



## CITY OF MARSHALL AGENDA ITEM REPORT

<b>Presenter:</b>	E.J. Moberg
<b>Meeting Date:</b>	Tuesday, March 26, 2024
<b>Category:</b>	PUBLIC HEARING
<b>Type:</b>	ACTION
<b>Subject:</b>	Granting final approval of the issuance of conduit revenue bonds for the benefit of Foundation for Innovation in Education and Southwest West Central Service Cooperative and approving related documents – 1) Public Hearing; 2) Consider resolution providing approval for said issuance and related documents
<b>Background Information:</b>	<p>The City has agreed to act as conduit issuer on behalf of the Southwest West Central Service Cooperative (Cooperative) and Foundation for Innovation in Education (Foundation) for the financing of the acquisition, construction, and equipping of an approximately 16,100 square-foot facility on real property located at or about the intersection of Channel Parkway and London Road in the City of Marshall, Minnesota. The building will be owned by the Foundation and leased to and operated by the Cooperative. The proceeds of the Bonds are proposed to be loaned by the City to the Foundation as the Borrower pursuant to the terms of a Loan Agreement, dated as of or after April 1, 2024 between the City and the Borrower.</p> <p>The Land and the Facility will be owned by the Foundation and leased to and operated by the Cooperative in accordance with a Lease Agreement, dated as of or after April 1, 2024, by and between the Foundation, as landlord, and the Cooperative, as tenant, pursuant to which the Cooperative will operate the facility for the purpose of providing educational programs and services to its members, including independent school districts, cities, counties, and other governmental agencies, as well as nonprofit organizations, and on its members’ behalf.</p> <p>The Bonds are proposed to be issued by the City to finance the Project and will constitute conduit revenue bonds secured solely by: (i) the revenues derived from the Loan Agreement; (ii) a pledge and assignment of the Cooperative’s revenues, as more specifically set forth in the Financing Documents, including money provided by the Cooperative’s participating members; (iii) other revenues pledged to or otherwise received by the Borrower, except for those revenues necessary for ordinary operational expenses and required under Minnesota law; (iv) a mortgage, security agreement and assignment of rents granted by the Borrower for the benefit of the trustee for the Bonds, U.S. Bank Trust Company, National Association (the “Trustee”), with respect to the Land and Facility; (v) an assignment of the Lease between the Borrower and the Cooperative; and (vi) other security provided or arranged by the Borrower or the Cooperative.</p> <p>The Bonds shall be issued under the terms of an Indenture of Trust, dated as of or after April 1, 2024 (the “Indenture”), between the City and the Trustee. The Bonds shall bear interest at fixed rates established by the terms of the Indenture. The City hereby authorizes the Series 2024A Bonds to be issued as “tax-exempt bonds” the interest on which is excluded from gross income for federal and State of Minnesota income tax purposes. Any separate series of Bonds may be issued as “taxable bonds” if deemed necessary and appropriate by the City Officials and bond counsel. The Bonds will be purchased by Robert W. Baird &amp; Co. Incorporated (the “Underwriter” [or “Baird”]),</p>

	<p>pursuant to a Bond Purchase Agreement, dated on or after the date hereof among the City, the Underwriter, the Borrower, and the Cooperative (the “Bond Purchase Agreement”).</p> <p>Pursuant to Section 147(f) of the Internal Revenue Code of 1986, and regulations promulgated thereunder, it is required that prior to the issuance of the Bonds, Council hold a public hearing and following said hearing, approve the use of proceeds of the Bonds as described in the resolution. The Tax Equity and Fiscal Responsibility Act (TEFRA) hearing is an IRS requirement for any non-profit borrower seeking tax-exempt bonds through a conduit issuer. The hearing is held to allow members of the public to comment, contest, oppose, or support the use of tax-exempt bonds for a non-profit borrower that is providing a public benefit. The City will hold a public hearing on the issuance of the conduit revenue bonds to finance the project on March 26, 2024, at 5:30 p.m., in Council Chambers. Published notice was included in the March 12, 2024, issue of the Marshall Independent.</p> <p>As with all conduit revenue bonds the City will have no obligation to pay the bonds even if the project encounters financial difficulties.</p> <p>The Foundation has completed the City’s application for tax exempt financing and returned the completed form with non-refundable application fee to the Director of Administrative Services.</p> <p>The resolution to be considered by Council will grant final approval of the issuance of conduit revenue bonds for the benefit of the Foundation and Cooperative and approving the related documents including loan agreement between the City and Foundation and indenture of trust between the City and US Bank as the trustee. The resolution and related documents are in the Council packet.</p>
<b>Fiscal Impact:</b>	
<b>Alternative/ Variations:</b>	
<b>Recommendations:</b>	<p>Recommendation No. 1: Hold and close the public hearing</p> <p>Recommendation No. 2: Adopt the resolution providing final approval of the issuance of conduit revenue bonds for the benefit of Foundation for Innovation in Education and Southwest West Central Service Cooperative and approving related documents</p>