

United Community Action Partnership (UCAP) Head Start Facility Conduit Bonding

Background on Head Start Facility:

In 2017, UCAP was given notice that Grace Life Church of Marshall was expanding and would no longer be able to lease classroom space to Head Start (HS) after June 1, 2019. UCAP has analyzed over 30 existing buildings for conversion into a new HS Center and has been in contact with real estate agents, developers, churches, local leaders, schools, the media, and architects to assist in locating available space. None of the spaces, including UCAP's corporate office on South Saratoga, were viable for conversion largely due to the HS Program Performance Standards and the Minnesota Child Care Center Laws and Rules. Typical barriers included the size of space, buildings designed with residential versus commercial construction methods, lack of sprinkler systems, short-term lease options, and accessibility. As an example, the cost to renovate the corporate offices to meet HS regulations would have cost over \$4.3 million which exceeds the cost of new construction by over \$700,000. In addition, UCAP would have to incur the costs of renovating a replacement space for the corporate office and moving staff, phone, computer systems, etc. The most viable option for UCAP is the construction of a new HS facility next to the corporate office, providing efficiencies for both the organization and consumers accessing UCAP services.

Marshall has experienced positive growth in population, the economy, and welcoming new residents from around the world, but child poverty rates are rising. The 2016 American Community Survey showed a 3% increase in child poverty rates over recent years. In 2017, the State Demographer issued a report called Greater Minnesota Refined and Revisited which noted that rural residents who work full-time are two or more times more likely to live in poverty than urban residents working full-time. With more families in poverty, HS programs are critical. The National Head Start Association notes that children in Head Start are 31% less likely to have been held back a grade.

HS is a critical program that promotes school readiness of children from birth to age five from low-income families by enhancing cognitive, social and emotional development. Without the HS program in Marshall, many children would enter kindergarten unprepared, struggle with English comprehension, and be without consistent child care. No other early childhood program in Marshall provides free full day services. Lack of child care options is a significant barrier in Southwest Minnesota with community leaders, philanthropic organizations, and employers struggling to develop solutions. HS classrooms have consistently remained fully enrolled, with a waiting list.

UCAP is planning the development of a new HS facility at 1400 S Saratoga Street in Marshall, Minnesota. The total development cost of the new facility is approximately \$3.6 million. This 14,148 square foot single-story facility will provide 5 HS classrooms, each with approximately 985 square feet, including restrooms, storage and furniture. Additionally, the proposed facility includes rooms for Infant and Toddler care expansion (Early Head Start). The facility will include Head Start offices for Family Service Workers, Site Supervisor, Coach/Mentor, Program Assistant, and Education Manager, bringing HS staff on site, increasing productivity and reducing travel costs. In addition, co-locating UCAP and HS will provide a more streamlined approach for referrals and improve access for consumers seeking services from various UCAP programs.

The building will include a commercial kitchen to improve the nutritional services provided to the children. Installation of a kitchen on-site is estimated to save \$10,000 per year, a 1% reduction in program costs. It will also allow for more farm to table integration, reduce sugar and fat content, and provide food that reflects the diversity of the children enrolled. The center

will also have a fenced outdoor play area that meets the mandatory 75 square feet of outdoor space per child. A multipurpose room will provide opportunities for indoor play/large motor development and space for Parent Committees, Policy Council, and meetings with parents. The space will also have a custodial room, storage room, mechanical/electrical room, adult restrooms, and entrance/lobby. The UCAP site has the necessary space for parking and also for a bus loading/unloading area. The site is already owned by UCAP and will be located next to the corporate office. The site plan and building layout is included in the additional attachments section. The new facility will be ready for occupancy by UCAP's HS programs for the 2019/2020 school year.

A new HS facility in Marshall is critical to ensuring that early childhood education needs are met, especially for children living in poverty that have limited opportunities to afford tuition-based preschool options. HS works to provide equal opportunity for children entering kindergarten, despite their economic status. HS advances children on an educational, social and physical level. The program also provides critical education services for parents, including the topics of child development, health care, nutrition, and importance of family engagement. A new facility will also create a sense of stability for families and teaching staff knowing they have a permanent location.

Background on Conduit Bonding:

In 2018, UCAP approached the City about issuing a conduit bond on behalf of UCAP for the Head Start Facility. The Mayor and City Administrator expressed support to issue the conduit bonds. Conduit bonds are revenue bonds—the city does not pay debt service, or any other cost related to the transaction. As a practical matter, the loan is (normally) handled entirely by a separate bond trustee (usually the trust division of a bank). After the bonds are issued, the city has almost no role in payment or administration of the bonds. In order for bonds to be qualified tax-exempt obligations the bonds must be (i) issued by a "qualified small issuer," (ii) issued for public purposes, and (iii) designated as qualified tax-exempt obligations. A "qualified small issuer" is (with respect to bonds issued during any calendar year) an issuer that issues no more than \$10 million of tax-exempt bonds during the calendar year. Qualified tax-exempt obligations are commonly referred to as "bank qualified bonds."

However we recently found out that it is possible that we would exceed \$10 million of bonding due to the fact that the wastewater facility upgrade Public Facilities Authority loan counts towards the \$10 million limit. To avoid putting the wastewater financing and future City Hall financing at risk, Baker Tilly (Springsted) approached the County to issue the conduit bonds. The County can issue the conduit bonds if the City consents them to do so. The County will take up this request at their June 18th Board meeting and the City will consent for them to do the conduit bonding at the June 25th.