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CITY OF SAINT PAUL

INTRODUCTION TO CONDUIT REVENUE BONDS FOR TWIN CITIES ACADEMY

August 13, 2025

CONDUIT REVENUE BONDS – REVISIT

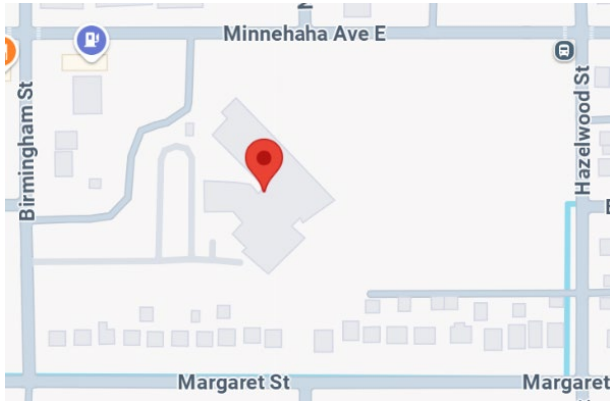
- Conduit revenue bonds are special, limited revenue obligations of the governmental issuer (i.e., the HRA or City) and generally provide tax-exempt interest rates for the borrower
  - tax-exempt interest rates reduce the cost of the debt for the borrower
- The bonds are repayable solely from the revenues of the ***borrower*** and **not** of the governmental issuer
- The bonds do not include a general or moral obligation of the governmental issuer and are not secured by any taxing powers of the governmental issuer
- **The HRA and City undertake no risk by issuing the bonds**

CONDUIT REVENUE BONDS FOR NONPROFIT – REVISIT

- The conduit borrower secures the loan funds either through a private lender **or a bond underwriter**
- The HRA serves only as a conduit for project financing, therefore due diligence into the project and the entities involved is completed by the private lender **or bond underwriter**
- The HRA issues conduit revenue bonds for organizations who are tax exempt under Section 501(c)(3) of the Internal Revenue Code (nonprofit entities)
- There is no limit on the amount of bonds the HRA can issue for qualified 501c3 organizations (nonprofit entities)
- In the absence of this type of financing, conventional financing (i.e., taxable interest rates) could be sought for the project.
    - increased cost of the debt to the borrower compared to tax-exempt rates

TWIN CITIES ACADEMY CHARTER SCHOOL

Twin Cities Academy is a Minnesota public charter school located at 690 Birmingham Street serving students in grades 6 through 12 with a current enrollment of 540 students



TWIN CITIES ACADEMY BACKGROUND

- In 2015, the HRA issued $15,535,000 in conduit revenue bonds to finance the acquisition and construction of the school's current facility (the "Prior Bonds")
- The current outstanding balance of the Prior Bonds is $13,925,000
- Prior to 2015, the school operated in two separate buildings with separate charter schools, grades 6-8 together and grades 9-12 together
  - The middle school began operations in 1999 (grades 6-8)
  - The high school began operations in 2006 (grades 9-12)
- As of July 1, 2016, following the completion of the construction of their new facility, Twin Cities Academy (TCA) merged into one charter school
- TCA is authorized by the University of St. Thomas and is focused on college prep and service-learning

TWIN CITIES ACADEMY PROPOSAL

- TCA applied to the HRA to issue up to $15 million in conduit revenue bonds to refinance/refund the Prior Bonds
- The purpose of the refinancing is to reduce annual bond payments, through an extension of the final maturity date for the Prior Bonds
- The 2025 Bonds will be issued in an amount not to exceed $15,000,000 and will be sold as a Public Offering with Colliers Securities, LLC serving as the **bond underwriter**
- The 2025 Bonds will be sold in minimum bond denominations consistent with PED's conduit bond policy which will depend on the credit rating
    - The bond underwriter is anticipating a credit rating of BB from S&P, resulting in required minimum bond denominations of $25,000

TWIN CITIES ACADEMY PROPOSAL

- The Prior Bonds mature July 1, 2050, and the proposed 2025 Bonds will extend the final maturity date to July 1, 2065 (15 additional years)
- Current projections include bond payment savings of approximately $90,000 per year
- There will be a small taxable series included with the tax-exempt series
- The proposed sources and uses for the 2025 Bonds is shown on the following slide

TWIN CITIES ACADEMY PROPOSAL

Sources and Uses

Proposed 2025 Bonds

Sources of Funds	Amount
Series 2025A Bonds (Tax-Exempt)	13,860,000
Series 2025B Bonds (Taxable)	235,000
2015A DSRF Transfers	1,004,038
2015A Bond Fund Transfers	166,123
Excess DSRF Earnings	240,000
Total Sources	**$15,505,161**

Uses of Funds	Amount
Refund Series 2015A Bonds	$14,101,837
Fund DSRF	907,130
Underwriter Discount	282,738
Costs of Issuance/Rounding	213,456
Total Uses	**$15,505,161**

TWIN CITIES ACADEMY PROPOSAL

- The PED Credit Committee reviewed the proposal on August 5
- The review consists of a determination that the proposed bond issuance meets PED's conduit bond policies
    - The policies cover the fees to be collected and the sale and placement requirements for HRA issued conduit revenue bonds
- TCA will pay all required fees, and the 2025 Bonds will be sold consistent with HRA required placement and sale requirements, which include the required minimum bond denominations
- The HRA is currently collecting fees from the Prior Bonds; with the extended final maturity we will collect additional fees, including a closing fee equal to 0.25% of the bond principal issued ($35,237.50 for $14.095M as shown on the prior slide)

TWIN CITIES ACADEMY PROPOSAL

- As stated earlier, conduit revenue bonds are special, limited revenue obligations of the governmental issuer and are repayable solely from the revenues of the borrower and not of the governmental issuer
- The 2025 Bonds do not include a general or moral obligation of the City or HRA and are not secured by any taxing powers of the City or HRA
- **The HRA receives fees (revenue) for issuing the 2025 Bonds**

GOVERNMENTAL APPROVALS

- The HRA Board is required to authorize the issuance of the bonds and to hold a public hearing (with the extension of the final maturity)
- The City Council is also required to approve the public hearing as the elected representative of the governmental unit
- Resolutions will be considered by both the HRA Board and City Council on August 20
- TCA anticipates closing on the financing in late September

COMPLIANCE REQUIRED FOR CONDUIT REVENUE BONDS

- The following compliance will be required for the transaction:
  - Affirmative Action/Equal Employment Opportunity (AA/EEO) – Requiring the borrower (the school's building company) to file an affirmative action program registration to diversify and implement fair employment practices with its workforce
- This is a refinancing only and no construction is included which would have required additional compliance

TWIN CITIES ACADEMY CONTACT

- Betsy Lueth, the Executive Director for the School is present to answer any questions

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Questions?

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