



SPECIAL COUNCIL MEETING AGENDA

AFTON CITY COUNCIL CHAMBERS

3033 St. Croix Trail South

Thursday, January 12, 2017

At 1:00 p.m.

- 1. CALL TO ORDER**
- 2. OATHS OF OFFICE**
 - a. Mayor Bend**
 - b. Council member Nelson**
 - c. Council member Palmquist**
- 3. ROLL CALL**
- 4. APPROVAL OF AGENDA – January 12, 2017 Special Council Meeting**
- 5. CITY COUNCIL BUSINESS**
 - A. Annual Appointments – Resolution 2017-01**
 - B. Refinancing of the Downtown Village Improvements Project Temporary Bonds Series 2015A**
 - C. Reconsideration of the Council’s Action Regarding Street Reconstruction Bonds**
 - D. Downtown Village Improvements Project Update**
- 6. ADJOURN**

A quorum of the City Council or Other Commissions may be present to receive information at, but not limited to, any of the following meetings: Planning Commission; the Public Works Committee; Parks Committee; Design Review and Heritage Preservation Commission; Lower St. Croix Cable Commission; LSCWMO; MSCWMO; I-94 Corridor Coalition and the 5-City Mayor’s Alliance.

City of Afton
3033 St. Croix Trl, P.O. Box 219
Afton, MN 55001

Meeting Date Jan. 12, 2017

Council Action Memo

To: Mayor Bend and Members of the City Council
From: Ron Moorse, City Administrator
Date: January 5, 2017
Re: Annual Appointments for 2017 – **Resolution 2017-01**

Attached is a resolution regarding annual appointments. Attachment A to the resolution is a chart showing the appointments to be made. The chart's second column shows appointments made for 2016. The last column is where Council will make appointments for the year 2016.

(Please note: For clarity a listing of names means all are members of the committee; whereas, the Primary Liaison and Alternate Liaison to committees are divided by the "/" mark.)

COUNCIL ACTION REQUESTED:

Motion regarding the adoption of resolution 2017-01 making Annual City Appointments for 2017.

RESOLUTION 2017-01

**CITY OF AFTON
WASHINGTON COUNTY, MINNESOTA**

A RESOLUTION ESTABLISHING ANNUAL APPOINTMENTS

WHEREAS, the City of Afton is a municipal corporation organized and existing under the laws of the State of Minnesota; and

WHEREAS, the City Council of the City of Afton has annually made appointments in January each year.

NOW, THEREFORE BE IT RESOLVED that the Afton City Council does hereby make the following appointments through 12/31/2017 per **ATTACHMENT A - 2017 City of Afton Annual Appointments**.

ADOPTED BY THE CITY COUNCIL OF THE CITY OF AFTON THIS 12th DAY OF JANUARY, 2017.

SIGNED:

Richard Bend, Mayor

ATTEST:

Ronald J. Moore, City Administrator

Motion by:
Second by:
Nelson:
Ross:
Palmquist:
Richter:
Bend:

ATTACHMENT A

2017 City of Afton Annual Appointments

Item	CITY OF AFTON	2016 APPOINTMENTS PRIMARY / ALTERNATE	2017 APPOINTMENTS PRIMARY / ALTERNATE
1	Mayor Pro Tem	Richter	
2	Planning Commission Liaison	Ross / Bend	
3	Design Review/Heritage Preservation Commission Liaison	Palmquist / Bend	
4	Emergency Preparedness	Palmquist Nelson	
5	Finance Committee	Bougie Moorse Niedzwiecki Richter	
6	Parks Committee	Palmquist Nelson	
7	Personnel Committee	Bend Ross	
8	Public Works Committee	Richter Nelson	
9	Technology and High Speed Internet Access Committee	Ross / Richter	
10	City Weed Inspector	Bend	
11	City Forester	Tim Power	
	COMMUNITY	2016 PRIMARY / ALTERNATE	2017 PRIMARY / ALTERNATE
12	Lower St. Croix Valley Cable Representatives	Richter Bend	
13	St. Croix Valley Alliance	Bend	
14	MSCWMO Representative	Annie Perkins	
15	I-94 Corridor Coalition --TAC	Nelson / Palmquist Moorse	
16	Yellow Ribbon Network	Judy Seeberger	
17	LSCV Fire Protection District Board Representatives	Bend Nelson / Alt. Richter	
18	Lower St. Croix Partnership Team	Palmquist	
19	Washington County Groundwater Advisory Committee	Bend	
20	Washington County Water Consortium	Bend	
21	Great Rivers	Bend	

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Meeting Date Jan. 12, 2017

Council Memo

To: Honorable Mayor Bend and Members of the City Council

From: Ron Moorse, City Administrator

Date: January 5, 2017

Re: Refinancing of Temporary Improvement Bonds, Series 2015A

On March 25, 2015, the City issued \$3,755,000 of temporary bonds to provide interim cash flow for the Downtown Village Improvements Project until construction began and other funding sources became available. The temporary bonds are due in full on April 1, 2017. Because construction has been delayed, and will not begin earlier than April of 2017, grant funding and low interest loan funding will not be available to pay off the bonds. The Council, at its December 20, 2016 meeting, directed Doug Green, the City's bond consultant, to obtain information regarding two options for refinancing the bonds – a bond sale and an RFP process for a bank loan, including probable interest rates and issuance costs for each option. Mr. Green has obtained this information and has provided the attached report regarding the refinancing options. The Schedule of Events for the refinancing will be provided at the January 12 meeting. Mr. Green will attend the Council meeting to address questions from the Council.

Council Action Requested

Motion regarding the refinancing of the Temporary Improvement Bonds, Series 2015A.



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MEMORANDUM

TO: City of Afton, Minnesota

FROM: Doug Green

DATE: January 12, 2017

SUBJECT: General Obligation Temporary Improvement Bonds, Series 2015A

Background

The City of Afton's General Obligation Temporary Improvement Bonds, Series 2015A ("Series 2015A Bonds" or "temp bonds") are due in full on April 1, 2017, in the amount of \$3,755,000. The temp bonds were issued on March 25, 2015, to fund construction for the City's portion of the Downtown Village and County Road 21 projects.

At the time it was assumed that construction would commence in July 2015 and conclude by the end of 2016. The plan was to use long-term loans from the Minnesota Public Facilities Authority (PFA) to pay off the temp bonds no later than April 1, 2017. Due to the delay in construction of the Downtown Village project, the PFA loans are not available to pay off the Series 2015A Bonds.

Minnesota Statutes 429.091, Subdivision 5, authorizes cities to issue temporary improvement bonds for a period up to three years. If resources are not available to make payments on the original temporary improvement bonds, statutes authorize cities to issue another series of temporary improvement bonds for an additional three years, but not more than six years from the original issue. The ability to extend the period in which cities utilize temporary improvement bonds is to address delays in construction like is occurring with the City of Afton.

At the December 20, 2016, City Council meeting, the Council directed staff and Springsted to determine the best financing options to repay the Series 2015A Bonds.

New Temporary Improvement Bonds (Series 2017A)

Method of Sale. Staff and Springsted analyzed both a traditional sale of bonds in the public market and a private placement bank loan. The financing costs of bank loans are lower than a traditional bond issuance, but most often result in higher interest rates. Based on our analysis, a traditional bond issuance is more advantageous to the City. However, in the offering document (Preliminary Official Statement), Springsted will include language that allows for banks to submit bids along with underwriting firms.

Par Amount of 2017A Bonds. There is approximately \$2.0 million remaining from the Series 2015A bond proceeds. The City has authorized an additional \$100,000 in engineering costs over the next three months. Given the uncertainty of state participation in the project, we are recommending retaining an additional \$100,000 for cash flow purposes. Including financing costs, the estimated par amount of the Series 2017A bonds is approximately \$2.0 million.

The table below compares bonds and a bank loan and provides the sources and uses of funds.

Series 2017A Temp Improvements	Option 1: Bonds	Option 2: Loan
USES		
Principal Amount of 2015A Bonds	\$3,755,000	\$3,755,000
Financial Advisor	\$18,500	\$18,500
Official Statement (Printing)	\$800	\$0
Bond Counsel	\$6,000	\$6,000
Credit Rating	\$4,000	\$0
Paying Agent / Registrar	\$750	\$0
Underwriter's Discount*	\$8,000	\$0
Total Uses	\$3,793,050	\$3,779,500
SOURCES		
Remaining 2015A Proceeds	\$1,800,000	\$1,800,000
Other	\$0	\$0
Series 2017A Temp Bonds Par	\$1,993,050	\$1,979,500
Total Sources	\$3,793,050	\$3,779,500
Financing Terms		
Term of Bonds (Years)	3.0	3.0
Interest Rate	1.70%	2.25%
Total Interest	\$101,646	\$133,616
Total Principal and Interest	\$2,094,696	\$2,113,116
Difference		\$18,421
*Assume \$4.00 per \$1,000 on three-year term.		

Repayment Period. State statutes authorize the City to issue bonds up to three years for this purpose. Based on current plans, the majority of construction will be completed in 2017 and be completed in fall 2018. However, in order to maintain ultimate flexibility, we are recommending the repayment period be extended to the maximum three years. Staff and Springsted discussed the possibility of future delays from legal challenges, weather and/or flooding. In addition, the City will have the option to pay off the bonds in October 2018.

Credit Rating. There is a small interest rate advantage to offering bonds with a credit rating. In addition, most of the larger underwriting firms will not competitively bid on bonds without a credit rating.

The estimated difference between two and three year bonds as well as rated and non-rated bonds is shown in the table below.

Series 2017A Temp Improvements	24 Month Option		36 Month Option	
	Rated	Non-Rated	Rated	Non-Rated
USES				
Principal Amount of 2015A Bonds	\$3,755,000	\$3,755,000	\$3,755,000	\$3,755,000
Financial Advisor	\$18,500	\$18,500	\$18,500	\$18,500
Official Statement (Printing)	\$800	\$800	\$800	\$800
Bond Counsel	\$6,000	\$6,000	\$6,000	\$6,000
Credit Rating	\$4,000	\$0	\$4,000	\$0
Paying Agent / Registrar	\$750	\$750	\$750	\$750
Underwriter's Discount*	\$7,500	\$8,500	\$8,000	\$9,000
Total Uses	\$3,792,550	\$3,789,550	\$3,793,050	\$3,790,050
<i>*Assumed Underwriter's Discount</i>	<i>\$3.75</i>	<i>\$4.25</i>	<i>\$4.00</i>	<i>\$4.50</i>
SOURCES				
Remaining 2015A Proceeds	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000
Other	\$0	\$0	\$0	\$0
Series 2017A Temp Bonds Par	\$1,992,550	\$1,989,550	\$1,993,050	\$1,990,050
Total Sources	\$3,792,550	\$3,789,550	\$3,793,050	\$3,790,050
Financing Terms				
Term of Bonds (Years)	2.0	2.0	3.0	3.0
Interest Rate	1.45%	1.60%	1.70%	1.85%
Total Interest	\$57,784	\$63,666	\$101,646	\$110,448
Total Principal and Interest	\$2,050,334	\$2,053,216	\$2,094,696	\$2,100,498
Difference in Rating		\$2,882		\$5,802
Difference in 24 and 36 Months*			\$44,362	\$47,282
* Assumes the bonds are not pre-paid. If the bonds are pre-paid on October 1, 2018, the additional cost will be half the amount shown.				

Marketability of Series 2017A Bonds. Given the fact that there is only one maturity, which reduces the potential profit underwriters can receive, and the one-year call option, the bonds will have limited marketability. Nonetheless, we still expect to receive a few bids. In case no bids are received, at the direction of the City, Springsted can negotiate the bonds with one underwriter.

Timing. Attached to this memorandum is the Schedule of Events for the Series 2017A Bonds.

Recommendation

Springsted and City Staff recommend the City proceed with a \$2.0 million General Obligation Temporary Improvement Bonds, Series 2017A, maturing on April 1, 2020, with an estimated credit rating of SP-1+, and the option to prepay the bonds on October 1, 2018.

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Meeting Date Jan. 12, 2017

Council Memo

To: Honorable Mayor Bend and Members of the City Council

From: Ron Moorse, City Administrator

Date: January 5, 2017

Re: Reconsideration of the Council's Action Regarding Street Reconstruction Bonds

The Council, at its December 20, 2016 meeting, directed staff to move forward with the process of issuing Street Reconstruction Bonds to finance planned street improvements, and to also be prepared to move forward with the process of issuing Abatement Bonds if the Council's vote on the sale of Street Reconstruction Bonds was not unanimous. Mayor Bend has requested that this action be placed on the January 12, 2017 Special Council meeting agenda for reconsideration, with the purpose of simplifying the bond sale process by focusing only on the issuance of Abatement Bonds.

Council Action Requested

Motion regarding the reconsideration of the Council's action regarding Street Improvement Bonds.

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Meeting Date Jan. 12, 2017

Council Memo

To: Honorable Mayor Bend and Members of the City Council
From: Ron Moorse, City Administrator
Date: January 5, 2017
Re: Downtown Village Improvements Project Update

At the January 12 Special Council meeting, staff will provide an update on a number of elements of the Downtown Village Improvements Project. These include the Section 106 process, the initiation of staging meetings with Washington County and the project contractor, and the updating of project costs and revenues.

The Minnesota Pollution Control Agency (MPCA) is in the process of preparing its updated findings and determination to reflect the plan revisions the City has made to resolve the objections of the tribal governments. The MPCA is planning to publish its updated findings and determination in the next week or two and to provide a 30 day comment period.

An initial staging meeting involving the City, Washington County, the project contractor and a representative from the Prairie Island Indian Community has been scheduled for January 17. This meeting will initiate discussion of construction timing and actions necessary to enable construction to begin in the spring of 2017.

The City Engineer has updated the project costs to reflect the bids awarded for the project. However, these costs have not been updated to reflect estimated construction costs related to the plan revisions made as part of the 106 process. On the revenue side, the cost share spreadsheets, which show the various revenue sources, have not been recently updated. The City Engineer is working to determine what it would take, from a cost and effort standpoint, to update the cost share spreadsheets and whether that cost and effort would provide significant new and beneficial information at this time. It may be possible to provide beneficial information based on using different sets of assumptions without a large effort. The City Engineer will provide an update regarding this work at the Special Council meeting.

Council Action Requested

No specific action is requested.