

HCPA/HERC Board of Directors Meeting Minutes

November 6, 2019

HCPA Members Present:

Jason Helgemoe, Board Vice Chair, Community Seat
Crystal Robideau, Board Chair, Teacher Seat
Maisian Schiung, Board Member
Kalc Vang, Board Member – via phone
Fue Vue, Board Member
Christy YongVang, Board Treasurer, Parent Seat

HCPA Members Absent:

Vue Thaow, Board Member

HERC Members Present:

Fu Hang, Board Chair
Lisa Yang, Board Member
Maisian Schiung, Board Member

HERC Members Absent:

None

Ex Officio Member Present:

Dr. Christianna Hang, Superintendent

Guests:

Lisa Bonko, HCPA Marketing and Special Projects Consultant
Heather Ross - Partner Liaison from Bethel – via phone
Dennis Hoogeveen, CPA, Principal CliftonLarsonAllen LLP
Christina Wordes, Financial Manager, Bergan KDV
Teri Nagel, Principal in Charge, Project Manager, Kodet Architectural Group
Sean Leintz, Production Team Leader, Kodet Architectural Group
Daniel Kodet, Design Team, Kodet Architectural Group
Nick Hagen, Managing Director, PiperJaffray
Wes Olson, Vice President, PiperJaffray
Jon Faison, Vice President, PiperJaffray
Mark Ethen, Chief Credit Officer, Northeast Bank
Mark Beese, Executive Vice President, Northland Securities
Aaron Youngdahl, Northland Securities
Bruce Sorensen, Managing Director, Robert W. Baird & Co. Incorporated
Will McIntyre, Assistant VP, Robert W. Baird & Co. Incorporated

Staff:

Pao Yang, Chief Operating Officer

Call to Order:

HERC Board Chair Fu Hang called the meeting to order at 4:07 PM.

Consent Agenda Items:

Approval of November 6, 2019 Agenda, September 25, 2019 HCPA Board Meeting Minutes and October 2, 2019 HERC/HCPA Combined Board Meeting Minutes Call for the approval of the November 6, 2019 HCPA Board Agenda, September 25, 2019 and October 2, 2019 Board Meeting Minutes

Motion by Mr. Jason Helgemoe, seconded by Mr. Kalc Vang to approve the November 6, 2019 Board Agenda, September 25, 2019 and October 2, 2019 Board Meeting Minutes. The motion carried.

New Agenda Items:**Board of Governance****Replace Open Board Seat – Maisian Schiung**

Dr. Hang recommended Maisian Schiung to replace board member Fu Hang who resigned on Sept. 25, 2019.

Motion by Mr. Jason Helgemoe, seconded by Ms. Crystal Robideau to approve Ms. Maisian Schiung to replace Mr. Fu Hang on the HCPA board. The motion carried.

Nomination of Board Secretary

The board discussed the filling of HCPA's Board Secretary position which was vacated by Mr. Fu Hang when he resigned on Sept. 25, 2019.

Motion by Mr. Jason Helgemoe, seconded by Ms. Crystal Robideau to approve Mr. Fue Vue as HCPA Board Secretary. The motion carried.

Open HERC Board Seat – Dave Bonko

Dr. Hang recommended Dave Bonko to be a member of the HERC board.

Motion by HERC board member Mr. Fu Hang, seconded by Ms. Lisa Yang to approve Mr. Dave Bonko to serve on the HERC board. The motion carried.

Updated Annual Designation Form

The board reviewed the updates to the annual designation form. The updates were as follows:

2. Election of Officers (2019/20)
 - Secretary – Fue Vue
5. Confirm/appoint members of board of directors of (School) Building Company
 - Board Member – Dave Bonko
8. Investment Depositories – Western Bank, CIBC USA Bank and Woodstock Capital Partners
12. Designation of school attorney(s) and authorization for Superintendent to access as needed. Martin Lau Firm, PLLC. And Thompson Coe Law Firm

Motion by Ms. Crystal Robideau, seconded by Ms. Maisian Schiung to ratify the updated annual designations. The motion carried.

Financial Reports:**2019 Financial Audit – Mr. Dennis Hogeveen, CliftonLarsonAllen LLP**

Mr. Dennis Hogeveen presented the 2019 Financial Audit to the board. The balance sheet is very strong. Mr. Hogeveen recommends charter schools maintain a fund balance of at least 20-25% of expenditures. HCPA fund balance was 54.49% of expenditures.

Summary of the Auditor's Results were as follows"

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
 - Material weaknesses identified? No
 - Significant deficiencies identified? None reported
3. Noncompliance material to financial statements noted? No

Federal Awards

1. Internal control over major federal programs:
 - Material weaknesses identified? No
 - Significant deficiencies identified? No
2. Type of auditors' report issued on compliance of major federal programs: unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?
No

Identification of Major Federal Programs

Child Nutrition Cluster

Auditee qualified as low-risk auditee? Yes

Mr. Hogeveen presented HCPA with a clean opinion on all three major opinions/reports.

Motion by Ms. Crystal Robideau, seconded by Ms. Maisian Schuing to approve the 2019 Financial Audit as presented. The motion passed.

Sept. 2019 YTD Financials – Christina Wordes and Dr. Hang

Ms. Christina Wordes and Dr. Hang reviewed the Sept. YTD financials. The beginning Fund Balance amount of \$14,979,1333 represents the Fund Balance as of July 1, 2019. This fund balance represents approximately 54% of total annual expenditures. This will enable HCPA to maintain normal operations even with the state holdback.

The report shows the prior year activity on an unaudited basis, adopted budget, working budget, year to date activity (revenues and expenditures) and the percent of year to date activity as compared to the working budget. Year to date revenues exceed expenditures in total by \$2,834,146.

The original budget projected a decrease of \$1,502,212 while the working budget projects an increase of \$39,580. The original budget was based on enrollment of 2,175 and the working budget is based on enrollment of 2,300.

Motion by Mr. Jason Helgemoe, seconded by Mr. Fue Vue to approve the Sept. 2019 YTD Financials as presented. The motion carried.

Architecture and Underwriters and/or Facility Funding Presentations:**Kodet Architecture Group**

Kodet Architecture group discussed their plans for the Phase 5 construction project. The project includes a new middle school, tournament gym, robotics suite, skyway and renovation of middle core of the building. Kodet will provide architectural, structural engineering, mechanical engineering and electrical engineering. Included in the services:

- Schematic Design
- Design Development
- Construction Document Services
- Bidding or Negotiation Services
- Construction Administration

Fixed fee based on 6.25% of the construction budget.

Motion by Ms. Christy YongVang to utilize Kodet Architecture Group and authorize Dr. Hang to negotiate the price. The motion was seconded by Ms. Maisian Schuing. The motion passed.

The board listened to presentations by the following companies regarding their financing options for the phase V expansion project.

Piper Jaffray Company

Mr. Nick Hagen, Mr. Wes Olson and Mr. Jon Faison presented the following benefits of utilizing Piper Jaffray for financing the upcoming expansion;

- Experience – 130 charter school financings nationally over \$2 billion in par.
- Completed HCPA's last two bond transactions
- Extensive experience with Charter School Bonding in MN
- Four different financing scenarios, including potential interest rate lock in options
- Underwriter's fee of .90%

NE Bank and Northland Securities

Mr. Mark Ethen and Mr. Mark Beese presented the following benefits of their hybrid proposal

- Issuance savings – one investor purchasing, lower issuance costs
- Draw feature on note component – interest not accruing until funds advanced
- Amortization of lower rate note component first, results in lower annual payments
- Note component not requiring debt service reserve
- No rate reset exposure on bank portion but capturing benefit of bank participation

Baird Company

Mr. Bruce Sorensen presented the benefits of utilizing Baird

- #1 underwriter of charter school bonds nationally
- Over 235 charter school financing; over \$5 billion in funding
- 1.3% underwriter fee
- History of low credit spreads

Adjournment:

HERC Board Chair Mr. Fu Hang called for a motion to adjourn the meeting at 7:21 PM.

Motion by Ms. Crystal Robideau seconded by Mr. Fue Vue to adjourn the meeting. The motion carried.