level of work involved with purchasing the building, renovating the building, and opening a new school.

A second issue was what the legal structure would look like. There were questions around operating under one corporate body as well and what the issues would be around risk and financial exposure.

A discussion was held about moving forward with a new charter school in Jamaica and taking the next six to eight months to work with attorneys about the governance, operating, legal, financial, and risk structures. The current plan would be to merge the two Boards (Brooklyn and Queens) during this eight month period based on what the attorneys suggestions. Based on what the attorneys present will determine the governance structure moving forward.

Motion: Mr. Tabano asked for a motion to move forward with the Queens school and determine the overall governance structure over the next few months.

Moved: Phil Weitzman

Second: Les Winter

Vote: Unanimous

VII. Loan Offers

Mr. Winter provided an overview of the differences between bank loans and bonds and the impact these differences have in terms of interest rates, terms, and tax-exempt status. The two bank loans would lock their rates once we signed the contract. The bonds would not have a locked interest rate until they were sold. Interest on bonds may increase over the next six months, but will not rise to the level of the two bank offers.

The biggest difference between the two options is that while all four offers are amortized over 30 years, the bank loans will be called at 10 years. This does not interrupt the bond process but will entail having to find financing every 10 years. That combined with what might happen with interest rates presents unknown interest rate. Further, one of the bank offers could be called with every re-chartering period. The bond offers will remain at the locked interest rate for the entire 30-year period.

Ziegler made a presentation about their services and their anticipated timeline. Long-term rates will move up more slowly than short-term rates so if we close in the next six months, there is very little danger that rates will raise above the bank loans. Bonds are currently at 3.6% while the banks came in at 4.3% and 4.83%.

The other areas that are unique between the two types of offers (commercial versus bond) is that there are a number of limiting factors with the bank loans such as amount of money we must maintain in our operating accounts and loan to value. A bond will require a debt service reserve fund. With a bond we do not need an appraisal but we do need to get an S&P rating to become investment grade. It is believed based on the strength of our financials, we will receive a BBB rating. The one thing against us is our size. We are much smaller than most charter schools who are rated. Even if we do not receive a BBB rating, we can still be rated investment grade if the only thing against us is our size. Our strengths are our strong financials and internships.

To take a bank offer, we simply sign the contract, get an appraisal and move forward. The bond process is a little more extensive. BuildNYC issues the bonds and then Ziegler buys the bonds at 1% and sells them on the open market. There is a sizable number of investors who do buy bonds, rateable and unrateable.

We discussed our timeline moving forward. It is possible that we may be able to make our August deadline but there may be an issue with the timing so getting a bridge loan was discussed as well. Dr. Asmussen will move

forward with identifying companies who could do this. There is currently one bridge loan before the Board but we need to have at least three offers before making a decision.

VIII. Executive Session

Mr. Tabano thanked everyone for attending and requested that the Board return to Executive Sessions. During this session building options were discussed.

The regular Board meeting was reconvened. After months of negotiations, talking with auditors and attorneys, it was decided to pay the full amount of tax arrears to the Lubins in anticipation of purchasing the building.

Motion: Mr. Tabano asked for a motion to move forward with Ziegler underwriting bonds for the \$17-\$18M loan.
Moved: Les Winter
Second: George Crowley
Vote: Unanimous

XI. Items for April Meeting

Mr. Tabano requested that anyone with any item for the April meeting please submit information to Dr. Asmussen prior to the meeting.

XII. New Business

Mr. Tabano asked if there was any new business. Being none, he asked for adjournment.

XIII. Adjournment

Motion: Mr. Tabano asked for a motion for adjournment.
Moved: George Crowley
Second: Jane Sun
Vote: Unanimous

Meeting was adjourned at 4:38 p.m.

The next meeting will be held on Tuesday, April 24 at 2:30 p.m. at New Dawn Charter High School located at 242 Hoyt Street, Brooklyn, NY 11217.