

**ADDITIONS TO THE AGENDA**  
**8/6/08**

1. Authorize David Drown & Associates to negotiate the sale of \$265,000 bonds for approval at the 8/20/08 meeting.
2. Approve amended assessment for John Clark Senior Housing by dividing assessment by 24 units per their request.



**RECOMMENDATIONS**

31 July 2008

City Council  
Ms. Rena Weber, Administrator  
City of Rockville  
PO Box 93  
Rockville, MN 56369-0093

**RE: \$265,000 G.O. Improvement Bonds, Series 2008A  
County Road 82 and S.J. Lewis Projects**

Dear Council Members and Ms. Weber:

This letter provides our recommendations for the structure and sale of general obligation bonds to finance improvements to County Road 82 and improvements serving the S.J. Lewis project.

**Projects and Costs**

The County Road 82 project was a total reconstruction and upgrading of streets and utilities by Stearns County. The City is responsible for a share of street, utility and sidewalk costs. Construction is nearing completion and final costs are estimated below.

For the improvements serving S.J. Lewis, all but \$60,000 of project costs were paid by state grants and assessment payments from S.J. Lewis. The agreement with S.J. Lewis gives the City the ability to finance the remaining \$60,000 with a 6% loan from S.J. Lewis, but it is more cost-effective for the City to finance this amount with the bonds for Co. Rd 82. This cost will ultimately be paid by an assessment to the Molitor property to be certified for collection no later than 2015.

Combining the financing needs of both projects, the bond issue is sized as follows:

Co. Rd. 82 Construction	\$ 185,840
Engineering	13,768
Legal, Adm. Contingency	<u>9,126</u>
Total Co. Rd. 82	208,734
Balance of S.J. Lewis project	<u>60,000</u>
	268,734
Plus financing costs	14,800
Less prepaid assessments	<u>(20,415)</u>
Net Funds Required	\$ 263,119
<b>Founded for Issuance</b>	<b>\$ 265,000</b>

**\$265,000 G.O. Improvement Bonds, Series 2008A**

We recommend the bonds be issued as G.O. Improvement bonds under the authority of M.S. Chapter 429. The primary requirement of this statute is that at least 20% of project costs must be assessed to benefitted properties. Both projects meet this requirement.

Attached is a preliminary schedule showing the structure, details and revenue requirements for this bond issue. Important details include:

- The bonds are repaid over ten (10) years to match the term of the Co Rd. 82 assessments.
- We expect an average interest rate of about 4.3%.
- Issuance costs assume sale of bonds to an underwriter. If local placement is accomplished, financing costs will be less.
- Co. Road 82 assessments total \$129,802. \$20,415 have already been prepaid and used to reduce borrowing amount. The balance of \$109,387 is certified this fall for payment over 10 years starting in 2009. The interest rate on unpaid assessments is 5%.
- The assessment to the Moliter property is assumed to be deferred with 6% interest through 2014 and then paid in full in 2015. Should this property develop earlier, assessment revenue will be received earlier.
- To cover un-assessed costs of Co. Rd. 82, the City will need to levy property taxes averaging \$13,000 per year starting in 2009.

#### **Action Required**

Given the relatively small amount of the debt required, we believe a negotiated sale of bonds is appropriate. If authorized by the City Council, DDA will solicit informal proposals from both a regional bond underwriter and from the First National Bank of Cold Spring. First National has purchased small bonds from you in the past. We will complete this process and attend your August 20<sup>th</sup> Council meeting with our recommendation for award and the necessary resolutions prepared by your bond counsel.

To proceed, we ask the City Council at the August 6<sup>th</sup> Council meeting to authorize David Drown Associates to negotiate the sale of these bonds on behalf of the City, for consideration and award by the City Council at the August 20<sup>th</sup> meeting.

Yours truly,



David P. Drown, President  
David Drown Associates, Inc.

City of Rockville, Minnesota

PRELIMINARY CASHFLOW

\$265,000

G.O. Improvement Bonds, Series 2008A (Co. Rd. 82 & S.J. Lewis Projects)

**Uses of Funds**

SJ Lewis Project Costs (Net after grants and Prepaid assmts)	60,000
Co. Rd. 82 Costs (final net estimate, less financing)	208,734
Contingency	-
<b>Total Project Costs*</b>	<b>268,734</b>
Underwriter's Discount Allowance: 1.0000%	2,650
Unused Underwriter's Discount Allowance:	-
Fiscal Fee	7,500
Bond Counsel	3,000
Pay Agent/Registrar	400
Printing & Misc	1,250
Bond Rating Fees	-
Capitalized Interest	-
	<b>283,534</b>

**Sources of Funds**

Bond Issue	265,000
Prepaid Assessments	20,415
Construction Fund Earnings (excess proceeds)	(1,881)
	<b>283,534</b>

**Bond Details**

Set Sale Date	8/6/2008
Sale Date	8/20/2008
Dated Date	9/1/2008
Closing Date	9/1/2008
1st Interest Payment	8/1/2009
Proceeds spent by:	12/31/2008
	<i>to Dated Date</i>
Purchase Price	262,350.00
Net Interest Cost	82,677.50
14,800 Net Effective Rate	4.3391%
Average Coupon	4.200%
Average Life	7.1903
Call Option (at Par)	2/1/2014
Purchaser	Negotiated Sale
Bond Counsel	Briggs and Morgan, P.A.
Pay Agent	City Administrator
Continuing Disclosure	None
Tax Status	Tax-exempt, Bank-qualified
Rebate Authority	\$5 million small issuer exemption M.S. Chapters 429 and 475

**Payment Schedule & Cashflow**

<i>Payment Schedule</i>					
Aug & Feb Pmts Ending on	Principal	Rate	Interest	Payment Total	TOTAL PLUS 5%
9/1/2007			-	-	-
2/1/2009	-	0.000%	-	-	-
2/1/2010	10,000	4.200%	15,768	25,768	27,056
2/1/2011	15,000	4.200%	10,710	25,710	26,996
2/1/2012	15,000	4.200%	10,080	25,080	26,334
2/1/2013	15,000	4.200%	9,450	24,450	25,673
2/1/2014	15,000	4.200%	8,820	23,820	25,011
2/1/2015	20,000	4.200%	8,190	28,190	29,600
2/1/2016	20,000	4.200%	7,350	27,350	28,718
2/1/2017	105,000	4.200%	6,510	111,510	117,086
2/1/2018	25,000	4.200%	2,100	27,100	28,455
2/1/2019	25,000	4.200%	1,050	26,050	27,353
	<b>265,000</b>		<b>80,028</b>	<b>345,028</b>	<b>362,279</b>

<i>Revenues</i>				<i>Account Balances</i>	
Collection Year	Deferred Molitor Assessment*	Co. Rd 82 Assessments	City Tax Levy	Surplus (deficit)	Account Balance
					Capitalized, accrued interest & unused discount >
					1,881
					1,881
2008	-	-	-	-	1,881
2009	-	14,166	13,000	110	1,991
2010	-	14,166	13,000	171	2,162
2011	-	14,166	13,000	832	2,994
2012	-	14,166	13,000	1,494	4,488
2013	-	14,166	13,000	2,155	6,643
2014	-	14,166	13,000	(2,433)	4,209
2015	-	14,166	13,000	(1,551)	2,658
2016	88,800	14,166	13,000	(1,119)	1,539
2017	-	14,166	13,000	(1,289)	250
2018	-	14,166	13,000	(186)	63
	<b>88,800</b>	<b>141,661</b>	<b>130,000</b>	<b>(1,818)</b>	

\* The City has a deferred assessment (charge) of \$80,000 plus interest at 6%. Balance to be paid when the property develops or by 2015.

JUL 21 2008

July 16, 2008

To whom it may concern:

We the share holders of John Clark Cooperative Senior Housing request that the assessment for the improvements on Co Rd # 82 in the city of Rockville, Minnesota be equally assessed to the following owners.

Unit 101	<u>Francis Ploger</u>	
102	<u>Melvin Rieger</u>	<u>Aurelia Rieger</u>
103	<u>Diane Wellenby</u>	<u>Duane Wellenby</u>
104	<u>Diane Wellenby</u>	<u>Duane Wellenby</u>
105	<u>Diane Wellenby</u>	<u>Duane Wellenby</u>
106	<u>Andrew &amp; Anderson</u>	<u>Genevieve E. Anderson</u>
107	<u>Diane Wellenby</u>	<u>Duane Wellenby</u>
108	<u>Diane Wellenby</u>	<u>Duane Wellenby</u>
109	<u>Diane Wellenby</u>	<u>Duane Wellenby</u>
110	<u>Diane Wellenby</u>	<u>Duane Wellenby</u>
111	<u>Diane Wellenby</u>	<u>Duane Wellenby</u>
112	<u>Randall Jensen</u>	
113	<u>Diane Wellenby</u>	<u>Duane Wellenby</u>
114	<u>Harold Sietsma</u>	<u>Marilyn Sietsma</u>
115	<u>Diane Wellenby</u>	<u>Duane Wellenby</u>
116	<u>Diane Wellenby</u>	<u>Duane Wellenby</u>
117	<u>Bill Thull</u>	<u>#117</u>
118	<u>Marie Skaja</u>	

119 ~~Deane Wellerburg Duane Wellerburg~~  
120 ~~Deane Wellerburg Duane Wellerburg~~  
121 ~~Deane Wellerburg Duane Wellerburg~~  
122 \_\_\_\_\_  
123 ~~Deane Wellerburg Duane Wellerburg~~  
124 ~~Deane Wellerburg Duane Wellerburg~~

119 \_\_\_\_\_  
120 \_\_\_\_\_  
121 \_\_\_\_\_  
122 *Kathleen H. Thies, PR 7/16/08* \_\_\_\_\_  
123 \_\_\_\_\_  
124 \_\_\_\_\_

Diane.....I faxed you the signed page and am also sending via attachment. Please ensure that the county assessor is advised to send the statement for Unit 122 to the estate address of 9760 Norway St NW, Coon Rapids, MN 55433.

Thanks  
Kathy Thies

**NOTES FROM A PERSONNEL COMMITTEE MEETING HELD THURSDAY, JULY 31, 2008– 6:00 P.M. – ROCKVILLE CITY HALL**

The meeting was called to order by Chair Randy Volkmuth. Roll Call was taken and the following members were found to be present: Chair Volkmuth, Susan Palmer, Public Works Director Rick Hansen, Fire Chief Jeff Howe, 1<sup>st</sup> Assistant Chief Ralph Walz, and Administrator/Clerk Rena Weber. Absent: Brian Herberg.

Chair Volkmuth reported that the meeting had been called for the purpose of discussing Jeff Howe's military leave of absence as: Fire Chief, Fire Marshall & Building Official.

**FIRE CHIEF**

Jeff Howe reported that he is being called back into service and will be in and out from now until February. In February he will go to Fort Lewis, Washington and then to Iraq until April 2010 or February 2011 at the latest.

Member Palmer asked Jeff to supply a calendar. Will everybody be expected to fill in for you during your absence? Jeff Howe reported that Ralph Walz will be the acting Chief as that is one of the duties of the 1<sup>st</sup> Assistant Chief.

Chair Volkmuth asked if the fire fighters have accepted this. Jeff Howe indicated that the officers have accepted this, but not necessarily all of the members.

Discussion was held regarding the length of the absence and other issues:

- Possibly appointing Ralph Walz as Acting Chief
- Appointing another officer since this could be quite a load for the Acting Chief
- They have been running with three captains at present so they would be short one captain and one Chief
- This should be discussed again in November
- Ralph's training has been lightened up as they will be going to Fire Fighter 2 next year for the 6 new people and holding off on hiring 6 more until the fall of 2009.
- Jeff Howe to provide a written recommendation on how this could happen on the interim

**FIRE MARSHALL** – This is a duty of the Fire Chief. Jeff reported that his brother Jim Howe works with him on the building code issues and is also on the St. Cloud Fire Department so he could fill in on these duties. Jeff also suggested that Randy Dingmann could be contracted also. This position requires a very minimal amount of time.

Ralph indicated that he would like to keep this responsibility with Jim Howe as it is part of the building inspection services.

**BUILDING OFFICIAL** – Jeff Howe indicated that he would like to initiate an interim plan to test during the next few months. Jeff Howe had wanted his son Sam to take over for him, but Sam has not completed the building inspection training. In light of that he would like to offer hiring John Grebler, St. Cloud, as the interim official. Jim Howe will be certified as a limited official to do residential homes, but not commercial until he takes a test in November. John Grebler is certified in both and is available to oversee both Jim and Sam and also do the plan reviews. All three individuals are contracted by Jeff Howe under his firm – Code Consulting LLC.

Chair Volkmuth asked about hiring Bill Barber from Waite Park.

Rena Weber asked Jeff to explain who John Grebler is and how he could fit in. Chair Volkmuth indicated that he would like to meet with John Grebler first. John would handle any commercial building permits for now and sometime in November Jim Howe would get certified.

Susan Palmer asked for resumes on each of the individuals and when will the trial period start? It was determined that we would meet again the end of September to discuss this again.

Chair Volkmuth asked what the turn around time is for plan reviews. There was concern that three individuals were taking too long to get their permits. It was reported that the delays were caused either in the applicant providing information, changing plans, or not returning phone calls.

Member Palmer asked for a copy of the contract with Code Consulting LLC. Rena to provide.

**FIRE CHIEF – Motion by Chair Volkmuth, second by Member Palmer to recommend the city continue with Jeff Howe as Fire Chief with the understating that Ralph Walz will take over as interim chief in February, and further that this will be discussed again in November, 2008. Motion carried unanimously.**

**FIRE MARSHALL – Motion by Chair Volkmuth, second by Member Palmer, to recommend the city engage the services of Jim Howe (under Code Consulting LLC contract) to perform this service, further that this will be reviewed in November as well and further still that the city reserves the right to terminate this contract should the services become unsatisfactory. Motion carried unanimously**

**BUILDING INSPECTION SERVICES – Motion by Member Palmer, second by Chair Volkmuth, to recommend going with the interim plan as recommended by Jeff Howe (Code Consulting LLC) by using his sub-contractors – Sam Howe, Jim Howe and John Grebler with the understanding this will be reviewed periodically, and further that the city reserves the right to terminate this contract should this plan not work out. Motion carried unanimously.**

**ADJOURNMENT – Motion by Chair Volkmuth, second by Member Palmer, to adjourn the meeting at 6:40 p.m. Motion carried unanimously.**

Submitted by Rena Weber  
Administrator/Clerk