City of East Bethel
City Council Agenda
Work Meeting - 6:30 PM
Date: October 23, 2013

	Item	
6:30 PM	**1.0**	**Call to Order**
6:31 PM	**2.0**	**Adopt Agenda**
6:32 PM	**3.0**	**Municipal Utility Project Assessments**
Page 2-9		
7:30 PM	**4.0**	**2010 A & B Bond Issues**
Page 10-28		
8:15 PM	**5.0**	**Our Saviors Lutheran Church Utilities Project**
Page 29-36		
8:30 PM	**6.0**	**Adjourn**

City of East Bethel
City Council
Agenda Information

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Date:
October 23, 2013

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Agenda Item Number:
Item 3.0

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Agenda Item:
Municipal Utility Project Assessments

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Requested Action:
Consider Modifications to the Maximum Assessment Roll for the Municipal Utilities Project

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Background Information:
The East Bethel City Council conducted a Public Hearing for the proposed assessments for the benefitting property owners served by the Municipal Utilities Project on October 16, 2013. Eight property owners filed letters of objection to the maximum assessment that was presented at the hearing. As a result of the objections and the fiscal impact to property owners, City Council tabled a decision on the matter and directed Staff to provide other assessment options.

The final assignment of costs, terms and interest can be reduced to whatever Council deems appropriate. Within this material there are several different options to consider for modifications to the maximum assessment. The key question in this process is how much is Council seeking in terms of assessments to apply to the project costs and what impact will the assessments have on the existing businesses and the marketability of the undeveloped property in this area.

The options proposed are as follows and are described in more detail in the accompanying attachments:

1.) The Maximum Assessment Option is presented in Attachment 1-Proposed Assessment Roll as Option 1. This is the same proposal that was presented at the October 16, 2013 Public Hearing;
2.) The No Assessment Option is presented as Attachment 1-Proposed Assessment Roll, Option 2. Under this proposal no assessments for the project would be levied against any of the benefitting property owners.
3.) Option 3 is proposed as an assessment of $7,704.03 on each parcel. This option is presented in Attachment 1-Proposed Assessment Roll, Option 3.
4.) Option 4 is proposed as an assessment of $ 7,704.33 against all vacant properties (9 parcels) and $15,408.66 against all developed properties (13 parcels). The Option is further described in Attachment 1-Proposed Assessment Roll, Option 4.

The total principal and interest owed by the City on the 2010 A, B and C Bonds is $40,991,000 at interest rates which varying from 4.5 to 7% for the A bonds, 3.1 to 7% for the B bonds and 3.1 to 3.45 for the C bonds. The four options for assessment would produce the following amounts to be applied toward the debt:

1.) Option 1, the maximum assessment of $1,104,030 would produce $1,847,700 if all those assessed financed their assessment for 20 years at 5.5%. This would represent 4.5 % of the funds necessary to retire the bonds;
2.) Option 2, no assessment, would produce no funds to apply to the debt;
3.) Option 3 would produce $283,660 if all those assessed financed their assessment for 20 years at 5.5%. This would represent 0.7% of the funds necessary to retire the bonds; and
4.) Option 4 would produce $451,280 if all those assessed financed their assessment for 20 years at 5.5%. This would represent 1.1% of the funds necessary to retire the bonds.

The concern for the assessment is the impact on the property owners. The options presented should provide a means to address these concerns. We will review these proposals, modifications to the proposal and/or new alternatives to address this situation.

It is recommended that we develop a proposal for assessment for consideration for the November 6, 2013 City Council meeting. An approved Assessment Roll must be submitted to the County Auditor by November 15, 2013 to be included in the pay 2014 assessments.
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Attachments:
Attachment 1- Proposed Assessment Roll Options
Attachment 2- Proposed Assessment Roll, Option Details

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Fiscal Impact:
To be determined

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Recommendation(s):
Staff is seeking direction from Council on this matter.

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City Council Action

Motion by:________________ Second by:________________

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Vote Yes:_____ Vote No:_____

No Action Required:_____

Attachment 1-Assessment Options

Option 1- Maximum Assessment

Property Owner Impact- $1,014,030.49 (See Attached Assessment Roll, Option 1)

Annual Amount to be received by the City…..$92,385

Percentage of Assessment to Total 2010 A, B and C Bond Debt**…….2.7%

Percentage of Assessment Revenue (Principle and Interest) to Bond Debt…….4.5%.*

*Assumes all assessments are financed for 20 years at 5.5%

**Total Bond Debt is $40,991,000 (principle and interest)

Option 2 –No Assessment

Property Owner Impact- $ 0.00 (See Attached Assessment Roll, Option 2)

City Impact- The City would be required to fund the maximum allowable assessment of $1,104,030.79 through SAC and WAC charges and or other means

Percentage of Assessment to Total 2010 A, B and C Bond Debt…….0.0%

Percentage of Assessment Revenue (Principle and Interest) to Bond Debt……..0.0%

Option 3- Assign 1 ERU per Parcel for Valuation

Property owner impact…..all parcels would be assessed $7,704.33

Assessment- $169,488 (See Attached Assessment Roll, Option 3)

Annual Amount to be received by the City……$14,183

Percentage of Assessment to Total 2010 A, B and C Bond Debt…….0.4%

Percentage of Assessment Revenue (Principle and Interest) to Bond Debt……..0.7%*

*Assumes all assessments are financed for 20 years at 5.5%

Option 4-Assign 1 ERU Assessment per Parcel for Vacant Properties and 2 ERU's per parcel for Developed Property for Valuation

The following owners of Vacant Properties would pay $7,704.33 per parcel (See Attached Assessment Roll, Option 4)

1.) CD Properties North, LLC- (2 parcels X $7,704.33 = $15,409)
2.) Muller Properties of East Bethel, LLC -(6 parcels X 7,704.33 = $46,226)
3.) Debbie Landwehr-$7,704.33

All owners of developed property would pay $ 15, 409. (See Attached Assessment Roll, Attachment 5)

Annual Amount to be received by the City-$22,564

Assessment--$269,640

Percentage of Assessment to Total 2010 A, B and C Bond Debt…….0.7%

Percentage of Assessment Revenue (Principle and Interest) to Bond Debt……..1.1%*

Breakdown of Vacant and Developed Property ERU Assignments

1.) Vacant Property ERU's (9 @ $7,704)--$69,336
2.) Developed Property ERU's (26 @ $7,704)--$200,304

*Assumes all assessments are financed for 20 years at 5.5%

Other Considerations

At the Public Hearing, aside from the appeals to lower the assessed values, there were complaints by the following property owners concerning portions of the assessment that dealt with certain improvements:

1.) Village Bank objected to the location of a service tap on their property; and
2.) CD Holdings, LLC objected to a single service tap for their property at 187th Lane and Ulysses Street.

These specific objections are open for Council consideration.

City of East Bethel
Proposed Assessment Roll
Municipal Utility Project
OPTION 1

OWNER	OWNER ADDRESS	PROPERTY ADDRESS	PROPERTY DESCRIPTION	Option 1	Option 1 Annual Payment 5.5% 20 yrs
CITY OF EAST BETHEL	2241 221ST AVE NE EAST BETHEL, MN 55011	19458 Taylor St NE	WTF Site	7,704.33	644.69
CD PROPERTIES NORTH LLC	18542 ULYSSES ST NE EAST BETHEL MN 55011		Vacant Commercial	102,159.42	8,548.63
VILLAGE BANK	9298 CENTRAL AVE NE BLAINE, MN 55434	18765 NE ULYSSES ST	Bank	30,817.32	2,578.77
RIVER COUNTRY COOPERATIVE	425 CLINTON AVE SOUTH SAINT PAUL, MN 55075	1341 187TH LN NE	Gas Station/Car Wash	15,408.66	1,289.39
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Parking Lot	-	-
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358	18635 ULYSSES ST NE	Theater	130,973.61	10,959.78
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Vacant Commercial	50,155.19	4,196.95
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Vacant Commercial	50,155.19	4,196.95
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Vacant Commercial	50,617.45	4,235.63
EBERTOWSKI DAVID	18530 ULYSSES ST NE EAST BETHEL, MN 55011	18530 ULYSSES ST NE	Tour Bus Commercial	38,521.65	3,223.47
CLASSIC HOLDINGS LLC	2221 FAWN LAKE DR NE BETHEL, MN 55005	18542 ULYSSES ST NE	Contractor Shop	15,408.66	1,289.39
LANDWEHR MARK & DEBBIE	72 170TH AVE NW ANDOVER, MN 55304	18600 ULYSSES ST NE	Office/Warehouse	7,704.33	644.69
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Vacant Commercial	46,919.37	3,926.18
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Vacant Commercial	46,688.24	3,906.84
LANDWEHR DEBBIE	72 170TH AVE NW ANDOVER, MN 55304		Vacant Commercial	48,999.54	4,100.25
AHI Investments LLC	PO Box 187 Cedar, MN 55011	18800 Ulyssess ST NE	Manufacturing	123,269.28	10,315.09
CD PROPERTIES NORTH LLC	18542 ULYSSES ST NE EAST BETHEL MN 55011		Vacant Commercial	207,554.65	17,368.03
RICKEY PROPERTIES LLC	18689 NE BUCHANAN STREET EAST BETHEL, MN 55011	18689 BUCHANAN ST NE	Vehicle Body/Service	15,408.66	1,289.39
JSN Properties, LLC	18651 BUCHANAN ST NE EAST BETHEL, MN 55011	18651 BUCHANAN ST NE	Contractor Shop	15,408.66	1,289.39
NORTH BOUND WOODWORKS LLC	22491 LINNET ST NW BETHEL, MN 55005	18627 BUCHANAN ST NE	Wood Working Shop	30,817.32	2,578.77
TRUCK BODY SPECIALISTS LLC	18581 BUCHANAN ST EAST BETHEL, MN 55011	18581 BUCHANAN ST NE	Vehicle Body/Service	15,408.66	1,289.39
JP INVESTMENTS LLC	18533 BUCHANAN ST NE EAST BETHEL, MN 55011	18533 BUCHANAN ST NE	Contractor Shop	15,408.66	1,289.39
METROPOLITAN COUNCIL	390 N ROBERT ST ST PAUL, MN 55101	PENDING	WWRF Site	15,408.66	1,289.39
HEARTLAND LAND DEVELOPERS, LLC	3844 149TH AVENUE NE HAM LAKE MN 55304	18530 BUCHANAN ST NE	Truck Shop	23,112.99	1,934.08
			Total	1,104,030.49	92,384.53

	Water Assessment	Sewer Assessment
Assessment	$1,527 / ERU	$6,178 / ERU

Total Projected Sewer Lateral Project Cost	$908,116.07
Total Sewer Lateral ERU	143
Projected Lateral Sewer Assessment / ERU	$6,177.66
Total Projected Sewer Lateral Benefit Assessment	$885,258.68
Total Projected Water Lateral Project Cost	$227,474.54
Total Water Lateral ERU	143
Projected Lateral Sewer Assessment / ERU	$1,526.67
Total Projected Water Lateral Benefit Assessment	$218,771.81
Scenario 1: 3 ERUs / Acre on Vacant Lots	3

City of East Bethel
Proposed Assessment Roll
Municipal Utility Project
OPTION 2

OWNER	OWNER ADDRESS	PROPERTY ADDRESS	PROPERTY DESCRIPTION	Option 2 0 ERU per parcel
CITY OF EAST BETHEL	2241 221ST AVE NE EAST BETHEL, MN 55011	19458 Taylor St NE	WTF Site	-
CD PROPERTIES NORTH LLC	18542 ULYSSES ST NE EAST BETHEL MN 55011		Vacant Commercial	-
VILLAGE BANK	9298 CENTRAL AVE NE BLAINE, MN 55434	18765 NE ULYSSES ST	Bank	-
RIVER COUNTRY COOPERATIVE	425 CLINTON AVE SOUTH SAINT PAUL, MN 55075	1341 187TH LN NE	Gas Station/Car Wash	-
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Parking Lot	-
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358	18635 ULYSSES ST NE	Theater	-
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Vacant Commercial	-
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Vacant Commercial	-
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Vacant Commercial	-
EBERTOWSKI DAVID	18530 ULYSSES ST NE EAST BETHEL, MN 55011	18530 ULYSSES ST NE	Tour Bus Commercial	-
CLASSIC HOLDINGS LLC	2221 FAWN LAKE DR NE BETHEL, MN 55005	18542 ULYSSES ST NE	Contractor Shop	-
LANDWEHR MARK & DEBBIE	72 170TH AVE NW ANDOVER, MN 55304	18600 ULYSSES ST NE	Office/Warehouse	-
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Vacant Commercial	-
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Vacant Commercial	-
LANDWEHR DEBBIE	72 170TH AVE NW ANDOVER, MN 55304		Vacant Commercial	-
AHI Investments LLC	PO Box 187 Cedar, MN 55011	18800 Ulyssess ST NE	Manufacturing	-
CD PROPERTIES NORTH LLC	18542 ULYSSES ST NE EAST BETHEL MN 55011		Vacant Commercial	-
RICKEY PROPERTIES LLC	18689 NE BUCHANAN STREET EAST BETHEL, MN 55011	18689 BUCHANAN ST NE	Vehicle Body/Service	-
JSN Properties, LLC	18651 BUCHANAN ST NE EAST BETHEL, MN 55011	18651 BUCHANAN ST NE	Contractor Shop	-
NORTH BOUND WOODWORKS LLC	22491 LINNET ST NW BETHEL, MN 55005	18627 BUCHANAN ST NE	Wood Working Shop	-
TRUCK BODY SPECIALISTS LLC	18581 BUCHANAN ST EAST BETHEL, MN 55011	18581 BUCHANAN ST NE	Vehicle Body/Service	-
JP INVESTMENTS LLC	18533 BUCHANAN ST NE EAST BETHEL, MN 55011	18533 BUCHANAN ST NE	Contractor Shop	-
METROPOLITAN COUNCIL	390 N ROBERT ST ST PAUL, MN 55101	PENDING	WWRF Site	-
HEARTLAND LAND DEVELOPERS, LLC	3844 149TH AVENUE NE HAM LAKE MN 55304	18530 BUCHANAN ST NE	Truck Shop	-
			Total	-

	Water Assessment	Sewer Assessment
Assessment	$1,527 / ERU	$6,178 / ERU

Total Projected Sewer Lateral Project Cost	$908,116.07
Total Sewer Lateral ERU	143
Projected Lateral Sewer Assessment / ERU	$6,177.66
Total Projected Sewer Lateral Benefit Assessment	$885,258.68
Total Projected Water Lateral Project Cost	$227,474.54
Total Water Lateral ERU	143
Projected Lateral Sewer Assessment / ERU	$1,526.67
Total Projected Water Lateral Benefit Assessment	$218,771.81
Scenario 1: 3 ERUs / Acre on Vacant Lots	3

City of East Bethel
Proposed Assessment Roll
Municipal Utility Project
OPTION 3

OWNER	OWNER ADDRESS	PROPERTY ADDRESS	PROPERTY DESCRIPTION	Option 3 1 ERU per parcel	Option 3 Annual Payment 5.5% 20 yrs
CITY OF EAST BETHEL	2241 221ST AVE NE EAST BETHEL, MN 55011	19458 Taylor St NE	WTF Site	-	
CD PROPERTIES NORTH LLC	18542 ULYSSES ST NE EAST BETHEL MN 55011		Vacant Commercial	7,704.33	644.69
VILLAGE BANK	9298 CENTRAL AVE NE BLAINE, MN 55434	18765 NE ULYSSES ST	Bank	7,704.33	644.69
RIVER COUNTRY COOPERATIVE	425 CLINTON AVE SOUTH SAINT PAUL, MN 55075	1341 187TH LN NE	Gas Station/Car Wash	7,704.33	644.69
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Parking Lot	7,704.33	644.69
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358	18635 ULYSSES ST NE	Theater	7,704.33	644.69
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Vacant Commercial	7,704.33	644.69
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Vacant Commercial	7,704.33	644.69
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Vacant Commercial	7,704.33	644.69
EBERTOWSKI DAVID	18530 ULYSSES ST NE EAST BETHEL, MN 55011	18530 ULYSSES ST NE	Tour Bus Commercial	7,704.33	644.69
CLASSIC HOLDINGS LLC	2221 FAWN LAKE DR NE BETHEL, MN 55005	18542 ULYSSES ST NE	Contractor Shop	7,704.33	644.69
LANDWEHR MARK & DEBBIE	72 170TH AVE NW ANDOVER, MN 55304	18600 ULYSSES ST NE	Office/Warehouse	7,704.33	644.69
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Vacant Commercial	7,704.33	644.69
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Vacant Commercial	7,704.33	644.69
LANDWEHR DEBBIE	72 170TH AVE NW ANDOVER, MN 55304		Vacant Commercial	7,704.33	644.69
AHI Investments LLC	PO Box 187 Cedar, MN 55011	18800 Ulyssess ST NE	Manufacturing	7,704.33	644.69
CD PROPERTIES NORTH LLC	18542 ULYSSES ST NE EAST BETHEL MN 55011		Vacant Commercial	7,704.33	644.69
RICKEY PROPERTIES LLC	18689 NE BUCHANAN STREET EAST BETHEL, MN 55011	18689 BUCHANAN ST NE	Vehicle Body/Service	7,704.33	644.69
JSN Properties, LLC	18651 BUCHANAN ST NE EAST BETHEL, MN 55011	18651 BUCHANAN ST NE	Contractor Shop	7,704.33	644.69
NORTH BOUND WOODWORKS LLC	22491 LINNET ST NW BETHEL, MN 55005	18627 BUCHANAN ST NE	Wood Working Shop	7,704.33	644.69
TRUCK BODY SPECIALISTS LLC	18581 BUCHANAN ST EAST BETHEL, MN 55011	18581 BUCHANAN ST NE	Vehicle Body/Service	7,704.33	644.69
JP INVESTMENTS LLC	18533 BUCHANAN ST NE EAST BETHEL, MN 55011	18533 BUCHANAN ST NE	Contractor Shop	7,704.33	644.69
METROPOLITAN COUNCIL	390 N ROBERT ST ST PAUL, MN 55101	PENDING	WWRF Site	Pending	
HEARTLAND LAND DEVELOPERS, LLC	3844 149TH AVENUE NE HAM LAKE MN 55304	18530 BUCHANAN ST NE	Truck Shop	7,704.33	644.69
			Total	169,495.26	14,183.25

	Water Assessment	Sewer Assessment
Assessment	$1,527 / ERU	$6,178 / ERU

Total Projected Sewer Lateral Project Cost	$908,116.07
Total Sewer Lateral ERU	143
Projected Lateral Sewer Assessment / ERU	$6,177.66
Total Projected Sewer Lateral Benefit Assessment	$885,258.68
Total Projected Water Lateral Project Cost	$227,474.54
Total Water Lateral ERU	143
Projected Lateral Sewer Assessment / ERU	$1,526.67
Total Projected Water Lateral Benefit Assessment	$218,771.81
Scenario 1: 3 ERUs / Acre on Vacant Lots	3

City of East Bethel
Proposed Assessment Roll
Municipal Utility Project
OPTION 4

OWNER	OWNER ADDRESS	PROPERTY ADDRESS	PROPERTY DESCRIPTION	Option 4 1 ERU Vacant 2 ERU Developed	Option 4 Annual Payment 5.5% 20 yrs
CITY OF EAST BETHEL	2241 221ST AVE NE EAST BETHEL, MN 55011	19458 Taylor St NE	WTF Site	-	
CD PROPERTIES NORTH LLC	18542 ULYSSES ST NE EAST BETHEL MN 55011		Vacant Commercial	7,704.33	644.69
VILLAGE BANK	9298 CENTRAL AVE NE BLAINE, MN 55434	18765 NE ULYSSES ST	Bank	15,408.66	1,289.39
RIVER COUNTRY COOPERATIVE	425 CLINTON AVE SOUTH SAINT PAUL, MN 55075	1341 187TH LN NE	Gas Station/Car Wash	15,408.66	1,289.39
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Parking Lot	7,704.33	644.69
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358	18635 ULYSSES ST NE	Theater	15,408.66	1,289.39
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Vacant Commercial	7,704.33	644.69
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Vacant Commercial	7,704.33	644.69
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Vacant Commercial	7,704.33	644.69
EBERTOWSKI DAVID	18530 ULYSSES ST NE EAST BETHEL, MN 55011	18530 ULYSSES ST NE	Tour Bus Commercial	15,408.66	1,289.39
CLASSIC HOLDINGS LLC	2221 FAWN LAKE DR NE BETHEL, MN 55005	18542 ULYSSES ST NE	Contractor Shop	15,408.66	1,289.39
LANDWEHR MARK & DEBBIE	72 170TH AVE NW ANDOVER, MN 55304	18600 ULYSSES ST NE	Office/Warehouse	15,408.66	1,289.39
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Vacant Commercial	7,704.33	644.69
MULLER PROP OF E BETHEL LLC	4940 54TH ST NW MAPLE LAKE, MN 55358		Vacant Commercial	7,704.33	644.69
LANDWEHR DEBBIE	72 170TH AVE NW ANDOVER, MN 55304		Vacant Commercial	7,704.33	644.69
AHI Investments LLC	PO Box 187 Cedar, MN 55011	18800 Ulyssess ST NE	Manufacturing	15,408.66	1,289.39
CD PROPERTIES NORTH LLC	18542 ULYSSES ST NE EAST BETHEL MN 55011		Vacant Commercial	7,704.33	644.69
RICKEY PROPERTIES LLC	18689 NE BUCHANAN STREET EAST BETHEL, MN 55011	18689 BUCHANAN ST NE	Vehicle Body/Service	15,408.66	1,289.39
JSN Properties, LLC	18651 BUCHANAN ST NE EAST BETHEL, MN 55011	18651 BUCHANAN ST NE	Contractor Shop	15,408.66	1,289.39
NORTH BOUND WOODWORKS LLC	22491 LINNET ST NW BETHEL, MN 55005	18627 BUCHANAN ST NE	Wood Working Shop	15,408.66	1,289.39
TRUCK BODY SPECIALISTS LLC	18581 BUCHANAN ST EAST BETHEL, MN 55011	18581 BUCHANAN ST NE	Vehicle Body/Service	15,408.66	1,289.39
JP INVESTMENTS LLC	18533 BUCHANAN ST NE EAST BETHEL, MN 55011	18533 BUCHANAN ST NE	Contractor Shop	15,408.66	1,289.39
METROPOLITAN COUNCIL	390 N ROBERT ST ST PAUL, MN 55101	PENDING	WWRF Site	Pending	
HEARTLAND LAND DEVELOPERS, LLC	3844 149TH AVENUE NE HAM LAKE MN 55304	18530 BUCHANAN ST NE	Truck Shop	15,408.66	1,289.39
			Total	269,651.55	22,564.26

	Water Assessment	Sewer Assessment
Assessment	$1,527 / ERU	$6,178 / ERU

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Total Water Lateral ERU	143
Projected Lateral Sewer Assessment / ERU	$1,526.67
Total Projected Water Lateral Benefit Assessment	$218,771.81
Scenario 1: 3 ERUs / Acre on Vacant Lots	3

City of East Bethel City Council Agenda Information

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Date:

October 23, 2013

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Agenda Item Number:

Item 4.0

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Agenda Item:

2010 A & B Bond Issues

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Requested Action:

Review contractual terms for the 2010 A & B Bonds

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Background Information:

There has been an ongoing discussion since 2011 regarding the use of the 2010 A & B Bond Funds. City Staff was informed that these funds had to be used on infrastructure projects and defeasance was only a possibility in the event that alternative projects. As a result of Congressional budget reductions through sequestration which became effective in 2013, the City's tax credits on the A and B Bonds were reduced by 8.7% on the amount we received for our August 2013 payment.

This reduction in the tax credits has been interpreted as a unilateral modification of the terms of the agreement and therefore permits the use of excess bond funds to defease or pay down the bond issuance as part of a refinancing sale of the bonds. Since the City receives Federal Tax Credits on these bonds, they are subject to final IRS rulings on this matter. There are still questions as to the tax liability on the use of the bond funds for other purposes than infrastructure expenditures that have not been fully answered.

As you know we've been working on this approach with Ehlers in regards to the bond refinancing. Ehlers is continuing to explore opportunities to use our bond surplus funds (up to $800,000) to pay down the 2010 B bond to make it more attractive for a sale. They presented an option which was discussed at our HRA meeting on October 2, 2016 and this was tabled due to our concerns regarding:

- The need to keep these funds in the short term to address any potential change order costs for the Castle Towers Project;
- The need for the use of these funds for additional infrastructure projects that were discussed at the above mentioned meeting; and
- The need for additional time to evaluate the proposal. The 2010 B bond sale that was presented by Ehlers would have been part of the 2005 B refinancing to save issuance costs and we only had 2 days to decide if including the 2010 B in this sale would have been in our best interests.

The timing issue of this proposed refinancing, through the fault of no one, and the initial prospectus of breakeven costs of savings of the 2010 B bond sale versus infrastructure benefits and the other reason listed above were our basis for informing Ehlers not to pursue this addition to 2005 B sale and to continue seeking opportunities to revisit a more attractive proposal.

We have been examining the issue of defeasance and the potential to pay down the bond debt for refinancing purposes since August of 2013. We have had numerous conversations with Ehlers, Dorsey and Whitney (the original Bond Counsel for the project) and Eckberg Lammers as to our options and interpretations in this matter. The issue of a reconsideration of refinancing the 2010 A & B Bonds has been the Council Agenda since September and the potential for defeasance of the bond fund balance has been on the Agenda for the October 2nd and 16th meetings

Councilperson Moegerle examined the 2010 A& B Bond Record Books and found some language that needs further explanation. Her concerns, and I'm also sure that they will be universal, are related to implications that excess bond funds could be used for defeasance which was contrary to what we had originally been informed.

Should this have been an option to Council from the beginning, it may have influenced the decision to proceed with the Castle Towers/Whispering Aspen Force Main Project. However in this case, this project would have been needed to complete regardless of the opportunity to use the excess bond funds to finance the work. The costs to decommission the sewer plant at this location and install the force main with the bond funds would be same as those required to renovate the facility and keep it operating for the next 30 years using other funding sources. In addition this project will enable us to provide sewer service for larger developments along the corridor and apply SAC charges to new housing starts in Whispering Aspens and other new connections to this phase of the system.

I have attached those sections from the Bond Record Book that have been questioned by Ms. Moegerle. These are listed as Attachment 1. Listed as follows are questions that have been raised by Ms. Moegerle;

> *1. Were the Bond funds from both bond sales comingled into ONE physical bond fund bank account when they were received?*
>
> *2. One of the two short document specifically states words to the effect that the City SHALL NOT be reimbursed for expenses spent on the project prior to the bond sale. On the advice of bond counsel, the HRA was reimbursed > $ 600,000for funds advanced to get the engineering costs of the project done (that 'wink and nod' from Anoka County on the use of the funds.)*
>
> *IF the fund dollars were physically comingled AND at least ONE of these funds could NOT be use for reimbursement has a breach of the agreement occurred, such that the HRA needs to re-fund the bond fund for that reimbursement????*
>
> *3. If a breach HAS occurred (and the re-funding of the HRA) must be reversed (thank goodness that HRA has been moribund!) then THOSE funds can also be used to defease the bonds....adding up to the tune of $ 1.4 MILLION!!! (Almost 10% of the total bond proceeds!*
>
> *If a breach HAS occurred, is a simple re-funding of the bond fund the solution to the error or are there IRS and auditing issues that must be reported outside of EB?*
>
> *4. If a breach HAS occurred, does the re-funding need to be done immediately....and collapse the inter-fund loan to the EDA for the loan program???*

5. Regardless of the answers to the foregoing, will Ehlers be contacted early this morning to look at the issue of immediate (Wed or earlier SPECIAL MEETING) of defeasing the principle in advance of a refunding of the bonds?

Ms. Moegerle further states, "I am sure that I will have more questions as I parse the documents finer than the SHALL in the issue of the defeasance of bonds with funds in excess of the project costs. I will go on the record now that I believe that if we go forward with defeasance in advance of completion and payment of the project, I would NOT object to being overly optimistic in how much money there will be to defease the bonds (up to $ 100,000) which might have to come from the general fund to achieve the SHORT-TERM TAX LEVY AND LONG-TERM BOND PAYMENT SAVINGS necessary to make this debt manageable".

I also requested that Andy Pratt review and comment on Ms. Moegerle's questions that are listed above. The following are his initial comments:

Thank you for sending along Councilmember Moegerle's comments and questions on the City's 2010 bond issues. Mark has also forwarded me some other correspondence from CM Moegerle that flowed through you, and I will try to answer everything in this email, with the understanding that I will pick up my memo again that I was working on before, complete it and have it to you early next week. Feel free to pass along these preliminary comments to other interested parties.

1. <u>Series 2010A Bond Tax Certificate</u>. I will first go through the "Signature, No-Litigation, Arbitrage Certificate and Purchase Price Receipt" document for the Series 2010A Bonds (these are RZEDBs). This certificate is more commonly known as the "Tax Certificate." It looks as if CM Moegerle has marked up this certificate in a few places.

a. She has a question mark next to the name of the bond issue. The name makes it clear that these are utility revenue bonds, under Minnesota Statutes, Section 444.075. These bonds may be issued without a public hearing or referendum, and they do not count against the City's debt limit. They are basically the "easiest" bonds to issue from a legal perspective. Debt service on the bonds must be paid from water utility revenues primarily, so a forecast has to be made at the time of issuance that projected revenues would be able to cover the debt service obligations. It is of course dubious as to how that projection was actually made at the end of 2010, knowing the large debt service costs due on this item in the future. If water utility fees fall short, the bond is a general obligation of the City, so other available revenues or tax levies must be made available to cover each debt service payment.

b. Section 6(b) is circled, indicating that the 2010A Bond proceeds must be spent for a "qualified economic development purpose" (minus a 2% hard cap on costs of issuance, and any amounts diverted to a reserve fund, which is almost never required for a general obligation bond). A "qualified economic development purpose" includes the following items, as provided for in the federal tax regulations effective for RZEDBs: (i) capital expenditures, (ii) expenditures for public infrastructure and construction of public facilities, and (iii) expenditures for job training and educational programs. To contrast, BAB proceeds (again, after allowing for a 2% costs of issuance cap and a reserve fund) may only be *spent on "capital expenditures." In practical application, there is little difference in the regulations governing how unused BAB and RZEDB proceeds must be spent. Spending the unused proceeds on capital expenditures for a newly identified project is clearly allowed for in the tax regulations.*

c. *Section 6(g) is circled, reflecting the expectation that the bond proceeds would be spent by 12-15-2013. A tax regulation allows for bond proceeds to be invested at any yield, as long as the City has the reasonable expectation that the proceeds will be spent within three years. Section 6(g) just restates that tax regulation. The City at the time reasonably expected the project would be done by now and the proceeds spent, so what is reflected in 6(g) is not a default or breach of any kind. Section 6(l) also goes with that idea; once the initial three-year period is up, if there is still bond proceeds left over, and they are invested, the investment cannot be at a yield which exceeds the yield on the Bonds (i.e. 3.6064702%). Again, just a recitation of federal tax principles.*

d. *The rest of Section 6(l) that is marked references unused proceeds left in the construction fund, "shall" be applied to defeasance of the Bonds, "<u>or in such other manner as the City's bond counsel shall approve</u>." Here is the problem: at the time these types of bonds were issued, it was not clear what would happen to bond issuers if some proceeds forever went unspent on qualified economic development purposes. The federal government saw the BAB & RZEDB process as a job creator, so it wanted these proceeds spent on infrastructure improvements, and it enacted regulations basically forcing that to happen. But what if some proceeds were not spent on capital expenditures? One widely circulated thought at the time was the unused portion could just go to partially defease the bonds, thereby reducing the outstanding principal amount available, which in turn would reduce the federal government's interest credit payments. Less principal outstanding means less accrued interest, which means lower federal government credit payments. The logic was that the government would not object to such behavior (even though the tax regulations technically didn't allow for this), since they would be paying less out in credits anyway. However, later informal guidance from the IRS indicated that partially defeasing bonds that are subject to the interest credit, may result in a conclusion that the bonds are being materially modified enough to cause a "reissuance" of the bonds. Reissuance has its own tax sections and is a very technical idea, but the thought is that if a reissuance is triggered, it would spell doom for cities to continue to receive the federal interest credits. That is because BABs & RZEDBs cannot be reissued after 12-31-2010, as the legal authority for issuing those types of bonds expired on that day. So, while cities could potentially lower their debt service costs through a partial defeasance, the worry is that they would also lose their federal interest credits over the life of the bonds. That would be the worst of both worlds, since the city would be without the interest credit payment and would still have to pay the higher taxable interest rate on the bonds. That is why I have always come down on the side of using unused bond proceeds on new capital expenditures, as long as those new projects are properly authorized per state law (which usually involves a Council resolution). My finalized memo will expound on this point.*

e. *Section 6(p) is the reimbursement section. Federal tax regulations regarding reimbursement allow cities to pay for some projects up-front, and then reimburse themselves out of future bond proceeds. But to do that, the City must adopt a reimbursement resolution, within 60 days after the expenditures are paid. In other words, if the City pays all or a portion of a project on January 1, it must adopt a reimbursement resolution by March 1. Then, when future bonds are* *issued, those proceeds can be used to reimburse those up-front costs. (There are exceptions for small percentages of soft costs not relevant here). If the City is not paying anything up-front and just uses bond proceeds to pay for project costs, there is no need to do a reimbursement resolution. I am not sure what East Bethel did in this regard, i.e. whether the Council adopted a reimbursement resolution or whether it just paid for project costs out of bond proceeds. I do not see any information, however, that indicates a "breach" has occurred. We should nail down the City's records for whether a reimbursement resolution was even needed, but I do not see this as a big issue, as the reimbursement question is fairly routine.*

f. Section 6(t) was circled as well. This language is yet another federal tax regulation, as the IRS does not want cities to issue bonds, then just sit on the bond proceeds for an indefinite period of time, or invest the proceeds instead of paying for project costs. Again, the City at the time of bond issuance had a reasonable expectation that it would spend down the bond proceeds, and circumstances changed, so I don't see an issue here.

2. <u>Series 2010B Tax Certificate</u>. The same document was included for the Series 2010B Bonds, which are BABs. I reviewed these documents as well for preparation of my initial opinion to the City.

a. Section 6(j) is flagged. This comment is similar to the comment flagged and described above in Section 1(c) of this email. The same idea applies here. If there are any unused bond proceeds at the end of three years, those proceeds may be invested at a yield that does not exceed the yield on the 2010B Bonds (4.0611205%).

3. <u>Bond Funds</u>. CM Moegerle also asks whether the bond proceeds from both the 2010A Bonds and the 2010B Bonds were combined into a single construction fund. I believe they were, and Jack has indicated that may be the case.

4. <u>Reimbursement</u>. CM Moegerle has a series of questions about whether some reimbursement of bond proceeds occurred. I cover some of this ground in Section 1(e) of this email. Again, the Council may have passed a reimbursement resolution, which allows for qualifying project costs already incurred by the City to be reimbursed by subsequent bond proceeds, as long as the resolution is adopted within 60 days after the expenditures at issue are paid. There is an exception to this rule, when project costs may be paid up-front by the City and later reimbursed with bonds, without the need for a reimbursement resolution. The regulations allow for "preliminary expenditures" (i.e. engineering, architecture, survey, etc.) to be reimbursed <u>without</u> a reimbursement resolution, as long as those preliminary expenditures do not exceed 20% of the principal amount of the Bonds. Taking the Series 2010A Bonds as an example, the principal amount of those bonds was $11,465,000. 20% of that amount can be used to reimburse preliminary expenditures without a reimbursement resolution. 20% of $11,465,000 is $2,293,000. CM Moegerle indicates that perhaps $600,000 was advanced or used to reimburse preliminary engineering costs. Under the regulations outlined in this email, that action does not require a separate reimbursement resolution. Therefore, there is no breach of the Tax Certificate or any other rule if those facts are accurate.

5. <u>Refunding the Series 2010 Bonds</u>. I understand Ehlers put forth a proposal to refund the Series 2010 Bonds, due to the fact the federal sequester and subsequent reduction of BAB & RZEDB interest credit payments triggered an early call provision in the original Bonds. We have already gone over that in great detail. I have reviewed the pre-sale *information from Ehlers on a refinancing of the BABs, which indicated a $700,000 "City contribution" could be used, in addition to a new bond principal amount of $5,620,000. I presume the $700,000 "City contribution" constitutes unused bond proceeds (which of course may be a mix between unused BAB & RZEDB proceeds). While this course is not risk-free, applying the unused bond proceeds to a refunding of the BABs, RZEDBs, or both, is a prudent path to consider. Using unused bond proceeds to pay down a refinancing does not technically comply with the tax regulations, which require unused bond proceeds to be spent on capital expenditures (covered in detail above). However, in the refinancing scenario, the old bonds would be gone. They would be replaced by new bonds that would not be pure tax-exempt bonds and not subject to the problematic federal credit payments. If the BABs and RZEDBs are partially defeased, then the old bonds are left outstanding, and the City is then subject to an IRS ruling that pulls out the interest credit payments entirely (see my talk about reissuance above). You don't have that problem with pure refunding bonds. The small measure of risk is if the IRS concludes that, due to spending the unused BAB & RZEDB proceeds on the refinancing and not on capital expenditures, that constitutes a "default" which allows the federal government to <u>retroactively</u> confiscate the previous interest credit payments already paid to the City. If this draconian step is taken, the City would have to come up with the money to pay the IRS. I believe this risk is very small, and I have not heard of it happening in other municipalities that have refinanced their BABs & RZEDBs. Usually, when bonds are refunded, the old bond proceeds have all been used up anyway, so this discussion is not relevant.*

It is my understanding that the Council rejected Ehlers' proposal to refinance the BABs, primarily because it was a very rushed transaction. Ehlers wanted to hold the preliminary bond rating on the refinancing, but that put the Council in a tough position to have a full discussion. The advantage now is that the City has received a rating upgrade, so it is now possible to do the necessary due diligence on the front end and consider this transaction without being rushed. It would be even better if a RZEDB refinancing scenario is possible, and that is something we should further explore.

We will be investigating these questions and consulting with our legal and financial advisors as to how the answers apply to our situation. I will request that Mr.Pratt attend our Work Meeting review these concerns as part of our budget discussions.

Attachments:

Attachment 1- 2010 A & B Bond Book Excerpts

*** ***

Fiscal Impact:

To be determined

*** ***

Recommendation(s):

* *

City Council Action

Motion by:_______________ Second by:_______________

____

____

Vote Yes:_____ Vote No:_____

No Action Required:_____

SIGNATURE, NO-LITIGATION, ARBITRAGE
CERTIFICATE AND PURCHASE PRICE RECEIPT

The undersigned hereby certify that we are the Mayor and City Administrator, respectively, of the City of East Bethel, Minnesota (the City), and that:

?

1. In our capacity as such officers, we have caused true and correct facsimiles of our signatures as such officers to be affixed to each bond of an issue of $11,465,000 Taxable General Obligation Water Utility Revenue Bonds, Series 2010A (Recovery Zone Economic Development Bonds), dated, ~~as originally issued, as of Dec~~ember 15, 2010 (the Bonds). We are duly qualified and acting as such officers and duly authorized to execute the Bonds and we hereby ratify, confirm and adopt the facsimile signatures on each and all of the Bonds as the true and proper signatures for the execution thereof. The Bonds are in fully registered form. The Bonds have been in all respects duly executed for delivery pursuant to authority conferred upon us as such officers and no obligations other than the Bonds have been issued pursuant to such authority.

2. The Bonds mature on the dates, bear interest at the rates and are substantially in the form prescribed by Resolution No. 2010-66 duly adopted by the governing body of the City on November 17, 2010 (the Bond Resolution). The Bond Resolution has not been amended or repealed.

3. We have delivered the Bonds to U.S. Bank National Association, St. Paul, Minnesota (the Registrar), for authentication and delivery to The Depository Trust Company on behalf of Robert W. Baird & Company, Incorporated, Milwaukee, Wisconsin, together with its associates, as the purchaser of the Bonds (the Purchaser). None of the proceedings or records which have been certified to the Purchaser or to Dorsey & Whitney LLP, the attorneys rendering an opinion as to the validity of the Bonds, has been in any manner repealed, amended or changed. There has been no material change in the financial condition of the City or the facts affecting the Bonds.

4. The Preliminary Official Statement, dated November 10, 2010, relating to the Bonds and the Addendum thereto, dated November 23, 2010, prepared by Springsted Incorporated on behalf of the City, did not as of the date thereof and do not as of the date hereof contain any misstatement of a material fact or omit to state any material fact necessary to make the statements contained therein not misleading in light of the circumstances under which they were made, provided that we make no comment regarding information provided by the purchaser of the Bonds for inclusion in the Official Statement relating to the purchase and the reoffering prices of the Bonds.

5. No litigation of any nature is now pending or, to the best of our knowledge, threatened, seeking to restrain or enjoin the issuance or delivery of the Bonds or the pledge of any revenues of the water system of the City (the System) or the levy or collection of any ad valorem taxes to pay the interest on or principal of the Bonds, or in any manner questioning the authority or proceedings for the issuance of the Bonds or the application of the proceeds thereof, or for the pledge of any revenues of the System or the levy or collection of said ad valorem taxes,

or affecting the validity of the Bonds or questioning the corporate existence or boundaries of the City or the title of any of the present officers thereof to their respective offices.

6. On the basis of facts, estimates and circumstances in existence on the date of issue of the Bonds, and pursuant to Sections 54AA, 1400U-2 and 148 of the Internal Revenue Code of 1986, as amended (the Code) and applicable Treasury Regulations (the Regulations) and IRS Notices 2009-26 and 2009-50, the present expectations of the City on the date hereof with respect to the Bonds are as follows:

(a) By the Bond Resolution, the City has irrevocably designated the Bonds as Recovery Zone Economic Development Bonds under Section 1400U-2 of the Code, and has elected to have Section 6431 of the Code apply to the Bonds, with the result that the City shall be entitled to the credit provided in Sections 1400U-2(a) and 6431 of the Code.

(b) 100 percent of the excess of the available project proceeds (as defined in Section 54A of the Code) over the amounts in a "reasonably required reserve" within the meaning of Section 148(d) of the Code and Section 1.148-2(f) of the Regulations are to be used for one or more qualified economic development purposes.

(c) As shown by the resolution adopted by the Board of Commissioners of Anoka County, Minnesota, dated as of April 27, 2010, attached hereto as Exhibit A, the City has received an allocation from Anoka County totaling $11,466,000 to issue recovery zone economic development bonds, and such allocation has not expired or been revoked, rescinded or modified and is in full force and effect, and the City has not designated any bonds or obligations as recovery zone economic development bonds from such allocation other than the Bonds, and, under Section 1400U-2, such allocation is available to the City if the Bonds are issued on or before December 31, 2010. The City Council has determined it is in the best interest of the City to issue the Bonds in the principal amount of $11,465,000.

(d) The Bonds are being issued to finance various improvements to the City's System as described in the Bond Resolution (the Project). The Project is intended for use by members of the general public.

(e) All of the sale proceeds of the Bonds and all of the investment proceeds derived from such sale proceeds will be used for qualified economic development purposes, except for sale proceeds used for costs of issuance (to the extent that such costs do not exceed 2% of such sale proceeds). The amount of sale proceeds applied to costs of issuance of the Bonds, including underwriter's discount ($233,075.05) does not exceed 2% of the sale proceeds of the Bonds ($233,075.05). Costs of issuance in excess of such amount will be paid from equity of the City as described in (h). No amount of sale proceeds will be used for a reasonably required reserve. The City acknowledges that a failure to use proceeds of the Bonds for qualified economic development purposes may result in the retroactive loss of the federal tax credit that the City otherwise would be entitled to receive.

(f) The City will, within six months of the date hereof, incur substantial binding obligations to third parties to expend at least five percent of the net sale proceeds of the Bonds on the Project.

(g) Work on the Project and allocation of the net sale proceeds of the Bonds to expenditures will proceed with due diligence to completion, and it is reasonably expected the Project will be completed and all net sale proceeds of the Bonds so allocated by December 15, 2013.

(h) The City will receive $11,327,420.00 for the principal of the Bonds ($11,465,000.00 plus net original issue premium of $188,752.40 less underwriter's discount of $326,332.40) no interest having accrued on the Bonds to the date hereof. An additional $156,382.35, representing the City's equity contribution, will be applied to costs of issuance of the Bonds including reimbursement of underwriter's discount.

(i) Of the amount of Bond proceeds and equity contribution set forth in (h), $10,663,619.40 ($10,570,362.05 of Bond proceeds and $93,257.35 of City equity used to reimburse for underwriter's discount) will be used to pay the costs of the Project, and $757,057.95 (representing capitalized interest) will be deposited in the Taxable General Obligation Water Utility Revenue Bonds, Series 2010A (Recovery Zone Economic Development Bonds) Bond Fund created by the Bond Resolution (the Bond Fund) to make payments on the Bonds commencing August 1, 2011. An additional $674,000 of proceeds of the City's Taxable General Obligation Bonds, Series 2010C, issued on the date hereof, will be deposited in the Bond Fund and used to make payments on the Bonds commending February 1, 2013. A portion of the City's equity contribution will be applied to costs of issuance of the Bonds in the amount of $63,125.00.

(j) The Bonds have been sold at competitive sale after solicitation of bids by the City's independent financial advisor. To the best of our knowledge, the price paid by the Purchaser is reasonable under customary standards applied in the market.

(k) The net sale proceeds of the Bonds, plus investment earnings thereon, do not exceed the amount to be spent by the City to construct the Project and to pay costs of issuance of the Bonds. Sale proceeds of the Bonds to be used to pay costs of issuance will be expended for such purpose within 90 days of the date hereof and pending such use may be invested without yield restriction pursuant to Section 1.148-9(d)(2)(iv) of the Regulations.

(l) The City expects to spend on the Project, within three years from the date hereof, all of the net sale and investment proceeds to be derived by the City from the issuance of the Bonds. Any amount not so expended by said date will, pending expenditure, be invested at a yield which does not exceed the yield on the Bonds computed in accordance with Section 148 of the Code and reduced as required by Section 6431(c) of the Code to reflect the federal credit allowed to the City (3.6064702% per annum) (the Adjusted Bond Yield), unless the City determines to take advantage of the provisions of Section 1.148-5(c) relating to yield reduction payments. Any amount remaining in the Construction Fund established pursuant to the Bond Resolution after completion of the Project which is not applied to qualified economic development purposes shall be applied to defeasance of the Bonds, or in such other manner as the City's bond counsel shall approve. The City also expects to meet one of the spending exceptions to rebate set forth in Section 1.148-7 of the Regulations.

(m) The "issue price" of the Bonds is $11,653,752.40, which is the initial offering price of the Bonds to the public, plus accrued interest, if any. As shown in the Official Statement, the issue price of the Bonds does not include more than a de minimis amount of premium within the meaning of Section 54AA(d)(2)(C) of the Code.

(n) The Project has not been and is not expected to be sold or otherwise disposed of by the City during the term of the Bonds. The City has not and will not enter into any lease, operating agreement, management agreement or other contractual arrangement which would cause the Bonds to be considered "private activity bonds" or "private loan bonds" as defined in Section 141 of the Code and applicable regulations.

(o) The principal of and interest on the Bonds are payable from the Bond Fund. The City expects to use only the Bond Fund to pay principal of or interest on the Bonds. The revenues and taxes pledged to the Bond Fund by the Bond Resolution are expected to produce amounts sufficient to pay all principal of and interest on the Bonds when due. Based upon the revenues appropriated to the Bond Fund pursuant to the Bond Resolution, the amounts on deposit in the Bond Fund from time to time are not expected to exceed the amounts to be paid out from the Bond Fund through the next following February 1 plus a reasonable carryover not exceeding the greater of (i) the earnings on amounts in the Bond Fund for the immediately preceding year ended February 1 or (ii) one-twelfth of the annual debt service payable therefrom in the immediately preceding year ended February 1. Amounts deposited into the Bond Fund in excess of amounts qualifying as a bona fide debt service fund, other than the sum of $100,000 qualifying for investment as part of a "minor portion" of the Bonds in accordance with Section 1.148-2(g) of the Regulations, and other than amounts qualifying for investment as part of a "bona fide debt service fund," shall be invested at a yield not exceeding the Adjusted Bond Yield within a period of 30 days of the date of deposit into the Bond Fund.

(p) None of the proceeds of the Bonds will be used to reimburse the City for costs of the Project paid prior to the date of issuance of the Bonds unless the City shall have fully complied with the provisions of Section 1.150-2 of the Regulations and the American Recovery and Reinvestment Act of 2009 with respect to such reimbursed amounts.

No Rem

(q) No proceeds of the Bonds will be used, directly or indirectly, to replace funds of the City which are or were available and earmarked to be used for the purposes for which the Bonds are being issued. The average maturity of the Bonds does not exceed 120% of the average reasonably expected economic life of the Project.

(r) There are no governmental obligations (i) issued at substantially the same time as the Bonds, (ii) sold pursuant to a common plan of financing with the Bonds and

(iii) that will be paid out of substantially the same source of funds as will be used to pay the Bonds.

(s) In Sections 8.01 and 8.03 of the Bond Resolution the City has covenanted and agreed with the registered owners from time to time of the Bonds that it will not take or permit to be taken by any of its officers, employees or agents any action that would cause the Bonds to lose their status as Recovery Zone Economic Development Bonds under the Code and applicable Regulations, and has also covenanted and agreed to comply with the provisions of Section 148(f) of the Code, to the extent applicable to the Bonds.

(t) The Bonds are not "hedge bonds" within the meaning of Section 149(g) of the Code. The City reasonably expects to spend not less than 85% of the spendable proceeds of the Bonds on the Projects within three years after the date hereof and less than 50% of the proceeds of the Bonds are invested in nonpurpose investments having a substantially guaranteed yield for four years or more.

(u) To the best of the knowledge and belief of the undersigned, the expectations of the City, as set forth above, are reasonable, and there are no present facts, estimates or circumstances which would change the foregoing expectations.

7. On the date hereof the City received from the Purchaser the purchase price of the Bonds set forth in paragraph 6(h), and the Registrar was thereupon directed to deliver the Bonds to The Depository Trust Company on behalf of the Purchaser.

8. The City understands that failure to comply with the covenants made in the Bond Resolution, as elaborated upon by this Certificate, could result in the retroactive loss of the federal tax credit with respect to the Bonds.

Dated: December 15, 2010.

CITY OF EAST BETHEL, MINNESOTA

Mayor

City Administrator

[Signature page to Signature, No-Litigation, Arbitrage and Purchase Price Receipt Certificate (Series 2010A)]

SIGNATURE, NO-LITIGATION, ARBITRAGE
CERTIFICATE AND PURCHASE PRICE RECEIPT

The undersigned hereby certify that we are the Mayor and City Administrator, respectively, of the City of East Bethel, Minnesota (the City), and that:

1. In our capacity as such officers, we have caused true and correct facsimiles of our signatures as such officers to be affixed to each bond of an issue of $6,100,000 Taxable General Obligation Utility Revenue Bonds, Series 2010B (Build America Bonds - Direct Pay), dated, as originally issued, as of December 15, 2010 (the Bonds). We are duly qualified and acting as such officers and duly authorized to execute the Bonds and we hereby ratify, confirm and adopt the facsimile signatures on each and all of the Bonds as the true and proper signatures for the execution thereof. The Bonds are in fully registered form. The Bonds have been in all respects duly executed for delivery pursuant to authority conferred upon us as such officers and no obligations other than the Bonds have been issued pursuant to such authority.

2. The Bonds mature on the dates, bear interest at the rates and are substantially in the form prescribed by Resolution No. 2010-67 duly adopted by the governing body of the City on November 17, 2010 (the Bond Resolution). The Bond Resolution has not been amended or repealed.

3. We have delivered the Bonds to U.S. Bank National Association, St. Paul, Minnesota (the Registrar), for authentication and delivery to The Depository Trust Company on behalf of Robert W. Baird & Company, Incorporated, Milwaukee, Wisconsin, together with its associates, as the purchaser of the Bonds (the Purchaser). None of the proceedings or records which have been certified to the Purchaser or to Dorsey & Whitney LLP, the attorneys rendering an opinion as to the validity of the Bonds, has been in any manner repealed, amended or changed. There has been no material change in the financial condition of the City or the facts affecting the Bonds.

4. The Preliminary Official Statement, dated November 10, 2010, relating to the Bonds and the Addendum thereto, dated November 23, 2010, prepared by Springsted Incorporated on behalf of the City, did not as of the date thereof and do not as of the date hereof contain any misstatement of a material fact or omit to state any material fact necessary to make the statements contained therein not misleading in light of the circumstances under which they were made, provided that we make no comment regarding information provided by the purchaser of the Bonds for inclusion in the Official Statement relating to the purchase and the reoffering prices of the Bonds.

5. No litigation of any nature is now pending or, to the best of our knowledge, threatened, seeking to restrain or enjoin the issuance or delivery of the Bonds or the pledge of any revenues of the sanitary sewer system or the water system of the City (together, the Systems) or the levy or collection of any ad valorem taxes to pay the interest on or principal of the Bonds, or in any manner questioning the authority or proceedings for the issuance of the Bonds or the application of the proceeds thereof, or for the pledge of any revenues of the Systems or the levy or collection of said ad valorem taxes, or affecting the validity of the Bonds or questioning the

corporate existence or boundaries of the City or the title of any of the present officers thereof to their respective offices.

Not for Bob

6. On the basis of facts, estimates and circumstances in existence on the date of issue of the Bonds, the proceeds of the issue will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of applicable provisions of Section 148 of the Internal Revenue Code of 1986, as amended (the Code) and applicable Treasury Regulations (the Regulations). The facts and circumstances upon which this certificate is based are as follows:

(a) By the Bond Resolution, the City has irrevocably designated the Bonds as Build America Bonds, has elected to have Section 54AA of the Code apply to the Bonds, and has irrevocably elected to have Section 54AA(g) of the Code apply to the Bonds, with the result that the City shall be entitled to the credit provided in Section 6431 of the Code.

(b) The Bonds are being issued to finance various improvements to the City's Systems as described in the Bond Resolution (the Project). The Project is intended for use by members of the general public.

(c) All of the sale proceeds of the Bonds and all of the investment proceeds derived from such sale proceeds will be used for capital expenditures, except for sale proceeds used for costs of issuance (to the extent that such costs do not exceed 2% of such sale proceeds). The amount of sale proceeds applied to costs of issuance of the Bonds, including underwriter's discount ($123,949.86) does not exceed 2% of the sale proceeds of the Bonds ($123,949.86). Costs of issuance in excess of such amount will be paid from equity of the City as described in (f). No amount of sale proceeds will be used for a reasonably required reserve. The City acknowledges that a failure to use proceeds of the Bonds for capital expenditures may result in the retroactive loss of the federal tax credit that the City otherwise would be entitled to receive.

(d) The City will, within six months of the date hereof, incur substantial binding obligations to third parties to expend at least five percent of the net sale proceeds of the Bonds on the Project.

(e) Work on the Project and allocation of the net sale proceeds of the Bonds to expenditures will proceed with due diligence to completion, and it is reasonably expected the Project will be completed and all net sale proceeds of the Bonds so allocated by December 15, 2013.

(f) The City will receive $6,026,815.00 for the principal of the Bonds ($6,100,000.00 plus net original issue premium of $97,493.00 less underwriter's discount of $170,678.00) no interest having accrued on the Bonds to the date hereof. An additional $93,228.14, representing the City's equity contribution, will be applied to costs of issuance of the Bonds including reimbursement of underwriter's discount.

(g) Of the amount of Bond proceeds and equity contribution set forth in (f), $5,630,131.60 ($5,583,403.46 of Bond proceeds and $46,728.14 of City equity used to reimburse for underwriter's discount) will be used to pay the costs of the Project, and

$443,411.54 (representing capitalized interest and rounding amount) will be deposited in the Taxable General Obligation Utility Revenue Bonds, Series 2010B (Build America Bonds - Direct Pay) Bond Fund created by the Bond Resolution (the Bond Fund) to make payments on the Bonds commencing August 1, 2011. An additional $384,000 of proceeds of the City's Taxable General Obligation Bonds, Series 2010C, issued on the date hereof, will be deposited in the Bond Fund and used to make payments on the Bonds commending February 1, 2013. A portion of the City's equity contribution will be applied to costs of issuance of the Bonds in the amount of $46,500.00.

(h) The Bonds have been sold at competitive sale after solicitation of bids by the City's independent financial advisor. To the best of our knowledge, the price paid by the Purchaser is reasonable under customary standards applied in the market.

(i) The net sale proceeds of the Bonds, plus investment earnings thereon, do not exceed the amount to be spent by the City to construct the Project and to pay costs of issuance of the Bonds. Sale proceeds of the Bonds to be used to pay costs of issuance will be expended for such purpose within 90 days of the date hereof and pending such use may be invested without yield restriction pursuant to Section 1.148-9(d)(2)(iv) of the Regulations.

(j) The City expects to spend on the Project, within three years from the date hereof, all of the net sale and investment proceeds to be derived by the City from the issuance of the Bonds. Any amount not so expended by said date will, pending expenditure, be invested at a yield which does not exceed the yield on the Bonds computed in accordance with Section 148 of the Code and reduced as required by Section 6431(c) of the Code to reflect the federal credit allowed to the City (4.0611205% per annum) (the Adjusted Bond Yield), unless the City determines to take advantage of the provisions of Section 1.148-5(c) relating to yield reduction payments. Any amount remaining in the Construction Fund established pursuant to the Bond Resolution after completion of the Project which is not applied to capital expenditures shall be applied to defeasance of the Bonds. The City also expects to meet one of the spending exceptions to rebate set forth in Section 1.148-7 of the Regulations.

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(k) The "issue price" of the Bonds is $6,197,493.00, which is the initial offering price of the Bonds to the public, plus accrued interest, if any. As shown in the Official Statement, the issue price of the Bonds does not include more than a de minimis amount of premium within the meaning of Section 54AA(d)(2)(C) of the Code.

(l) The Project has not been and is not expected to be sold or otherwise disposed of by the City during the term of the Bonds. The City has not and will not enter into any lease, operating agreement, management agreement or other contractual arrangement which would cause the Bonds to be considered "private activity bonds" or "private loan bonds" as defined in Section 141 of the Code and applicable regulations.

(m) The principal of and interest on the Bonds are payable from the Bond Fund. The City expects to use only the Bond Fund to pay principal of or interest on the Bonds. The revenues and taxes pledged to the Bond Fund by the Bond Resolution are expected to produce amounts sufficient to pay all principal of and interest on the Bonds when due. Based upon the revenues appropriated to the Bond Fund pursuant to the Bond Resolution, the amounts on deposit in the Bond Fund from time to time are not expected to exceed the amounts to be paid out from the Bond Fund through the next following February 1 plus a reasonable carryover not exceeding the greater of (i) the earnings on amounts in the Bond Fund for the immediately preceding year ended February 1 or (ii) one-twelfth of the annual debt service payable therefrom in the immediately preceding year ended February 1. Amounts deposited into the Bond Fund in excess of amounts qualifying as a bona fide debt service fund, other than the sum of $100,000 qualifying for investment as part of a "minor portion" of the Bonds in accordance with Section 1.148-2(g) of the Regulations, and other than amounts qualifying for investment as part of a "bona fide debt service fund," shall be invested at a yield not exceeding the Adjusted Bond Yield within a period of 30 days of the date of deposit into the Bond Fund.

(n) None of the proceeds of the Bonds will be used to reimburse the City for costs of the Project paid prior to the date of issuance of the Bonds unless the City shall have fully complied with the provisions of Section 1.150-2 of the Regulations and the American Recovery and Reinvestment Act of 2009 with respect to such reimbursed amounts.

(o) No proceeds of the Bonds will be used, directly or indirectly, to replace funds of the City which are or were available and earmarked to be used for the purposes for which the Bonds are being issued. The average maturity of the Bonds does not exceed 120% of the average reasonably expected economic life of the Project.

(p) There are no governmental obligations (i) issued at substantially the same time as the Bonds, (ii) sold pursuant to a common plan of financing with the Bonds and (iii) that will be paid out of substantially the same source of funds as will be used to pay the Bonds.

(q) In Sections 8.01 and 8.03 of the Bond Resolution the City has covenanted and agreed with the registered owners from time to time of the Bonds that it will not take or permit to be taken by any of its officers, employees or agents any action that would cause the Bonds to lose their status as Build America Bonds under the Code and applicable Regulations, and has also covenanted and agreed to comply with the provisions of Section 148(f) of the Code, to the extent applicable to the Bonds.

(r) The Bonds are not "hedge bonds" within the meaning of Section 149(g) of the Code. The City reasonably expects to spend not less than 85% of the spendable proceeds of the Bonds on the Projects within three years after the date hereof and less than 50% of the proceeds of the Bonds are invested in nonpurpose investments having a substantially guaranteed yield for four years or more.

(s) To the best of the knowledge and belief of the undersigned, the expectations of the City, as set forth above, are reasonable, and there are no present facts, estimates or circumstances which would change the foregoing expectations.

7. On the date hereof the City received from the Purchaser the purchase price of the Bonds set forth in paragraph 6(f), and the Registrar was thereupon directed to deliver the Bonds to The Depository Trust Company on behalf of the Purchaser.

8. The City understands that failure to comply with the covenants made in the Bond Resolution, as elaborated upon by this Certificate, could result in the retroactive loss of the federal tax credit with respect to the Bonds.

Dated: December 15, 2010.

CITY OF EAST BETHEL, MINNESOTA

Mayor

City Administrator

[Signature page to Signature, No-Litigation, Arbitrage and Purchase Price Receipt Certificate (Series 2010B)]

City of East Bethel
City Council
Agenda Information

* *

Date:
October 23, 2013
* *

Agenda Item Number:
Item 5.0
* *

Agenda Item:
Our Saviors Lutheran Church Utilities Project
* *

Requested Action:
Discuss an extension of water and sewer service to Our Saviors Lutheran Church at 19001 Jackson Street
* *

Background Information:
Our Saviors Lutheran Church (OSLC) approached the City and made a preliminary request to connect the City's water and sewer system in November 2011. This extension would connect to the City system on Viking Boulevard and extend south along the GRE power line to a point inside the Church property just south of Crooked Brook (see attached site plan).

This project stalled and OSLC has expressed an interest in renewing the discussions for the extension. OSLC has had conversations with several developers concerning this matter and needs updated utilities cost to proceed with their negotiations. Staff met with OSLC on Thursday, October 17, 2013 and, as a result of the meeting, will provide OSLC with updated costs for the project. Staff informed OSLC that as soon as they had a commitment, Council could examine and consider options and proposals for the project.

Attachment 2-Alternative 1 presents the costs to serve only OSLC. Attachment 2- Alternative 2 presents the costs to upsize the lines for extension to areas which could potentially by served and to provide for a future loop to connect the water lines the lines that are currently serving the Classic Commercial Park.

Attachment(s):
Attachment 1-Site Plan
Attachment 2- Cost Estimates
Attachment 3- Prior Project Proposal as presented to Council on November 22, 2011
*** ***

Fiscal Impact:
The extension of water and sewer service to OSLC would open up the potential for development for the 51.5 acre Church campus. OSLC has plans for a 40-60 unit Senior Housing Project and there is the possibility of the expansion of existing Church building and the addition of an expanded preschool program and facilities which would add to the City's ability to meet its ERU mandates and acquire connections and user fees necessary to pay the indebtedness of the system.
*** ***

Recommendation(s):

* *

City Council Action

Motion by:________________ Second by:________________

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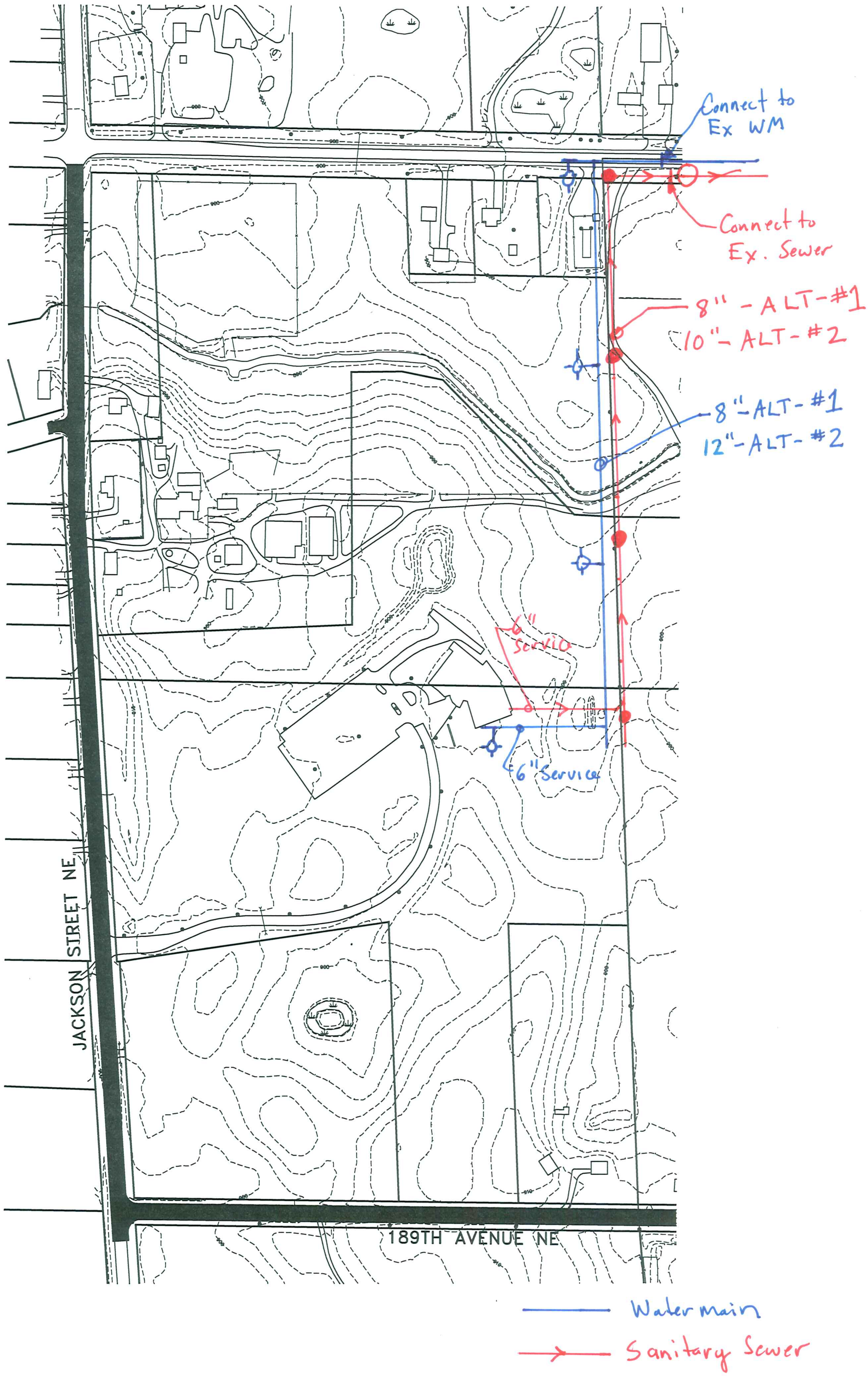
Vote Yes:_____ Vote No:_____

No Action Required:_____


Connect to Ex WM
Connect to Ex. Sewer
8" - ALT - #1
10" - ALT - #2
8" - ALT - #1
12" - ALT - #2
6" Service
6" Service
JACKSON STREET NE
189TH AVENUE NE
Watermain
Sanitary Sewer

ENGINEER'S ESTIMATE - ALTERNATIVE NO. 1
WITHOUT TRUNK FACILITIES
SEWER AND WATER EXTENSION
OUR SAVIOURS CHURCH
CITY OF EAST BETHEL

Schedule "A" - Sanitary Sewer

Item No.	Description	Unit	Unit Cost	Estimated Quantity	Estimated Cost
1	48" Diameter Manhole	LIN FT	$390.00	36	$14,040
2	Manhole Buoyancy Collar	EACH	$500.00	3	$1,500
3	8" PVC SDR 26 Sewer Pipe	LIN FT	$60.00	1,400	$84,000
4	8" X 6" PVC SDR 26 Wye	EACH	$250.00	1	$250
5	Dewatering	LIN FT	$45.00	1,150	$51,750
6	Sanitary Sewer Standard Casting	EACH	$300.00	3	$900
7	Chimney Seal	EACH	$260.00	3	$780
8	Manhole Marker Sign	EACH	$57.00	3	$171
				Total Schedule "A" - Sanitary Sewer	$153,391

Schedule "B" - Watermain

Item No.	Description	Unit	Unit Cost	Estimated Quantity	Estimated Cost
1	8" PVC C900 DR 18 Watermain	LIN FT	$40.00	1,400	$56,000
2	6" PVC C900 DR 18	LIN FT	$35.00	360	$12,600
3	6" Gate Valve and Box	EACH	$1,300.00	4	$5,200
4	8" Gate Valve and Box	EACH	$1,800.00	2	$3,600
5	Hydrant	EACH	$3,400.00	3	$10,200
6	Hydrant Extension	LIN FT	$500.00	6	$3,000
7	Watermain Fittings	POUND	$5.00	2,000	$10,000
				Total Schedule "B" - Watermain	$100,600

Schedule "C" - Erosion Control and Restoration

Item No.	Description	Unit	Unit Cost	Estimated Quantity	Estimated Cost
1	Silt Fence, Type Machine Sliced	LIN FT	$1.80	2,200	$3,960
2	Rock Construction Entrance	EACH	$1,100.00	1	$1,100
3	Erosion Control Blanket Category 3	SQ YD	$1.25	2,000	$2,500
4	Turf Establishment	ACRE	$1,500.00	2.00	$3,000
				Total Schedule "C" - Erosion Control and Restoration	$10,560

Total Schedule "A" - Sanitary Sewer	**$153,391**
Total Schedule "B" - Watermain	**$100,600**
Total Schedule "C" - Erosion Control and Restoration	**$10,560**
Total Estimated Construction Cost	**$264,551**
Overhead & Contingency (25%)	**$66,138**
Total Estimated Project Cost	**$330,689**

ENGINEER'S ESTIMATE - ALTERNATIVE NO. 2
WITH TRUNK FACILITIES
SEWER AND WATER EXTENSION
OUR SAVIOURS CHURCH
CITY OF EAST BETHEL

Schedule "A" - Sanitary Sewer

Item No.	Description	Unit	Unit Cost	Estimated Quantity	Estimated Cost
1	Connect to Existing Sanitary Sewer	EACH	$1,500.00	1	$1,500
2	60" Diameter Manhole	LIN FT	$600.00	17	$10,200
3	48" Diameter Manhole	LIN FT	$390.00	36	$14,040
4	Manhole Buoyancy Collar	EACH	$500.00	4	$2,000
5	10" PVC SDR 26 Sewer Pipe	LIN FT	$65.00	1,400	$91,000
6	24" PVC SDR 26 Sewer Pipe (15-20')	LIN FT	$85.00	200	$17,000
7	10" X 6" PVC SDR 26 Wye	EACH	$300.00	1	$300
8	Dewatering	LIN FT	$45.00	1,150	$51,750
9	Sanitary Sewer Standard Casting	EACH	$300.00	4	$1,200
10	Chimney Seal	EACH	$260.00	4	$1,040
11	Manhole Marker Sign	EACH	$57.00	3	$171
				Total Schedule "A" - Sanitary Sewer	$190,201

Schedule "B" - Watermain

Item No.	Description	Unit	Unit Cost	Estimated Quantity	Estimated Cost
1	Connect to Existing Watermain	EACH	$1,500.00	1	$1,500
2	12" PVC C900 DR 18 Watermain	LIN FT	$55.00	1,400	$77,000
3	24" PVC C905 DR 18 Watermain	LIN FT	$80.00	200	$16,000
4	6" PVC C900 DR 18	LIN FT	$35.00	380	$13,300
5	6" Gate Valve and Box	EACH	$1,300.00	5	$6,500
6	10" Gate Valve and Box	EACH	$2,500.00	2	$5,000
7	Hydrant	EACH	$3,400.00	4	$13,600
8	Hydrant Extension	LIN FT	$500.00	8	$4,000
9	Watermain Fittings	POUND	$5.00	2,000	$10,000
				Total Schedule "B" - Watermain	$146,900

Schedule "C" - Erosion Control and Restoration

Item No.	Description	Unit	Unit Cost	Estimated Quantity	Estimated Cost
1	Silt Fence, Type Machine Sliced	LIN FT	$1.80	2,200	$3,960
2	Rock Construction Entrance	EACH	$1,100.00	1	$1,100
3	Erosion Control Blanket Category 3	SQ YD	$1.25	3,000	$3,750
4	Turf Establishment	ACRE	$1,500.00	2.00	$3,000
				Total Schedule "C" - Erosion Control and Restoration	$11,810

Total Schedule "A" - Sanitary Sewer	**$190,201**
Total Schedule "B" - Watermain	**$146,900**
Total Schedule "C" - Erosion Control and Restoration	**$11,810**
Total Estimated Construction Cost	**$348,911**
Overhead & Contingency (25%)	**$87,228**
Total Estimated Project Cost	**$436,139**

City of East Bethel
City Council
Agenda Information

* *

Date:
November 22, 2011

* *

Agenda Item Number:
4.0

* *

Agenda Item:
Our Saviors Lutheran Church Utilities Project

* *

Requested Action:
Consider approving an extension of water and sewer service to Our Saviors Lutheran Church at 19001 Jackson Street

* *

Background Information:
Our Saviors Lutheran Church (OSLC) has approached the City and has made a preliminary request to connect the City's water and sewer system. This extension would connect to the City system on Viking Boulevard and extend south along the GRE power line to a point inside the Church property just south of Crooked Brook (see attached site plan).

Staff has met with representatives from the Church and developed the following proposal for the connection:

1.) The Church would be assigned 7 ERU's based on the MCES determination;
2.) The cost of the extension (approximately 950' of water and gravity sewer) is estimated at $271,052;
3.) The Church would be responsible for obtaining the necessary easements for the project at their expense; and,
4.) The Church would grant the City utility easement for the future construction of water line to service Jackson Street.

The cost for the project would be broken down as follows:

Construction Cost (see attached estimate)		$271,052
MCES SAC fees, 7@$3,400	$ 23,800	
City SAC and WAC fees, 7 @$5,600	$ 39,200	
Lateral Benefit Assessment Charge, 7 @$8,000	$ 56,000	
Lateral Benefit Assessment Credit*	< $15,120>	
Subtotal Municipal Utilities Charges	$103,880	$103,880
Estimated Project Cost		$374,932

* 27% of the Lateral Benefit Assessment Charge is for street restoration. As there will be no street restoration costs associated with this project it is recommended that this portion of the charge be credited against the fees for the Church.

The Church has requested that the City finance the construction portion of the project in the amount of $271,052. The balance of the 2010 A & B bonds of approximately 4 million dollars could be used to finance this extension. The Church has requested that this be financed over a 20 year period which also corresponds with the life of the bonds. The Church has also requested that the lateral benefit assessment charge of $40,880 ($56,000 less $15,120) be financed over a term as approved by City Council. The following could be the financing plan for the project subject to Council approval:

Fee	Term	Annual Cost	Total
MCES SAC fees	Immediate	$0	$23,800
City SAC and WAC fees	Immediate	$0	$39,200
Lateral Benefit Assessment	10 yrs. @ 5%	$5,294.15	$53,378.27
Construction Costs	20 yrs. @ 5.5%	$22,681.45	$458,814.78

The above plan would require:

1.) The Church pay $63,000 for all SAC and WAC fees upon issuance of a building permit for the project;
2.) The Church pay the Lateral Benefit Assessment of $40,880 over a ten years at 5% or at other terms as approved by City Council, and*
3.) The Church pay the estimated costs of construction of 271,052 over a 20 years at 5.5% or at other terms as approved by City Council*.

This would require the Church to pay $63,000 in upfront costs for fees and enable the Church to finance $311,932 for the balance of the cost.

Financing terms for the City would only be offered if financing was not available from local banks. The rates and terms above are only a representation for discussion of this item.

There is one other component of the estimated construction cost that could affect the structure of the estimates. The 200’ of 24”water and sewer main that is listed in the estimate will be an extension of the MCES system and at some point in the future be a part of the MCES trunk system. This extension is necessary for the Church to connect to the system at the most efficient intersection with an MCES terminal manhole. If the extension is not built the church would be required to obtain additional right of way, add two more manholes and install an unknown quantity of pipe. The City has submitted a request to MCES asking that MCES pay for this portion of the project. The total cost of the MCES portion of the project is approximately $40,000. If MCES would pay for this extension then the construction cost estimate would be reduced to $231,052 and amortization schedules would change accordingly. Fee costs would remain unchanged.

If MCES does not participate in paying for the extension an agreement should be completed with MCES that specifies that the City would be reimbursed/compensated for this section of the trunk line at that point in time when the MCES trunk line is extended. As of 1 PM on Monday, we have received no notice from MCES as to their intentions in this matter.

Attachment(s):

Site Plans
MCES ERU Worksheet
Cost Estimates
Amortization Schedules

*** ***

Fiscal Impact:

As noted above for the financing implications of the project. In addition the extension of water and sewer service to the Church would open up the potential for development for the 51.5 acre Church campus. The Church has plans for a 40-60 unit Senior Housing Project and there is the possibility of the expansion of existing Church building and the addition of an expanded preschool program and facilities which would add to the City's ability to meet its ERU mandates.
* *

Recommendation(s):
Staff recommends the approval of the extension of the water and gravity sewer service to Our Saviors Lutheran Church with financing sources, terms and conditions to be approved by City Council.
* *

City Council Action

Motion by:________________ Second by:________________

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Vote Yes:_____ Vote No:_____

No Action Required:_____