

**Lincoln Academy
Facilities Committee
November 9, 2020**

Last Committee Meeting – November 6, 2020

Committee Members Present: Phil Courtney, Lori Woods, Janelle Johnson, Micah Gilbreath, Jason Wennen, Norm Meindl, Alicia Borrego

Bond Refinance Recommendation

The Facilities Committee recommends submitting an application to refinance the bond. There is an application fee of about \$5,000 to submit the application. We must also complete a credit rating review prior to submitting the application. A motion will be introduced by the Facilities Committee chairman to authorize staff to proceed with the application process.

The Board is not locked into refinancing the bond until after the application is approved. If the process goes smoothly, a final decision on refinancing the bond, along with the total amount to be financed, is anticipated at the Board's regularly scheduled meeting in February 2021.

Matt DeAngelis from DA Davidson is expected to attend the November 9 Board meeting, provide a brief presentation on the bond application process and answer any questions.

Bond Refinance Background

The following is background information in support of this recommendation and is provided for information only. The Board is not required to commit to the amount of the refinancing at the November meeting, but the Facilities Committee wanted to provide some information about our thought process.

Lori Woods, Phil Courtney and Jeff Baucum have had two discussions during the last month that included Barry Arrington, external attorney with expertise in Charter Schools and Bond financing, and Matt DeAngelis from DA Davidson. Mr. Arrington and Mr. DeAngelis have provided significant information about refinancing the moral obligation bond that covers our current campus.

Below is a summary of several financing options that DA Davidson analyzed for us. The summary shows the total amount financed (which includes our current debt), money available to be used immediately and the annual debt service (amount we must pay annually). Our current debt service is about \$470,000 annually.

The reason for this range:

- Low end - consider the amount of, "new" money that would be available if we keep our annual debt service the same.
- High end – Consider the estimated cost to fully replace the learning space that is available in Building B (\$6,000,000 project).

While replacing Building B should remain a long term goal of Lincoln Academy, the Facilities Committee concludes that the additional annual debt service of \$260,000 (\$730,000 versus the current annual debt service of \$470,000) is not currently in the best interest of Lincoln Academy.

**Lincoln Academy
Refinancing & New Money Analysis Summary**

	Par Amount	Final Maturity Date	New \$ Avail for Projects	Interest Rate	Annual Debt Service
Refinancing & New Money (All assume Moral Ob financing)					
Target Same Annual Payment	\$8,845,000	2055	\$1,600,000	3.63%	\$470,000
\$2 MM Project	\$9,245,000	2055	\$2,000,000	3.63%	\$490,000
\$4 MM Project	\$11,245,000	2055	\$4,000,000	3.63%	\$610,000
\$6 MM Project	\$13,250,000	2055	\$6,000,000	3.63%	\$730,000
Refinancing Only					
Moral Ob	\$7,365,000	2043	N/A	3.27%	\$475,000
Cinderella	\$6,855,000	2043	N/A	3.52%	\$455,000

Assumptions:

Closing Date:	Jan 2021
Debt Service Reserve Fund:	Equal to 1 year of debt service for Moral Ob Scenarios; none for Cinderella
Costs of Issuance Estimate:	4% of Par Amount assumed
Call Date:	10 years @ 100% of par for Moral Ob Scenarios; 3 years @ 100% of par for Cinderella

The Facilities Committee currently believes that the optimal option is seeking about \$2,000,000 in money available for new projects. This is anticipated to result in a minimal increase in annual debt service of \$490,000.

Refinancing the bond presents a number of advantages to Lincoln Academy:

- Allows us to redraw the boundary of the property to be covered under the bond to exclude the portions that will be conveyed to the City of Arvada. This provides Lincoln Academy flexibility to use the proceeds from the City in any manner it desires. Currently, we anticipate the proceeds to be around \$700,000.
 - **This flexibility increases our ability to negotiate options with the City of Arvada and complete work in an efficient manner.**
- Anticipated interest rate on the bond – 3.63%. Construction costs are increasing annually at a rate of over 10% per year.
- Allows Lincoln to completely repave the traffic circle and parking lots with proper design for drainage, curb and gutter and sidewalks. This work will help provide for a safer traffic and pedestrian flow on our property which benefits our entire community of students, teachers, other staff, parents and visitors. The estimated cost to complete this work, including design, is about \$1,600,000.
- Allows Lincoln to complete additional capital projects and deferred maintenance. These projects may include

- Installing a Sport Court in the gymnasium - \$60,000 (current floor is at the end of its useful life)
- Gutter replacement - \$25,000 (current gutters not adequate and lead to safety hazards in winter)
- Exterior Painting - \$50,000
- Additional window replacement - \$100,000 (While some windows were replaced with JeffCo bond money, additional replacements are needed)
- Interior Flooring - \$100,000 - \$200,000

Completing the traffic circle, parking and projects listed above is expected to be around \$2,000,000. These projects result in increased safety on the property, protection and enhancement of property and asset value. This also gives Lincoln the flexibility to use the proceeds from the City of Arvada (estimated at \$700,000) as needed, either to support the operating budget, replenish reserves or complete additional capital projects.

Without refinancing the bond, the proceeds from the City of Arvada right-of-way and easement acquisition must go back into the property. The proceeds expected are believed to provide enough funding to repave the traffic circle and possibly the south staff parking lot.

72nd Avenue Road Construction/City of Arvada:

Estimated Timeline of City of Arvada activities:

- 10 Nov: City sending Notice of Intent Packet (include legal description for appraisals)
- 13 Nov: Appraisals to begin
- 15 Dec: Establish Temporary Access Easements
- January 2021: Utilities Relocation
- January 2022: Oak Street Work
- Summer 2022: Lincoln Property Work

Estimated timeline of Lincoln Academy activities:

- November 2020: Commission independent appraisal – staff has identified certified appraiser to complete this work, awaiting legal description from city
- 16 Nov: Begin Refinance Application Process (\$5k fee)
- 19 Nov: Facilities Committee Meeting to Further Discuss Lincoln Property Conceptual Design – Alicia Borrego is leading this process. Thankful to have her skills on this Committee.
- December: Review City Offer and Appraisal
- December: Engage Counsel for Negotiations with the City as needed
- December: Engage Muller Engineering for Lincoln Property Detail Design. This is to help coordinate work with City of Arvada work and contractors
- Dec: Establish Temporary Access Easements with City if needed.
- Summer 2022: Lincoln Property Work

Next Meeting November 19, 2020 at 7:00 p.m. by Zoom.