

ADMINISTRATIVE REPORT

DATE: August 22, 2024
TOPIC: 7.4 – Pre-Sale Report and Resolution for Lease–Purchase Agreement and Sale of Certificates of Participation, Series 2024B
PRESENTER: Kris Blackburn, Director of Business Services
REFERENCE TO POLICY/STATUTE: Policy 701, 702

A. PURPOSE OF REPORT

- a. A Lease–Purchase financing option is recommended to be used to finance the Special Education Transition Program project.
- b. The Lease–Purchase will not be a general obligation of the district. Payments will be subject to annual appropriations of funds by the school board, as required by statute. Debt service will be paid from general fund property tax levies as part of the district’s annual lease levy.
- c. The attached presale report will be discussed at the meeting.
- d. Attached is a resolution relating to school district property and improvements and the financing thereof; setting the parameters for the award of a Lease–Purchase agreement and the sale of Certificates of Participation therein; and establishing compliance with reimbursement bond regulations under the Internal Revenue Code of 1986. The Board is asked to adopt the resolution which will be updated when Jodie Zesbaugh of Ehlers and Associates will present the results of the sale.

B. RECOMMENDATION

- a. The Board is asked to adopt the resolution which will be updated when Jodie Zesbaugh of Ehlers and Associates will present the results of the sale on September 26, 2024.

C. CONNECTION TO STRATEGIC PRIORITY

- a. Student Experience
- b. Student Pathways and Systemic Supports
- c. Operations, Staffing, and Finance



CERTIFICATION OF MINUTES RELATING TO LEASE-PURCHASE AGREEMENT AND
CERTIFICATES OF PARTICIPATION

Issuer: Independent School District No. 833 (South Washington County), Minnesota

Governing Body: School Board

A regular meeting held August 22, 2024, at 6:00 p.m., at the District Service Center, 7362 E. Point Douglas Rd. S., Cottage Grove, Minnesota, or by electronic means, as authorized by law.

Members present:

Members absent:

Documents Attached: Excerpt of minutes of the above-described meeting relating to the resolution described below.

RESOLUTION RELATING TO SCHOOL DISTRICT PROPERTY AND
IMPROVEMENTS AND THE FINANCING THEREOF; SETTING
PARAMETERS FOR THE AWARD OF A LEASE-PURCHASE AGREEMENT
AND THE SALE OF CERTIFICATES OF PARTICIPATION THEREIN; AND
ESTABLISHING COMPLIANCE WITH REIMBURSEMENT BOND
REGULATIONS UNDER THE INTERNAL REVENUE CODE OF 1986.

I, the undersigned, being the duly qualified and acting recording officer of the public corporation issuing the obligations referred to in the title of this certificate, certify that the documents attached hereto have been carefully compared with the original records of said public corporation in my legal custody, from which they have been transcribed; that said documents are a correct and complete transcript of the portion of the minutes of a meeting of the governing body of said public corporation, and correct and complete copies of all resolutions and other actions taken and of all documents approved by the governing body at said meeting, so far as they relate to said obligations; and that said meeting was duly held by the governing body of the public corporation at the time and place indicated above and attended throughout by the members of the governing body in a number sufficient to legally transact business, pursuant to call and notice of such meeting given as required by law.

WITNESS my hand officially as such recording officer on August 22, 2024.

Clerk

EXCERPT OF MINUTES

Member _____ introduced the following resolution and moved its adoption, which motion was seconded by Member _____:

RESOLUTION RELATING TO SCHOOL DISTRICT PROPERTY AND IMPROVEMENTS AND THE FINANCING THEREOF; SETTING PARAMETERS FOR THE AWARD OF A LEASE-PURCHASE AGREEMENT AND THE SALE OF CERTIFICATES OF PARTICIPATION THEREIN; AND ESTABLISHING COMPLIANCE WITH REIMBURSEMENT BOND REGULATIONS UNDER THE INTERNAL REVENUE CODE OF 1986.

BE IT RESOLVED by the School Board (the “Board”) of the Independent School District No. 833 (South Washington County), Minnesota (the “District”), as follows:

SECTION 1. AUTHORITY; PURPOSE. The District is authorized by Minnesota Statutes, Section 465.71, to execute lease-purchase agreements for the purpose of financing or refinancing real and personal property. This Board hereby finds it in the best interest of the District to enter into a Lease-Purchase Agreement (the “Lease”) and issue certificates of participation therein (the “Certificates”) for the purpose of (i) financing the acquisition, construction, installation and improvement of an existing church structure located in Cottage Grove, Minnesota, which would serve as the site for the District’s transitional special education students (the “Project”), and (ii) financing costs of issuing the Lease and Certificates.

SECTION 2. AWARD AUTHORIZATION; AWARD PARAMETERS; FINAL APPROVAL; NOT BINDING. In order to accomplish the purposes set forth above, the Board desires to proceed with the marketing and sale of the Certificates in the Lease by competitive public offering. The Superintendent, Director of Business Services of the District, and a Board member (together, the “Award Committee”), in consultation with and upon the advice of representatives of Ehlers and Associates, Inc., municipal advisors to the District (the “Municipal Advisor”), are hereby authorized to approve the award of the Lease and sale of the Certificates in the Lease in an aggregate principal amount not to exceed \$9,445,000, provided that the true interest cost of the Lease and Certificates to the District is less than or equal to 5.00% per annum. Any member of the Award Committee is hereby authorized to execute an agreement with a purchaser (the “Purchaser”) for the sale of Certificates provided the foregoing parameters are satisfied. *An award by the Award Committee will be binding upon the District;* however, after receipt of proposals satisfying the parameters set forth in the preceding sentence and award by the Award Committee, the Board will take action at its next regularly scheduled meeting or a special meeting to adopt an approving resolution as prepared by counsel to the District, Dorsey & Whitney LLP (“Dorsey”). Notwithstanding the foregoing, the adoption of this resolution alone shall not be deemed to establish any obligation on the part of the District to approve the award of the Lease or the sale of the Certificates or to enter into the Lease or to cause the Certificates to be issued therein.

SECTION 3. PRELIMINARY OFFICIAL STATEMENT; LEGAL DOCUMENTS; ADDITIONAL AUTHORITY. The Municipal Advisor, on behalf of the District, and employees and officers of the District, are hereby authorized to prepare and distribute a preliminary official statement (the “Preliminary Official Statement”) related to the Project, the Lease and the sale of

the Certificates therein. Any member of the Award Committee shall deem the Preliminary Official Statement substantially final in accordance with applicable federal securities laws. The Award Committee is hereby further authorized to review and approve the distribution of any addenda or supplements to the Preliminary Official Statement which are useful or necessary in connection with the marketing and sale of the Certificates. Dorsey is hereby authorized to prepare forms of the Lease and the Certificates and other related legal agreements, documents, instruments and certificates as may be necessary or appropriate. The Municipal Advisor, Dorsey and employees and officers of the District are hereby authorized to take any additional actions, including but not limited to the negotiation and execution of documents or the engagement of other third-parties, as may be useful or necessary in connection with the Project, the Lease or the Certificates.

SECTION 4. NATURE OF DISTRICT'S OBLIGATIONS. The Lease and the obligations of the District thereunder will be special, limited obligations of the District, subject to termination at the end of each fiscal year in the event the Board does not appropriate funds sufficient to continue the same for the following fiscal year. The full faith and credit and ability of the District to levy ad valorem taxes without limitation as to rate or amount are not pledged to the payment of the Lease or any obligation of the District thereunder or under the documents relating thereto.

SECTION 5. REIMBURSEMENT.

1. Recitals.

- (a) The Internal Revenue Service has issued Section 1.150-2 of the Income Tax Regulations (the "Reimbursement Regulations") dealing with the issuance of tax-exempt obligations all or a portion of the proceeds of which are to be used to reimburse the District for project expenditures made by the District prior to the date of issuance of such obligations.
- (b) The Reimbursement Regulations generally require that the District make a declaration of its official intent to reimburse itself for such prior expenditures out of the proceeds of a subsequently issued series of tax-exempt obligations within 60 days after payment of the expenditures, that such obligations be issued and the reimbursement allocation be made from the proceeds of such obligations within the reimbursement period (as defined in the Reimbursement Regulations) and that the expenditures reimbursed be capital expenditures or costs of issuance of the obligations.
- (c) The District desires to comply with requirements of the Reimbursement Regulations with respect to the Project, the Lease and the Certificates issued therein.

2. Official Intent Declaration.

- (a) The District proposes to undertake the Project, to make original expenditures with respect to such Project prior to the issuance of the Lease

and the Certificates therein, and reasonably expects to issue the Lease and the Certificates therein to finance such Project in the maximum principal amount of \$9,445,000.

- (b) Other than (i) de minimis amounts permitted to be reimbursed pursuant to Section 1.150-2(f)(1) of the Reimbursement Regulations or (ii) expenditures constituting preliminary expenditures as defined in Section 1.150-2(f)(2) of the Reimbursement Regulations, the District will not seek reimbursement for any original expenditures with respect to the Project paid more than 60 days prior to the date of adoption of this resolution.
- (c) All original expenditures for which reimbursement is sought will be capital expenditures or costs of issuance of the Lease and the Certificates therein issued to finance the Project.

3. Budgetary Matters. As of the date hereof, there are no District funds reserved, pledged, allocated on a long term basis or otherwise set aside (or reasonably expected to be reserved, pledged, allocated on a long term basis or otherwise set aside) to provide permanent financing for the original expenditures to be financed by the issuance of the Lease and the Certificates therein. Consequently, it is not expected that the issuance of the Lease and the Certificates therein will result in the creation of any replacement proceeds.

4. Reimbursement Allocations. The District's Director of Business Services or his or her designee shall be responsible for making the "reimbursement allocations" described in the Reimbursement Regulations, being generally the transfer of the appropriate amount of proceeds of the Lease and the Certificates therein to reimburse the source of temporary financing used by the District to make payment of the original expenditures relating to the Project. Each reimbursement allocation shall be made not later than (i) 18 months after the date of the original expenditure or (ii) 18 months after the date the Project is placed in service or abandoned (but in no event later than three years after the original expenditure is paid) and shall be evidenced by an entry on the official books and records of the District maintained for the Lease and the Certificates therein issued to finance the Project and shall specifically identify the original expenditures being reimbursed.

SECTION 6. EXPIRATION OF AUTHORITY. If an agreement with the Purchaser for the sale of Certificates has not been entered into by December 31, 2024, this resolution and all approvals hereunder shall expire.

Upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

whereupon the resolution was declared duly passed and adopted.