Osseo Area Schools

MEMO

TO: Dr. Kim Hiel, Superintendent
FROM: John Morstad, Executive Director of Finance and Operations
Kelly Benusa, Director of Business Services
SUBJECT: Series 2026B Bond Issue and Abatement Bond
DATE: 6/23/2026

Recommendation

We are recommending the school board approve two resolutions:

1. **Property Tax Abatement Resolution**
   a. Approves a proposed property tax abatement for parking lot improvement projects
   b. Calls for a required public hearing
   c. Establishes compliance with IRS reimbursement bond regulations
2. **Series 2026B School Building Bonds**
   a. Authorizes issuance of $63,225,000 in school building bonds
   b. Represents the final portion of the 2023 voter-approved bond referendum

Background

In 2023, voters approved $223,225,000 in school building bonds to fund the Building a Better Future (BBF) program. The remaining balance of approximately $63,225,000 million will fund the final phase of these projects. These resolutions represent the final step in securing funding for all BBF projects.

Crest View Project Funding Strategy

The Crest View project was initially planned as a renovation but transitioned to a full rebuild, requiring additional funding. At the direction of the district's financial advisor, Ehlers, two potential funding sources were identified:

1. Property Tax Abatement Bonds (limited to parking lot projects)
2. Certificates of Participation (COPs)

As project planning advanced into the construction phase, the district determined:

- Abatement bonds alone are sufficient to cover the funding gap
- There are adequate eligible parking lot projects within BBF to align with abatement requirements

Abatement bonds are General Obligation bonds, providing a key advantage by offering lower interest rates than Certificates of Participation (COPs), which results in long-term cost savings. The total bond impact (principal and interest) will not exceed $19,138,350. This amount is lower than the combined abatement and COP financing originally projected, resulting in a more favorable tax impact for our stakeholders.

The issuance process includes specific steps listed in the timeline below.

Timeline

Series 2026B – GO School Building & Tax Abatement Bonds

- **June 23, 2026** – Board adopts bond intent resolution and calls public hearing
- **Mid-July 2026** – District submits public hearing notice for publication (10+ days prior)
- **July 26 – August 15, 2026** – Public hearing notice published (10-30 day window)
- **Week of August 17, 2026** – Bond attorney prepares abatement and bond resolutions
- **August 25, 2026** – Public hearing and board action
    - Conduct hearing
    - Approve abatement and authorize bonds
    - Adopt intent resolution
    - Pre-sale report presented
- **Week of September 7, 2026** – Pre-sale activities (due diligence, rating calls)
- **Week of September 14, 2026** – Draft sale award resolution
- **September 22, 2026** – Board awards bond sale
- **October 15, 2026** – Bond closing; proceeds received and invested