

**Ivy School Board Special Meeting Minutes** *Topic: Refinance of the Prescott Building*

The Prescott Campus 4212 NE Prescott St, Portland Oregon

Thursday, February 8 2018 from 4:00pm – 5:00 pm

**Board Members Present:** Colleen Roberts, Lisa Larpenteur, Angela Fox

**Board Members on Phone:** Kim Carlson, Rob Coleman

**Observers Present:** Maia McCarthy, Cindy Roberts

**4:11 Open Meeting**

Colleen opens meeting. Discussion begins on refinance of the Prescott building as outlined by summary document from Dave Coffman, Accounting Consultant dated February 2, 2018 which is included at the end of these minutes.

Lisa believes rates will go up and recommends refinancing. The original loan was a 25 year adjustable rate loan, with the first 5 years at a fixed rate, then adjustments every five years. Lisa feels we have equity in the building and with the refinance we could potentially use the equity to pay off second mortgage, fund portables and/or other facility expansion needs.

If there is equity in the building, Lisa recommends taking money out and rolling it into the new loan; holding those monies aside for second loan payoff and/or facilities expansion. The monies would be designated for facilities use only.

Rob expresses interest in awaiting the appraisal before making a decision on rolling any equity into the loan.

**Action Item:** Lisa moves to start the refinance the process on the Prescott building, estimating an interest rate of approximately 5.61% (the loan terms are not decided at this time); Colleen seconds. Motion carries.

**Action Item:** Colleen moves to approve increasing the existing loan amount during the refinance process which may include some of the accrued equity. These monies would be held aside for second loan payoff and/or facilities use. Lisa seconds. Majority in favor. Motion carries.

**4:29 Meeting closes**

Colleen closes meeting. Call is ended with Rob and Kim.

**4:38 Colleen reopens meeting**

**Board Members Present:** *Colleen Roberts, Lisa Larpenteur, Angela Fox*

**Observers Present:** *Maia McCarthy, Cindy Roberts*

For purpose of completing resolution document, Colleen recommends that the amount of funds borrowed should not exceed \$1.5M.

**Action Item:** Angela moves to approve resolution that funds borrowed should not exceed \$1.5M. Lisa seconds. Motion Carries

**4:40 Meeting closes.**

February 2, 2018

To: The Ivy School Board of Directors

From: Dave Coffman, Accounting Consultant

RE: Potential Refinance of Original Bank Loan on Prescott Building

The original loan on the Prescott building is an adjustable rate loan. The current interest rate is 4.5% and is scheduled for a rate adjustment on 7/1/2018. The current monthly payment is approximately \$5,344.

The last estimate of the 7/1/18 rate was to land around 5.26%. Since that estimate was made, rates have increased and the current future rate is projecting closer to 5.6% at this point.

When I spoke with our loan officer at the bank, he said it's reasonable to expect that the rate will continue to rise given the uptick in the economy. The rate has increased 0.45% over the last 6 months and if the next 6 months bring a similar increase, we'd be looking at a rate of around 6%.

**If we end up at 6%**, our monthly payment will increase by about \$717/month, or \$8,604/year. **If the rate is fixed for 5 years, we'd be looking at increased payments of about \$43,000 over that 5-year period.**

If we refinanced today, the rate would be 5.61% for the next 5 years, resulting in a monthly payment of \$5,290, a reduction of \$54 per month. **At 5.61% we would save about \$3,200 in monthly payments over 5 years.**

There is a cost to refinance the loan. The approximate costs are \$5,000 for an appraisal, \$5,000 in closing costs, and an early payment penalty of around \$4,300. **Total estimated financing costs = \$14,300.**

When we combine these factors, we would have significant savings at the 5.61% rate, detailed as follows:

- Avoidance of loan payment increase at 6% rate: \$43,000
- Additional savings in monthly payment at 5.61%: \$3,200
- Less estimated financing costs: -\$14,300
- **Net Potential Savings over the next 5 years = \$31,900**

If rates don't increase over the next 6 months, then our savings would be minimal or we could have increased cost as a result of the loan fees. It does seem likely that rates will continue to rise in the near future.

Should the Board decide to move forward with the refinance, we would want to do so as soon as possible to take advantage of the lowest possible rate. The process to complete the refinance would take about 45 days, according to our loan officer.