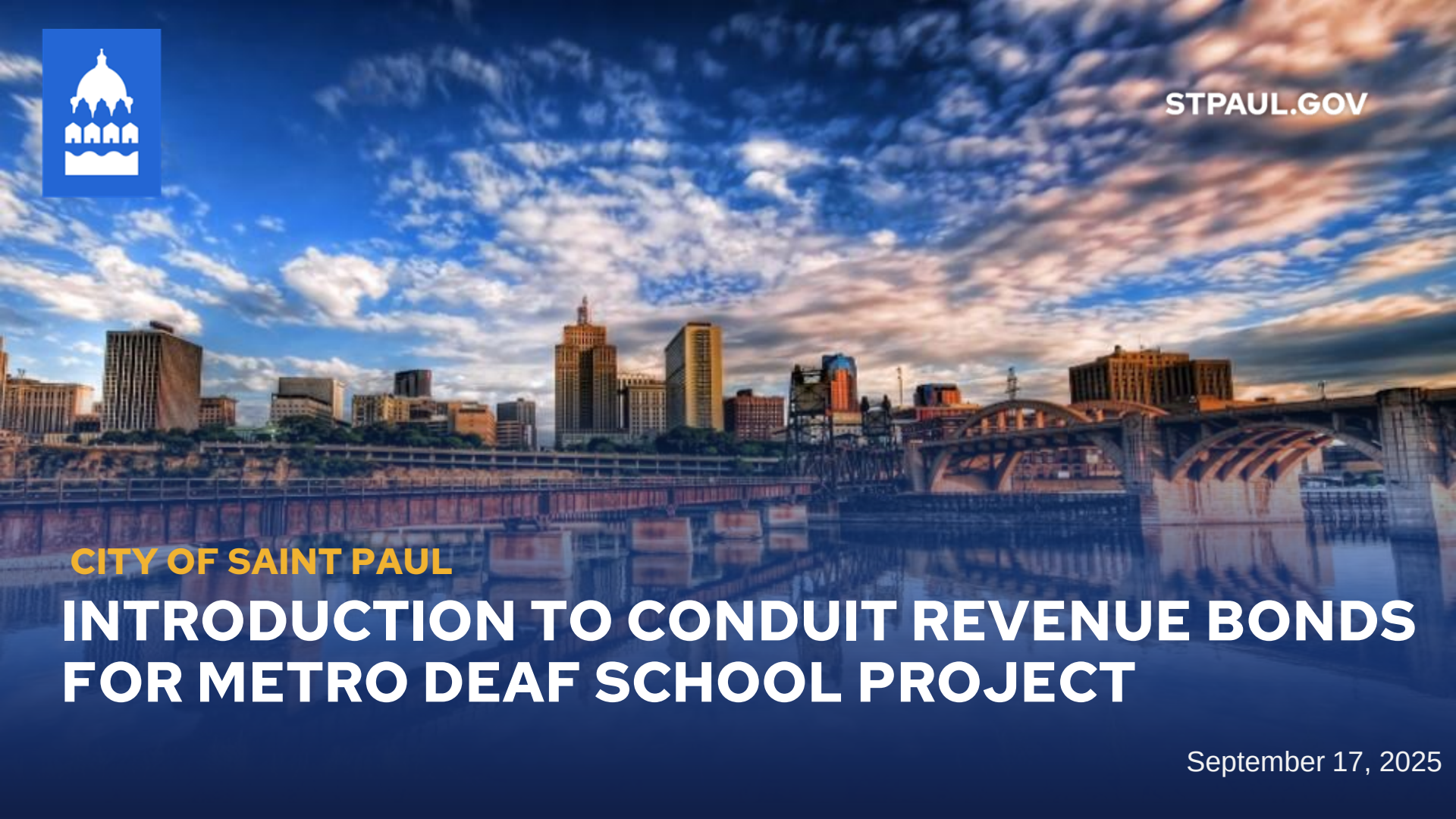

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CITY OF SAINT PAUL

INTRODUCTION TO CONDUIT REVENUE BONDS FOR METRO DEAF SCHOOL PROJECT

September 17, 2025

CONDUIT REVENUE BONDS – REVISIT

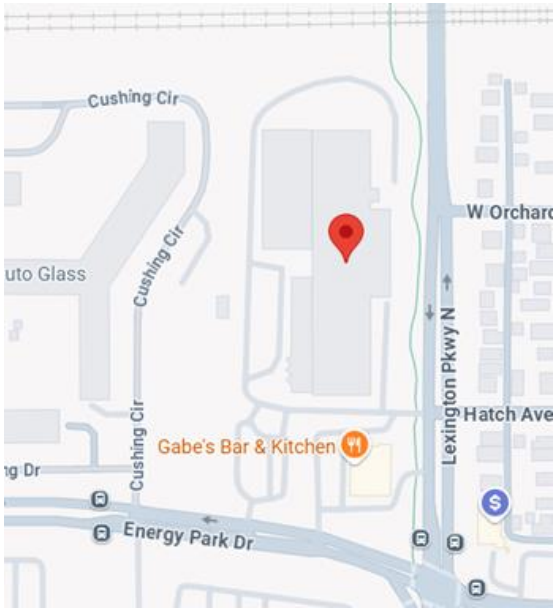
- Conduit revenue bonds are special, limited revenue obligations of the governmental issuer (i.e., the HRA or City) and generally provide tax-exempt interest rates for the borrower
  - tax-exempt interest rates reduce the cost of the debt for the borrower
- The bonds are repayable solely from the revenues 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

METRO DEAF SCHOOL BACKGROUND

- Metro Deaf is a Minnesota public charter school located at 1125 Energy Park Drive providing educational services benefitting Deaf, Deaf-Blind, and Hard of Hearing students in grades pre-K through 12 with a current enrollment of 175 students. The school draws students from the 7-county metro area and western Wisconsin.
- In 2018, the HRA issued $14.975 million in conduit lease revenue bonds on behalf of the School to finance the construction of their current facility.
- The current balance is $13.825 million.



METRO DEAF SCHOOL PROJECT

- 1House2Hands, the affiliated building company for the Metro Deaf Charter School, applied to the HRA to issue up to $12.5 million in conduit lease revenue and refunding bonds to finance an expansion to their current facility and to refinance/refund a portion of the prior bonds issued by the HRA.
    - The School is proposing to demolish an existing storage garage and construct a 24,950 square feet addition to the school building to include gym and classroom space
    - The building has been designed with much input by the staff and main stake holders to create spaces that address the unique and specific needs of the students
- In addition to the HRA issued bonds, the school has also applied to the Port Authority (joint application) for their issuance of up to $5 million in Bank Qualified (BQ) conduit lease revenue bonds.
    - The HRA cannot issue BQ bonds, and it is our practice to request the Port to issue when they are able.

METRO DEAF SCHOOL PROJECT

- The 2025 Bonds will be issued in an amount not to exceed $12,500,000 and will be sold as a Public Offering with Raymond James serving as the **bond underwriter**
- The 2025 Bonds will not be rated and will be sold in minimum bond of $100,000 consistent with PED's conduit bond policy
    - Each initial purchaser will be required to execute an Investor Letter
- Total estimated cost of the Project is $15,108,802 and includes a contribution from the School of $1,070,777; the proposed sources and uses is shown on the following slide

METRO DEAF SCHOOL PROJECT

Sources and Uses

Proposed 2025 Bonds

Sources of Funds	Amount
Series 2025 Bonds – HRA Issued	$8,735,000
BQ Bonds issued by Port Authority	4,145,000
Prior Bonds Transfers/Excess Funds	1,158,025
Equity from School	1,070,777
Total Sources of Funds	**$15,108,802**

Uses of Funds	Amount
Project Fund	$9,000,000
Refunding Account	4,360,871
Debt Service Reserve Fund	1,191,333
Costs of Issuance/UD/Rounding	556,598
Total Uses of Funds	**$15,108,802**

METRO DEAF SCHOOL PROJECT

- The PED Credit Committee reviewed the proposal on September 2
- 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
- Metro Deaf 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 and investor letters
- The HRA is currently collecting fees from the bonds for which a portion will be refinanced; with the expansion project we will collect additional fees, including a closing fee equal to 0.25% of the bond principal issued ($21,837.50 for $8.735M as shown on the prior slide)

**The HRA and Port are sharing the $5,000 application fee*

METRO DEAF SCHOOL PROJECT

- 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 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
- The City Council is also required to authorize the issuance of the bonds by the HRA
- Resolutions will be considered by both the HRA Board and City Council on September 24
    - The City Council will also consider a resolution authorizing the bonds to be issued by the Port Authority on this same date
- Metro Deaf anticipates closing on the financing in November

COMPLIANCE REQUIRED FOR CONDUIT REVENUE BONDS

- The following compliance will be required for the proposed project:
  - Affirmative Action/Equal Employment Opportunity (AA/EEO) – Requiring all contractors/subs to have goals for project hours for minorities and women; and to file an affirmative action program registration to diversify and implement fair employment practices with its workforce
  - Prevailing wages on construction labor requiring onsite workers whose duties are physical or manual to be paid weekly minimum prevailing rates including fringe benefits
  - Vendor Outreach Program – project-specific goals for purchasing goods and services from certified Small, Women-Owned and Minority-Owned businesses

METRO DEAF SCHOOL CONTACT

- Dr. Susan Outlaw, the Executive Director for the School is present to answer any questions

  - Susan Outlaw, soutlaw@mdsmn.org
  - 651-224-3995

Questions?

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