

*Eureka Township*  
*Dakota County*  
*State of Minnesota*

Special Town Board Meeting  
October 14, 2008

Chair Jeff Otto called the meeting to order at 6:30 pm. Members present were Supervisors Cory Behrendt, Brian Budenski, Jeff Otto, Dan Rogers and Carrie Jennings. Clerk/Treasurer Nanett Sandstrom, to record the minutes. Representative of Prairie Creek Community School were also present.

The meeting opened with the Pledge of Allegiance

Agenda: A public hearing regarding Conduit Financing arrangements for Prairie Creek Community School.

Chair Jeff Otto opened the meeting with the following statement: The question to consider is different than what was described in the public notice. What will be presented is related to Prairie Creek School and also requires a public hearing, so there was no reposting of the notice.

Eureka Township has been considering participating in a Conduit Financing Arrangement on behalf of Prairie Creek Community School, a Public Charter School located within the Township. The building and property the school uses is owned by Prairie Creek Inc. a 501c3 non profit corporation.

Prairie Creek is referred to as the “Company” in the following statement included in the official public notice of this hearing “The revenue note if and when issued will not constitute a charge, lean or encumbrance upon any property of the Town and the note will not be a charge against the general credit or taxing powers of the Town but will be payable solely from the sums to be paid by the Company to the Town pursuant to revenue agreement.”

The Town Board wanted to assure the residents and tax payers that what was being looked at would not have provided any Township funds for Prairie Creek’s plans to expand at its current location. The Township in no way would have assumed any future liability or guarantee of the loan in its payment even if defaulted. There would have been no tax or credit rating impacts. Conduit Financing is a not uncommon agreement that simply makes certain qualified projects such as a Charter School expansion eligible for a reduced interest rate from its lender. Prairie Creek already has a financial agreement with Western Bank.

If a municipality becomes the Conduit Financer, Prairie Creek will be eligible for about a one percent reduction in the interest rate, which over the expected 25 year term of the 2.2 million dollar mortgage will save ten of thousand of dollars that can be put into education instead of the lenders hands. In common with all Charter Schools Prairie Creek School is funded directly by

the State of Minnesota on an allowance per student basis for operation plus facility cost. Those State Funds are the funds that will be repaying the loan from Western Bank.

When Prairie Creek School asked the Township to consider serving in this role a written agreement was put into place where by Prairie Creek is reimbursing or directly paying for all costs of the Township just to consider the subject. This included any Special Meetings of the Board or Planning Commission, administrative costs such as Town clerk time, legal fees and retention of professional council experienced in conduit financing to educate and guide us.

The firm of Briggs and Morgan in Saint Paul was retained for this purpose represented by Ms. Mary Dyrseth. It has now been determined by Ms. Dyrseth that Eureka Township does not qualify to participate as a conduit financier under the Minnesota Statute establishing the mechanics of conduit financing. That is no longer a question for this hearing.

Prairie Creek School has subsequently approached the City of Northfield to serve as the Conduit Financer. This will come before the Northfield City Council in early November.

Because Prairie Community Creek School is located in Eureka Township we do need to consider passing a Resolution giving Host Approval. This acknowledges that Prairie Creek may have a Conduit Financing arrangement with another Municipality. This is a requirement under the Internal Revenue Code.

The Resolution giving Host Approval in effect acknowledges that this is a project good for the community and worthy of a more favorable interest rate. It will cost Eureka tax payers nothing, entail no future risk or obligation and enable Prairie Creek to keep more of its State of Minnesota Funding Allowance for actual education. It ultimately benefits the tax payers of Minnesota and certainly the present and future children of Prairie Creek Community School which includes many from Eureka Township.

A representative from Prairie Creek School was asked if they would like to make a statement before the floor was opened for public comment. They declined.

Chair Jeff Otto opened the floor for public comment.

Supervisor Dan Rogers asked for clarification on being a host. He wanted to make sure that by adopting the Resolution that Eureka Township is not accepting any responsibility for the Conduit Financing.

Chair Jeff Otto commented the Township is no longer eligible to participate in the Conduit Financing itself. Because the School is located in the Township, the Township needs to acknowledge the Conduit Financing as a Host.

Chair Jeff Otto asked three times for public comment.

Butch Hansen, 26120 Highview Ave. Farmington asked what the Resolution was. He had just entered the Public Hearing.

Chair Jeff Otto explained that it was determined that the Township is not eligible to participate in Conduit Financing. However the school is pursuing that with the City of Northfield. Since the School is located in the Township, Internal Revenue code requires that Eureka Township adopt a resolution acknowledging that they may wish to get this type of financing and that the Township approves that they may seek that. The resolution does not encumber the Township in any way. Detailed information had been presented that all cost incurred to consider the subject is being fully covered by the School. There are no Township funds being expended. The Resolution does not encumber the Township or its credit rating or have any influence on the Township financial situation.

Butch Hansen- Then the Township is not doing the Conduit Financing.

Chair Jeff Otto commented that is correct. The City of Northfield has been approached and it is on the City Councils agenda in early November.

Hearing no further public comments Chair Jeff Otto closed the public comment portion of the meeting.

The Resolution was placed on the table for discussion. *See attached Resolution Giving Host Approval to the Issuance of a Revenue Note (Prairie Creek Community School Project).*

Hearing no discussion or further comments Supervisor Jeff Otto moved for the adoption of the Resolution 73 Giving Host Approval. Motion seconded by Supervisor Carrie Jennings.

Supervisor Cory Behrendt stated his concerns, even though the Township is not issuing Conduit Financing we are agreeing that the project is worthy of that. That without having policy procedure we are showing an endorsement for this project as a benefit to the community. We are also giving tax exempt status although it is rather marginal for the Township. It affects the regional tax base. He doesn't think that the Township should be in this business yet.

Vote was taken on the motion. Four Supervisors voted in favor of the motion. Supervisor Cory Behrendt opposed. Motion carried.

A motion by Supervisor Jeff Otto: To adjourn. Motion seconded by Supervisor Brian Budenski.

Meeting adjourned at 6:47 pm.