

**Glyndon City Council**

**7/27/2016**

7:00 p.m. Public Hearing Minutes  
City Hall Council Chambers

1. **Call to Order:** Mayor Cecil Johnson called the meeting to order at 6:30 p.m.
2. **Roll Call:** Council Members Present: Dave Owings, Chris Jensen, Joe Olson and Kimberly Savageau, Deputy City Clerk Wendy Affield, City Financial Advisor David Drown on Skype, City Consultant Ken Parke, City Engineer Chris Thorson and Alex Ranz.

**As Per Sign in Sheet:**

3. **Discussion Concerning a Tax Abatement on Property within the City of Glyndon for the Purpose of Financing Public Infrastructure** – Mayor Johnson informed Council that the Public Hearing is to discuss any concerns residents may have with the City on the Tax Abatement process that will pay for the installation of electric and gas in the Stockwood Addition and the Parke Avenue Sanitary Sewer Realignment project.

Drown explained the background for the Tax Abatement Bond:

*When the Stockwood business park was developed several years ago, the developer neglected to arrange for installation of electric service from Xcel Energy. Now that the City has obtained title to this property, electric service is still needed to service future businesses and to power the City's sewer lift station. The City has entered into an agreement with Xcel to install the system for \$82,007. Hopefully, most of this will be reimbursed as lots are sold and buildings completed; Xcel will repay \$9,720 for each unit constructed over the next five (5) years. The City also needs to realign their sanitary sewer pipes under Parke Avenue where Clay County is installing a new box culvert at an estimated cost of \$75,000. To preserve the City's cash position, the City wishes to issue debt for both of these projects.*

Drown explained the G.O. Tax Abatement Bond:

*We recommend the bonds for these projects be issued under the authority of M.S. 469.1812 to 469.1815 as tax abatement bonds. On June 22<sup>nd</sup> the City held the required public hearing on the use of tax abatement to fund these projects and adopted an abatement resolution authorizing \$164,000 of tax abatement bonds. Given the small size of this bond issue, we recommended the City utilize the MRWA's micro loan program. This program does an excellent job of controlling issuance costs for small bond issues like this.*

*The interest rate is 2.25% fixed for the full 7-year term. Payments will average about \$27,000 per year. The City will need to include an abatement of \$23,429 plus a small tax levy in future budgets starting in 2017 to cover payments.*

Drown stated the parcels that are identified in the abatement area are attached to the resolution:

*EXHIBIT A  
Included Parcels:*

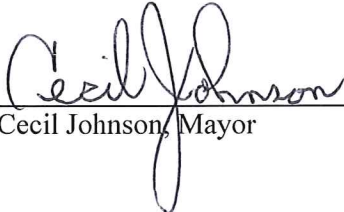
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55.300.0120	55.900.0010	55.900.0090
55.300.0130	55.900.0015	55.900.0080
55.900.0100	55.900.0030	55.900.0070

Savageau asked Drown if he knows what percentage the City will need to increase the Levy. Jensen questioned what the reasoning is for the City not to pay this amount out of the general cash fund. Drown stated that he agreed with Mrs. Anderson's thinking, the City needs to carry a sizeable amount of funds in the general account due to ups and downs of the revenue cycle. Drown explained interest rates are low at this time and he feels the City should not tie up their funds if it is not necessary. Drown calculated the levy percentage that Savageau asked about to be around six to seven (6-7) percent, assuming every other factor in the budget stays the same. Ken Parke asked if the Abatement Bonds could be paid off early. Drown stated they could. Parke feels that if businesses start building in the Stockwood Addition and the City receives a rebate from Xcel, those funds could be put towards the bond payment. Drown informed Council that he suggests since this is such a small loan to go through Minnesota Rural Water Association for the funding, explaining that the City would be able to repay the money early with little or no penalty. Council discussed other ways to pay for the project without applying for the micro loan. Mayor Johnson asked if the funds for the water-out charge on the utility bill (sewer portion) are being set aside for the cost of replacing the sewage ponds in ten (10) years. Owings stated Anderson has a sewer fund balance, water fund balance and a general fund balance, the funds are put into the appropriate account. Olson believes that Mayor Johnson is asking if there is a line item that is specifically named for the replacement of the sewage ponds. Olson asked Drown if it is possible to do a one-time transfer from the sewer fund to pay for the projects. Drown stated the 2015 Audit does not earmark any sewer fund dollars for any specific project in the future. Drown informed Council that a City should have a certain amount of funds in their account that would allow them to run smoothly for a year and at this time the City is at that point. Drown does not feel the City should look at that for an option to pay for the project. Owings remarked that it is nice that the City has not had to take out a Tax Anticipation Bond for a few years. Council discussed the rebate Xcel will give to the City when infrastructure is built in Stockwood. Drown informed Council that once the Public Hearing has been closed the Council will want to pass Resolution 2016-14, instruct Affield to submit an application to Minnesota Rural Water Association for a Micro Loan. Olson asked Thorson when the payment to Hough Contracting would need to be paid. Thorson stated the project was started today so the first payment request would be available for the Council Meeting on August 10<sup>th</sup>. Drown informed Council that a final package of the loan information will be ready for approval at the next meeting, stating you will not have the cash in hand but you will have the financing terms completed and the City should receive the funds a week to ten days after the next Council Meeting.

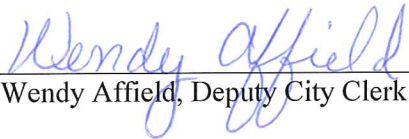
**4. Open Forum –**

**5. Adjournment**

A motion was made by Chris Jensen, seconded by Kimberly Savageau to adjourn at 6:57 p.m. Motion carried.

  
Cecil Johnson, Mayor

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City Clerk/Treasurer

  
Wendy Affield, Deputy City Clerk

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