

November 5, 2013

FOR YOUR INFORMATION

This section is to highlight projects and events that do not require Council action but are necessary to keep you informed. Commission/Committee minutes will be contained in this section when they are available.

City Administrators Report

This will be included in the first Council Packet of each month.

Planning Commission Agenda Packet

EDA Agenda Packet

Public Works Commission Agenda

Cable Commission Agenda Packet

Library Board Agenda Packet

Pool Committee Agenda Packet

Quarterly Building Permit Report

Chief McCormick LMC Recognition Letter

It's great to see our staff recognized as leaders in their field and asked to assist in training other Cities employees.

SEMLM Newsletter

**CITY OF CANNON FALLS
PLANNING COMMISSION MEETING AGENDA
Monday, October 14, 2013
6:30 p.m.**

1. **CALL TO ORDER.**
2. **ROLL CALL:** Pidd, Price, Longtin, Hemmah, Duden, Charnell and Sjoblom.
3. **APPROVAL OF AGENDA:**
 - A. Conflict of Interest Disclosure reminder.
4. **APPROVAL OF MINUTES:**
 - A. September 9, 2013.
5. **PUBLIC INPUT:**
 - A. Citizens may speak to issues not on the agenda. Before speaking, please give your name and address for the record. Please limit your comments to three minutes.
6. **PUBLIC HEARINGS:**
 - A. None.
7. **DISCUSSION ITEMS:**
 - A. Casey's Highway Area Directional Sign.
 - B. Raw Bistro/Cannon and Third Street Infrastructure.
 - C. Moline Annexation Update.
 - D. Mulvihill Property Concept Plan.
8. **PLANNING COMMISSION MEMBER COMMENTS.**
9. **ADJOURN.**

Meeting Schedule

Next Regular City Council Meeting..... Tuesday, October 15, 2013.
Next Regular P. C. Meeting..... Monday, November 11, 2013.

**Cannon Falls Planning Commission Meeting
City Hall Council Chambers
September 9, 2013
6:30 p.m.**

The Cannon Falls Planning Commission met Monday, September 9, 2013, at 6:30 p.m. in the City Council Chambers. Present were Chair Daniel Pidd and Commissioners David Price, Mark Longtin, Bruce Hemmah, Colleen Charnell and Jay Sjoblom. Also present were Dave Maroney, Director of Economic Development and Planning and Council Member Bill Duncan. Commissioner Duden was absent.

- Call to Order Chair Pidd called the meeting to order at 6:30 p.m.
- Roll Call Chair Daniel Pidd and Commissioners David Price, Mark Longtin, Bruce Hemmah, Colleen Charnell, and Jay Sjoblom
- Approval of Agenda Commissioner Price moved, seconded by Commissioner Longtin and unanimously carried, to approve the agenda as presented.
- Approval of Minutes Commissioner Price moved, seconded by Commissioner Charnell, and unanimously carried to approve the July 8, 2013, meeting minutes as amended.
- Public Input There was no public input.
- Public Hearings:
Conditional Use
Permit (CUP) and
Variance for Casey's
Sign Chair Pidd opened the public hearing. Dave Maroney, Director of Economic Development and Planning, reviewed Casey's CUP and variance request regarding the proposed sign facing Highway 52, noting the sign, which exceeds the allowable area and allowable height under the sign ordinance, is being requested for visibility from Highway 52. Mr. Maroney showed graphics depicting the location and size of the sign. Hearing closed.
- Discussion Items:
Resolution No. 2013
– 8. CUP and
Variance for Casey's
Sign Consensus was to allow the sign if concerns regarding lighting and brightness were met. Mr. Maroney suggested amending the Resolution to include further documentation of the lighting details and if the lighting is determined to be acceptable to include that as a condition of approval.
- Commissioner Hemmah moved, seconded by Commissioner Price and unanimously carried, to approve the application with the stipulation regarding lighting.
- Concept Plan
Review- Mulvihill
Property Mr. Maroney reviewed the concept plan for the proposed development on the 51-acre property south of the high school owned by Glenn Mulvihill. He noted utilities, which are currently being extended to serve 10 existing homes adjacent (west) to the property, have the capacity to provide utility service to the Mulvihill property. Services for six (6)

potential lots are being installed now, at Mr. Mulvihill's request and expense. The plan proposes 120 lots for detached single family homes, a park, and a ponding area. Access to Highway 19 would be determined during the platting stage and will require approval by MnDOT. Goodhue County preliminary plans show the connection of County 24 Boulevard to Highway 19 at Hardwood Way. A pedestrian access to cross Highway 19 to connect to the school property will also be discussed as this development moves forward.

Commissioner Price stated the project fit well with the community. Cory Meyer stated that Westwood Professional Services had all the engineering data and soil samples for the property from when the Tanner's Grove development had been proposed.

Commissioners liked the overall concept plan and the consensus was to recommend that the six (6) proposed lots be connected to City utilities as a first phase of the development plan and that Mr. Mulvihill should consult with Goodhue County and MnDOT regarding access to Highway 19.

Planning
Commission
Member Comments

There were no comments.

Adjourn

Commissioner Price moved, seconded by Commissioner Charnell and unanimously carried, to adjourn the meeting at 7:05 p.m.

TO: Planning Commission.

FROM: Dave Maroney, Director of Economic Development and Planning.

SUBJECT: October 14, 2013 Agenda.

DATE: October 11, 2013.

Item 7 (A). Casey's Highway Area Directional Sign. As recommended by the Planning Commission, the City Council will be asked to approve the CUP/Variance for the sign on October 15th. Since the Commission held the public hearing on this matter I have been communicating with *Persona Sign Makers* regarding lighting of the sign – see the enclosed letter. In my view, *Persona* has adequately addressed the questions expressed relating to light cast by the proposed sign.

Item 7(B). Raw Bistro/Cannon and Third Street Infrastructure. The State of Minnesota (DEED grant), the City of Cannon Falls (Capital Fund), the Economic Development Authority (loan) and Raw Bistro (assessment) have agreed to finance infrastructure improvements at this location. The proposed improvement plan is depicted by *Drawing No. 1* – enclosed. Some time ago the Commission proposed that the traffic patterns at this intersection be “improved” and construction of this plan accomplishes that recommendation.

Item 7(C). Moline Annexation Update. On October 1st the Council approved the first reading of Ordinance No. 332 annexing approximately 52-acres of land located just south of the new Mayo Clinic – see the enclosed *Moline Annexation Area* map that illustrates the general boundaries of the annexation. Note: (a) the GIS has not yet been revised to include the new County 24 Boulevard that will extend northeast of the interchange to existing 67th Avenue Way and ultimately to Highway #19 at Hardwood Way; and (b) much of the annexed property provides right-of-way that is needed for the new roads that are currently under construction.

Following completion of the annexation process, Mr. Moline will apply for zoning, subdivision and development permits. The 2003 Land Use Plan “guides” this area for low density residential land use. Commissioners will have an opportunity Monday night to informally discuss their ideas and thoughts regarding land use and development in this area.

Item 7 (D). Mulvihill Property Concept Plan. MnDOT has received a copy of the *Concept Plan* and I will begin a conversation with them regarding access from Highway #19 to the development before the end of 2013. Also, in that the *Tanners Grove* development proposed a “tunnel” under Highway #19 to provide access to the Elementary School, it seems clear that “access”, both vehicular and pedestrian, will become topics for our consideration as this project evolves. At this point it may be helpful to know whether or not the Commissioners feel that a crosswalk, underpass, overpass or no pedestrian access from the proposed development to the School District Property should be evaluated?



October 9, 2013

Mr. Dave Maroney
Director of Economic Development & Planning
Cannon Falls, MN 55009

RE: Casey's pylon sign lighting concerns

Dear Mr. Maroney:

Per our telephone conversation, I do not believe the Casey's pylon sign intended to be installed in Cannon Falls will cast an adverse amount of unwanted light towards the residential area behind the store. Casey's professional identity is largely composed of the colors red and brown, with only a slight percentage of the sign face being white, recognizing the fact that the white area of any sign face will always be the brightest. The red and brown portions of the sign face emit very low light levels. This is in contrast to some programs with signage identities that use a far higher percentage of white. Additionally, the current design utilizing LEDs as a light source rather than high intensity discharge lighting in the Casey's signs also reduces the amount of unwanted stray light. LEDs take advantage of a higher level of color saturation rather than just volume of light to perform their intended function.

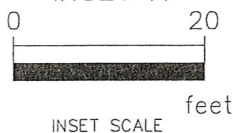
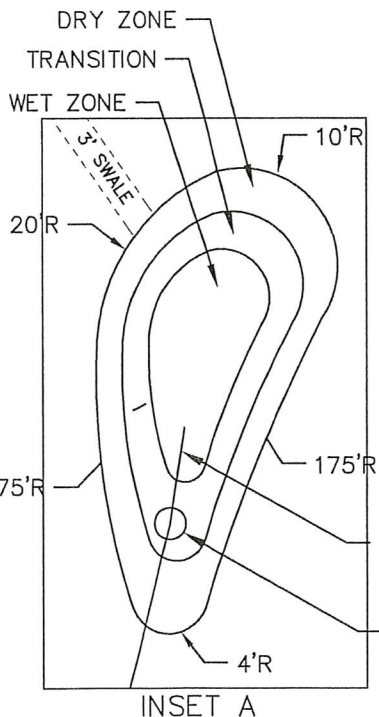
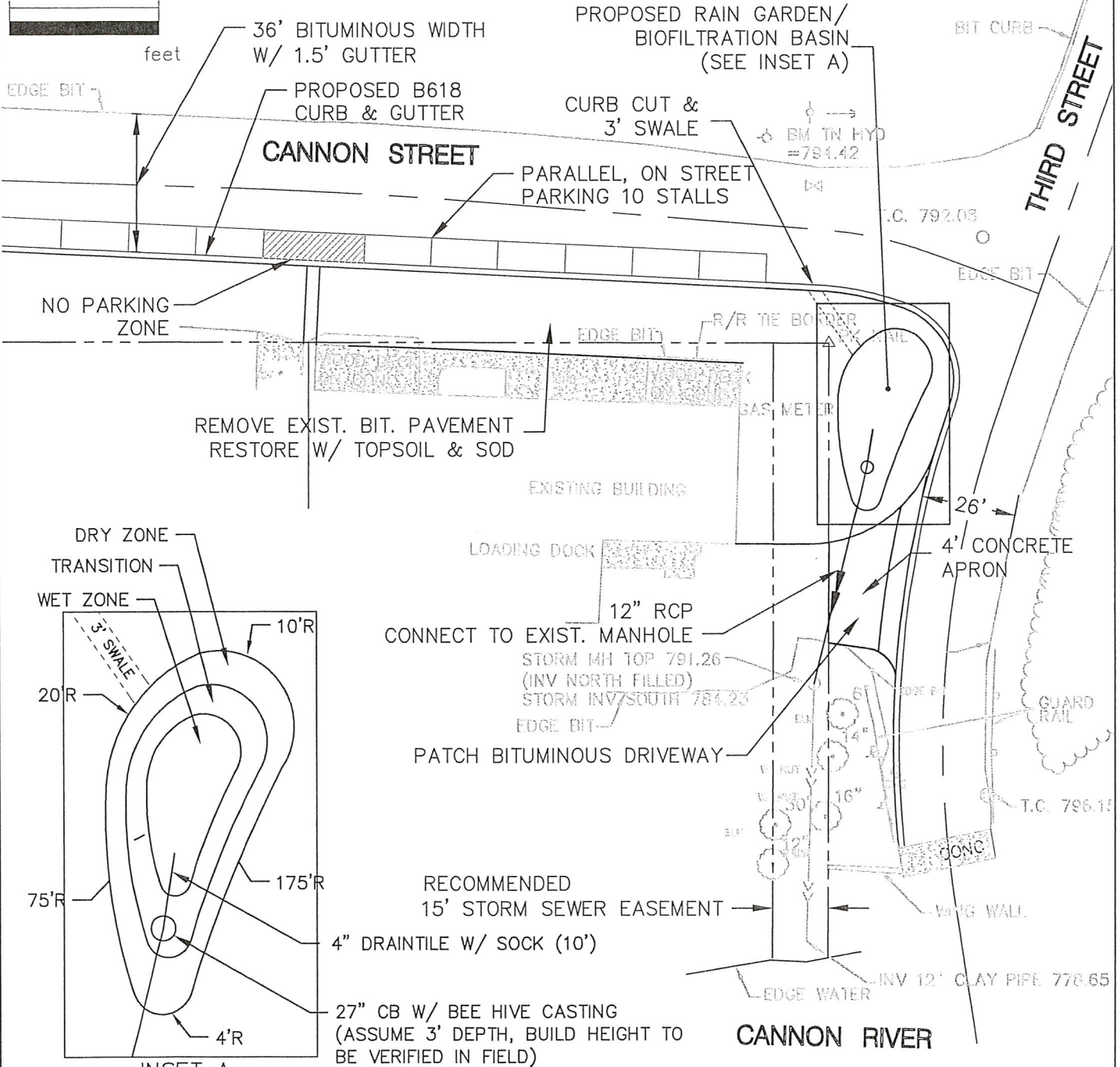
As I've worked with planners in other municipalities and in my capacity as the Chairman of the ISA (International Sign Association) Sign Illumination Subcommittee, the use of the term "brightness" should be the proper metric to be used when discussing light levels from electric signs. This is due to the fact that a sign designed by Persona, inc. is generally designed to catch someone's attention only and not to light up an area. As mentioned above, the identity design utilizing a dark background with only a limited area that is white greatly limits the amount of light infiltrating areas where it's not wanted.

If you have any questions, please let me know and I will try to assist any way I can.

Sincerely,

A handwritten signature in black ink that reads "Wes Wilkens". The signature is written in a cursive, slightly slanted style.

Wes Wilkens
Staff Engineer
Persona, Inc.



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3535 VADNAIS CENTER DR.
ST. PAUL, MN 55110-5196
www.sehinc.com

FILE NO.
123363

DATE:
8/23/13

3RD STREET AND CANNON STREET
IMPROVEMENTS
CANNON FALLS, MINNESOTA

DRAWING
NO. 1

Moline Annexation Area

October 14, 2013



- ◊ Cities
- ▭ County Boundaries
- ✈ Railroad
- ✈ Airports
- ✈ Cannon Falls Trails
- ✈ Proposed Trail
- ✈ City of Cannon Falls
- Less than 800
- 800 - 849
- 850 - 899
- 900 - 949
- 950 - 999
- 1000 - 1049
- 1050 - 1099
- 1100 - 1149
- Alignment
- Preliminary TH&E
- County Road
- US Highway
- City Trails
- Structures
- Roads
- US Hwy
- State Hwy
- County
- Roads
- Lakes & Rivers
- Parcels
- Unincorporated Community
- City Parks
- Municipalities

This map is neither a legally recorded map nor a survey and is not intended to be used as one. This map is a compilation of records, information and data located in various city, county, state and federal offices and other sources regarding the area shown, and is to be used for reference purposes only. Created From Cannon Falls Online Mapping Site. Sources: Goodhue County, MN; City of Cannon Falls, MN. Map Created: 10/9/2013



- ◆ Cities
- ▭ County Boundaries
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Cannon Falls Library Board
Agenda
Monday October 14, 2013
6:00 pm
at
the Library.

- 1) Approval of Agenda
- 2) Consent Agenda
 - a. September Minutes
 - b. Director's Report
 - c. August Financials
- 3) Board Business
 - a. Easel Exhibit and possible grant opportunity
 - b. Evaluations
 - c. Date for next Library Board meeting
- 4) Adjournment

Next meeting TBA

Cannon Falls Library
Director's Report
October 10, 2013

Program Attendance:

Adults

Movie	14
Author	6
Book Club	5

Children

Storytime	74
Lunch Bunch	16

E-Materials

2012 50 users checked out 149 e-materials
2013 63 users checked out 220 e-materials

Staff Accomplishments

Our regular programming schedule began in September, and staff continues to research and implement a variety of programs that appeal to all ages. Our most current addition is a monthly matinee movie for the residents at Twin Rivers. I will be meeting with the Twin Rivers program director this month to discuss future programming opportunities.

Board Business

Our library has been chosen to host the SELCO Easel art exhibit. This exhibit displays library related art work created by citizens throughout the SELCO region. This wonderful exhibit will also give us a chance to see an example of how a Walker art hanging system will work. Throughout the next few months I will be working on a collaborative Legacy grant through SELCO seeking funds to purchase this needed device. At our meeting we will discuss possible community groups to work with on this grant project.

Staff evaluations will begin this month, and my review by the library board will be the bulk of next month's meeting. As in previous years staff will evaluate me, and Jason will present the staff's cumulative report to the library board.

Our November Library Board meeting falls on Monday November 11 which is a city holiday. I propose we move our meeting to Tuesday November 12 at 6:00pm.

September 8, 2013
Cannon Falls Library Board Meeting Minutes

Present: Justin Padgett, Jason Ochocki, Carol Price, Mary Harkins, Cathy Gallups

Meeting was called to order at 6:05 p.m.

Cathy Gallups made a motion to approve the Agenda; Carol Price seconded; motion passed.
Mary Harkins made a motion to approve the Consent Agenda; Carol Price seconded; motion passed.

BUSINESS

Art Policy Submittal Agreement

Cathy Gallups made a motion to approve the Art Policy Submittal Agreement; Jason Ochocki seconded; motion approved.

Public Bulletin Board

Tom Pettigrew crafted a large, tasteful, wooden bulletin board that matches the wood on the donation tree. It will be placed in the front entranceway. The Policy for postings is:

no for-profit enterprises,
no giveaways,
no personals,
no meetings at private residences, and
all items will be placed at the Library's discretion.

Carol Price made a motion to approve the Policy and the bulletin board; Cathy Gallups seconded; motion approved.

Other Mentions

- A volunteer garden committee has collected donations (from within their group) to purchase containers to be placed in the front of the building. Gertens Greenhouse has everything 50% off; the committee found excellent deals.
- The parking lot in back of the building will be re-stripped this week. The north side of the lot will be angled parking for easier access and exiting. One slot will be lost because of the change.

At 6:25 p.m., Mary Harkins made a motion to adjourn, seconded by Cathy Gallups; motion passed.

Respectfully submitted,

Mary Harkins



**CANNON FALLS MUNICIPAL POOL
ASSESSMENT AND STUDY
POOL COMMITTEE MEETING #2
OCTOBER 14, 2013**

AGENDA

1. Welcome;
 - A. Introductions
 - B. Sign in sheet
 - C. Summary of Meeting #1

2. Existing Facility;
 - A. Pool Survey, preliminary
 - B. Preliminary Report, work in progress
 - C. Probable Costs

3. Aquatics Needs and Wants;
 - A. Review of needs and wants from Meeting #1
 - B. Aquatic Amenities, review chosen options
 - C. Non Aquatic Amenities, review chosen options
 - D. Support Facilities, review chosen options

4. Conceptual Components;
 - A. Sketch pool A & B
 - B. Sketch bathhouse

5. Next Steps;
 - A. Discuss items for next meeting
 - B. Next Meeting, set date, time and place
 - C. Adjourn

Assessment and Project Study

- For -

Cannon Falls Municipal Pool Cannon Falls, MN



September 16, 2013

- By -



Executive Summary

Statement of Understanding

The City of Cannon Falls owns and operates an existing municipal pool facility that is aging, has major operational concerns, code and ADA compliance issues. The current facility only generates approximately 30% of the revenue required to run and maintain the facility, meaning the facility must be heavily subsidized by the city to remain open. A study of this existing facility is clearly warranted to determine its condition and to see if renovation is possible. A study will also provide alternative options such as expansion to serve the aquatic needs of the community. The goal of this study is to aid in the making of important decisions concerning the facility and its future.

Assessment Process

USAquatics staff completed an onsite evaluation of the existing aquatic facility on September 16th, 2013 to determine its condition and the feasibility for repair/renovation. The pool operator from the City was also on site during the assessment to assist with operational questions as the facility was closed for the season.

Scope of Study

The scope of this study covers the following areas of the facility:

- Swimming pool structure, recirculation, filtration, and sanitation equipment
- Pool deck area, diving boards, etc.
- Compliance with new Federal and State Main Drain Laws
- Compliance with new Americans with Disabilities Act Laws
- Attendance, revenues and expenses
- Provide options for renovation/new facility
- Provide possible location sites for a new facility

Study Criteria

The criteria used in our assessment include:

- Facility condition and other observable conditions
- Facility code requirements and compliance
- An understanding of cause and effect associated with various aquatic designs and operating procedures as presented to us through the assessment, review, and design of several thousand aquatic facilities
- Study area demographics used in determining community aquatic needs

Intent of Report

The intent is to present a summary of needed improvements and added amenities including factors affecting patron usage, revenue potentials, and expenses associated with the operation and management of the aquatic facility.

Summary

Based on discussions with staff, a physical assessment of the existing facility, analysis of the existing conditions, USAquatics, Inc. has determined that the facility requires a large number of improvements and expansion to better serve the aquatic needs of the community.

Several amenity options for the expansion of the pool facility have been provided for consideration, as well as a list of fixes and repairs that should be taken into account. These amenity options provide a wide range of facility improvements and enhancements.

The main pool was built in 1969 and currently offers 1-meter diving, a drop slide and room for lap swimming. This pool would be costly to expand as any expansion to the pool would require larger filtration, recirculation and water treatment systems.

The spray pad was constructed inside the original wading pool and is undersized to adequately serve the younger patrons of Cannon Falls, as well as the growing demand for a zero depth beach type entry. This pool would also be costly to expand and would be far more cost effective to demolish and construct a new zero depth entry pool complete with amenities geared toward younger children.

Information provided by City noted that repairs required simply to bring the building and parking lot to compliance with ADA regulations would be in the range of \$300,000. The initial estimate to bring the building and swimming pool to code, as well as to address on-going concerns is \$1,887,600.

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- Projected Bather Load/Revenue (with Expansion) Error! Bookmark not defined.
- Based on Census Information:..... Error! Bookmark not defined.
- Estimated Budget Expenditures (New Aquatic Facility) Error! Bookmark not defined.

SECTION ONE: ASSESSMENT

Main Pool

The main pool consists of a 25meter x 25 meter pool in an 'L' configuration with an attached diving well. The diving well has one 1-meter diving board and a drop slide. The pool has very limited accessibility and amenities for recreational aquatic activity, educational aquatic needs and aquatic fitness. The pools lack the aquatic needs of the Cannon Falls aquatic community.

The main pool vessel has served the community well for almost 50 years; however, operation requires an annual subsidy from the City of approximately \$50,000. The pool has been patched numerous times over the years and continues to require additional work. There are several large cracks and areas of spalling where the finish is flaking off. The inside corner wall of the pool has visible signs of bowing.

The pool has two sets of stairs for ingress/egress at the shallow end of the pool; however, both have a single handrail and risers that average around 11" making it difficult for young children and older patrons to navigate the stairs safety. In speaking with pool staff it was learned that some older patrons required assistance getting in and out of the pool. The main pool also lacks any form of ADA access and is not in compliance with state or federal requirements for accessibility. The diving board is in poor condition and should be replaced.

Due to the existing conditions of the main pool and the cost necessary to repair and bring the facility up to code, we recommend the demolition of the existing pool and construction of a new pool. (Refer to photographs on page 17&18)

Skimmer/Recirculation System

A number of skimmers have been modified to adjust for the settling of the pool where the skimmers have become unlevel over time. All but three inlet covers are missing the fitting which allows them to be directional. Most of the skimmer equalizer lines do not have proper covers to prevent entrapment. (Refer to photographs on page 17)

Pool Equipment - General

The pool equipment is likely original to the facility with a few exceptions. The equipment met the needs of the community; however, is outdated and inefficient. Josh, the pool operator has managed well with the equipment he has to work with. The equipment requires a high level of maintenance to function as it does.

Pool Pump

The pump is above water level and does not always self-prime and occasionally loses prime during backwash operations which requires a lot of work to get the recirculation started again. A pump installed below water level would solve difficulties and provide higher efficiency in operation. (Refer to photographs on page 20)

Pool Heater

The main pool has two heaters which are in a stacked configuration. Both heaters were serviced recently and the burner tray on the top heater was replaced. According to staff on site, the second heater is not functioning properly. The heater also lacks thermometers on the influent and effluent connections. (Refer to photographs on page 21)

Pool Filter

The existing sand filter was installed as a replacement to the original vacuum D. E. filter and has likely exceeded its life expectancy. The operator backwashes the current filter once a week on Fridays. When asked, the operator did not know the last time the filter sand was replaced. A concern was also raised about the amount of water wasted during the backwash process. (Refer to photographs on page 21)

Chemical Control

The chemical control system is very old outdated technology and inadequate to serve the needs of the facility. The equipment requires frequent attention and adjustments. (Refer to photographs on page 20)

Spray Pad

The spray pad was constructed inside the existing wading pool. The spray pad lacks interactive features. There are two spring-loaded tot riders that are designed to be in a sand play area in the event a toddler falls off. There are two additional animal themed tot sprays that children tend to climb on. (Refer to photographs on page 16)

Spray Pad Pump(s)

The spray pad is serviced by three pumps, all of which are located above water level. A 1.5 hp pump is utilized for recirculation and (2) 5hp pumps are used to feed the spray features. These pumps are aging and are very inefficient. (Refer to photographs on page 19)

Spray Pad Heater

The heater dedicated to the spray pad was not functional all season. Repair is not an option and replacement would be necessary. Staff reported the warm summer weather kept the water temperature high enough for patron use. (Refer to photographs on page 19)

Spray Pad Filter

The sand filter dedicated to the spray pad is a smaller residential style filter that has likely exceeded its life expectancy. The operator also backwashes this filter once a week on Fridays. It was unknown when the sand was last replaced. (Refer to photographs on page 19)

Spray Pad Chemical Control

The chemical control system is an outdated Strantrol technology and inadequate to serve the needs of the facility. The equipment requires frequent attention and adjustment to the point where the pool operator regular hand fed chemicals in attempt to balance water chemistry. (Refer to photographs on page 20)

Change Rooms

The change rooms and shower facilities are in poor condition. The facility lacks necessary ADA access, toilets and showers. The current layout has two urinals, two toilets and two sinks in the Men's locker room and the Women's has three toilets and two sinks. The toilet partitions are concrete block with a shower

curtain for access meaning they cannot be secured and provide minimal privacy. A number of showers are missing valves and others have pipe valves rather than handles. The facility also lacks the much needed family change room. (Refer to photographs on page 13&14)

Concessions

The current bathhouse configuration does not allow for a concessions area to be very effective and lack of space is an issue. A permanent dedicated concession area would be more efficient and allow for more serving options such as pre-packaged food, etc. This is also an option that would allow for the facility to increase its revenue.

Deck Area

The deck area surrounding the pool and spray pad are in fair condition. Shifting and settling has created a number of raised areas or “toe stubbers”. Some expansion joints have spread apart creating gaps between concrete slabs and caulking which allows water to enter and cause further damage. Some slabs slope toward joints rather than deck drains creating areas of potential water ponding. The barbed wire was removed from the facility; however, the top of the fence is still barbed rather than knuckled to prevent possible patron injury. According to staff on site, the deck drains are clogged and do not function properly. The facility has a number of wooden picnic style tables; however, it is lacking the much needed shade to allow patrons to stay longer. (Refer to photographs on page 16 & 19)

SECTION TWO: RENOVATION**Main Pool**

Based on our review and analysis, we believe the most economical option for the main pool is renovation that includes select demolition and utilizing the existing pool as a form to hold a new pool. It is our opinion that the walls cannot be repaired. We recommend the following renovation work:

- Cut off top of existing pool wall and skimmers to allow for new stainless steel gutter to be installed.
Probable cost estimate: \$25,000
- Installation of new walls and floor within existing shell, to include stainless steel gutter.
Probable cost estimate: \$577,500
- Select demo and removal of existing stairs. Installation of wider stairs with risers to meet code.
Probable cost estimate: \$31,000
- Install an aquatic climbing wall at the diving well at the current drop slide location. Installation of gutter cup anchors and rope & float to be included.
Probable cost estimate: \$42,500
- Demolition of existing diving board and replacement with new.
Probable cost estimate: \$18,000
- Relocate existing drop slide to 5ft. depth area. Demo deck as needed and supply water to slide. Provide self-closing/latching gate, stanchion and rope around tower.
Probable cost estimate: \$3,500
- Add two portable basketball hoops in the 5ft. depth area along the north wall of the lap area.
Probable cost estimate: \$ 3,000
- Addition of new depth marking tile and no diving tile per code.
Probable cost estimate: \$ 500

<i>Subtotal:</i>	<i>\$701,000</i>
<i>Soft Costs (20%)</i>	<i>\$140,200</i>

Estimated Main Pool Renovation Total: \$841,200

Spray Pad

- Demolition of existing spray deck and installation of new, zero depth entry splash pool (approx. 20' x 40')
Probable cost estimate: \$145,000
- Installation of new features to include: tot slide, in ground sprays and above ground feature.
Probable cost estimate: \$47,000

<i>Subtotal:</i>	<i>\$192,000</i>
<i>Soft Costs (20%)</i>	<i>\$ 38,400</i>

Estimated Spray Pad Renovation Total: \$230,400

Mechanical

- Replace spray pad and main pool heaters with new high-efficiency models.
Probable cost estimate: \$28,000
- Replace spray pad and main pool filters.
Probable cost estimate: \$75,000

- Replace spray pad and main pool chemical controllers. *Probable cost estimate: \$18,500*
- Create pump pit within existing mechanical room to allow pumps to sit below existing water level. *Probable cost estimate: \$55,000*

Subtotal: \$176,500
Soft Costs (20%) \$ 35,300

Estimated Mechanical Renovation Total: \$211,800

Bathhouse

- Reconfigure both locker rooms to allow for ADA access to showers and toilet facilities. *Probable cost estimate: \$150,000*
- Create family change room and dedicated concession area. *Probable cost estimate: \$115,000*

Subtotal: \$265,000
Soft Costs (20%) \$ 53,000

Estimated Bathhouse Renovation Total: \$318,000

Site

- Provide shade areas by installing (4) shade structures on the deck area surrounding the main pool. *Probable cost estimate: \$17,500*
- Remove fencing mesh with barbed top, replace with new mesh. *Probable cost estimate: \$28,500*
- Demo and replace select areas of concrete decking for new piping/sloping. *Probable cost estimate: \$35,000*
- Clean out existing deck drains & replace at locations of deck replacement. *Probable cost estimate: \$7,500*
- Adjustments to parking lot/ramping for ADA access. *Probable cost estimate: \$150,000*

Subtotal: \$238,500
Soft Costs (20%) \$ 47,700

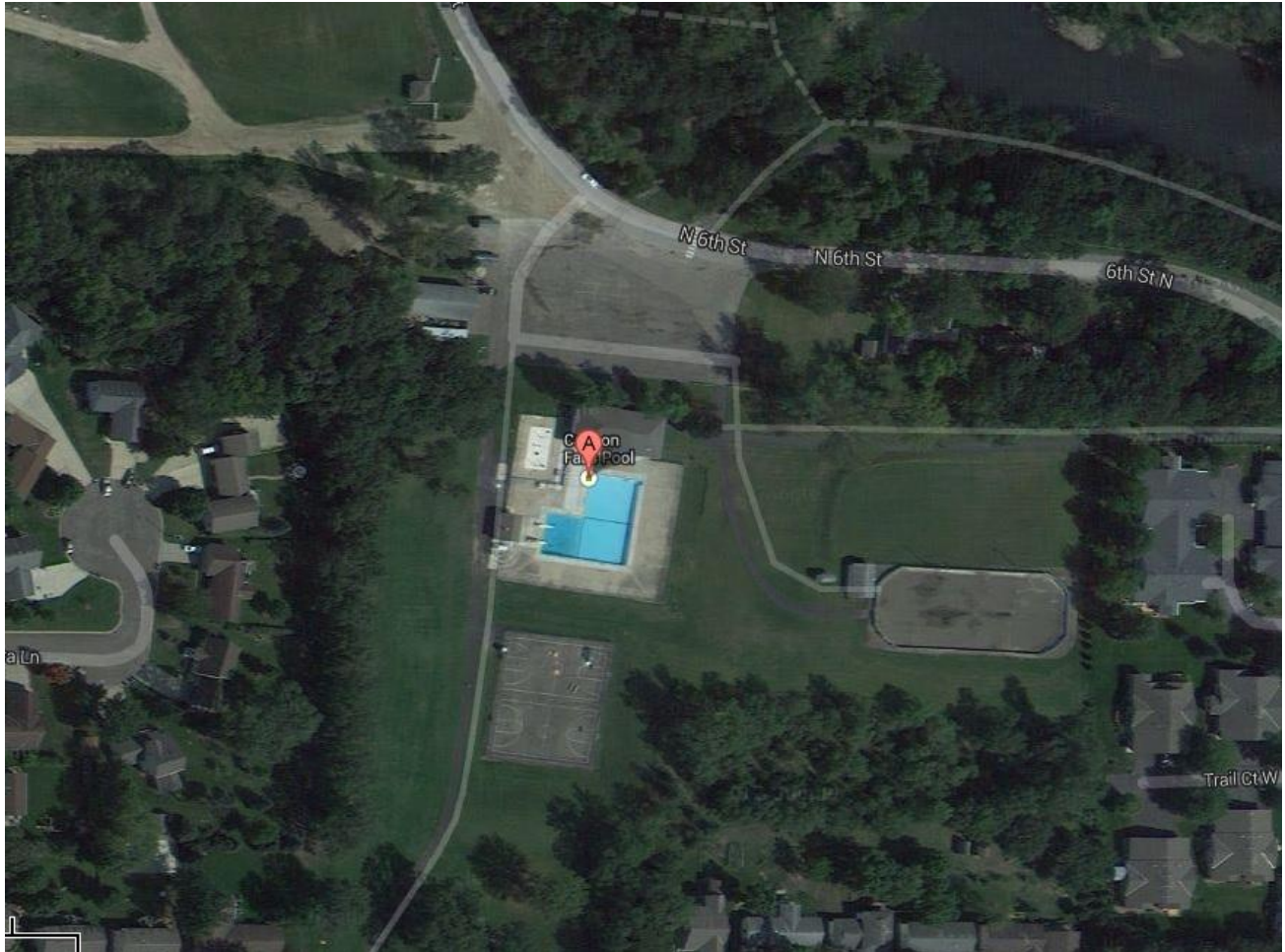
Estimated Site Renovation Total: \$286,200

Estimated Renovation Total: \$1,887,600

- When analyzing the Outdoor Pool Attendance from 2010-2012 two factors can be cited for the decrease and leveling off at a low level:
 - Communities around the Cannon Falls area have built new facilities offering enhanced amenities for the participants with upgraded park features and aquatic programming options.
 - The Cannon Falls aquatic facility has grown stale to the local participants. It has become routine serving a smaller segment of the local population and not reaching the broader aquatic community and aquatic needs.

- When analyzing the estimated 2011 Cannon Falls Census information the following information was determined:
 - The highest percentage of the population is those between the ages of 45-64 at 26.5%. The second highest age range is 25-44 accounted for 25.3% of the population while the third largest population distribution is the age range of 18 and under at 23.9%.
 - This suggests an aquatic facility and added amenities that services the needs of those 45+ as well as young families.
 - The aquatic need is for a facility that offers a wider range of aquatic activities and amenities.

APPENDIX ONE: EXISTING POOL



Municipal Pool
September 18, 2013



APPENDIX TWO: EXISTING FACILITY PHOTOGRAPHS





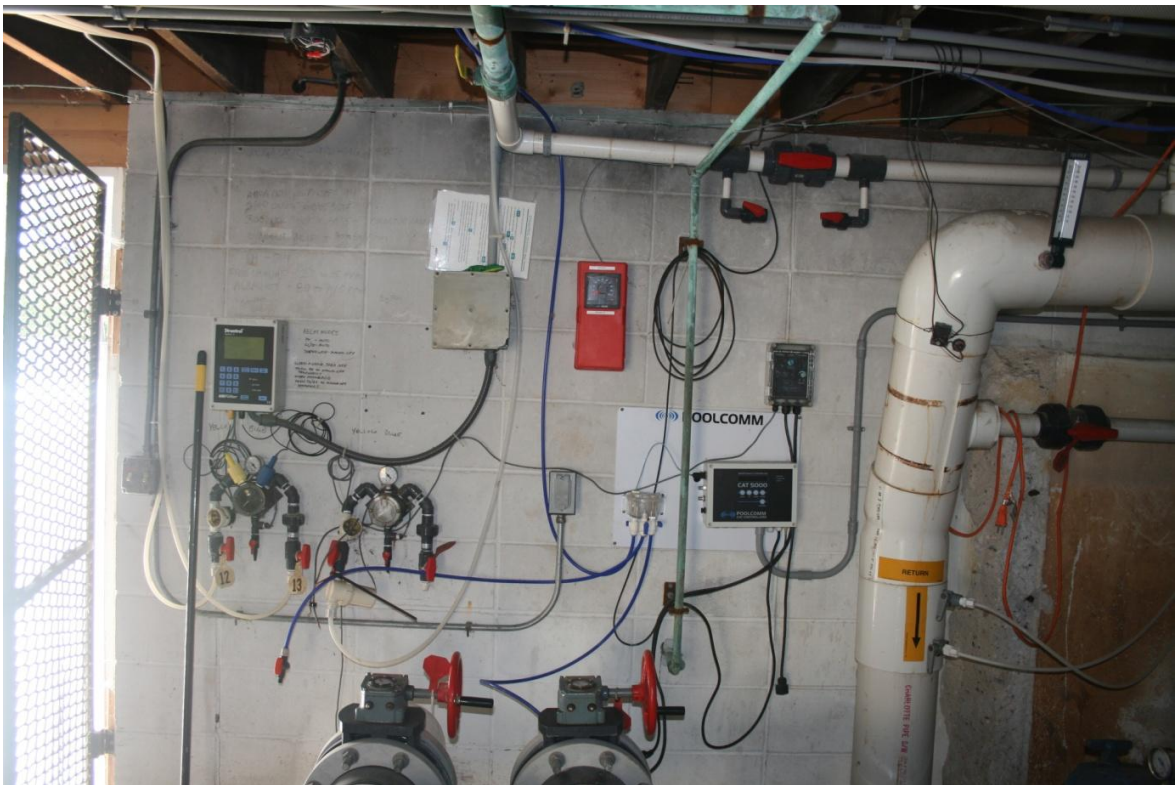










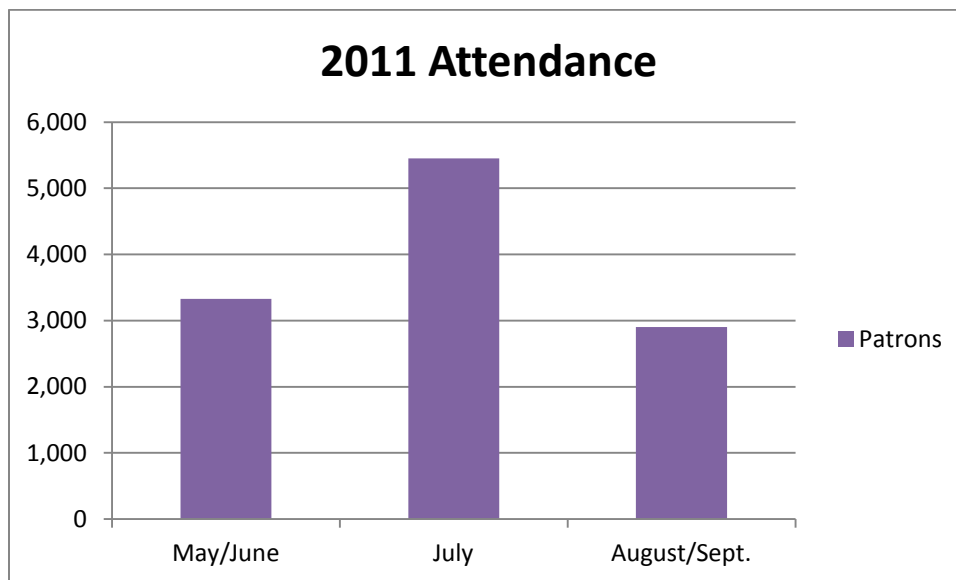


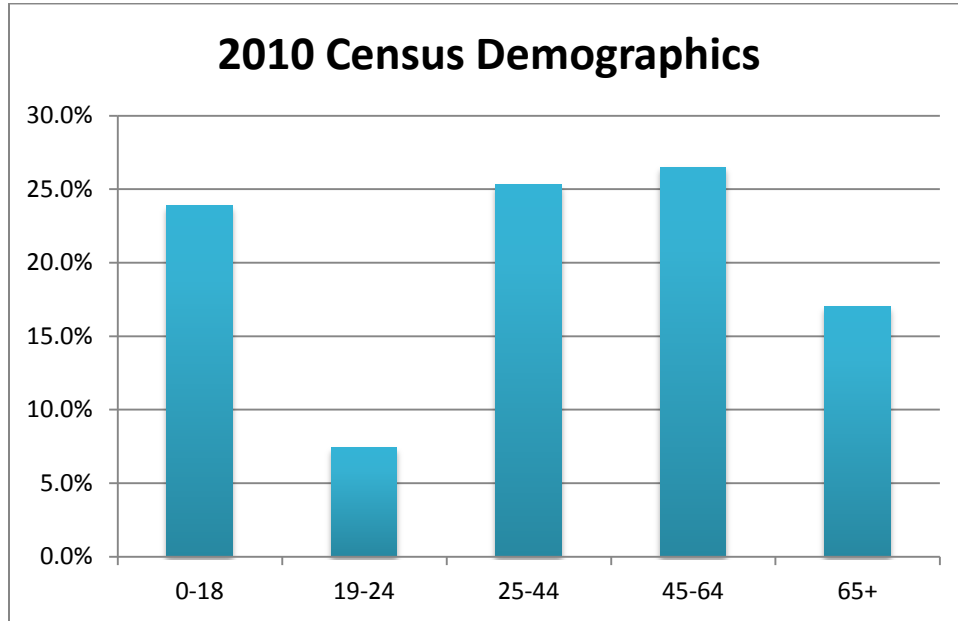


APPENDIX THREE: EXISTING STATISTICS AND CENSUS INFORMATION

Actual 2013 Budget Expenditures (PENDING)

<u>Category</u>	<u>Budget</u>
Salaries	\$-
Supplies	\$-
Pool chemicals	\$-
Concessions purchases	\$-
Uniforms	\$-
Travel, training, meetings	\$-
Telephone/data	\$-
Utilities	\$-
Building & equipment repairs	-
Insurance	\$-
Improvements	-
Equipment	\$-
Miscellaneous	\$-
Total	\$-





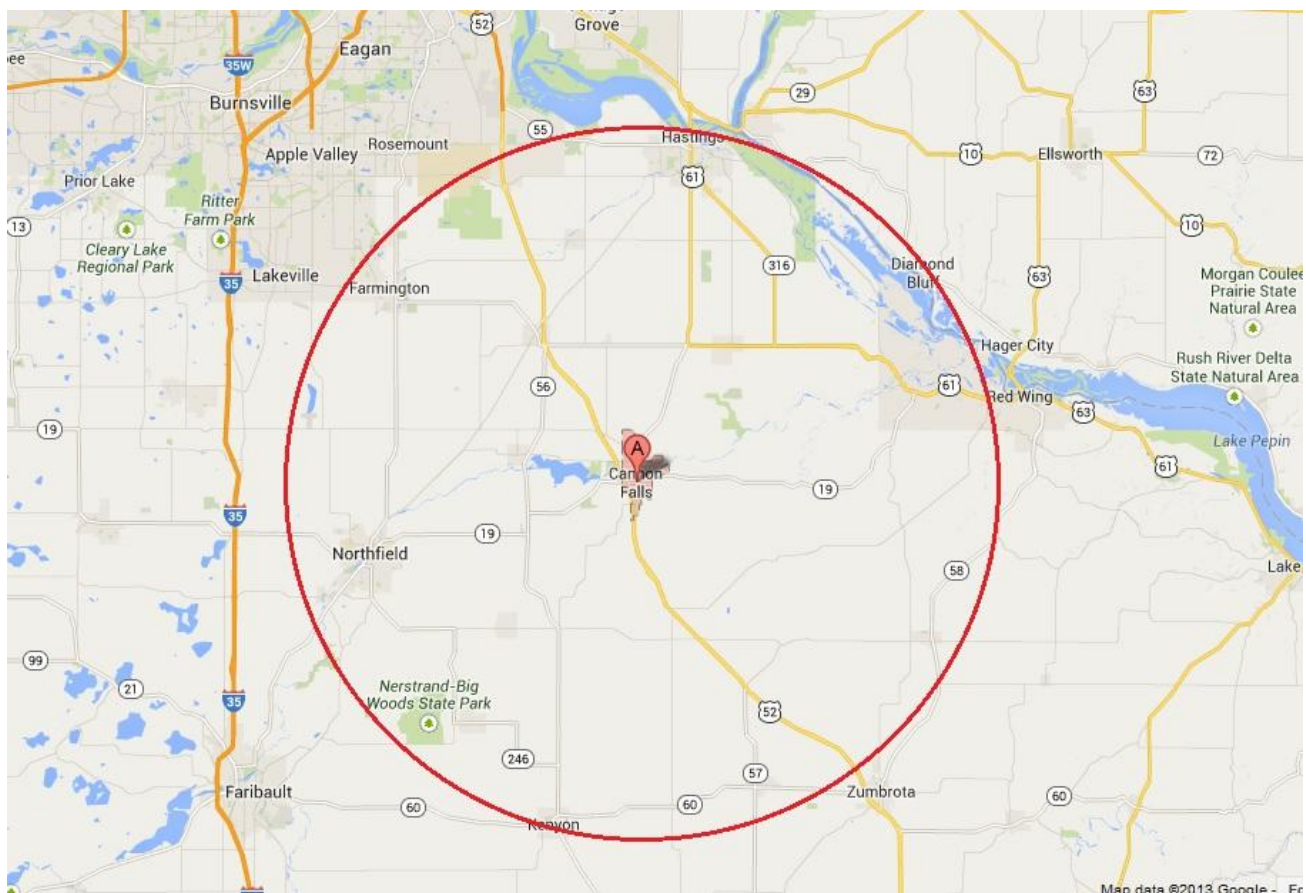
Cannon Falls Census Information (2010):

- Total Population: 4,083 (2010 estimate)
- Families with children under 18 = 31.9%
- Population distribution by age:
 - 18 & under 23.9%
 - 19-24 7.4%
 - 25-44 25.3%
 - 45-64 26.5%
 - 65+ 17%

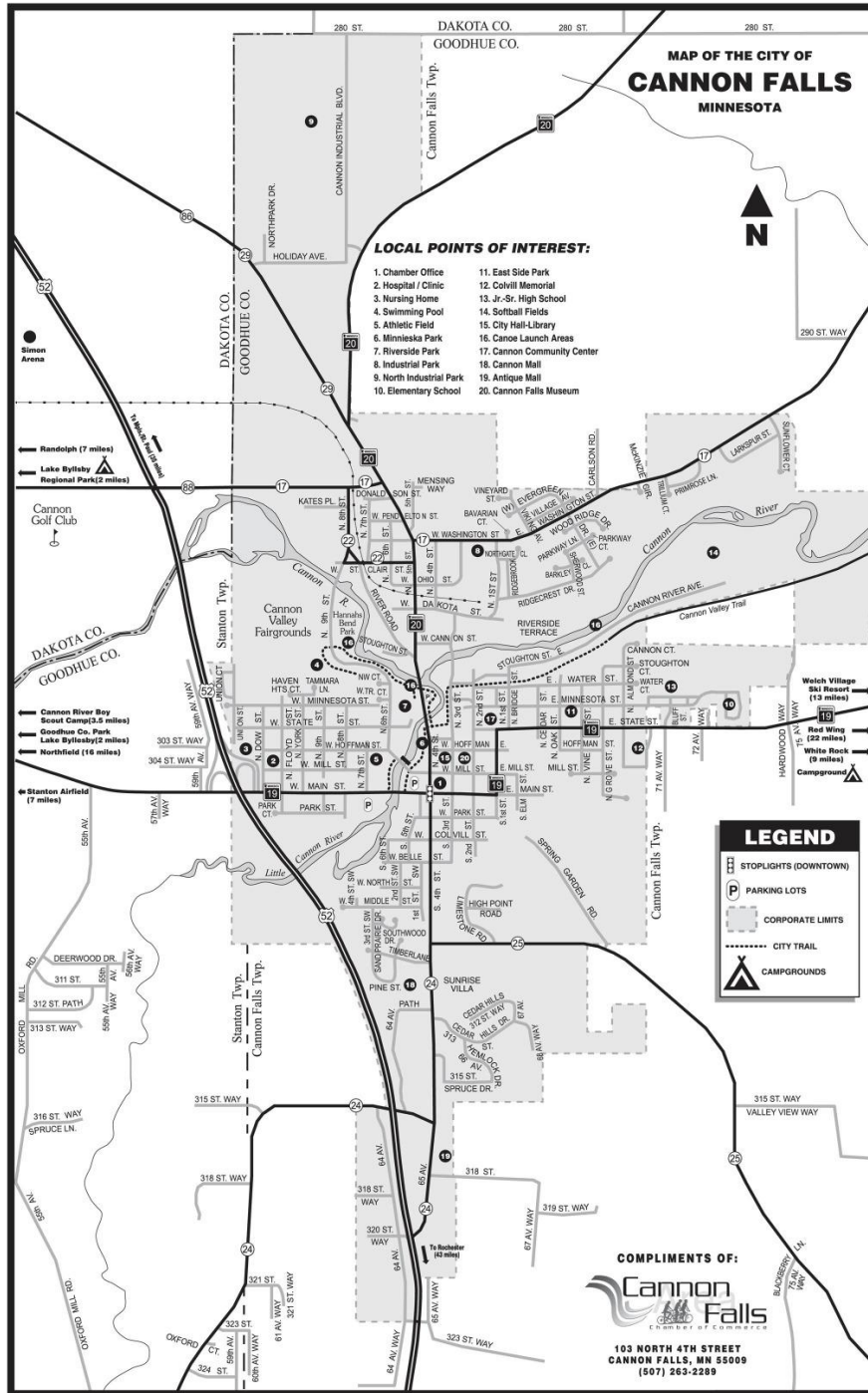
APPENDIX THREE: NEW AQUATIC FACILITY ANALYSIS

The following are approximate construction costs for similar facilities. These numbers should be used for planning purposes only as a guide in determining the relative cost of a new facility versus renovation of an existing facility. If a new facility is desired, USAquatics would be pleased to provide a schematic design and full preliminary budget.

City:	Population:	Approx. Budget:	Year Built:
Glencoe	5,628	\$2,500,000	2000
Stewartville	5,926	\$2,800,000	2006
Redwood falls	5,253	\$3,600,000	2008
Sleepy eye	3,598	\$3,000,000	2009
Gaylord	2,307	\$3,400,000	2009
La Crescent	4,860	\$3,200,000	2010
Kasson	5,978	\$3,200,000	2012
Byron	4,965	\$5,100,000	2014?
Pine Island	3,272	\$2,600,000	2015?
Cannon Falls	4,083		

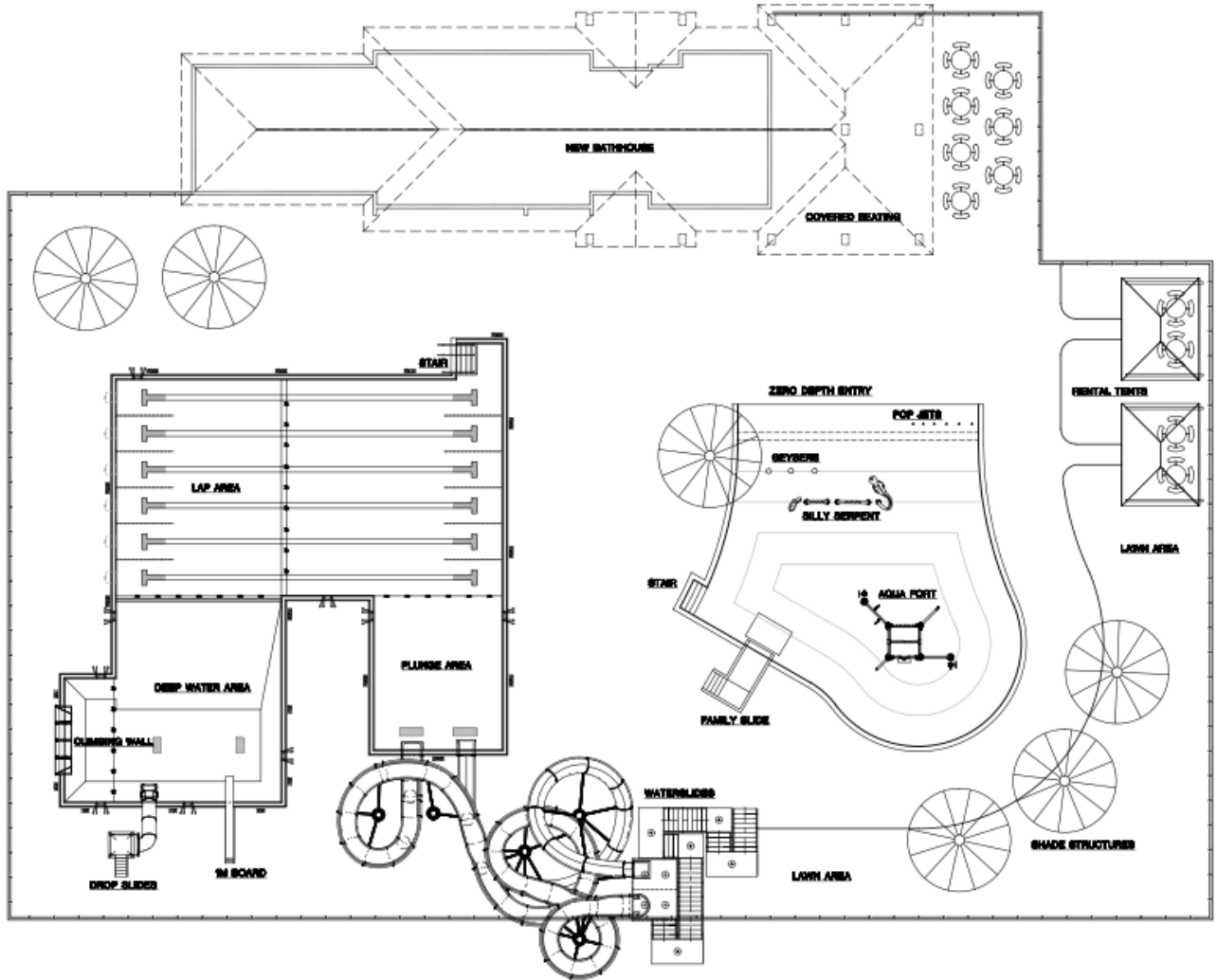


APPENDIX FOUR: SITE SELECTION



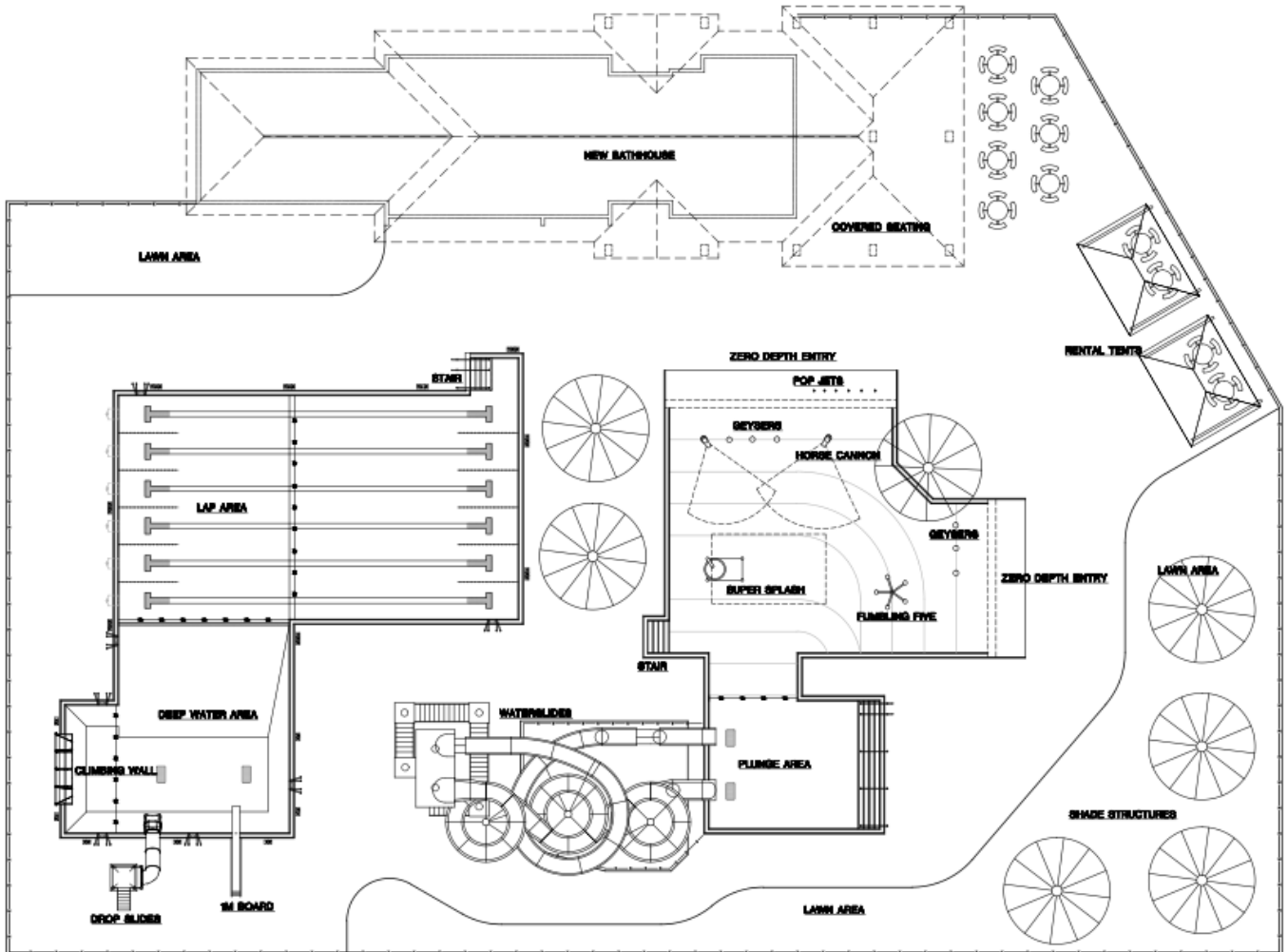
NEW AQUATIC FACILITY CONCEPTS

CONCEPT - A



CONCEPTUAL BUDGET ESTIMATE: \$3.1 MILLION (APPROX.)

CONCEPT - B



CONCEPTUAL BUDGET ESTIMATE: \$2.9 MILLION (APPROX.)

USAquatics, Inc.

Study /Design Phase:



Second Meeting: October 14, 2013



124 BRIDGE AVE. E; PO BOX 86
DELANO, MN 55328
PHONE (763) 972-5897
FAX (763) 972-5864
WWW.USAQUATICSINC.COM

The Six Step Process

- Study
- Identify
- Design
- Evaluate
- Recommend
- Present



Second Meeting Agenda

1. Welcome;
 - a. Introductions
 - b. Sign in sheet
 - c. Summary of Meeting #1
2. Existing Facility;
 - a. Pool Survey, preliminary
 - b. Preliminary Report, work in progress
 - c. Probable Costs
3. Aquatic Needs and Wants;
 - a. Review of needs and wants from Meeting #1
 - b. Aquatic Amenities, review options
 - c. Non-Aquatic Amenities, review options
 - d. Support Facility, review options
4. Conceptual Components;
 - a. Sketch concept A & B
 - b. Sketch bathhouse
5. Next Steps;
 - a. Discuss items for next meeting
 - b. Next Meeting, set date, time and place
 - c. Adjourn

First Meeting

Step 1 – The Study

1 – The Study

Kick-off

The process begins with an in depth study of existing conditions to gather and organize relevant data. This begins with a “kick-off” meeting that includes facility and community representatives.

Boots on the ground

USAquatics will begin the gathering of data, interviews and physical surveys. All relevant data must be identified and then collected.

Some of the information to be gathered includes:

- Survey existing facility and surrounding area
- Gather facility information, including:
 - Existing drawings and plot plans where available
 - Existing facility programming information
 - Historical records going back five years to find:
 - Attendance
 - Revenues
 - Operating expenses
 - Maintenance expenses
 - Other relevant data
- Review code compliance
- Conduct needs and wants surveys/interviews

Second Meeting

Step 2 – Identify

2 - Identify

Meet with the Aquatic Committee

Once the information has been assembled, it is presented to the Aquatic Committee. The Aquatic Committee then begins to organize and evaluate the information to identify key factors that are important to moving forward. The vision is loosely defined and begins to take shape.

- Evaluate the facility survey
- Identify the pros and cons of the existing facility
- Identify goals and expectations
- Identify other aquatic venues in the area
- Identify aquatic needs and wants
 - review list of needs and wants
 - show examples of comparable facilities
 - show examples of facility amenities
- Discuss the vision of the proposed facility
- Identify a project budget range

The program will be developed out of the results of this step. The program is a kind of definition of the vision that describes the necessary elements that are to be included in the design.

Step 3 – Design

3 - Design

Develop solutions to identified elements

The program will be used to guide the visions through the conceptual design process.

- Develop schematic drawings of identified elements
- Develop conceptual design options
- Facilitate a design charrette with committee

The Aquatics Committee will continue to meet and guide the design process as concepts are developed.

Step 4 – Evaluate

4 - Evaluate

Feasibility and cost

This is where the conceptual elements are balanced against the program, the resources and the stakeholder vision.

- Analyze cost range for possible solutions
- Evaluate feasibility of solutions
- Compile the data

At this phase, there are still options to choose from. Input is needed from the Aquatic Committee to begin narrowing the options down to a few feasible solutions.

Step 5 – Recommend

5 - Recommend

Possible upgrade scenarios

Based on Aquatic Committee discussions and advise from USAquatics, the selected scenarios are further developed.

- Design possible scenarios
- Identify that client needs have been satisfied
- Compile the data

One solution is selected as the vision that will be moved forward. This will become the recommendation of the Aquatic Committee for public consideration and official decision.

Step 6 – Present

6 – Present

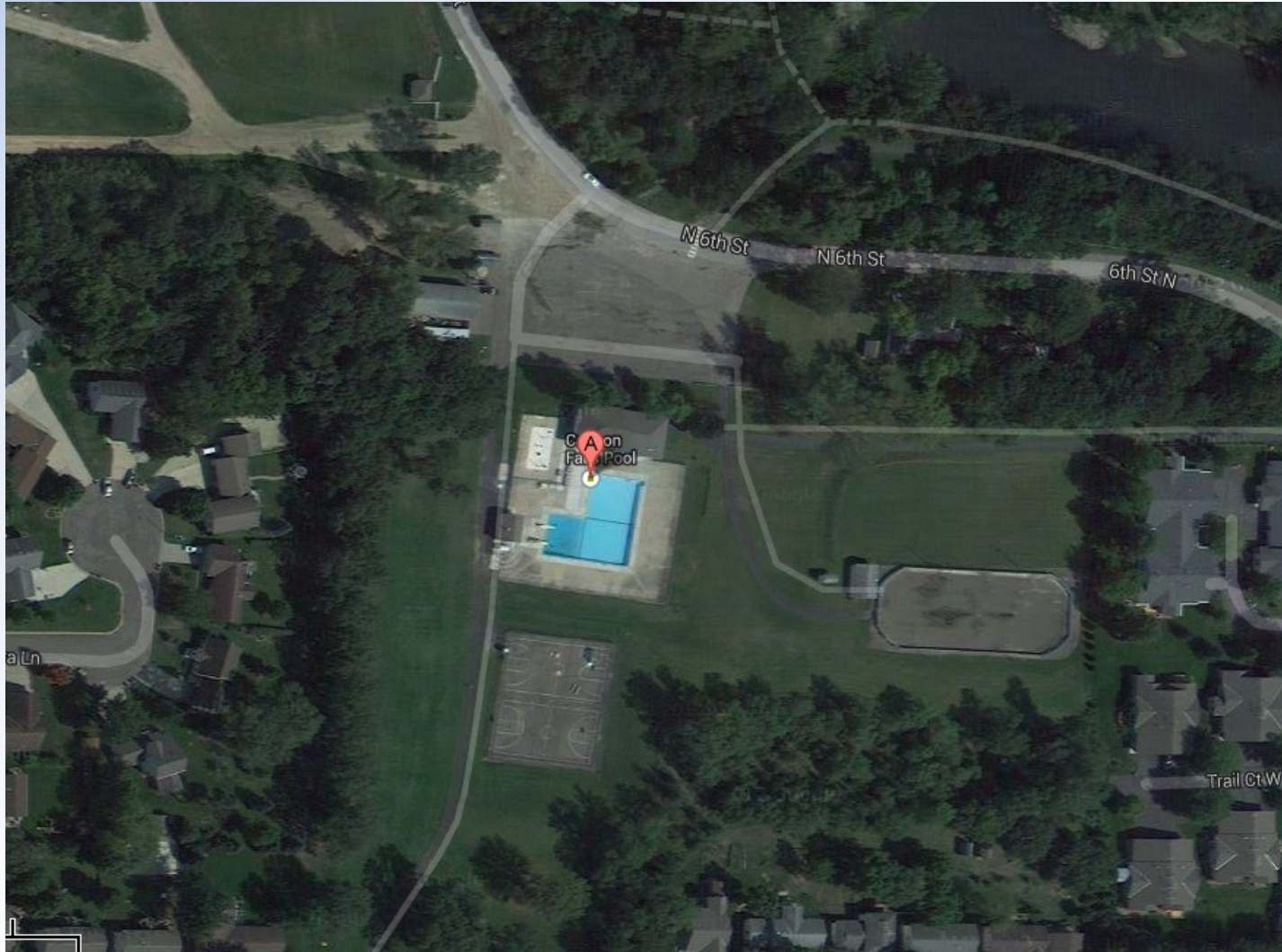
Results, including cost analysis

All the information gathered and produced in the previous steps is gathered into a final report.

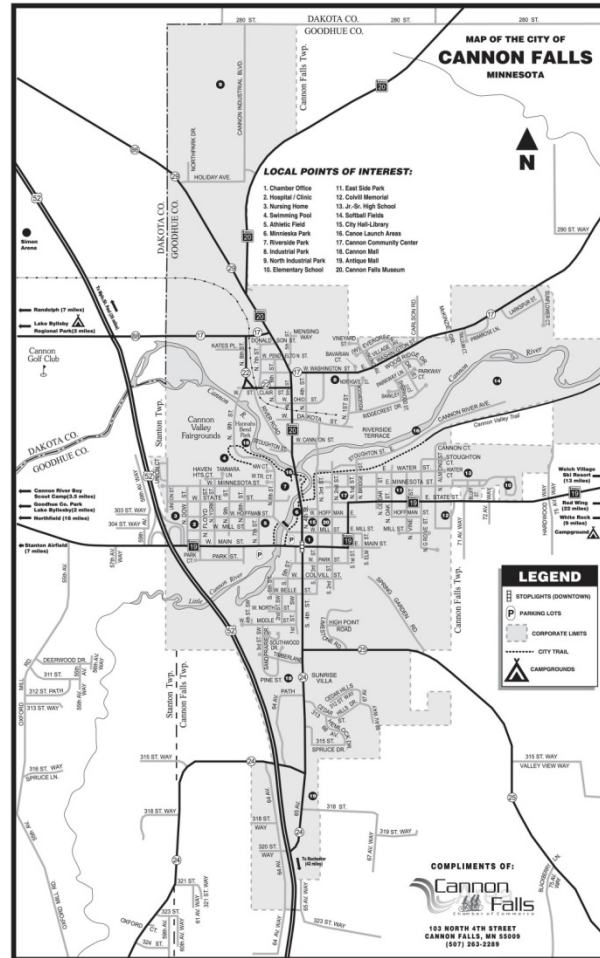
- Prepare a final report from all complied data
- Prepare visual aids
- Present results to the client
- Present results to the public upon client's request

If the results are acceptable to the Aquatic Committee and the client/city, the presentation should be made in a public forum. This is where support for the project is gathered and the process of fundraising is started.

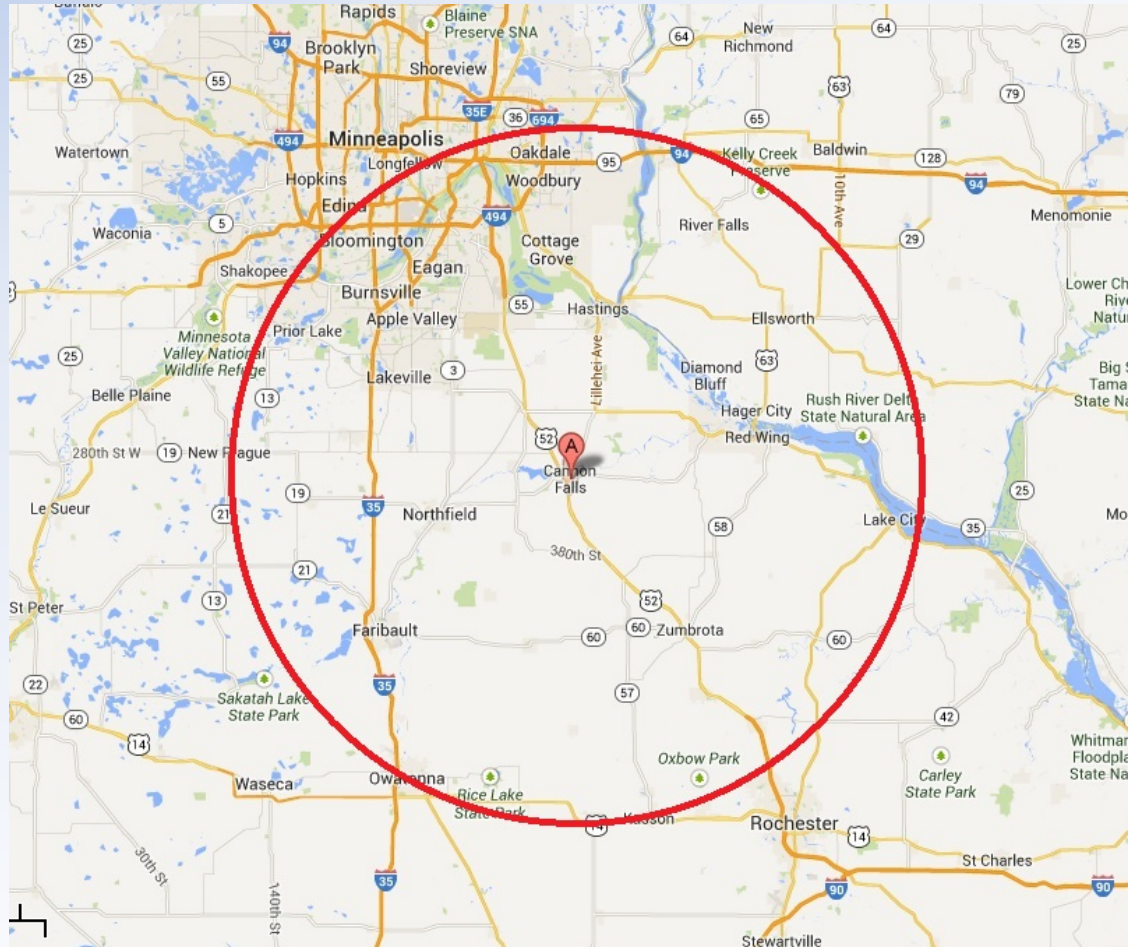
Existing Pool



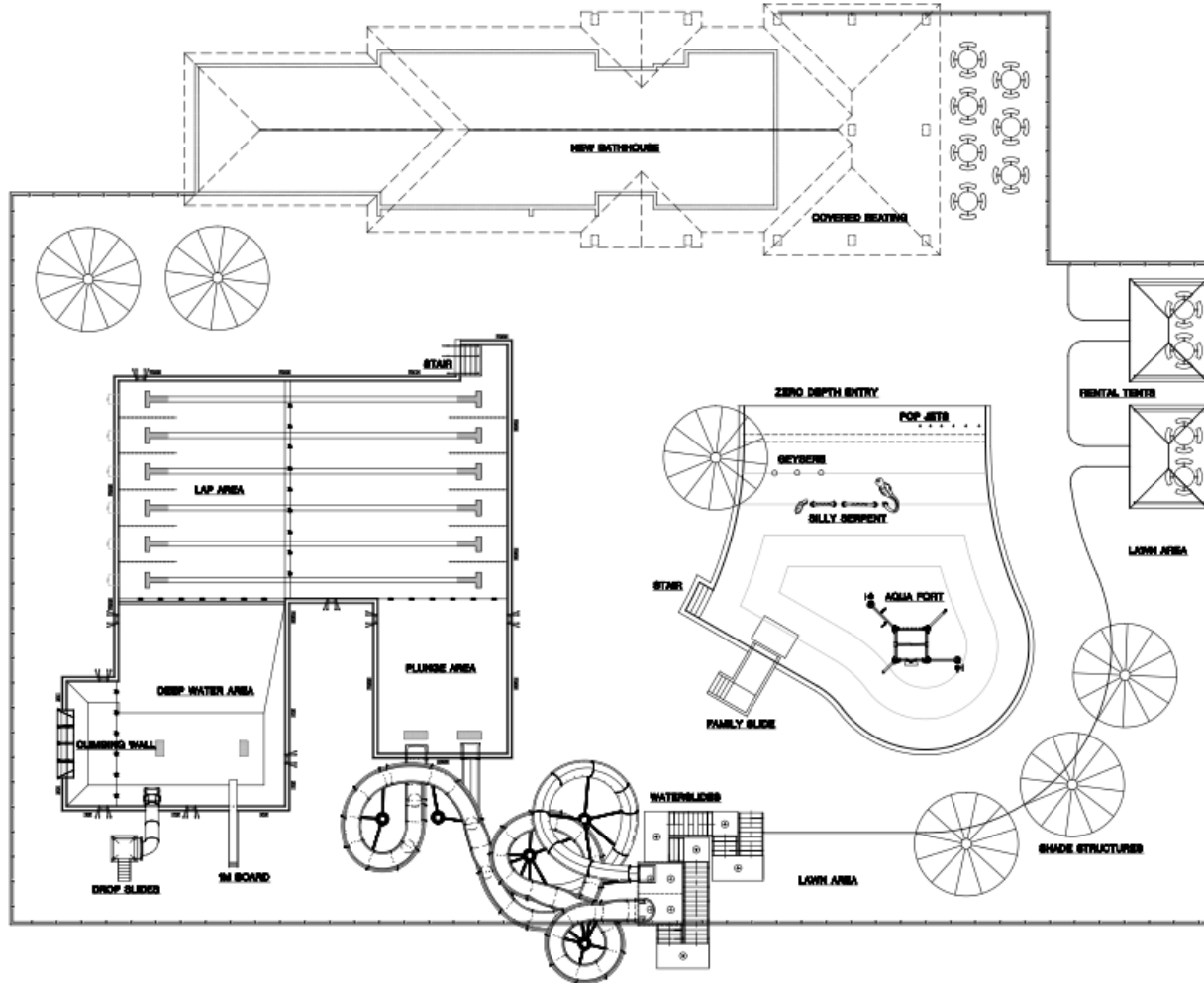
Primary Area



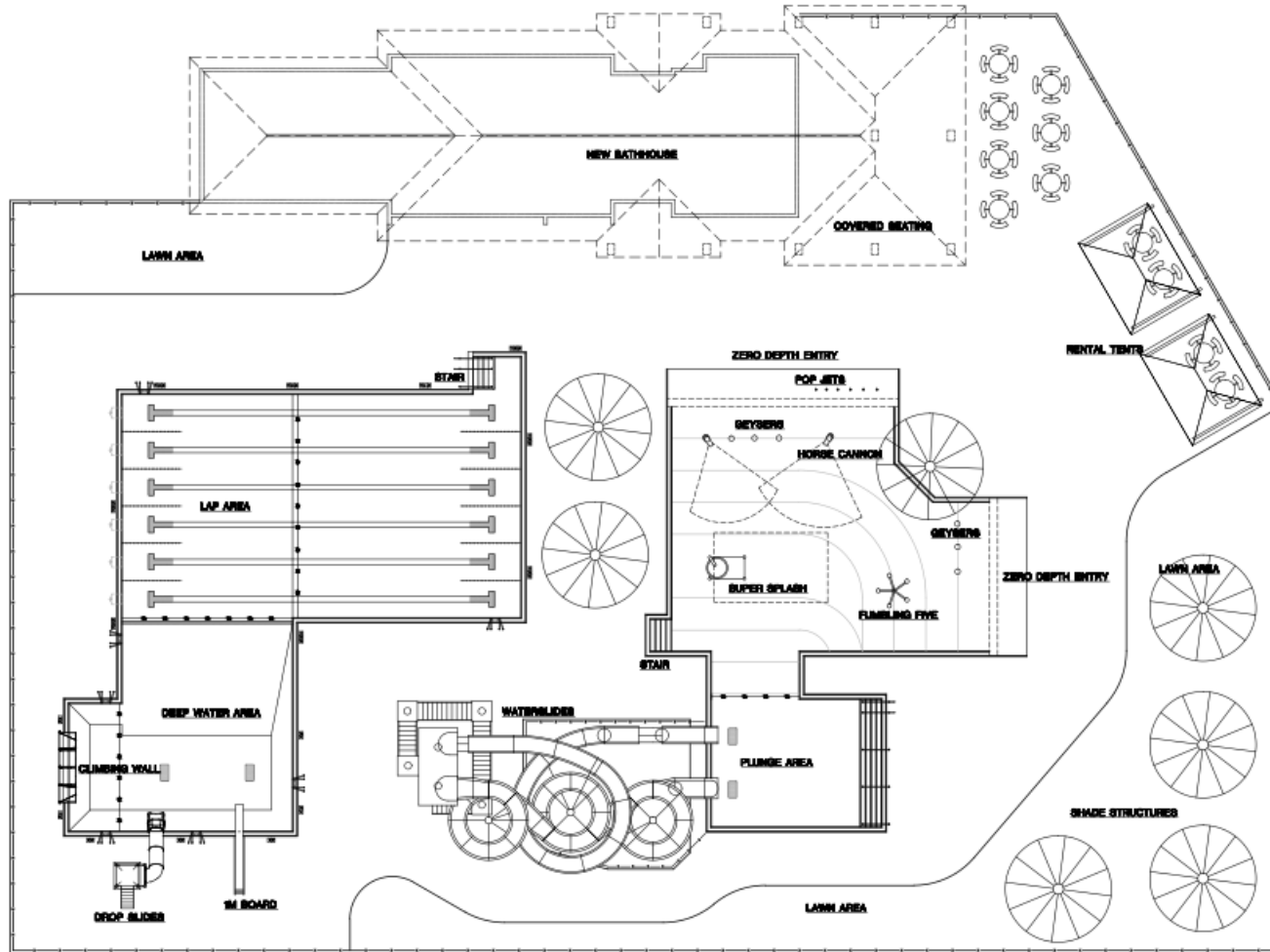
Secondary Area



Design Concept - A



Design Concept - B



Aquatic Features and Amenities (as shown on both A & B)

Design – Bath House



Design – Multi-Use Lap Area



Design – Zero Depth Area



Amenities – Shade Structures



Amenities - Concessions



Amenities – Water Slides



Amenities – Drop Slide



Amenities - 1M Diving



Amenities – Climbing Walls



Amenities – Ground Sprays



Aquatic Features and Amenities (as shown on Concept A)

Amenities – Family Slide



Amenities – Silly Serpent



Amenities – Water Fort



Aquatic Features and Amenities (as shown on Concept B)

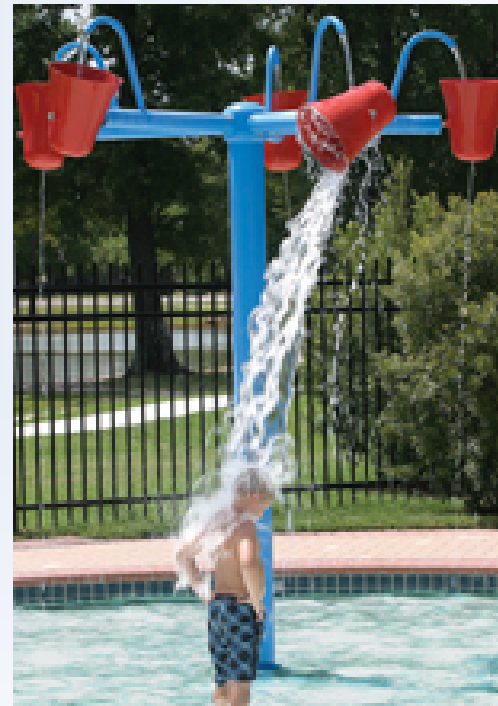
Amenities – Spray Cannons



Amenities – Super Splash



Amenities – Fumbling Five



Establish Goals and Expectations

Cannon Falls, MN

- **Questions**
- **Discussion**
- **Timeline/Budget**
- **Next Steps**



Goodhue County Building Permits and Inspections

509 West Fifth Street | Red Wing | Minnesota | 55066
 Phone: 651.385.3114 | Fax: 651.385.3106 | www.co.goodhue.mn.us

Jurisdiction Report

City of Cannon Falls

#Name?

Permit	Date	Parcel/Site Address	Permit Type	Work Type	Occupancy	New Units	Project Description	Permit Value
13-F050	07/02/2013	52-480-0350 1224 7th St.	Residential	Addition	IRC-4	0	deck	\$4,000.00
13-F049	07/03/2013	52-495-0010 900 Main Street W	Non-Residential	Repair or Remodel	I-1	0	interior remodel	\$2,000.00
13-F052	07/03/2013	52-360-0060 1124 6th St N	Residential	Repair or Remodel	IRC-4	0	reroof	\$2,000.00
13-F053	07/03/2013	52-480-0351 1216 7th Street N	Residential	Repair or Remodel	IRC-1	0	new roof, change roof pitch	\$2,000.00
13-F054	07/08/2013	52990090A 90 Riverside Terrace Court	Residential	Repair or Remodel	IRC-1	0	reroof house	\$3,000.00
13-F055	07/08/2013	52990090A 90 Riverside Terrace Court	Residential	Repair or Remodel	IRC-2	0	reroof garage	\$2,000.00
13-F039	07/10/2013	52-100-3170 100 Park Street	Residential	Repair or Remodel	IRC-4	0	reroof garage	\$2,000.00
13-F042	07/10/2013	52-480-0810 322 Cannon St W	Residential	Repair or Remodel	IRC-1	0	replace one window in existing garage	\$2,000.00
13-F043	07/10/2013	52-500-0360 111 Dakota Street	Residential	Addition	IRC-4	0	addition to existing garage	\$18,000.00
13-F057	07/11/2013	52-320-0270 105 Middle Street W	Residential	New Construction	IRC-4	0	heated detached garage	\$15,000.00
13-F058	07/15/2013	52-100-1900 200 West Mill Street	Residential	Repair or Remodel	IRC-1	0	reroof home	\$5,000.00
13-F056	07/23/2013	52-120-0870 311 York Street N	Residential	Repair or Remodel	IRC-1	0	replace window	\$2,000.00
13-F062	07/26/2013	52-270-0050 115 Ridgecrest Drive	Residential	Repair or Remodel	IRC-3	0	reroof townhome	\$7,000.00
13-F063	07/26/2013	52-270-0060 117 Ridgecrest Driver	Residential	Repair or Remodel	IRC-3	0	reroof	\$7,000.00
13-F061	07/31/2013	52-455-0240 117 Valley C.	Residential	Addition	IRC-4	0	deck	\$3,000.00
13-F024	08/01/2013	52-100-4330 615 5th Street N	Non-Residential	Repair or Remodel	B	0	interior remodel: change retail store to bike and canoe rental	\$10,000.00
13-F059	08/07/2013	52-100-3420 410 Colvill St W	Non-Residential	Repair or Remodel	A-3	0	elevator additon	\$140,000.00



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Jurisdiction Report

13-F067	08/07/2013	52-710-0770 31633 64th Ave	Non-Residential	New Construction	S-2	0	new warehouse	\$340,000.00
13-F069	08/07/2013	52-120-0110 1108 Minnesota St W	Residential	Repair or Remodel	IRC-1	0	replace furnace	\$3,000.00
13-F064	08/08/2013	52-100-2890 115 4th Street S	Non-Residential	Repair or Remodel	A-2	0	exterior upgrades	\$30,000.00
13-F066	08/13/2013	52-500-0070 324 W Washington St.	Non-Residential	Repair or Remodel	----	0	restroom upgrade	\$15,000.00
13-F076	08/14/2013	52-500-0070 324 W Washington St.	Non-Residential	Repair or Remodel	F-1	0	roofing	\$10,000.00
13-F065	08/16/2013	52-100-2310 324 Main Street West	Residential	Repair or Remodel	IRC-1	0	interior remodeling	\$13,000.00
13-F077	08/16/2013	52-540-0190 1125 Main Street	Non-Residential	New Construction	M	0	plumbing in new convenience store	\$20,000.00
13-F074	08/20/2013	52-440-0080 1005 Park Street	Residential	Repair or Remodel	IRC-4	0	replace deck	\$4,000.00
13-F081	08/22/2013	52-100-3930 201 Colvill Street West	Residential	Repair or Remodel	IRC-1	0	reroof	\$10,000.00
13-F051	08/28/2013	52-100-4330 615 5th Street N	Non-Residential	Addition	S-2	0	storage addition	\$3,000.00
13-F075	08/28/2013	52-621-0240 619 Union Court	Residential	New Construction	IRC-1	1	SFD unfinished basement att garage	\$158,000.00
13-F082	09/10/2013	52-100-2030 115 W Mill Street	Residential	Repair or Remodel	IRC-1	0	windows, doors, re-do floors, alter walls	\$5,000.00
13-F083	09/13/2013	52-100-2400 124 4th Street N	Residential	Repair or Remodel	IRC-1	0	new windows, awning	\$7,000.00
13-F084	09/13/2013	52-140-2250 115 Mill Street E	Residential	Addition	IRC-4	0	new deck	\$2,000.00
13-F033	09/19/2013	52-510-0133 103 Mensing Way	Non-Residential	New Construction	F-1	0	new building	\$1,500,000.00
13-F078	09/23/2013	52-100-1810 224 2nd Street N	Residential	Repair or Remodel	IRC-1	0	interior remodel	\$6,000.00
City of Cannon Falls			33 permits		1 Units		\$2,352,000.00	



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Jurisdiction Report

Grand Totals

Permit Count: 33

1 Units

\$2,352,000.00



CONNECTING & INNOVATING
SINCE 1913

October 4, 2013

Chief Jeff McCormick
Cannon Falls Police Department
918 River Rd
Cannon Falls, MN 55009-1447

Chief McCormick,

On behalf of the League of Minnesota Cities we want to thank you for your contributions, participation and commitment to the League's Training Safety Officer program. The program, which is reducing police officer training injuries, would not have achieved its level of success without your involvement.

Early on during the development of the course you offered to let our staff use the Cannon Falls Police Department as a test site for a large scale training session at your high school. Under your guidance your officers implemented our original concept, but then they improved and advanced the concept to be more proactive as they discovered how they could prevent officer injuries and not just minimize them.

We also thank you for serving as the moderator and co-host for the LMCIT webinar on the program that aired on September 12th. Your comments and the conversational manner in which you shared your experience gave the webinar and the program credibility. The webinar is on line and we know that in addition to Minnesota officers viewing it, the webinar is also being used by the state of Virginia's Municipal League.

We again thank you for your professional assistance and for your willingness to partner with the League in an effort to increase the safety of Minnesota police officers.

Sincerely,


James F. Miller
Executive Director

Standoff, Standstill, or Storm?

What more can be said about the budget and debt ceiling impasse at the federal level? Actually, quite a bit remains to be told. A few subplots in this endless drama:

1. The municipal bond market is resilient despite a fair amount of noise in the system outside of the federal government's issues. Puerto Rico is the latest source of anxiety as many investors are concerned that its rating will dip below investment grade (for an accessible overview of Puerto Rico's role in the market, [click here](#)). The uncertainty of what a "general obligation" pledge means in a bankruptcy is a big concern of investors. Does a G.O. pledge have a priority lien on governmental revenues or is it just another unsecured claim on resources in a long list of more politically popular expenses? However, these bond market trepidations have not resulted in higher interest rates for the vast majority of issuers. The stock market may ebb and flow on a daily basis based upon the latest mood of those in Washington D.C., but market demand and prices for municipal bonds have remained steady. The attached chart for regional competitive sales show an average of 6 bids per issue (up to 10 or 11 for highly-rated bonds) for those with a term of under 15 years. The Municipal Market Data yield for a 10 year AAA rated bond (non-bank qualified) is 2.60%, a small increase over two weeks ago. The 10 year U.S. Treasury closed last Friday at 2.68%. The strong showing for competitive municipal bond sales seems to also be a function of lower than average new issue volume. Average weekly par amounts for both competitive and negotiated sales have recently been under \$4 billion, while over the last few years the average new issue volume has been \$7 to \$8 billion per week.



Trends in Municipal Bond Yields September 27 to October 11, 2013

	September 27th	October 11th	Change
AAA Yields*			
5 Years	1.32%	1.31%	-0.01%
10 Years	2.54%	2.60%	0.06%
20 Years	3.75%	3.81%	0.06%
30 Years	4.11%	4.18%	0.07%
Bond Buyer 20 Bond Index**	4.53%	4.57%	0.04%

Source:

* Thomson Reuters Municipal Market Data

** The Bond Buyer. Average yield on a portfolio of municipal bonds maturing in 20 years, with an average rating of AA/Aa2.

-
2. A federal default may not have an effect upon local government ratings, in the short-term. Moody's issued a report in late September, followed by more recent comments by its CEO, forecasting that the U.S. Treasury will continue to make at least interest payments during the crisis and that credit ratings, at the federal and local level, generally reflect long-term ability/willingness. One can interpret from Moody's comments that they see all of the wrangling in Washington as a short-term distraction. There is still the question of how much higher local government ratings can be than sovereign debt if future downgrades were to occur. This question is more of a topic for Standard & Poors because S&P did downgrade the federal government to a AA+ two years ago (Fitch is still at a AAA but with a negative outlook). S&P closed its deadline on a request for comment on this very topic back in May, 2013 ([click here](#) to read more). If you are interested in the subtleties of the impact of a sovereign rating on local and state ratings, this document is worth the time.
3. A practical question raised by one of our financial advisors is what happens to local and state government advance refunding and defeasance escrows in the case of a federal government default? The vast majority of investments underlying those escrows are U.S. Treasury securities, whether purchased in the open market or as State and Local Government Series (SLGS). Most



MarketCommentary

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escrows rely upon regular principal and interest payments from the U.S. Treasury to make principal and interest payments on the refunded or defeased bonds. Bond attorneys will have to weigh in on the obligation of local government issuers to make payments on refunded or defeased bonds if insufficient funds are available from an established escrow, but the preliminary indication is that the answer in many cases will be “yes”.

4. Assuming we get past the debt ceiling issue, there remains the sequester and the associated budget cuts for Build America Bonds (BABs) rebates and other direct pay/tax credit bonds. The U.S. Treasury announced that the subsidy payments on BABs and other direct pay bonds would be reduced by 7.2% for the fiscal year beginning 10/1/13. This is down slightly from the 8.7% reduction for the fiscal year that just ended. Issuers of these types of bonds should be adjusting fiscal 2014 budgets to reflect the reduced subsidy amounts as a source of revenue.

There is always a danger of prognosticating too much in a very fluid situation. It is safe to say this will be an interesting week. At Ehlers, we are still scheduling bond sales this week, next week and the following with feedback from the market that there are willing buyers willing to accept relatively low yields.

No Investment Advice or Offers

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Competitive Sale Results September 30 - October 11, 2013

Sale Date	Issuer	St	Par Amt (in millions)	Issue	Underlying Rating	Credit Enhanced Rating	BQ	TIC / NIC	Maturities	# of Bidders	Winning Bidder
09/30/13	Nicolet Unified High School District	WI	1.98	G.O. Prom Notes	Aaa		Y	2.22%	2014-22	6	Piper Jaffray
10/01/13	Gurnee Park District	IL	8.51	G.O. Park Bonds	AA+		Y	4.30%	2027-36	5	Baird
10/01/13	Mendota Heights, City	MN	1.69	G.O. Improvement Bonds	AAA		Y	2.81%	2016-34	5	Baird
10/01/13	Redwood Falls, City	MN	0.88	G.O. Water and Sewer Revenue Bonds	AA+		Y	3.00%	2017-29	4	United Banker's
10/01/13	Chilton, City	WI	1.36	G.O. Refunding Bonds	A1		Y	0.93%	2014-17	9	Bankers' Bank
10/01/13	Sturgeon Bay, City	WI	1.76	Taxable G.O. Refunding Bonds	Aa3		N	4.07%	2014-33	3	BOSC
10/01/13	Eau Claire County	WI	7.60	G.O. Prom Notes	Aa1		Y	1.82%	2014-23	11	Stifel Nicolaus
10/03/13	Cary Park District	IL	7.00	G.O. Park Refunding Bonds	AA		Y	1.77%	2014-22	6	BOSC
10/03/13	Marathon City, Village	WI	2.52	G.O. Refunding Bonds	NR		Y	2.56%	2014-25	3	Bankers' Bank
10/07/13	Fredonia, City	KS	2.74	G.O. Sales Tax Bonds	NR		Y	2.70%	2014-26	4	UMB bank
10/07/13	Maple Grove, City	MN	3.91	G.O. Road Reconstruction Bonds	AAA		N	2.92%	2015-29	5	Baird
10/07/13	Maple Grove, City	MN	5.48	G.O. Refunding Bonds	AAA		N	1.13%	2015-21	7	Hutch
10/08/13	Libertyville, Village	IL	4.20	GO Bonds (Waterworks & Sewer Alt. Rev Source)	Aa2		Y	3.43%	2014-32	3	BOSC
10/08/13	Libertyville, Village	IL	5.00	G.O. Bonds	Aa2		Y	3.37%	2014-32	4	Janney Montgomery
10/08/13	Butler County Community College	KS	5.88	Lease Purchase Agreement Certificates of Participation	A+		Y	2.90%	2014-28	6	Country Club Bank
10/08/13	Oakdale, City	MN	0.78	GO Equipment Certificates of Indebtedness	Aa2		Y	1.16%	2014-18	4	UMB
10/08/13	Oakdale, City	MN	2.37	GO Improvement Bonds	Aa2		Y	1.91%	2015-24	6	BOSC
10/08/13	Roseville Area SD No. 623	MN	6.85	G.O. Refunding Bonds	Aa2	Y	N	2.69%	2015-26	8	Hutch
10/08/13	Paynesville SD No. 741	MN	2.65	GO School Building Refunding Bonds	Aa2	Y	Y	1.59%	2015-20	5	BOSC
10/08/13	New Berlin, City	WI	4.69	G.O. Street Improvement Bonds	Aaa		N	2.89%	2014-28	7	Baird
10/08/13	New Berlin, City	WI	6.64	G.O. Prom Notes	Aaa		N	1.20%	2014-23	10	Southwest Securities
10/08/13	Waupun, City	WI	4.25	G.O. Swimming Pool Bonds	A1		Y	2.61%	2014-28	3	Baird
10/09/13	Eden Valley, City	MN	1.05	GO Improvement Bonds	AA-		Y	3.63%	2016-35	2	Baird
10/09/13	Forest Lake, City	MN	2.94	GO Refunding Bonds	AA+		Y	1.77%	2015-24	6	BMO Capital Markets
10/09/13	Eden Valley-Watkins SD No. 463	MN	3.38	GO School Building Refunding Bonds	Aa2	Y	Y	1.65%	2015-21	8	UMB Bank
10/09/13	Bellevue, Village	WI	4.04	GO Community Development Bonds	Aa2		Y	3.16%	2016-33		
10/10/13	Winnebago County	IL	4.00	GO Debt Certificates	Aa2		N	3.33%	2014-28	5	City Securities
10/10/13	Fedonia SD No 484	KS	3.50	GO Bonds	A		Y	2.82%	2015-28	3	Country Club Bank
10/10/13	Chisago Lakes SD No. 2144	MN	8.91	GO School Building Refunding Bonds	AA+	Y	Y	1.80%	2015-23	6	Wells Fargo Securities
10/10/13	Deer River SD No. 317	MN	4.98	GO School Building Refunding Bonds	AA+	Y	Y	2.15%	2015-25	3	FTN Financial Markets
10/10/13	Winona Port Authority	MN	1.13	GO Airport Bonds	Aa1		Y	1.93%	2015-24	4	United Banker's Bank
10/10/13	Holmen, Village	WI	4.97	GO Corporate Purpose Bonds	AA-		Y	3.23%	2014-33	2	BOSC

October 29, 2013

A Bridge to Nowhere

If there is one thing that has been certain in Washington D.C. the last number of years, it is an atmosphere of uncertainty. Ehlers Market Commentary has chronicled the events leading up to and during the federal government shut down that began on October 1st, as well as the resulting debt ceiling impasse tied to the overall budget debate. Our elected officials in Washington proceeded to end the shut down with a text-book case of can-kicking on October 16th, when the House and Senate adopted a continuing resolution to fund the government at fiscal 2013 levels through January 15th, 2014. That bill was quickly signed by the President. Additionally, the debt ceiling was lifted/suspended until February 7th, 2014 and the Treasury Secretary was authorized to take “extraordinary measures” to stay under the debt ceiling beyond that date.

A result of the continuing resolution is also formation of a joint budget conference committee of select members of the House and Senate to work out details of a budget for the rest of the 2014 fiscal year. If the present situation is causing you to feel déjà vu all over again, you’re not alone. In order to deal with a debt limit debate in 2011, a “super committee” (Joint Select Committee on Deficit Reduction) was established under the Budget Control Act of 2011 to reduce the federal deficit over a ten-year budget window as a means to raising the nation’s statutory debt ceiling. At the time, the President proposed automatic spending cuts under the Budget Control Act in the case negotiations failed as a stick to create action on the part of the super committee - - and fail they did. When no resolution was reached the automatic spending cuts dubbed the “sequester” kicked in and took effect on January 2, 2013, with another round of cuts to occur one year later. There is talk that members of the conference committee will try to establish some major policy objectives (namely tax reform), but that may be wishful thinking given the short window and the coming 2014 elections. The committee is to finish its work in mid-December in order to allow various Congressional committees to pass appropriations bills prior to the January 14th deadline.

All that being said, this once again brings tax reform into focus as an overarching objective that has been deemed bi-partisan. Market observers will be tuning their ears to catch any hint of changes to the muni tax exemption, or capping the benefit of tax-exempt interest for higher income earners. It seems this issue is never off the table.



A Sliver of Positivity

One positive for municipal issuers that has resulted from lifting the debt ceiling through February 7th is the reopening of the SLGS window. State and Local Government Series are a special form of U.S. Treasury securities that are utilized by issuers (and borrowers) of tax-exempt obligations, primarily to fund advance refunding and defeasance escrows. The benefits of SLGS are that they can be purchased with maturity dates matching escrow cash flow needs and better allow issuers to manage arbitrage and yield restriction requirements when advance refunding tax-exempt debt. The SLGS window had been closed since May 15, 2013 by the Treasury as an “extraordinary measure” in dealing with the federal debt limit (SLGS count against the limit), its longest closure in 17 years.

During the closure, issuers were required to fund escrows through the purchase of securities in the open markets, which is not always as efficient as using SLGS, especially for shorter escrows and smaller transactions. It is also typically more expensive to execute an advance refunding transaction using open market securities. The window will now be open at least through February 7th. As mentioned above, the Treasury reserves the right to take extraordinary measures upon reaching the new calendar deadline, and could certainly close the SLGS window on or around that date.

Market Impacts

During the sixteen-day government shutdown, the yield on the benchmark 10 year U.S. Treasury stayed within an approximate range of 2.65% - 2.75%, with a payment default a real possibility. In fact, short-term bills coming due in approximately 30 days were yielding in excess of 0.30% for some time from well-established levels of around 0.03%. Many investors chose to sell out of maturing Treasury positions rather than be left empty-handed when the bill came due. To put that in perspective, those types of yields were not available for U.S. Treasuries until reaching about the 2 year point on the curve, demonstrating that market participants were clearly concerned. Once the shutdown ended, yields normalized across the curve, and the 10 year Treasury quickly fell approximately 10 basis points (1 basis point = 0.01%) to its Friday October 25th, closing level of 2.53%.

The events occurring in Washington D.C. the last few weeks were against the backdrop of a U.S. Federal Reserve grappling with its own policy issues, those being monetary in nature. The markets were anticipating a relaxation of the Fed’s Quantitative Easing (QE) regimen in October of this year, only to have the Federal Open Market Committee (FOMC) take a step back with its September policy statement. Markets have reacted favorably to the Fed’s continued loose-money stance with stocks recouping recent losses



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to test all-time highs (except the NASDAQ) and bonds rallying to higher prices and lower yields. Market participants are once again contemplating the expected trajectory of QE3 with the FOMC convening this last week of October.

Given the recent government shutdown and what is sure to be a volatile period through the January budget deadline with heightened uncertainty, not to mention a new incoming Fed Chair, many believe the Fed is not in a position to begin its tapering initiative in the near future. In fact, this argument has been bolstered by recent comments from various regional Federal Reserve Bank Presidents. A few weeks ago at a Fed conference, St. Louis Federal Reserve Bank President James Bullard, noted, “We cited that fiscal uncertainty was a risk and that uncertainty has materialized. That makes it less likely that we will make a decision to taper in October.” Just days later, Dallas Fed President Richard Fisher stated that fiscal chaos in Washington would make it hard for him to argue for a taper at the Fed’s next policymaking meeting (this week). He is quoted in various publications saying, “If there’s still this chaos in the marketplace, I personally can’t see arguing to touch that mechanism right now.” This coming from a man who voted to pull back on asset purchases at the FOMC’s September meeting and a couple days later, at the Economic Club of New York, went on the record stating that continued asset purchases may result in “financial recklessness.” Chicago Fed President Charles Evans was speaking at a conference in Madison, Wisconsin, and responded “in answer to the questions of how much longer and whether we are near the end point for policy accommodation, I decidedly say no...” when asked whether or not now is the time to remove Quantitative Easing.

Given all this, it becomes much less likely that the Fed will begin tapering its asset purchases, to any large degree, prior to January of next year, assuming a budget agreement is reached and the debt ceiling does not again become an issue. The Fed is loath to take such action in the face of uncertainty, especially given the current labor market situation and middling economic data, much of which was delayed for this month due to the government shutdown.

For municipal issuers, and fixed-income markets in general, this has provided a relief from steep increases in rates experienced the last few months. Both the 10 year U.S. Treasury and Municipal Market Data’s “AAA” yields have fallen to levels not seen for about four months. Thomson reports 10 year, AAA MMD at 2.49% as of Friday, October 25th, its lowest level since mid-June. Additionally, ratios to taxable Treasury equivalent maturities have improved the last few weeks, with the current ratio for 10 years at 97% (see table below). Ratios are still extended to over 110% for the longer end

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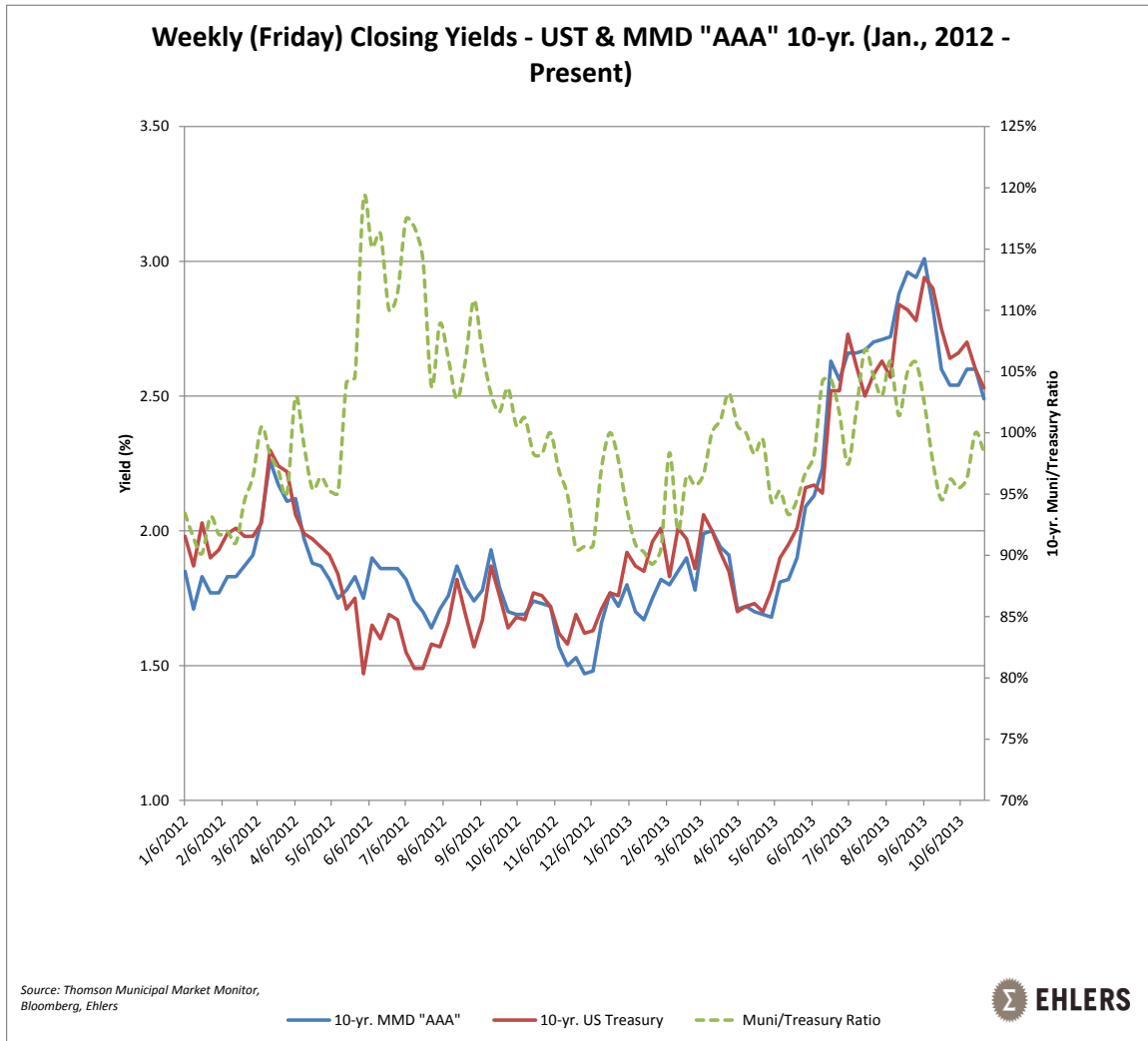
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of the curve beyond fifteen years. In fact, the longer end of the curve still remains difficult for issuers. Michael Petronico, Chief Investment Officer at Miller Tabak Asset Management in New York, was recently quoted in *The Bond Buyer* saying, "It remains challenging to find consistent demand outside of 10 years..."



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The municipal market has also been aided by light new issue volume the previous few weeks, with supply of \$3.5 billion and \$4.4 billion the weeks of October 7th and October 14th, respectively. Last week saw a big jump in volume to \$7.4 billion as large issuers tapped the markets upon resolution of the debt ceiling impasse. This week is slated to settle back down to an estimated \$4.3 billion. Given the recent reductions in rates, we should expect to see new issue supply increase as refundings are dusted off and issuers try to tap the market before year end.

Even though there is little certainty with respect to both the political and economic outlooks, as well as a few dim spots in the municipal market (Detroit and Puerto Rico), our clients have had success with competitive sales as demonstrated in the attached table. Dealers have maintained interest throughout the shutdown and it seems that bidding interest is picking up again, after a bit of a drop in the number of bids during the summer months.

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Competitive Sale Results October 14 - October 25, 2013

Sale Date	Issuer	St	Par Amt (in millions)	Issue	Underlying Rating	Credit Enhanced Rating	BQ	TIC / NIC	Maturities	# of Bidders	Winning Bidder
10/15/13	Bloomington, City	IL	7.80	GO Refunding Bonds	Aa2/NR/AA+		Y	1.91%	2014-23	7	Janney Montgomery
10/15/13	Homewood-Flossmoor Park Dist.	IL	8.99	GO Park Bonds	A+		Y	4.63%	2024-32	2	Baird
10/15/13	Kansas Development Finance Authority	KS	77.34	Revenue Bonds and Refunding Bonds	Aa1/AA		N	4.10%	2016-38	6	BA Merrill Lynch
10/15/13	Delano, City	MN	5.50	GO Improvement Bonds	AA		Y	3.30%	2016-35	4	Baird
10/15/13	Robbinsdale, City	MN	4.40	GO Street Reconstruction and Utility Revenue Bonds	AA+		Y	1.96%	2015-24	6	Piper Jaffray
10/15/13	Blackduck SD No. 32	MN	4.08	GO Alternative and Capital Facilities Bonds	Aa2	Y	Y	3.36%	2015-34	2	Baird
10/15/13	Heron Lake-Okabena SD No. 330	MN	2.11	GO School Building Refunding Bonds	AA+	Y	Y	1.94%	2015-23	4	United Banker's Bk
10/15/13	Winona SD No. 861	MN	2.14	GO Capital Facilities Bonds	AA+	Y	Y	2.50%	2015-28	3	Baird
10/16/13	Mount Pleasant Park District	IL	2.70	GO Limited Tax Park Bonds	NR		Y	1.00%	2014-17	8	Mt Prospect St. Bk
10/16/13	East Bethel, City	MN	1.25	GO Public Safety Refunding Bonds	AA		Y	2.51%	2015-26	2	Baird
10/16/13	Commissioner of Iron Range Resources and Rehabilitation	MN	37.83	Educational Facilities Revenue Bonds	Aa2	Y	N	3.76%	2014-33	6	Baird
10/16/13	St. Louis Park SD No. 283	MN	19.22	GO School Building Refunding Bonds	Aa2	Y	N	1.44%	2015-20	10	Piper Jaffray
10/16/13	Norwalk-Ontario-Wilton SD	WI	2.66	GO Refunding Bonds	A+		Y	3.62%	2023-30	4	Bernardi Sec.
10/17/13	Ottawa County Rural Water District No. 2	KS	1.03	Water Utility System Revenue Bonds	NR		Y	3.76%	2015-33	1	Cooper Malone
10/21/13	Clarendon Hills, Village	IL	0.44	GO Bonds	AAA		Y	4.05%	2015-29	1	Bernardi
10/21/13	Buffalo, City	MN	3.70	GO Bonds	A+		Y	1.97%	2014-28	3	Baird
10/21/13	Hastings, City	MN	2.68	GO Bonds	AA		Y	1.86%	2015-24	7	United Banker's Bk
10/21/13	St. Cloud, City	MN	5.14	GO Sewer Bonds	AA+		N	3.10%	2015-29	4	Morgan Stanley
10/21/13	St. Cloud, City	MN	5.34	GO Infrastructure Management Fund Bonds	AA+		N	2.44%	2016-25	4	Morgan Stanley
10/21/13	Richfield SD No. 280	MN	16.77	GO Refunding Bonds	AA+	Y	N	1.96%	2016-25	7	BMO Cap Mkts
10/21/13	Nicollet County	MN	1.35	GO Capital Improvement Plan Refunding Bonds	Aa2		N	0.91%	2015-17	4	Baird
10/21/13	Nicollet County	MN	13.18	GO Capital Improvement Plan Bonds	Aa2		N	3.07%	2016-28	9	William Blair
10/21/13	Baldwin-Woodville Area SD	WI	4.92	GO Refunding Bonds	AA-		Y	3.45%	2015-33	4	BOSC
10/21/13	River Falls SD	WI	0.79	Taxable GO Refunding Bonds	NR		N	1.48%	2014-17	4	BOSC
10/21/13	West Milwaukee, Village	WI	1.49	GO Prom Notes	A1		Y	1.23%	2014-19	2	Baird
10/22/13	Aurora, City	IL	9.57	GO Refunding Bonds	AA		Y	2.78%	2015-25	7	Janney Montgomery
10/22/13	Joliet Junior College District No. 525	IL	44.37	GO Bonds	Aa1/AA		N	4.97%	2029-38	8	Hutch
10/22/13	Park District of Franklin Park	IL	0.95	GO Limited Tax Park Bonds	NR		Y	2.00%	2014	1	Bernardi
10/22/13	Wilmette, Village	IL	9.92	GO Bonds	Aaa		Y	3.77%	2014-37	4	Piper Jaffray
10/22/13	Park City, City	KS	1.25	GO Bonds	AA+		Y	3.52%	2018-34	2	D. A. Davidson
10/22/13	Park City, City	KS	4.47	GO Refunding Bonds	AA+		Y	1.49%	2014-26	6	FTN Fin Cap Mkts
10/22/13	Dayton, City	MN	2.20	GO Utility Revenue Bonds	AA+	Y	Y	1.72%	2015-24	3	UBS Financial Svcs
10/22/13	East Gull Lake, City	MN	0.83	GO Permanent Improvement Revolving Fund Bonds	A1		Y	2.99%	2016-29	3	United Banker's Bk
10/22/13	Princeton SD No. 477	MN	1.74	GO Refunding Bonds	Aa2	Y	Y	0.56%	2015-17	5	BMO Cap Mkts
10/22/13	Fitchburg, City	WI	1.05	GO Prom Notes	Aa1		Y	1.89%	2014-23	5	Bankers' Bank
10/22/13	Janesville, City	WI	11.00	GO Prom Notes	AA		N	2.18%	2014-23	4	Baird
10/22/13	Milwaukee Area Technical College District	WI	1.50	GO Prom Notes	Aa1		N	0.99%	2015-18	4	Hutch
10/22/13	Kronenwetter, Village	WI	2.38	GO Prom Notes	AA-		Y	1.97%	2014-21	5	UMB Bank
10/22/13	Kronenwetter, Village	WI	3.90	Taxable GO Prom Notes	AA-		N	3.04%	2014-22	4	BOSC
10/23/13	Sun Prairie, City	WI	4.14	GO Refunding Bonds	Aa2		N	0.73%	2015-18	7	Piper Jaffray
10/23/13	Whitehall, City	WI	1.33	GO Prom Notes	NR		Y	2.30%	2014-23	2	Bernardi Sec.
10/24/13	State of Minnesota	MN	283.82	GO State Various Purpose Bonds	Aa1 / AA+ / AA+		N	3.10%	2014-33	9	Wells Fargo
10/24/13	State of Minnesota	MN	112.00	GO State Trunk Highway Bonds	Aa1 / AA+ / AA+		N	3.12%	2014-33	11	JPMorgan
10/24/13	State of Minnesota	MN	373.94	GO State Various Purpose Refunding Bonds	Aa1 / AA+ / AA+		N	2.26%	2016-26	8	BA Merrill Lynch
10/24/13	Elroy, City	WI	2.32	Electric Revenue Refunding Bonds	NR		Y	2.46%	2015-23	3	Bankers' Bank
10/24/13	Elroy, City	WI	1.61	GO Corp Purp Bonds	NR		Y	2.43%	2014-26	3	Bankers' Bank