

DATE: April 14, 2025

TITLE: **Energy Savings Funding Approval**

TYPE: Action

PRESENTER: Todd Lechtenberg, Executive Director of Finance & Operations

Background:

Austin Public Schools (APS) has engaged PMA Securities to manage all district investments and project financing, including debt obligations.

Rationale:

The [attached presentation](#) from PMA outlines the advantages of utilizing capital facilities bonds instead of funding the project through energy savings. Key benefits include:

- Agricultural landowners will experience a tax reduction due to the Ag2School credit.
- The project can proceed without impacting the district's day-to-day operations.
- Capital facilities bonds are an eligible funding source for this type of borrowing.
- Additionally, we recommend adopting a wraparound debt structure, as it allows us to maintain financial flexibility to support curriculum, operations, facilities, and technology needs.

Regarding a potential referendum, this funding approach will not alter the tax impact analysis or affect how we structure financing for a voter-approved bond. Since the debt will be serviced through the district's existing allocation of operating capital funds, it will not change the revenue received by the school district.

Furthermore, this financing will not increase taxes for any taxpayers. In fact, agricultural landowners will see a tax reduction due to the Ag2School property tax credit.

The primary impact of this funding method is a reduction in available operating capital within the general fund, which could otherwise be allocated to other district priorities.

Recommendation:

We are recommending that Austin School Board approving the following resolution for PMA to secure the funding for the General Obligation Capital Facilities Bonds, Series 2025B.

CERTIFICATION OF MINUTES RELATING GENERAL OBLIGATION CAPITAL
FACILITIES BONDS, SERIES 2025B

School District: Independent School District No. 492 (Austin), Minnesota

Governing Body: School Board

Kind, date, time and place of meeting: A regular meeting held on April 14, 2025 at 5:30 p.m. in
in the Annex Recital Hall.

Members present:

Members absent:

Documents attached:

Minutes of said meeting (including):

RESOLUTION RELATING TO GENERAL OBLIGATION CAPITAL FACILITIES BONDS,
SERIES 2025B; STATING OFFICIAL INTENT TO PROCEED WITH AND AUTHORIZING
THE ISSUANCE AND AUTHORIZING THE SUPERINTENDENT OR DIRECTOR OF
FINANCE AND OPERATIONS AND ANY BOARD OFFICER TO AWARD THE SALE
THEREOF AND TO TAKE SUCH ACTION AND EXECUTE ALL DOCUMENTS
NECESSARY TO ACCOMPLISH SAID AWARD AND SALE; ESTABLISHING
COMPLIANCE WITH REIMBURSEMENT BOND REGULATIONS UNDER THE
INTERNAL REVENUE CODE

I, the undersigned, being the duly qualified and acting recording officer of the public corporation approving the abatement referred to in the title of this certificate, certify that the documents attached hereto, as described above, have been carefully compared with the original records of said corporation in my legal custody, from which they have been transcribed; that said documents are a correct and complete transcript of the minutes of a meeting of the governing body of said 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 abatement; and that said meeting was duly held by the governing body at the time and place and was attended throughout by the members indicated above, pursuant to call and notice of such meeting given as required by law.

WITNESS my hand officially as such recording officer this 14th day of April, 2025.

School District Clerk

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

RESOLUTION RELATING TO GENERAL OBLIGATION CAPITAL FACILITIES BONDS, SERIES 2025B; STATING OFFICIAL INTENT TO PROCEED WITH AND AUTHORIZING THE ISSUANCE AND AUTHORIZING THE SUPERINTENDENT OR DIRECTOR OF FINANCE AND OPERATIONS AND ANY BOARD OFFICER TO AWARD THE SALE THEREOF AND TO TAKE SUCH ACTION AND EXECUTE ALL DOCUMENTS NECESSARY TO ACCOMPLISH SAID AWARD AND SALE; ESTABLISHING COMPLIANCE WITH REIMBURSEMENT BOND REGULATIONS UNDER THE INTERNAL REVENUE CODE

BE IT RESOLVED by the School Board (the Board) of Independent School District No. 492 (Austin), Minnesota (the District), as follows:

Section 1. Authorization and District Indebtedness. The District is authorized, pursuant to Minnesota Statutes, Section 123B.62 and Chapter 475, to borrow money by the issuance of its General Obligation Capital Facilities Bonds in a principal amount that, when combined with interest thereon, may be paid from tax levies that, in combination with tax levies made pursuant to Minnesota Statutes, Section 123B.61, do not exceed in each year the lesser of (a) the amount of the District's total operating capital revenue, or (b) the sum of the District's levy in the general and community service funds excluding the adjustments under Minnesota Statutes, Section 123B.61 for the year preceding the year the initial debt service levies are certified.

This Board hereby determines that it is necessary and desirable and in the best interest of the District for the District to issue its General Obligation Capital Facilities Bonds, Series 2025B in an aggregate principal amount not to exceed \$2,900,000 (the Bonds), to (i) finance certain energy efficiency projects, including building envelope and lighting improvements and destratification fan acquisition and installation, and (ii) pay costs of issuance associated with the Bonds (collectively, the Project). Pursuant to the provisions of Minnesota Statutes, Chapter 123B.62(b), it is hereby determined that the total amount of District indebtedness as of April 1, 2025 is \$32,034,332.

Section 2. Solicitation of Proposals. The Superintendent or Director of Finance and Operations and any Board officer, in conjunction with PMA Securities, LLC, in Albertville, Minnesota (PMA), independent municipal advisor to the District, are hereby authorized to solicit proposals for the purchase of the Bonds.

Section 3. Award of Sale; Ratification. The Superintendent or Director of Finance and Operations and any Board officer in consultation with and upon the advice of representatives PMA, are hereby authorized and directed to award the sale of the Bonds to the purchaser and execute a bond purchase agreement on the part of the District with respect to the Bonds, provided that a favorable recommendation to accept the proposal is received from PMA, the aggregate principal amount of the Bonds does not exceed \$2,900,000, and the true interest cost does not exceed 5.00%. This Board shall meet at an upcoming regularly scheduled or special meeting to adopt a bond resolution prepared by the District's bond counsel ratifying the sale of the Bonds and incorporating the terms and conditions of the proposal so accepted.

Section 4. Approval by Commissioner of Education of the State of Minnesota. A list of the proposed projects to be financed with the Bonds and the issuance of the Bonds has been submitted to the Commissioner of Education of the State of Minnesota for approval as provided in Minnesota Statutes, Section 123B.62(a) and such approval will be received prior to the date on which the Bonds are issued.

Section 5. Official Intent and Notice Publication. In accordance with the provisions of Minnesota Statutes, Section 123B.62(c), this resolution shall be considered the District's official intent to issue the Bonds. The Clerk is authorized and directed to cause notice of the intended projects, the amount of the bond issue, and the total amount of the District's indebtedness to be published in a legal newspaper of general circulation in the District. The bond issue tentatively authorized by this resolution shall become finally authorized unless a petition signed by more than 15 percent of the registered voters of the District, calling for a referendum on the question of whether to issue the Bonds, is filed within the school board within thirty (30) days of adoption of this resolution.

Section 6. Official Statement. PMA, 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 sale of the Bonds. The Superintendent and Director of Finance and Operations are each hereby authorized to approve the Preliminary Official Statement and deem the Preliminary Official Statement substantially final in accordance with applicable federal securities laws. The Superintendent and Director of Finance and Operations are 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 Bonds.

Section 7. State Credit Enhancement Program. (a) The District hereby covenants and obligates itself to notify the Commissioner of Education of a potential default in the payment of principal and interest on the Bonds and to use the provisions of Minnesota Statutes, Section 126C.55 to guarantee payment of the principal and interest on the Bonds when due. The District further covenants to deposit with the Registrar or any successor paying agent three (3) days prior to the date on which a payment is due an amount sufficient to make that payment or to notify the Commissioner of Education that it will be unable to make all or a portion of that payment. The Registrar for the Bonds is authorized and directed to notify the Commissioner of Education if it becomes aware of a potential default in the payment of principal or interest on the Bonds or if, on the day two (2) business days prior to the date a payment is due on the Bonds, there are insufficient funds to make that payment on deposit with the Registrar. The District understands that as a result of its covenant to be bound by the provision of Minnesota Statutes, Section 126C.55, the provisions of that section shall be binding as long as any Bonds of this issue remain outstanding.

(b) The District further covenants to comply with all procedures now and hereafter established by the Departments of Management and Budget and Education of the State of Minnesota pursuant to Minnesota Statutes, Section 126C.55, subdivision 2(c) and otherwise to take such actions as necessary to comply with that section. The chair, clerk, superintendent or Director of Finance and Operations is authorized to execute any applicable Minnesota Department of Education forms.

Section 8. Reimbursement.

(a) (i) The Internal Revenue Service has issued Section 1.150-2 of the Income Tax Regulations (the 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 (the Reimbursement Obligations).

(ii) The 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 Regulations), and that the expenditures reimbursed be capital expenditures or costs of issuance of the obligations.

(iii) The District desires to comply with requirements of the Regulations with respect to the Project.

(b) (i) The District proposes to undertake Project and to make original expenditures with respect thereto prior to the issuance of Reimbursement Obligations, and reasonably expects to issue Reimbursement Obligations for such project in the maximum principal amounts shown below:

<u>Project</u>	<u>Maximum Amount of Obligations Expected to be Issued for Project</u>
efficient lighting projects	\$ 2,900,000

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

(c) 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 related to the Project other than pursuant to the issuance of the Reimbursement Obligations. Consequently, it is not expected that the issuance of the Reimbursement Obligations will result in the creation of any replacement proceeds.

(d) The District's Director of Finance and Operations shall be responsible for making the "reimbursement allocations" described in the Regulations, being generally the transfer of the appropriate amount of proceeds of the Reimbursement Obligations 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) eighteen (18) months after the date of the original expenditure or (ii) eighteen (18) months after the date the Project is placed in service or abandoned (but in no event later than three (3) 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 Reimbursement Obligations and shall specifically identify the original expenditures being reimbursed.

Section 8. Expiration. If the Superintendent or Director of Finance and Operations and any Board officer have not approved the sale of the Bonds and executed the related bond purchase agreement or similar agreement by September 30, 2025, the authorization provided in Section 3 of this resolution 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.