

Glyndon City Council 2/4/2019
Parke Avenue Financing Discussion
Special Council Meeting 9:00 a.m.
Glyndon City Hall – Council Chambers

1. **Call to Order:** Mayor Cecil Johnson called the meeting to order at 9:00 a.m.
2. **Roll Call:** Council Members Present: Dave Owings, Joe Olson and Kimberly Savageau; City Clerk Wendy Affield, City Engineers Kris Carlson and Alex Ranz.

Conference Call Attendee – Jason Murray from David Drown and Associates.

As Per Sign in Sheet: None

3. **Finance Discussion Concerning Proposed Street and Utility Improvements on Parke Avenue** – Jason Murray joined the meeting via conference call. Murray requested Council to look at the “master preliminary sheet” that was in their packet, stating the street lighting funds of \$200,000 are allocated in the Bond Schedule. Council will need to decide if they are going to move forward with the new street lighting. Murray informed Council the funds can be removed if needed. Murray questioned whether or not there has been any discussion regarding the street lighting. Carlson responded, the City is waiting to hear back from Xcel Energy. Olson commented if the numbers come back reasonable the Council would suggest moving forward with the lighting. Murray summarized the project cost at \$4,657,384 then you need to add the miscellaneous fees for the bonding process which would bring the total to \$4,836,571. Once the transportation grant of \$175,000 and excess proceeds of \$1,571 are deducted, the 2019A Bond obligation would be \$4,660,000.

Murray will now explain the Payment Schedule and Cashflow on the bottom of the same page, stating this will involve water revenues, sewer revenues, special assessments and tax levies. The street portion consists of the street project, railroad quiet zone, and drainage improvements. Everything was grouped together with the street portion using tax levy revenues since the City does not have specific funds set aside for drainage. Murray indicated the payments will start with smaller amounts for the first five (5) years then it ramps up the next nine to ten (9-10) years. We tried to keep the street portion of the project to fifteen (15) years since the lifespan of roads are usually around fifteen-twenty (15-20) years, you do not want to be paying for a road that needs to be replaced. The theory behind the payment schedule is to start small to offset current debt the City has that will be paid off by 2025. Between the two (2) bonds, there will be approximately \$115,000.00 available to use for the new debt. Twenty-five percent (25%) of the drainage portion of the project will be assessed to the property owners. Murray informed Council the Centennial TIF District obligation should be paid off February 1, 2020, then the decertification process can start to put those homes on the tax roll.

Murray prior to the Special Meeting discussed with Affield what revenues the City has available. The Wheelage Tax and MnDOT funds can be used towards this project to buy down the levy. These revenues are approximately \$80,000. Murray recommends holding onto the cash and buy down the tax levy for more flexibility. Olson questioned whether the City can request advancing

two years' worth of wheelage tax from the County. Carlson is not certain if the City is able to request that.

Murray discussed water revenues, stating the schedule is set up to wait until the 2002 PFA Loan is paid off before the water revenue portion of the bond kicks in, once that is done there should be approximately \$55,000 available funds to go towards the bond payment. If the City does not use all the funds yearly it can help buy down the tax levy. With the assessments and allocations, this will protect the current water rates.

Murray stated currently there are ample funds in the sewer account to support the bond payments.

Savageau asked if the tax levy rate is added on top of the regular tax levy. Murray stated based on the current tax levy, it would be increased by fifteen percent (15%) for the 2020 calendar year, unless it is paid down with excess funds. Olson commented this high of a percentage rate needs to be brought down somehow. Mayor Johnson asked Murray if the City needs to lower the contingency fund in the bond. Murray replied any unused contingency can be used to make the first initial bond payment. Carlson informed Council the County will be performing a good portion of the construction engineering services, this will help keep those numbers to a minimum. Carlson added the City's share of the contingency is \$170,000 and if still available, can be used towards the first two years of bond payments.

Murray summarized after the Public Hearing for assessments is held on Wednesday, February 13, 2019, if Council chooses to move forward, a resolution for the bond will need to be approved. On March 13, 2019 the bid will be awarded and the closing will be at the end of March or early April. The funds will be available sometime in April, with construction beginning the end of April, weather permitting. Carlson added there are preliminary payments paid to the County the City will need to be reimbursed for once the bond is in place. The funds being reimbursed will be put back into the Sewer and Water Funds.

Mayor Johnson asked if, in the long run, will this project financially harm the City. Murray responded, the risk is the impact it will have on the tax levy. On the upside, Glyndon is a growing community with a lot of things moving forward, such as the new housing development and the TIF district coming off, which will give a lot of new tax compacity coming into the City to help with the debt. If the project comes in under budget or additional funds become available, the levy can be bought down. Murray answered Mayor Johnson's question with "is it a big project, yes, does it have potential levy ramifications, yes, but there are some strong positives moving forward that the City has to accommodate this problem". Olson wondered if moving forward in the next few years, does the City need to tighten up the budget in order to keep the levy down. Murray concurred the City does need to prepare for potential risks, this is why the bond payments were structured the way they were, to help with levy increases. Affield summarized the City can move forward with the project but the tax levy will need to be increased in the upcoming years. Murray confirmed that is an accurate statement. Carlson stated the meeting with the County will be to discuss the bids coming in over the engineers' estimates and whether or not it is affordable for them. The County also is asking for concurrence with the City being on board for the project if awarded. Based upon conversations with the County, they are in a good place financially to move forward with the project. Carlson continued the meeting is to be certain the City is on board with the project because if they are not, the County will not award the bid.

At this time, Jason Murray left the meeting. (call ended at 9:30 a.m.)

Mayor Johnson commented the tax levy is a concern of his. Owings commented the 2019 tax levy increase of 1.75% would bring in around \$8,424.66 according to the information provided. Savageau commented with the 2-year tax abatement, it would not have much of an impact on the tax levy because it does not cover the whole value of their property. Owings added Murray may not have been aware or factored in how the sale of the Stockwood lots will affect the City's income. Savageau stated the City has funds in the budget for the Stockwood specials and since the lots have been sold, the owners will be making those payments to the City. Owings commented the percentages will drop dramatically with the sales of lots in Stockwood. Owings explained, looking at the levy percentage chart at ten percent (10%), it would bring in \$48,140.92 and with the wheelage tax funds, this could be used to buy down the first year on the tax levy. Owings added with the Stockwood assessments no longer the City's obligation, the majority of the TIF coming off in 2021, the levy percentages number around ten (10) percent is actually not that bad. Discussion among Council and Staff was had and Owings stated he believes this project will benefit the City. Olson mentioned every year with the budget, it is a numbers game setting the tax levy. The City needs to be mindful that every percent of the tax levy is around \$4,800. Mayor Johnson contributed the City cannot buy new equipment for the Maintenance and Fire Departments, we need to be sensible in spending. Owings agrees and stated the homes in Southview are valued over the \$200,000 abatement cap so the City will receive a portion of funds from each new home. Owings stated the City will benefit from the Parke Avenue Project and is in favor of moving forward. The first few years will be a tight budget but in the long run, the City will reap advantages from it. Olson commented we need to do our portion of the project now otherwise the County will come in and pave their road how it is and we will not see the safety improvements desperately needed. Savageau confirmed adding the street lighting would not increase the levy by a substantial amount so the City needs to go ahead with the lighting package. Carlson stated with the two options for the street lighting financing, the prepay option will be the most inexpensive option. Carlson asked what happens when the Centennial TIF comes on the tax roll. Affield stated the City has \$111,000 plus interest left to pay on the TIF. There are 40-50 homes affected in Centennial and once decertified, will have an impact on the City's budget. Discussion between Council and Staff determined, on the low end, \$53,000 per year will be added to the tax roll. Olson explained with the Wheelage Tax, the City can receive two years advance payment and the funds could be used to help buy down the tax levy. As of 2017, there is \$44,000 in the wheelage tax fund. Affield reported \$57,000 is paid twice a year to TIF, this should be paid off in February 2020. Affield wondered if we could set the tax levy at ten (10) percent each year and save the excess funds for the projects coming up instead of a large levy increase in one year. Discussion between Council and Staff agreed this would be a realistic way to go and not purchase any new equipment unless necessary. Carlson informed Council once businesses go up in Stockwood they will help the distribution of taxes. Affield mentioned Monsanto is also receiving a TIF payment for another five (5) years, then those funds will be paid to the City. Affield stated she would like a cold storage shed built for the Maintenance Department, so the equipment does not have to sit outside and be damaged by weather elements. Lofgren is waiting for a few more bids to see what the cost would be. Mayor Johnson suggested asking Oberg's for storage space in the quonsets they have sitting empty. Olson suggested the recycle center building and put the recycle center somewhere else. Savageau commented another two years would not make too much difference on the equipment since it has already been sitting outside for years. The City needs to keep a cold storage shed in mind for the future.

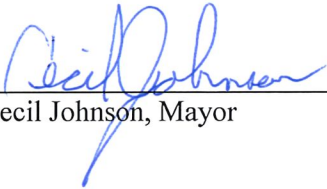
Mayor Johnson commented the County will be paying a large portion of the project. Carlson stated the City's portion increased \$36,000 from what the bids came in at last year. Affield commented the City receives \$17,000 - \$18,000 each year from MN Dot's State Aid to be used for maintaining streets in Glyndon. Savageau suggested department heads request more bids to see if they can receive better pricing for special purchases. Savageau agrees moving forward with

the Parke Avenue Project is completely feasible, selling the lots in Stockwood has helped release funds. Affield added when Dollar General is built in the fall and Monsanto's TIF is completed in five (5) years, the distribution of taxes will help all residents in Glyndon.

Council and Staff are all in agreement and support moving forward with the Parke Avenue Project.

4. Open Forum

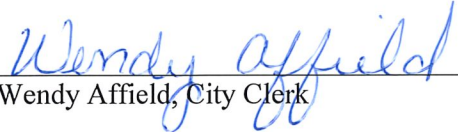
5. Adjournment - A motion was made by Joe Olson to adjourn at 9:58 a.m., seconded by Dave Owings. All in favor.
Motion Carried.



Cecil Johnson, Mayor



Susan Dayley, Administrative Assistant



Wendy Affield, City Clerk

February 4, 2019 Glyndon City Council Special Meeting Minutes
Discussion on Parke Avenue Financing.