



**AGENDA**  
**City Council Work Session**

May 14, 2019

6:00 pm

Kenyon City Hall

- I. Call to Order
- II. Discuss items related Business Park Development
  - A. Designate City funding match for DEED BDPI Grant
  - B. Options for EDA to request street and infrastructure improvements from the City. Scott Riggs, City Attorney
  - C. Review options for possible project financing. George Eilertson, Northland Securities
- III. Adjourn

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Mark Vahlsing, City Administrator

Posted: May 10, 2019

## MEMORANDUM

**TO:** Honorable Mayor and City Council and EDA Board  
**FROM:** Mark Vahlsing, City Administrator  
**RE:** March 14, 2019 Council Work Session Summary

*The following is a summary of items that will be discussed at the Council/EDA Work session:*

### **Discuss items related Business Park Development**

#### Designate City funding match for DEED BDPI Grant

*The final step before final approval of the DEED Greater Minnesota Business Development Public Infrastructure **Grant Program (BDPI)** is for the City to provide authorization of its match to the grant. The Council will need adopt a resolution (included in the meeting packet). There are two options for the match.*

##### 1. A completed bond sale.

*The City would have to complete a bond sale for its portion (\$672,096) of eligible project costs. The bond sale proceeds would be placed into a project account until needed. DEED would require verification of the bond sale. The issue with this option is that the City would sell bonds for the ½ of the project cost without knowing if DEED will approve the project.*

##### 2. Pledging local reserves. Inter-fund loan from Kenyon Municipal Utilities.

*The local match can also be structured as an inter-fund loan between the City and KMU. The City would borrow the local match amount of \$672,096 from KMU for the local share. These funds would then be transferred to the City and placed in a Business Park project account. These funds would only be held by the City temporarily and would be returned to KMU. If the BDPI grant is approved a bond would subsequently be sold for the City's portion of project costs and the funds would be returned. If the grant is not approved the funds would also be returned to KMU. This option would be simpler and would not provide risk to the City if the grant is not approved.*

*Either option would require approval by the City Council*

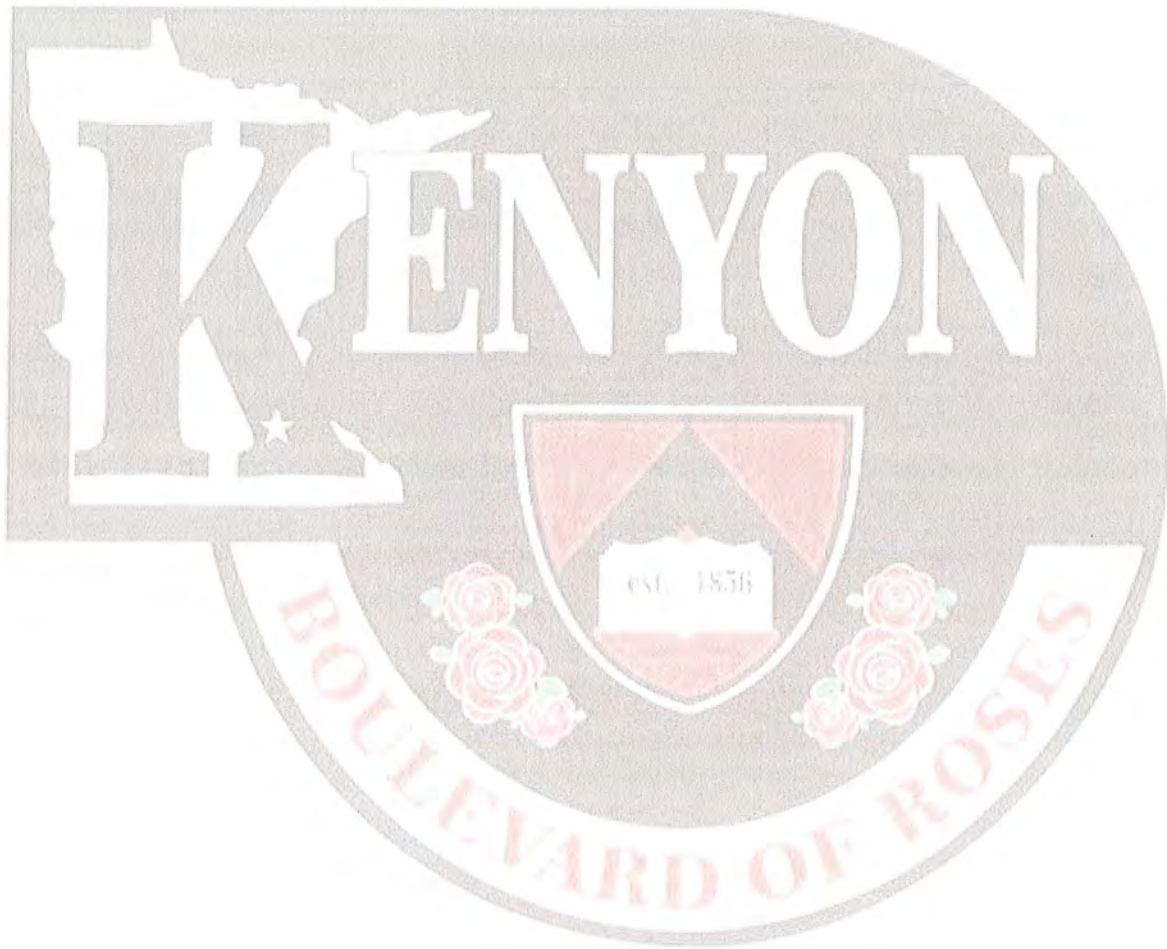
#### Options for EDA to request street and infrastructure project improvements from the City.

*If the BDPI grant is approved the EDA will need to request the City Council to order the street and utility improvements for the project. City Attorney Riggs will discuss 2 options for the process to initiate the improvements for the Business Park Project. This item is presented for information at this time. No action will be required. A memo from Kennedy and Graven is included in the meeting packet which explains the options.*

#### Review options for possible project financing. George Eilertson – Northland Securities

*Mr. Eilertson will review bonding options and estimated terms of payment based on the City's portion of the project cost. The total estimated amount of the bond (\$1,288,271) does not include the electric main extension costs. These costs are assumed to be paid out of KMU reserves. There may be other costs that could also be paid out of reserves which could reduce the principal amount of the bonds. Also \$769,150 of the total bond amount would be for the utility extension/looping project costs. This project would be undertaken regardless of the*

*business park since it will benefit the entire community. There will be assessments and TIF revenue that will be available when development occurs in the Business Park. At this time these amounts cannot be determined. This item is presented for information at this time. No action will be required. Further information is included in the meeting packet.*



**RESOLUTION NO. 2019-19**  
**CITY OF KENYON**  
**COUNTY OF GOODHUE**  
**STATE OF MINNESOTA**

**AUTHORIZING INTERFUND LOAN FOR ADVANCE OF FUNDS FOR  
PAYMENT OF COSTS RELATED TO INFRASTRUCTURE IMPROVEMENTS  
FOR THE CITY'S BUSINESS PARK**

WHEREAS, the City of Kenyon, Minnesota (the "City") plans on incurring costs related to the construction of infrastructure improvements in the City's business park, including but not limited to street improvements and water, sewer, stormwater and electric utility improvements (the "Project"); and

WHEREAS, subject to approval by the Kenyon Municipal Utilities Commission, the City intends to obtain funds from the Kenyon Municipal Utilities Commission's Reserve Fund to pay the costs of the Project and proposes to designate such advance as an interfund loan in accordance with the terms of this resolution; and

WHEREAS, the City intends to issue general obligation bonds or other obligations in the future and to levy special assessments against property benefitted by the Project to repay the interfund loan authorized pursuant to this resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KENYON, MINNESOTA AS FOLLOWS:

1. The City shall borrow money from the Kenyon Municipal Utilities Commission's Reserve Fund, or any other fund designated by the Kenyon Municipal Utilities Commission, to pay costs of the Project in a principal amount not to exceed \$672,096 (the "Interfund Loan"). Interest shall accrue on the principal amount beginning on the one-year anniversary of the date of disbursement of the Interfund Loan at the rate of 3.00% per annum.

2. The Interfund Loan is payable from (i) the proceeds of any obligations the City may issue in the future to prepay the Interfund Loan; (ii) the proceeds of special assessments levied against property benefitted by the infrastructure improvements; and (iii) from any other revenues available to the City.

3. Principal and interest payments (the "Payments") on the Interfund Loan shall be made at the times any revenue sources are available to make installment payments provided that all principal of and interest on the Interfund Loan shall be due five years from the date the Interfund Loan was advanced. Payments will be credited to the Reserve Fund or such other fund from which the Interfund Loan was drawn.

4. The principal sum and all accrued interest payable under the Interfund Loan is prepayable in whole or in part at any time by the City without premium or penalty.

5. The Kenyon Municipal Utilities Commission, with the approval of the City Council, may at any time make a determination to forgive the outstanding principal amount and accrued interest on the Interfund Loan to the extent permissible under law.

6. The City, with the approval of the Kenyon Municipal Utilities Commission, may from time to time amend the terms of the Interfund Loan to the extent permitted by law, including without limitation, amendment to the payment schedule and the interest rate.

7. This resolution shall be in full force and effect upon its approval.

Approved by the City Council of the City of Kenyon, Minnesota on the 14<sup>th</sup> day of May, 2019.

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Mike Engel, Mayor

Attest:

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Mark Vahlsing, City Administrator

SEGMENT	DESCRIPTION	TOTAL COSTS				BDPI ELIGIBLE COSTS				NON-ELIGIBLE COSTS				FUNDING	
		CONSTRUCTION COST	DESIGN ENGINEERING, ADMIN & LEGAL	CONSTRUCTION ENGINEERING & ADMIN	SUBTOTAL	CONSTRUCTION COST	DESIGN ENGINEERING, ADMIN & LEGAL	CONSTRUCTION ENGINEERING & ADMIN	SUBTOTAL	CONSTRUCTION COST	DESIGN ENGINEERING, ADMIN & LEGAL	CONSTRUCTION ENGINEERING & ADMIN	SUBTOTAL	BDPI (50% OF ELIGIBLE COSTS)	LOCAL (REMAINDER)
A	STREET & SITE	\$505,103.00	\$75,800.00	\$50,600.00	\$631,503.00	\$505,103.00	\$0.00	\$50,600.00	\$555,703.00	\$0.00	\$75,800.00	\$0.00	\$75,800.00	\$277,851.50	\$353,651.50
	SANITARY SEWER	\$42,750.00	\$6,500.00	\$4,300.00	\$53,550.00	\$42,750.00	\$0.00	\$4,300.00	\$47,050.00	\$0.00	\$6,500.00	\$0.00	\$6,500.00	\$3,525.00	\$30,025.00
	STORM SEWER	\$113,310.00	\$17,000.00	\$11,400.00	\$141,710.00	\$113,310.00	\$0.00	\$11,400.00	\$124,710.00	\$0.00	\$17,000.00	\$0.00	\$17,000.00	\$6,355.00	\$79,355.00
	WATERMAIN ELECTRICAL	\$129,120.00	\$19,400.00	\$13,000.00	\$161,520.00	\$129,120.00	\$0.00	\$13,000.00	\$142,120.00	\$0.00	\$19,400.00	\$0.00	\$19,400.00	\$71,060.00	\$90,460.00
TOTAL	\$876,083.00	\$131,600.00	\$87,900.00	\$1,095,583.00	\$876,083.00	\$0.00	\$87,900.00	\$963,983.00	\$0.00	\$131,600.00	\$0.00	\$131,600.00	\$481,991.50	\$613,591.50	
B	STREET & SITE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
	SANITARY SEWER	\$85,100.00	\$12,800.00	\$8,600.00	\$106,500.00	\$85,100.00	\$0.00	\$8,600.00	\$93,700.00	\$0.00	\$12,800.00	\$0.00	\$12,800.00	\$46,850.00	\$59,650.00
	STORM SEWER	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
	WATERMAIN ELECTRICAL	\$76,235.00	\$11,500.00	\$7,700.00	\$105,435.00	\$76,235.00	\$0.00	\$7,700.00	\$83,935.00	\$0.00	\$11,500.00	\$0.00	\$11,500.00	\$41,967.50	\$53,467.50
TOTAL	\$161,335.00	\$24,300.00	\$16,300.00	\$201,935.00	\$161,335.00	\$0.00	\$16,300.00	\$177,635.00	\$0.00	\$24,300.00	\$0.00	\$24,300.00	\$88,817.50	\$113,117.50	
C	STREET & SITE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
	SANITARY SEWER	\$219,875.00	\$33,000.00	\$22,000.00	\$274,875.00	\$219,875.00	\$0.00	\$22,000.00	\$241,875.00	\$0.00	\$33,000.00	\$22,000.00	\$274,875.00	\$0.00	\$274,875.00
	STORM SEWER	\$634.00	\$960.00	\$6,400.00	\$79,400.00	\$63,400.00	\$0.00	\$6,400.00	\$69,800.00	\$0.00	\$9,600.00	\$0.00	\$9,600.00	\$34,900.00	\$44,500.00
	WATERMAIN ELECTRICAL	\$265,875.00	\$39,900.00	\$26,600.00	\$332,375.00	\$265,875.00	\$0.00	\$26,600.00	\$292,475.00	\$0.00	\$39,900.00	\$21,100.00	\$272,200.00	\$30,087.50	\$302,287.50
TOTAL	\$615,150.00	\$92,400.00	\$61,600.00	\$769,150.00	\$615,150.00	\$0.00	\$61,600.00	\$676,750.00	\$0.00	\$92,400.00	\$43,100.00	\$566,575.00	\$101,287.50	\$667,862.50	
A+B+C	STREET & SITE	\$505,103.00	\$75,800.00	\$50,600.00	\$631,503.00	\$505,103.00	\$0.00	\$50,600.00	\$555,703.00	\$0.00	\$75,800.00	\$0.00	\$75,800.00	\$277,851.50	\$353,651.50
	SANITARY SEWER	\$347,725.00	\$52,300.00	\$34,900.00	\$434,925.00	\$347,725.00	\$0.00	\$34,900.00	\$382,625.00	\$0.00	\$52,300.00	\$22,000.00	\$404,625.00	\$70,375.00	\$364,550.00
	STORM SEWER	\$176,710.00	\$26,600.00	\$17,800.00	\$221,110.00	\$176,710.00	\$0.00	\$17,800.00	\$194,510.00	\$0.00	\$26,600.00	\$0.00	\$26,600.00	\$97,255.00	\$123,855.00
	WATERMAIN ELECTRICAL	\$471,230.00	\$70,800.00	\$47,300.00	\$589,330.00	\$471,230.00	\$0.00	\$47,300.00	\$518,530.00	\$0.00	\$70,800.00	\$21,100.00	\$539,630.00	\$143,115.00	\$446,215.00
TOTAL PROJECT	\$1,652,568.00	\$248,300.00	\$165,800.00	\$2,066,668.00	\$1,652,568.00	\$0.00	\$165,800.00	\$1,818,368.00	\$0.00	\$248,300.00	\$43,100.00	\$1,772,475.00	\$672,096.50	\$1,394,571.50	

Total amount of bond\*  
\$1,288,271\*\*

\*City Share minus electric  
\*\* Of the estimated bond total \$769,150 is for Utility Extension (Looping project)

**City of Kenyon, Minnesota**  
**Overview of Business Park Financing Options**  
**Issuance of General Obligation Improvement Bonds**

(based upon interest rates as of 5/9/19 - with an assumed "A" Rating)

	<b>Scenario 1</b>	<b>Scenario 2</b>
	15-Year Term	20-Year Term
<b>BOND OVERVIEW</b>		
Overall Business Park Project Cost	\$ 2,066,668	\$ 2,066,668
Less: BDPI Grant	\$ (672,097)	\$ (672,097)
Less: KMU contribution for Electrical costs	\$ (106,300)	\$ (106,300)
Net City share	\$ 1,288,272	\$ 1,288,272
Add Costs of Issuance and Rounding	\$ 56,728	\$ 56,728
Bond Amount	\$ 1,345,000	\$ 1,345,000
Bond term (Years)	15	20
Avg. Interest Rate	2.58%	2.85%
Total Net Debt Service	\$ 1,657,575	\$ 1,804,761
Avg. Annual Debt Service	\$ 110,505	\$ 90,238
103% Statutory Annual Debt Service	\$ 113,030	\$ 94,730

<b>TAX IMPACT</b>		
Annual Levy Required	\$ 113,030	\$ 94,730
Tax Impact Information		
Net Tax Capacity Value (Pay 2018)	\$ 939,632	\$ 939,632
Estimated Net Tax Rate Increase	12.3485%	10.0837%
Market Value of Residential Property		
100,000	\$ 88.61	\$ 72.36
150,000	\$ 155.91	\$ 127.32
200,000	\$ 223.21	\$ 182.27
250,000	\$ 290.51	\$ 237.23
300,000	\$ 357.81	\$ 292.18
350,000	\$ 425.11	\$ 347.14
Mkt Value of Commercial-Industrial Property		
100,000	\$ 185.23	\$ 151.26
250,000	\$ 524.81	\$ 428.56
400,000	\$ 895.26	\$ 731.07
600,000	\$ 1,389.20	\$ 1,134.42