



STPAUL.GOV

**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**



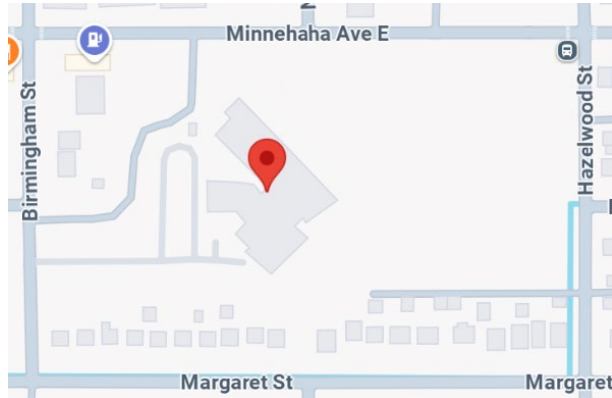
## CONDUIT REVENUE BONDS FOR NONPROFIT - REVISIT

- 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
<b>Total Sources</b>	<b>\$15,505,161</b>
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
<b>Total Uses</b>	<b>\$15,505,161</b>





## 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
  - Betsy Lueth, [blueth@twincitiesacademy.org](mailto:blueth@twincitiesacademy.org)
  - 651-205-4797



# Questions?

**Staff Contact:**

Jenny Wolfe, PED, HRA Debt Manager

651-266-6680

*[jenny.wolfe@ci.stpaul.mn.us](mailto:jenny.wolfe@ci.stpaul.mn.us)*