**STRIDE Academy Facility Expansion Summary**

August 7, 2023

# STRIDE Academy Board Action Items for Bond Issuance

* Approve Bond Issuance Board Resolution
* Approve Construction Contract Board Resolution

# STRIDE Academy Building Company Action Items for Bond Issuance

* Approve Bond Issuance Board Resolution
* Approve Post Issuance Compliance Resolution
* Approve Construction Contract Board Resolution

**Projected Overview**

Through its affiliated building company, STRIDE Academy seeks to refinance the indebtedness used to acquire two parcels of adjacent land and finance a 14,686 square foot building expansion, existing building improvements, and site improvements. The project will add 8 classrooms, a cafeteria and kitchen space, media center, MS office space, and a storm shelter. Site improvements include a new playground location, soccer/play field, new parking, and outdoor learning spaces. Upon completion the Facilities will consist of approximately 86,486 square feet of improved space to support 824 students at scale. STRIDE Academy will remain operational during capital improvements.

STRIDE Academy Building Company is pursuing Tax Exempt bond financing for this facilities project and has recently received approval from the City of St. Cloud as issuer. 30-year bond financing is being underwritten by Robert W. Baird & Co. Incorporated. The total cost of the project including facility purchase, bond issuance, and related cost is $8,362,742. The scheduled closing date for the bond transaction is September 7, 2023.

**Projected Key Terms:**

* Amount of Financing - $8,362,742
* Estimated True Interest Rate – 6.35% fixed
* Amortization/Term – 30 Years

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# Sources:

The source of the financing will be tax exempt bonds issued by the City of St. Cloud and underwritten and marketed by Robert W. Baird & Co. Incorporated (Baird).

# Uses of Funds:

1. **Property Acquisition** – This is the refinancing of the land acquisition plus due diligence costs
2. **Improvements- Hard Costs** – The costs related to renovations and improvements, including contingency.
3. **Soft Costs** – This includes all the issuance costs including legal fees and underwriting fees.
4. **Debt Service Reserve Fund** – One year’s worth of interest payments put aside as extra security by the bond investors to handle defaults or emergencies. It will be used for the last year’s bond payment if not used earlier.
5. **Soft Cost Contingency** – This will cover any unexpected costs not yet identified and will be put in a capital reserve account if not used.
6. **Development Fees** – development manager fees to facilitate property development, financing, municipal approvals, and to manage all contractors to successful project completion

# Key Bond Covenants:

* **Pledge of Lease Payments** due from the Charter School derived from the operation of STRIDE Academy (the “Charter School”) to STRIDE Academy Building Company (the “Company”).
* State Aid Revenue Intercept: Deposit of all education funding received from the Minnesota Department of Education into a separate account held at the Charter School’s bank from which Trustee will withdraw lease payments under an account control agreement.
* Mortgage on Financed Facility
* A fully funded **Debt Service Reserve Fund**;
* **A Capital Repair and Replacement Fund** consisting of a $15,000 annual deposit.
* **Additional Indebtedness Test**;
  + 1.20x Historical annual debt service (existing and new debt), or
  + 1.30x Projected annual debt service (existing and new debt) for the first two fiscal years beginning the fiscal year after any improvements, related facilities or other facilities being financed by such long term indebtedness are to be placed in service, or, if no improvements, related facilities or other facilities are to be financed, beginning the fiscal year after the proposed long term indebtedness is to be incurred.
* **Debt Service Coverage Covenant:** Maintain debt service coverage at or above 1.10x. If below 1.10x can trigger engagement of an independent management consultant; below 1.00x constitutes an event of default.
* **Days Cash on Hand (DCOH) Covenant:** Maintain unrestricted cash and investments sufficient to cover 60 days’ operating expenses.
* **Reporting Requirements**
  + Annual Audited Financials and Budget
  + Certain Annually Updated Tables from Appendix A of the Official Statement
  + Quarterly attendance and enrollment, budget and financial reports
  + Covenant Certification

# Anticipated Key Project Dates:

# August 11th – Finalize POS and begin marketing bonds

# August 24th – Bond Pricing

# September 7th – Closing

# October 1st – Start of Renovations/Construction

# July 1st, 2024 – Substantial Completion and Occupancy