



## STAFF REPORT

TO: Mayor Keis and Members of City Council

FROM: Chris Heineman, City Administrator

DATE: November 28, 2018

RE: Resolution Giving Host Approval and Consenting to the Issuance by the City of Vadnais Heights of Charter School Lease Revenue Bonds (Academy for Sciences and Agriculture) Under Minnesota Statutes, Sections 469.152 - 469.1655, as amended, and Minnesota Statutes, Section 471.656, as amended.

**ACTION REQUESTED:**

Conduct a public hearing and consider approval of a Resolution Giving Host Approval and Consenting to the Issuance by the City of Vadnais Heights of Charter School Lease Revenue Bonds (Academy for Sciences and Agriculture) Under Minnesota Statutes, Sections 469.152 - 469.1655, as amended, and Minnesota Statutes, Section 471.656, as amended.

**BACKGROUND:**

The City of Little Canada has been contacted by representatives from Kennedy & Graven, Chartered with a request to provide host city approval for the issuance of Charter School Lease Revenue Bonds for the proposed Academy for Sciences & Agriculture (AFSA) project by the City of Vadnais Heights.

The AFSA Building Company has requested that the City of Vadnais Heights issue one or more revenue obligations not to exceed \$13 million to refinance their existing bonds and finance the acquisition, renovation, and equipping of the existing commercial building at 2925 Country Drive in Little Canada for students in pre-kindergarten through eighth grade. According to Minnesota Statutes, the City of Little Canada must hold a Public Hearing and consent to giving host approval consenting to the issuance of Charter School Lease Revenue Bonds by the City of Vadnais Heights.

The Little Canada City Council unanimously approved a Resolution calling for a public hearing for the purpose of providing host approval for the issuance of charter school lease revenue bonds by the City of Vadnais Heights on October 29, 2018. There is no risk to the City of Little Canada, and no costs will be incurred related to the project. Staff recommends approval of the Resolution.

Extract of Minutes of a Meeting of the  
City Council of the City of Little Canada  
Ramsey County, Minnesota

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Little Canada, Minnesota, was duly held in the City Hall in said City on Wednesday, November 28, 2018, commencing at 7:30 P.M.

The following members were present:

and the following were absent:

Member \_\_\_\_\_ introduced the following resolution and moved its adoption:

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION GIVING HOST APPROVAL AND CONSENTING  
TO THE ISSUANCE BY THE CITY OF VADNAIS HEIGHTS OF  
CHARTER SCHOOL LEASE REVENUE BONDS (ACADEMY  
FOR SCIENCES & AGRICULTURE) UNDER MINNESOTA  
STATUTES, SECTIONS 469.152-469.1655, AS AMENDED, AND  
MINNESOTA STATUTES, SECTION 471.656, AS AMENDED**

The motion for the adoption of the foregoing resolution was duly seconded by member \_\_\_\_\_, and after full discussion thereof and upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

whereupon said resolution was declared duly passed and adopted.

**CITY OF LITTLE CANADA, MINNESOTA**

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION GIVING HOST APPROVAL AND CONSENTING TO THE ISSUANCE BY THE CITY OF VADNAIS HEIGHTS OF CHARTER SCHOOL LEASE REVENUE BONDS (ACADEMY FOR SCIENCES & AGRICULTURE) UNDER MINNESOTA STATUTES, SECTIONS 469.152-469.1655, AS AMENDED, AND MINNESOTA STATUTES, SECTION 471.656, AS AMENDED**

BE IT RESOLVED, by the City Council (the “Council”) of the City of Little Canada, Minnesota (the “City”) as follows:

Section 1. General Recitals. The City is a municipality, statutory city, and political subdivision duly organized and existing under the laws of the State of Minnesota. Under the Constitution and laws of the State of Minnesota, particularly Minnesota Statutes, Sections 469.152-469.1655, as amended (the “Act”), a municipality is authorized to issue revenue bonds to finance or refinance any properties, real or personal, used or useful in connection with a revenue producing enterprise engaged in any business. Under Minnesota Statutes, Section 471.656, as amended, a municipality may issue obligations to finance or refinance the acquisition or improvement of real property located outside of the corporate boundaries of such municipality if the governing body of the municipality in which the real property is located consents by resolution to the issuance of such obligations by the other municipality.

Section 2. Description of the Project.

(a) Under the terms of Resolution No. 04-10-212 adopted on October 19, 2004 by the City Council of the City of Vadnais Heights, Minnesota, a municipality, statutory city, and political subdivision duly organized and existing under the laws of the State of Minnesota (the “Issuer” or the “City of Vadnais Heights), on December 10, 2004, and under the provisions of an Indenture of Trust, dated as of December 1, 2004, between the Issuer and Wells Fargo Bank, National Association (now UMB Bank, n.a., as successor trustee), the Issuer issued its: (i) Lease Revenue Bonds (Agricultural and Food Sciences Academy Project), Series 2004A (the “Series 2004A Bonds”), in the original aggregate principal amount of \$8,390,000; and (ii) Taxable Lease Revenue Bonds (Agricultural and Food Sciences Academy Project), Series 2004B (the “Series 2004B Bonds”), in the original aggregate principal amount of \$510,000 (the Series 2004A Bonds and the Series 2004B Bonds are hereinafter referred to collectively as the “Series 2004 Bonds”). The proceeds of the Series 2004 Bonds were loaned to AFSA Building Company, a Minnesota nonprofit corporation (the “Company”), and were applied by the Company to finance the acquisition, construction, and equipping of an approximately 45,000 square foot grade nine through twelve education facility located at 100 East Vadnais Boulevard in the City of Vadnais Heights (the “Series 2004 Project”).

(b) The Company has requested that the City of Vadnais Heights issue one or more series of revenue obligations, as taxable or tax-exempt (the “Bonds”), in an aggregate principal amount not to exceed \$13,000,000, for the purpose of: (i) redeeming and prepaying the outstanding Series 2004 Bonds; (ii) financing the acquisition, renovation, and equipping of an approximately 30,000 square foot existing building located at 2925 County Drive in the City for use as a public charter school for students in pre-kindergarten through eighth grade (the “Series 2018 Project”); (iii) funding a debt service reserve fund to secure the timely payment of the Bonds; (iv) paying a portion of the interest on the Bonds; and (v) paying a portion of the costs of issuing the Bonds.

(c) The Series 2004 Project and the Series 2018 Project (collectively, the “Project”) will be owned by the Company and leased to and operated by AFSA High School, doing business as Academy for Sciences & Agriculture (formerly known as The Agricultural and Food Sciences Academy), a Minnesota nonprofit corporation (the “School”), as a public charter school.

(e) The City has been advised by bond counsel for the City of Vadnais Heights that the Bonds or other obligations, as and when issued will not constitute a charge, lien, or encumbrance upon any property of the City or the City of Vadnais Heights, except the Project and the revenues derived from the Project. Such Bonds or obligations shall not be a charge against the general credit or taxing powers of the City or the City of Vadnais Heights, but are payable solely from revenues of the Company or security provided by the Company.

### Section 3. Representations Made by the Company

(a) The Company has agreed to pay any and all costs incurred by the City in connection with the issuance of the Bonds, including the fees of the City’s bond counsel, Briggs and Morgan, Professional Association, whether or not such issuance is carried to completion.

(b) The Company has represented to the City that no public official of the City has either a direct or indirect financial interest in the Project or the Bonds, nor will any public official of the City either directly or indirectly benefit financially from the Project or the issuance of the Bonds.

### Section 4. Public Hearing

(a) As required by Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”), a notice of public hearing was published in the official newspaper of the City and a newspaper of general circulation in the City (the *Roseville – Little Canada Review*) with respect to a public hearing on the proposed issuance of the Bonds and the financing and refinancing of the Project.

(b) As required by Section 147(f) of the Code, the City Council of the City has on this date held a public hearing on the issuance of the Bonds by the City of Vadnais Heights and on the financing and refinancing of the Project with the proceeds of the Bonds. At the public hearing all persons appearing who desired to speak were heard and any written comments were accepted.

Section 5. Host Approval. The City Council of the City hereby consents to the issuance of the Bonds by the City of Vadnais Heights and grants host approval with respect to the issuance of the Bonds by the City of Vadnais Heights and the financing and refinancing of the Project.

Section 6. Certified Proceedings. The Council members, officers, employees, and agents of the City are hereby authorized and directed to prepare and furnish to bond counsel and the original purchaser of the Bonds certified copies of all proceedings and records of the City relating to the approval of the issuance of the Bonds, including a certification of this resolution.

Approved by the City Council of the City of Little Canada, Minnesota this 28th day of November, 2018

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John T. Keis, Mayor

ATTEST:

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Christopher Heineman, City Administrator

STATE OF MINNESOTA )

COUNTY OF RAMSEY ) ss.

CITY OF LITTLE CANADA )

I, the undersigned, being the duly qualified and acting City Administrator of the City of Little Canada, Minnesota (the "City"), do hereby certify that I have carefully compared the attached and foregoing extract of minutes of a regular meeting of the City Council of the City held on November 28, 2018, with the original minutes on file in my office and the extract is a full, true, and correct copy of the minutes insofar as they relate to the City giving host approval and consenting to the issuance by the City of Vadnais Heights of charter school lease revenue bonds (Academy for Sciences & Agriculture).

WITNESS My hand officially as such City Administrator and the corporate seal of the City this \_\_\_\_ day of \_\_\_\_\_, 2018.

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Christopher Heineman, City Administrator  
Little Canada, Minnesota

(SEAL)



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Date: November 26, 2018

To: Chris Heineman, City Administrator, City of Little Canada

cc: Catherine Courtney, Esq.

From: Sofia E. Lykke

Re: Host Approval for Tax-Exempt Obligations to Be Issued by the City of Vadnais Heights, Minnesota

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AFSA Building Company, a Minnesota nonprofit Company (the “Company”), has proposed that the City of Vadnais Heights, Minnesota (the “City of Vadnais Heights”) issue revenue obligations (the “Bonds”) in an estimated aggregate principal amount not to exceed \$13,000,000, under Minnesota Statutes, Sections 469.152 through 469.1655, as amended, and Minnesota Statutes, Section 471.656, as amended (collectively, the “Act”). The proceeds derived from the sale of the Bonds are proposed to be loaned to the Company (the “Loan”) pursuant to the terms of a loan agreement or other revenue agreement (the “Loan Agreement”) between the City of Vadnais Heights and the Company. A portion of the proceeds of the Loan will be used by the Company to finance the acquisition, renovation, and equipping of an approximately 30,000 square foot existing building located at 2925 Country Drive in the City of Little Canada, Minnesota (the “City”) for use as a public charter school for students in pre-kindergarten through eighth grade (the “Project”), to be owned by the Company and leased to and operated by AFSA High School, doing business as Academy for Sciences & Agriculture (formerly The Agricultural and Food Sciences Academy), a Minnesota nonprofit Company (the “School”). The remaining proceeds of the Loan will be used to (i) redeem and prepay certain outstanding bonds issued by the City of Vadnais Heights in 2004, thereby refinancing the acquisition, construction, and equipping of an approximately 45,000 square foot grade nine through twelve education facility located at 100 East Vadnais Boulevard in the City of Vadnais Heights; (ii) fund a debt service reserve fund; (iii) pay a portion of the interest on the Bonds; and (iv) pay a portion of the costs of issuing the Bonds.

Even though the City is not being asked to issue the Bonds, the City must nevertheless take certain actions in order for the Bonds to be issued by the City of Vadnais Heights. The Company requests that the City Council (the “Council”) of the City grant “host approval” for the issuance of the Bonds by the City of Vadnais Heights, a portion of the proceeds of which will be used to finance the Project located in the City. The Company estimates that the Project will add approximately thirty-nine new full-time jobs in the City over the next three years.

The City Council of the City of Vadnais Heights is anticipated to provide final approval to the issuance of the Bonds on December 4, 2018. At the City Council meeting on November 28, 2018, the Council is

requested to consider the resolution providing host approval for the issuance of the Bonds. If the Council authorizes the issuance of the Bonds by the City of Vadnais Heights, the Bonds will be issued as conduit revenue bonds of the City of Vadnais Heights secured solely by the revenues derived from the Loan Agreement executed by the Company and from other security provided by the Company, including the proceeds of a mortgage. The Bonds will not constitute a general or moral obligation of the City or the City of Vadnais Heights and will not be secured by or payable from any property or assets of the City (other than the interests of the City of Vadnais Heights in the Loan Agreement) and will not be secured by any taxing power of the City or the City of Vadnais Heights. The Bonds will not be subject to any debt limitation imposed on the City or the City of Vadnais Heights and the issuance of the Bonds will not have any adverse impact on the credit rating of the City or the City of Vadnais Heights, even in the event that the Company encounters financial difficulties.