



Town Hall

BUILDING PURCHASE AND CAPITAL CAMPAIGN APPEAL

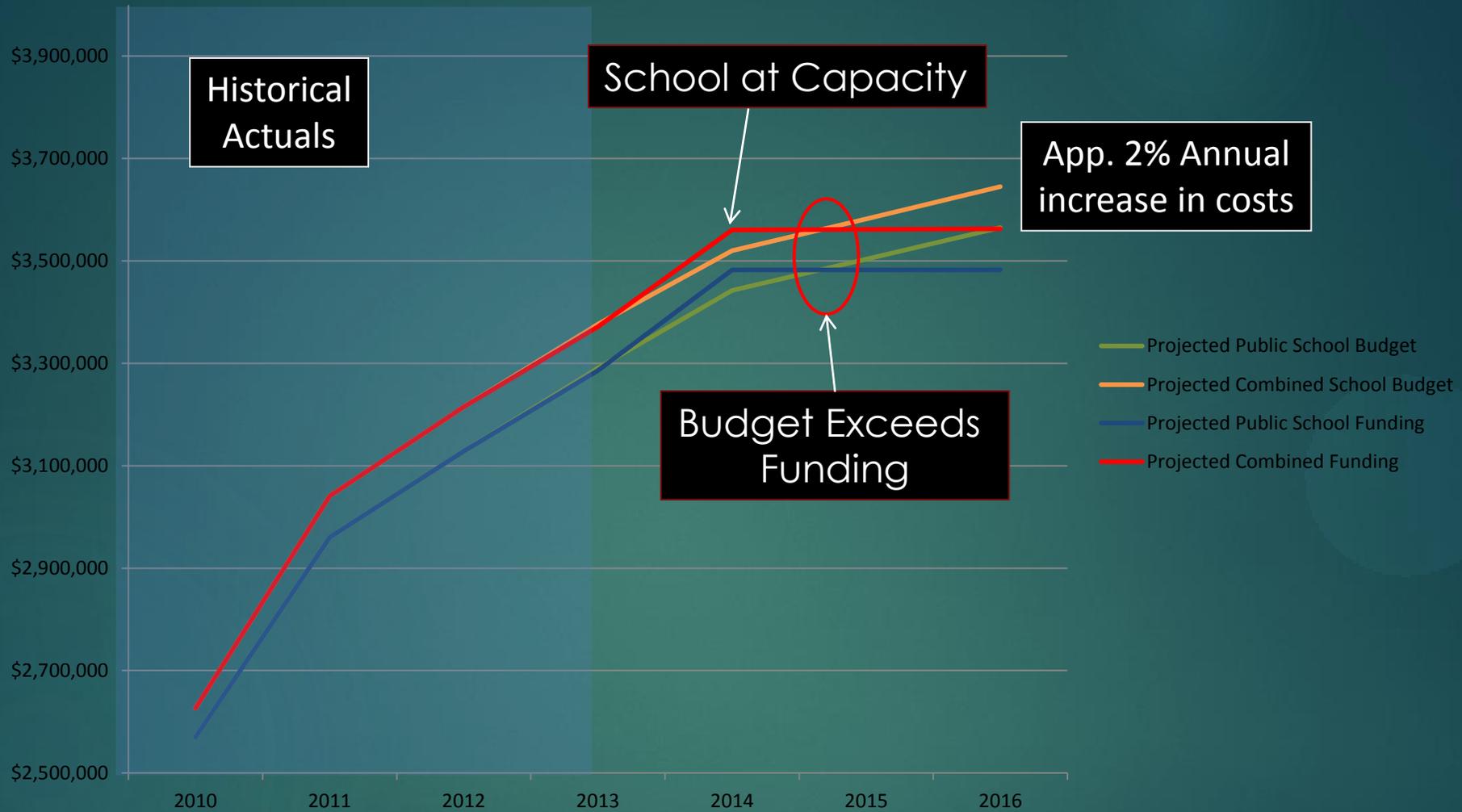
FEBRUARY 27, 2014

Procedure for Questions

- ▶ Please use the index cards provided to write down questions that you have as we discuss the building purchase.
- ▶ We will take all questions at the end of the presentation.

How did we get here?

- ▶ In 2012 we held a Town Hall meeting to discuss the financial future of CPCS.
- ▶ At this meeting, we discussed the leveling off of funds as the school reaches capacity.
- ▶ Each year since CPCS began, we have been adding a new class of 20 until this year. CPCS is now at capacity, so our income has leveled off. Our expenses, however, will continue to increase primarily for personnel.
- ▶ The next slide illustrates that in the next school year, our expenses will exceed our income.



What does the future look like?
 (From 2012 Town Hall)

How did we get here?

The Alliance Board formed a Strategic Planning Committee to look at all options.

- ▶ The Committee spoke with Robin Finnacom of the Lexington Park Community Development Corporation about potential spaces along the Great Mills corridor.
- ▶ The Committee explored several options:
 - ▶ Purchasing land and building our own building
 - ▶ Purchasing an existing building
 - ▶ Sharing a facility with SMCPS (Captain Walter Francis Duke) – we considered the possibility of building side by side and sharing spaces such as cafeteria and gymnasium

How did we get here?

- ▶ The Strategic Planning Committee determined that it was not financially feasible to purchase land and to build our own building. (a \$12-14 million dollar price tag)
- ▶ As per our charter demographics, moving our facility to Leonardtown was not an option. Thus, sharing with SMCPS would not work.
- ▶ The Committee looked at other existing buildings, but none met our needs.

How did we get here?

- ▶ We found out our building was for sale.
- ▶ The building owner offered to sell to CPCs for below market price.
- ▶ The Strategic Planning Committee began to pursue loan options:
 - ▶ Self-Help, an organization that provides loans to Charter Schools, was unable to give us the full amount we need.
 - ▶ The Committee explored the option of getting a loan from local banks, but we were declined.

How did we get here?

- ▶ We are currently working with the USDA Rural Development Agency.
- ▶ This agency provides low interest loans for community facilities in rural areas.
- ▶ We submitted the bulk of the loan application which is in processing.
- ▶ We are working with an attorney to gather the remaining necessary documents.
- ▶ Our loan agent, Brandi Burwell, is optimistic about our funding.

Projected Finances

The following two slides show one iteration of how this project can work financially. These numbers are merely projected estimates. The Committee and the Alliance Board will be going over financial projections multiple times throughout this process.

These slides do not show the CPCS operating budget, so we used the rental income from CPCS to reflect additional funding that will/can come from CPCS over the next few years.

The mortgage cost to CPCS will come to about \$31,000 a month. Currently CPCS pays \$39,000 a month in rent.

				2014-15	2015-16	2016-17	2017-18	2018-19
Expenses								
	Bldg Cost			\$6,700,000				
	Mis. Exp.			\$300,000				
	Build Out			\$44,000	\$ 65,000.00	\$ 85,000.00	\$ 22,000.00	\$ 43,000.00
	Total Cost			\$7,044,000				
	Loan Period			40				
	Interest Rate			4.375				
	Rough Monthly Cost			(\$30,990.46)	(\$30,990.46)	(\$30,990.46)	(\$30,990.46)	(\$30,990.46)
	Annual Cost			(\$371,885.53)	(\$371,885.53)	(\$371,885.53)	(\$371,885.53)	(\$371,885.53)
	Expenses							
	Electric			\$17,640	\$17,993	\$18,353	\$18,720	\$19,094
	Elevator			\$6,576	\$6,708	\$6,842	\$6,979	\$7,118
	Fire Alarm			\$169	\$172	\$176	\$179	\$183
	Parking Lot			\$2,487	\$2,537	\$2,587	\$2,639	\$2,692
	Security			\$931	\$950	\$969	\$988	\$1,008
	Snow Removal			\$5,000	\$5,100	\$5,202	\$5,306	\$5,412
	Telephone			\$1,270	\$1,295	\$1,321	\$1,348	\$1,375
	Trash Removal			\$7,162	\$7,305	\$7,451	\$7,600	\$7,752
	Insurance			\$15,000	\$15,300	\$15,606	\$15,918	\$16,236
	Repairs/ Maint.			\$127,546	\$130,097	\$132,699	\$135,353	\$138,060
	Misc			\$9,661	\$9,854	\$10,051	\$10,252	\$10,457
	Property Tax			\$22,998	\$23,458	\$23,927	\$24,406	\$24,894
	Property Manager			\$25,000	\$25,500	\$26,010	\$26,530	\$27,061
	Bookkeeper			\$15,000	\$15,300	\$15,606	\$15,918	\$16,236
	Audit			\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
	Total Non-Mort. Exp.			\$266,440	\$271,569	\$276,800	\$282,136	\$287,579
	Total Annual Expenses			(\$682,325.53)	(\$708,454.33)	(\$733,685.70)	(\$676,021.71)	(\$702,464.43)

				2014-15	2015-16	2016-17	2017-18	2018-19
Income		Sq. Ft.	Rate					
	Non Profit							
	CPCS	66000	7.196	\$474,936	\$501,345	\$527,755	\$554,164	\$580,573
	Build out							
	Non Profit Total			\$474,936	\$501,345	\$527,755	\$554,164	\$580,573
	Profit							
	Other Tenants:			\$60,588	\$60,588	\$60,588		
				\$3,600	\$3,600	\$3,600	\$3,600	\$3,600
				\$141,195	\$141,195	\$141,195	\$141,195	\$141,195
				10,219	10,219	10,219		
				\$39,000	\$39,000	\$39,000		
	For Profit Tenant Income			\$244,383	\$244,383	\$244,383	\$144,795	\$144,795
	Income Tax		15	\$36,657.45	\$36,657.45	\$36,657.45	\$21,719.25	\$21,719.25
	Total For Profit Gross Income			\$ 207,725.55	\$ 207,725.55	\$ 207,725.55	\$ 123,075.75	\$ 123,075.75
	Total Net Income			\$ 682,661.55	\$ 709,070.87	\$ 735,480.19	\$ 677,239.71	\$ 703,649.03
	Net Cash Flow			\$ 336.02	\$ 616.54	\$ 1,794.49	\$ 1,218.00	\$ 1,184.60

Next Steps

- ▶ We need to gather the remaining documents for the loan application with the assistance of our attorney.
- ▶ We will continue to work with an architectural firm to plan our use of space.
- ▶ We are working to develop a property management plan.
 - ▶ Hire property manager (part time)
 - ▶ Hire bookkeeper (part time)
- ▶ We need to pass a Resolution giving purchasing authority to the Alliance Board.

Why is this the best option?

- ▶ The building is for sale, and if we do not buy it, someone else will.
- ▶ Under a new landlord, our rent will increase.
- ▶ We will not be able to afford to keep the school in operation.



Resolution

We did not conduct a vote on the draft resolution authorizing purchase, as further work with our attorney is needed to ensure that the interests of CPCS and the Alliance are protected. Further details about a vote on a resolution will be emailed to the membership.

Capital Campaign

- ▶ The Board and the Strategic Planning Committee along with the Fundraising Committee decided to conduct a capital campaign to offset the ancillary costs associated with the building purchase.
 - ▶ Attorney fees
 - ▶ Architectural and engineering fees
 - ▶ Property/ title fees
 - ▶ Build-out costs
 - ▶ Property management costs
 - ▶ Bookkeeping and annual audit fees

Capital Campaign

- ▶ We are trying to raise \$25,000 by the end of the school year!
- ▶ The money that the Alliance raises annually, goes toward school programs and we do not want to cut those programs:
 - ▶ Artist in residence
 - ▶ Field trip transportation
 - ▶ Salad bar
 - ▶ Garden
 - ▶ Taste-it program
 - ▶ Environmental field studies
 - ▶ Media center

Capital Campaign

- ▶ We hope all families can contribute to this campaign in some way over the course of the next four months.
 - ▶ Direct donations – checks to CCSA – donations can be spread over 4 months
 - ▶ “Donate” button on website via PayPal – set up a one time or recurring donation
 - ▶ Spread the word to other CPCS families and community members
 - ▶ Employer matching donations
 - ▶ Students can help, too!
 - ▶ Watch for classroom competitions
 - ▶ Special dress-down days
- ▶ As of 2/27 we have already raised \$7,050 in donations and pledges. With your help we can make this happen.

Questions?

The following slides have the questions that were posed at Town Hall along with answers and clarifications.

Contact Julia Nichols with further questions at:

Juliaandjeff@yahoo.com

Building/Loan Questions

- ▶ Will the USDA fund us \$7 million?
 - ▶ We have requested a loan in that amount. Our loan agent seems optimistic. There have not yet been any negative comments from the USDA with regard to the request.
- ▶ Are maintenance costs built into the budget?
 - ▶ Yes.
- ▶ Is the building owner willing to hold any of the financing?
 - ▶ No.
- ▶ Can we afford the building without the current tenants?
 - ▶ The additional income will be helpful in the beginning, as we will have extra build-out costs, but long term we should not need to have tenants.
- ▶ Would we benefit from more money if we built out for commercial rental space?
 - ▶ In order to get the USDA loan, 75% of the building must be occupied by non-profits. We are not looking to make money off of this enterprise, but rather to have more space for our school and to lower our costs so we can continue to operate.

- ▶ Who is locked into their lease?
 - ▶ Currently two tenants are on month to month and three tenants have a longer term lease. Two current tenants will be leaving this fall, opening up some space for immediate use.
- ▶ Have we accounted for the expansion of the building?
 - ▶ In our budget we have built in a percentage increase.
- ▶ Heating system – is it geothermal or heat pumps?
 - ▶ The school side is geothermal, the other tenants are on heat pumps. We will be reviewing things like this with our architectural firm to determine what we would like to do and what will save us money.
- ▶ Are there any other loan options?
 - ▶ At the moment, this is the only option we are pursuing. If we are not funded for the full amount, we may be able to go back to Self-Help for a smaller loan to fill the gap.
- ▶ Will we need more than a property manager?
 - ▶ We will need a paid person to manage the tenants, and we will need a paid bookkeeper to manage the funds. Both positions could likely be part time.

- ▶ Are there folks out there who have successfully navigated a USDA loan and could we talk with them?
 - ▶ Update post Town Hall: We are speaking with the attorney who assisted us with our last Charter Renewal. There are people in his firm who have experience with USDA loans.
- ▶ Is there a target date to get this loan paperwork done?
 - ▶ We would like to get the remaining documents in to the USDA within the next couple of weeks.
- ▶ What will happen if we have a 40 year loan and our charter is not renewed?
 - ▶ There should not be a reason for our charter not to get renewed. As a charter school, we need to uphold our end of the charter agreement, and if we do, there will be no reason for non-renewal.
- ▶ What happens in 9 years – will our funding level off and costs increase and we be in the same place we are now?
 - ▶ This should not be a problem because our mortgage cost will stay the same for 40 years (lower than our current rent) and we will be able to put aside some funds during that time. We will also be building equity.

- ▶ Will we have to increase the school by one class per grade level in order for the plan to work?
 - ▶ In the financial scenario shown, that is what we are looking at. We are looking at the possibility of an increase not just from a financial perspective but because we will have the space, and an increase of one class per grade level has academic benefits that go along with it. Ms. Funya will provide more details about this as we proceed.
- ▶ Where are we with the new charter agreement allowing us to increase classes?
 - ▶ We have had a few Charter Renewal meetings. We have provided SMCPS with our proposal to increase the cap of students, contingent on us purchasing the building. At this point, SMCPS seems amenable to the idea, but we have not yet heard from the Board of Ed.
- ▶ What if we don't get this loan?
 - ▶ We are focusing on getting this application finished first, but the Alliance Board is also working with the building owner to renew our lease so that if we do not get this loan, we will have a few years at a fixed rent to plan our next course of action.

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- ▶ Are there any plans for a charter high school?
 - ▶ This has been discussed. The Strategic Planning Committee is not focusing on this at this time.
 - ▶ A Charter High School will require a separate charter with the school system. That application will have to be written and submitted.
 - ▶ There is not enough space in our building - even if we have the whole building – for us to have a high school here, so another location will need to be found. It may be possible for us to have a 9th grade start in our building while a school is being built.
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Campaign Questions

- ▶ Is this a one time thing?
 - ▶ Yes. Our plan is to have this capital campaign be for this period only in order to help us cover the up front costs. We will, of course, conduct our usual fundraising in future years.
- ▶ Is there a certain amount per family that would get us to our goal?
 - ▶ We have about 200 families at CPCs. If every family gave \$100 over the next four months (\$25/month), we would have \$20,000 right there.