

**DaVinci Academy ABC** (Affiliated Building Corp.)  
 Board Meeting Minutes  
 Thursday, December 29, 2022



Oliver's, 10901 N. Baltimore St NE Blaine 11:00 AM

1. Call to order - 11:12 am

2. Roll Call

| Present | Board Members             |
|---------|---------------------------|
| x       | Dale Lieb – President     |
| x       | Holly Fischer - Secretary |
| Remote  | Ross Meisner - Treasurer  |
|         |                           |

| Guests   |
|----------|
|          |
| Kou Vang |
|          |
|          |

3. Adoption of Agenda, Minutes and Addendums

5 minutes

- Ross moves to adopt the agenda, minutes and addendums. and Dale seconds. Motion passes.

4. Old Business – Replace Secretary

5 minutes

- Ross moves to appoint Holly Fischer as the secretary. Dale seconds. Motion passes

5. New Business – Discussion/Action items

5.1. Financial Review

Kou/Holly 15 minutes

- **Interim financial statement:** November 30th financial statement. Total Assets 2.8 Million. Revenue, rent payments about \$750,000. Principal and interest paydown about \$1.5 Mil. Based on the income statement, we are about \$356,000 in a deficit but that is timing related. The first half payment is taken in July which represents the first half of the rent that the school pays from January to June.
  - Ross moves to approve the financials, Holly seconded. Motion carried.
- **Investment:** Kou has been working on how to earn more interest on the reserve fund while staying within the confines of the bond agreement. He is discovering that a custodial relationship with USBank is harder than he thought it would be. He has talked to a number of other charter schools and potential investment companies who take over the active management of the debt service reserve fund of 1.7 million. It is not enough for an investment company because we want the money to be in very safe investments where there is no market impact. We've gotten some quotes to manage it but the cost to manage is more than the interest that it's earning. We've gone from 5 potential investment managers down to 1 - Raymond James is looking at it. RJ wants to take the money and move it to a RJ account so that they can actively manage it. US Bank does not want that to happen, based on the bond documents. Looking at a custodial relationship, where RJ has the money to manage it but US Bank has custody of the account. Bond Attorney Ben Johnson believes that is something that can be done. Our largest bond holder Nouvene has a meeting set up in January to ensure that they would allow that arrangement. It works because there are about 5 other schools in very similar size interested in this arrangement which would increase the amount to about 8-9 million. It doesn't make sense for us to do it as an individual

school.

JB Vang could assist in moving the 1.7 into CDs but because of the restrictions only 250,000 can only be moved per bank so 12 different banks will need to be used which would be cumbersome. They also aren't a registered financial representative so they can't manage money for the school. Hoping to have additional information for the school by the end of the month.

The Pension Consultant Group is another firm who was approached, but would need a fund around 20-25 million to make it work financially for them.

.86% at the USBank trust department so it is in the bank's best interest to keep the money there. But CDs are at 3.5-4.5% right now and they are debt service reserves so we could pull the money out at 3,5,7 years without a problem. Hoping that by consolidating we can earn some money and still be able to cover the fee of \$1,500 per account.

Because we don't have custodial rights, and can't really move the money anyway, US Bank is not motivated to give us the higher interest rates.

4% would be a potential \$8,000 and even with the \$1,500 fee \$6,500 is better than the \$500 that we are getting right now.

- **Investor's call:** December 19. No calls from any investors yet, but we expect some questions after the new year. Projecting an operating deficit in school year 22-23 of about \$250,000. We have a healthy fund balance, but the investors will likely want to know if this will be an ongoing or short term event? Holly and Kou will need to work on how to meet the debt coverage ratio. A preemptive conversation with investors may be needed. Will not reach covenants in 22-23. Holly, Ahava, and Kou have been discussing this for a few years as they saw it coming. We were able to mask a lot of this in the last couple of years because of the pandemic and the additional ARPA funds. 6-7 schools are going through the same issues, enrollment has matured and growth has slowed down, minimal increases in revenue but significant inflationary pressure on the expense side. Expense pressures (transportation, operating expenses, etc.) that are going to be here for the long haul. Economy of scale conversations happening at other mature schools which are at max enrollment.
- **Capital Assessment Plan:** Nothing significant in the short term, the building is performing in the way that we expected with regards to wear and tear. Starting escrow for long term maintenance. 13-15 years or so is when those funds might be needed for building issues. At the next capital assessment period we may want to look at the amount that we are escrowing and ensure that we are putting enough aside.
  - The preventative maintenance that we have implemented will increase the expected life of the roof, the rooftop units and other mechanical systems.
- **Building Project Options:** The idea of combining with other schools to entice our investors to loan us additional money for a building project stalled as they were only interested in moving forward with a couple of the other schools' projects. This was related to how much time is left on our loan, and 2026 is the first time that we could renegotiate the bond. We could do something called a parody bond which would allow us to borrow money. That new bond would share the same maturity date but would be interest only. We would borrow a little bit more money than we would need for the project in order to help us meet the debt service on the old bond. But, in the next 6 years we would be forced to refinance, who knows how much higher rates would be at that time. The board would have to be willing to take that financial risk.

## 5.2. Other New Business

Holly 15 minutes

- a. Future DaVinci Academy plans that may impact ABC
- Cam Stottler, the Executive Director at North Lakes Academy, would like to present his merger idea to the school board at the January meeting. It could be an interesting idea as we are looking at our continued struggle with keeping the middle school fully enrolled.
- b. Other New Business
- Brief conversation about solar panel possibility. Dale had a concern about the sustainability of financing as it related to the government funding and how it could be affected by politics. Kou had a concern about solar tax credits and how that is affected by our free and reduced numbers and whether those numbers will continue at the same rate. Most schools don't generate enough power to sell the energy and cover the costs of the panels so have to rely on the tax credits. Ross was able to be a resource for more information as he worked with Fridley public schools on their recent solar panel project.

## 6. Adjourn Meeting

Motion to adjourn - Ross, Holly Seconds. 12:03 pm adjourns

