

City of Ellendale
November 7, 2024
Special Council Meeting 6:30 pm
Discussing & Determining Finance Options for Fire Hall & Review
M.E.& P. Drawing Changes

Agenda

6:30 Call Meeting to Order

1. Pledge of Allegiance
2. Approve Agenda

6:35

1. Funding Options
 - a. GO Bond for Capital Improvement Project (CIP)
 - i. Shannon Sweeney – Explaining GO process, bond terms, etc.
 - b. EDA Lease Revenue Bond
 - i. Options for EDA bond
 - c. USDA loan
 - i. Complete Contract & final quote (includes subcontractor quotes)
 - ii. Submit to USDA for approval
 - iii. If approved for financing, borrow maximum loan of \$450,000.
 - iv. Raise the additional funds needed
 - v. Possible option- bond the additional funds needed through USDA (Small amount may not be feasible or accepted. Additional issuance costs possible).
2. M.E.& P. Drawings

7:30 Adjournment

**MINUTES OF ELLENDALE
CITY COUNCIL SPECIAL MEETING
DISCUSSING & DETERMINING FINANCE OPTIONS FOR FIRE HALL
& REVIEW M.E.& P. DRAWING CHANGES
THURSDAY, NOVEMBER 7TH, 2024
6:30 PM**

Present: Mayor Matt Bartsch; Council Members Jon Asplund, Jackie Froman; City Clerk/Treasurer Steve Engel

Absent: Council Member Scott Groth

Visitors: Associate Shannon Sweeney from David Drown & Associates, Fire Chief Logan Busho; Fire Committee members; Travis Ladwig & Tyler McGowan; City residents Joel Meyer

Call Meeting to Order: Meeting was called to order at 6:30 pm by Mayor Bartsch. The Pledge of Allegiance was recited.

Agenda: A motion was made to approve the Agenda by Council Member Froman. Motion advanced by Council Member Asplund. Motion carried, all in favor.

1. GO Bond for Capital Improvement Plan Bonds (CIP) Shannon Sweeney explained the CIP process. Following is the documentation language presented to the council and fire building committee. Comments added in italics:

This letter outlines the process that will be required to secure financing for the Fire Station Project through the issuance of general obligation bonds. The statutory authority for the issuance of general obligation bonds for a public safety facility is granted under Minnesota Statutes, Section 475.521. *The city must follow the Statute 475 public bidding requirements as well once the city council has voted to move ahead with the GO Bond CIP.*

To use this authority, the City must hold a public hearing and adopt a five-year plan for eligible capital improvements to be financed. *This plan can prepared once the public hearing has been scheduled.* Following the required public hearing on the plan, there is a 30-day period to allow for a petition by residents requesting that the matter be considered through referendum. Such a petition requires signatures equal to 5% of the votes cast in the last general election. If such a petition is received, the city must either hold an election or find an alternative method of financing. *The alternative method would most likely be the EDA Lease Revenue Bond method explained below.* The award resolution for capital improvement plan bonds requires a three-fifths vote of the members of a five-member governing body. *This would be done after the public meeting and petition period have taken place.*

Other alternatives for project financing (EDA Lease Revenue Bonds) are more expensive to implement. *The interest rate is usually .25 to .5% higher as there is no general obligation of the city tax levy as security for the EDA. The EDA would issue the bonds and the city would pay the EDA annually, for the amount of the annual debt service amount due by the EDA.*

If a petition is not received, the city is able to issue capital improvement plan bonds so long as they are within capacity limitations also imposed by this same statute.

Capital Improvement Plan bonds do not count against the statutory net debt limit (defined as 3% of the City's estimated market value) as the City's population is under 2,500. The capacity limitation that does apply is that annual principal and interest payments cannot exceed 0.16% of the City's estimated market value.

The maximum annual levy for debt service on all CIP bonds issued by the City would be limited as follows:

Payable 2024 Estimated Market Value	\$59,508,300
Multiplied by .16%	<u>.0016</u>
Max Annual Principal & Interest Payment	\$95,213

If the City borrowed \$650,000 for the proposed project over a 20-year term at an interest rate of 5.15% the annual payments would be approximately \$53,000 per year which is well within the statutory limitation for Capital Improvement Plan Bonds. It is important to understand that most types of bonds that are issued for municipal projects **do not count towards this limitation.**

The first steps required to initiate this process would be to identify a date for the public hearing (14 days published notice, but not more than 28 days), and to determine the maximum amount to be borrowed. With that information a public hearing can be scheduled and a draft Capital Improvement Plan can be assembled for consideration.

Engel will contact City Attorney Mark Rahrick regarding the public bidding process to see if there are any issues with retaining APX as our contractor. They were selected via the MN Statute 475 bidding process, in 2023. We need to verify we do not have to put out a new RFP for a contractor. The issue is to determine whether APX can solicit bids from the subcontractors they utilized in their other projects or will these bids need to be let out publicly for any/all subcontractors to bid on. These bids refer to the mechanical, electrical and plumbing (MEP) aspects of the project.

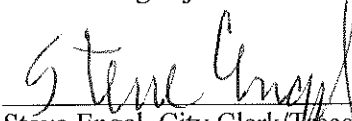
Logan will check with Mitch Rohlring, APX Engineer, regarding updated drawings. The changes were forwarded to Lindell Engineering for revisions.

Regarding the AIA contract; Mitch Rohlring did forward the correct contract version to Engel but we will hold off editing it depending on the financing option we choose to go with.

A motion was made by Mayor Bartsch to proceed with the CIP GO Bond financing option and process. Council member Froman advanced the motion. Motion carried. Roll call vote: Mayor Bartsch Aye; Council member Froman Aye, Council member Asplund Aye. All in favor.

Motion to adjourn the meeting by Council member Asplund. Motion advanced by Council member Froman. Motion carried, all in favor.


The meeting adjourned at 7:12 pm.



Steve Engel, City Clerk/Treasurer

11-7-24

Date



Matthew Bartsch, Mayor

11/14/2024

Date

The Minutes are a true and exact copy of the Minutes as they appear in the City of Ellendale Minutes Book.