

February 6, 2014

FOR YOUR INFORMATION....

The information provided does not require Council action but is necessary to keep you informed of various projects, events and activities. Commission/Committee agendas and/or minutes will be provided when they are available.

Interim City Administrator's Report

Public Works Commission Agenda

Letter from Goodhue County Habitat for Humanity

Southeastern Minnesota League of Municipalities (SEMLM) Legislative Policies –
Please review and let me know if you have any concerns or objections to any of the proposed 2014 Legislative Police Positions and I will forward them to the SEMLM.

Ehlers Market Commentary

INTERIM ADMINISTRATOR'S REPORT

February 6, 2014

The following is a brief update of items I have been working on:

New City Administrator Search:

We will be holding a special meeting at 6:00 p.m. on Feb. 6th to have an informal Meet and Greet session with the candidate chosen by the interview panel for the City Administrator position. The candidate chosen was a unanimous decision by the panel members. As noted in the memo, please remember that there are questions and comments we cannot ask or make. Also, please contact me if you have any additional questions, comments, or concerns on this issue. I will be happy to discuss this with you.

Pool Referendum:

The Pool Referendum will be held on Monday, March 3, 2014. Absentee voting has begun and is available for those that will be gone on the day of the election or meets any of the other criteria to vote absentee. We will need to call for a special meeting to canvass the results of the election. By State Statute we are required to canvass the returns and declare the results within three to ten days after the election. The earliest day we could meet would be March 6th and the last day would be March 13th. Setting the date for the special meeting will be on the next agenda.

Year-End Financial Activities:

I will be starting to prepare for the 2013 audit process. I will be meeting with the auditors soon to set a schedule for their annual audit work. I am also working on the payable 2014 assessments with Goodhue County and the city workers' compensation and general liability insurance renewals.

Aaron's Projects:

Aaron provided a list of projects and issues in previous Administrator Reports. I will only include the items that have new or additional information pertaining to them.

Please contact me at any time if you have any questions or would like further information regarding these or any other items.



Public Works Commission Meeting Agenda

Tuesday, February 4, 2014

1:00 PM

Government Center

1. **CALL TO ORDER @ 1:00 PM**
2. **OLD BUSINESS**
3. **NEW BUSINESS**
 - A. Hospital Water Meters
 - B. MNDOT Water/ Sewer Bills for Write On and Class Act Properties
 - C. 318th Street Improvements
 - D. MNDOT Access Proposal
 - E. Campground Sewer Request (David Lorentz)
4. **UPDATES**
5. **ADJOURNMENT**

Posted: January 23, 2014

Next Meeting: March 4, 2013

Goodhue County
 **Habitat for Humanity**

◆ 480 West 8th Street ◆ Red Wing ◆ Minnesota ◆ 55066 ◆ 651-388-9360 x32 ◆

December 26, 2013

RECEIVED DEC 30 2013

Board of Directors

President

Greg Evans

Dave Maroney
Cannon Falls, City of

Vice President

Ken Dicke

918 River Road
Cannon Falls, MN 55009

Vice President

Dear Dave:

Secretary

Linda Kelly

Thank you for waiving the utility connection fees for the Habitat for Humanity home we recently completed at 1200 North 6th Street in partnership with Misty Smalley and her three sons.

Treasurer

Jake Goering

Your waiver has a value of \$ 8400.00. Thank you for your generous gift to Goodhue County Habitat for Humanity.

Members

Dee Bender
Kenneth Bush
Jennifer Lappegaard

Your help, both as one of our professional service and material providers as well as through your donation, makes it possible for Habitat to continue our mission to build affordable, decent homes for and with families in need of adequate housing, to help those families become successful homeowners, to strengthen the life of the communities in Goodhue County, and to help provide housing internationally through our tithe to Habitat for Humanity International.

Executive Director

Parker Quammen

Your support sustains us, and I look forward to maintaining this partnership.

On behalf of the Goodhue County Habitat for Humanity Board of Directors, I thank you.

AmeriCorps Vista

Sincerely,



Parker Quammen
Executive Director

1) Equity in Library Funding, Maintenance of Effort (MOE)

SEMLM cities appreciate that the 10% reduction in the MOE amounts was made permanent, and asks that legislators support retaining this flexibility. When modifying library MOE requirements, the Legislature should ensure that any relief provided on the county MOE requirement does not result in additional funding burdens for cities.

Cities that provide library facilities where library operations are associated with a regional library system should be contractually guaranteed a direct voice in the governance and funding decisions within the library system.

2) Economic Development / Job Creation

The SEMLM supports allowing DEED more flexibility to serve community and business needs of today. The Legislature should continue to fund the Greater Minnesota Business Development Public Infrastructure Grants, as well as the Minnesota Investment Fund and DEED land recycling programs. In particular, the Minnesota Investment Fund needs to be made more flexible for use by small cities. Several SEMLM cities have expressed concerns that DEED programs lack the flexibility needed to adequately serve businesses in their communities. Greater use can be made, and results achieved, if DEED is allowed to consider program usage that goes outside the current restrictions.

3) City funding: LGA, Levy Limits

LGA represents only one of several aids to communities in various categories, and should be viewed in the larger context of the diverse forms of funding across the state, such as transit funding, metropolitan bridge funding, per pupil school funding, and others. Minnesota has a long history of public policy intended to balance the property tax burdens of residents across the state. The SEMLM membership respects and supports the original intent of LGA, and understands the need for it to be upheld, thereby not favoring either urban or rural communities. LGA is how the state returns revenue to cities with low property tax wealth and/or high needs. This state/local partnership keeps property tax rates reasonable and helps cities provide needed services that encourage state economic growth and promote strong communities.

Many communities saw increased LGA funding in the last budget year, and they appreciate it. It remains a goal of the SEMLM to return to earlier (pre 2003) and higher LGA funding, including the restoration of the annual inflation adjustment, to continue to reduce the burden on local property taxes.

The members of the SEMLM respectfully object to the State Legislature using levy limits to undermine local decision-making and accountability. Local officials remain answerable to the voters for local budgetary decisions, and must be able to serve nimbly and efficiently.

4) Sales Tax on City Purchases

Cities in SE Minnesota appreciate the partial elimination of sales taxes on certain city purchases. A number of SE Minnesota cities have experienced uneven application of the sales tax exemption, some related to their public utilities, and others for things like unmarked law enforcement vehicles. Despite reinstatement of the sales tax exemption, there remains a patchwork of exemptions and exceptions that causes confusion for city officials, creates an administrative burden for the Department of Revenue, and will ultimately lessen the tax savings for certain residents based solely on where they live. In order to ensure that citizens receive the full benefit of the sales tax exemption:

- a) the exemption should apply to all purchases made by local units of government;**

- b) the law should treat purchases by all local units of governments the same, including purchases made by special taxing districts, joint powers entities, or any other agency or instrumentality of government; and**
- c) the exemption should be extended to all local government purchases that would otherwise be subject to the motor vehicle sales tax in Minn. Stat. ch. 297B.**

5) EAB and Urban Forest Management Funding

Emerald Ash Borer (EAB) has been confirmed in several locations in southeast Minnesota, including on city lands, and costs for control and removal can be catastrophic. The Minnesota Department of Natural Resources and the Minnesota Department of Agriculture currently have regulatory authority to direct tree sanitation and control programs. Although these programs allow for addressing some tree disease, pest, and other problems, funding levels have been inadequate to meet the need of cities to build capacity for urban tree programs and respond to catastrophic problems, such as cities face in our region due to EAB.

The SEMLM supports a state matching grant program to assist cities with building capacity for urban forest management and meeting the costs of preparing for, and responding to, catastrophic urban forest problems, especially the current EAB problem. Heritage Fund dollars represent a possible funding option for EAB clean up and reforestation on public lands in cities, since the funding would serve a public purpose and benefit entire communities.

6) Silica Sand Mining

The state legislature reached a good balance in its 2013 session legislation on silica sand mining. Environmental issues were addressed and local control was maintained, with state support of local government through information and suggested local criteria. **Cities in our region prefer to retain local control on this issue, and thus they are NOT asking the state to implement statewide regulation of silica sand mining. The SEMLM asks the state to allow the 2013 legislation to achieve the goals intended. No changes should be made to the current law until local government has had time to use it and suggest any possible improvements based on experience.**

7) Bridge/Highway Project Expenses

Southeast Minnesota has recently seen some significant bridge and highway projects adjacent to cities, sometimes at the request of a community, and sometimes not. In the latter cases, the city's financial burden from the local match requirement can be overwhelming, especially for a small community. **The SEMLM asks that the legislature use a per capita cap for the city financial match requirement for MNDOT bridge and highway projects not initiated by the affected cities, especially for cities under 5,000 in population.**

The SEMLM asks that the legislature make it a priority to fund improvements to Highway 14 across our entire eight-county area for both safety and economic benefits. Additional highways with sections that require repairs, upgrades, or reconstruction are Highways 30, 63, 52, 61, and 25.

8) Tax Reciprocity

The SEMLM asks the state legislature to work with the state of Wisconsin to **reinstate the former tax reciprocity program** that benefited the residents who live in Minnesota and work in Wisconsin.

9) Destination Medical Center (DMC)

The SEMLM asks the state legislature to **not alter the 2013 legislation** that passed in support of the DMC proposal. Numerous communities in our region passed statements of support for the DMC proposal to encourage the state to support the DMC legislation. **Allow the 2013 legislation to stand as is.**

10) 2014 Regional Bonding Bill Projects in SE MN

Several SEMLM member cities have projects they hope to see included in the state bonding bill. Without any specific order of priority, here is a listing of projects cities have asked to have included in this document:

Chatfield – Chatfield Center for the Arts

Spring Grove – “Green Alleys”

Oronoco – Lake Shady Project

Kasson/Mantorville – Wastewater Treatment Facility

Preston – National Trout Center

Rochester – Mayo Civic Center

Rushford, Peterson – Public K-12 School Project

Red Wing - West Fire Station and Training Facility, Levee Road and Waterfront Improvements, and Sheldon Theatre

Winona – Louisa Street Extension

Zumbrota – “Old Highway 52” reconstruction within city

Austin/Albert Lea/Hayward - Blazing Star Trail development

Rochester/Eyota/Elgin/Plainview – Chester Woods Trail

Red Wing/Goodhue/Zumbrota/Mazeppa/Bellechester/Pine Island – Goodhue Pioneer Trail

Cannon Falls – Mill Towns Trail

January 22, 2014

Financial Markets Relatively Stable in New Year

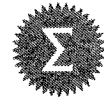
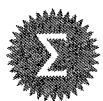
Every January brings some uncertainty to the financial markets. Trading activity slows down considerably in the two weeks of Christmas and New Year's, and when investors get back to work in early January, the results are often unpredictable.

For the first 18 days of 2014, the financial markets have been relatively stable. There have been no major new announcements from the Federal Reserve. The biggest news on the U.S. economy so far this year is probably the monthly federal jobs report released on January 13, which surprised economists by showing the lowest monthly job growth since January, 2011. This announcement was followed by a slight decline in treasury yields. But the impact was surprisingly small, perhaps since many economists seem to believe this report was either inaccurate (and will be revised upward) or that it resulted from a temporary reduction in jobs due to cold weather.

From December 31, 2013 through the end of Friday (January 18), the three major U.S. stock indices have all changed by less than 0.6% (with the S&P 500 and the NASDAQ Composite Index up slightly and the Dow Jones Industrial Average down slightly). The yield on the benchmark 10 year U.S. Treasury Note closed 2013 just above 3.00%, the highest it had been since July of 2011. By January 18, that yield had declined to 2.83% - more typical of its trading range since late June of 2013.

Municipal Bond Yields Decline on Strong Demand, Weak Supply

The municipal bond market was very quiet the first week of January. We have now had two weeks of more normal activity levels, and the results have been very positive for issuers. The table below shows changes in national indices of bond yields from January 3 to January 17. In general, these indices of yields declined by .20% to .30%.



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Trends in Municipal Bond Yields January 3 to January 17, 2014

	January 3, 2014	January 17, 2014	Change
AAA Yields*			
5 Years	1.32%	1.13%	-0.19%
10 Years	2.79%	2.59%	-0.20%
20 Years	3.89%	3.61%	-0.28%
30 Years	4.20%	3.90%	-0.30%
Bond Buyer 20 Bond Index**	4.75%	4.55%	-0.20%

Source:

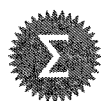
* Thomson Reuters Municipal Market Data

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

The actual results of bond sales over the last two weeks have been even better than these national indices would indicate. A lot of this has to do with supply and demand factors. The supply of new bond issues for sale has been relatively light over the last two weeks. *The Bond Buyer* reports new-issue volume (total amount of new municipal bonds sold) of approximately \$2.4 billion the week of January 6 and \$3.8 billion the week of January 13, compared with an average of approximately \$5 billion per week in 2013. At the same time, there are many bonds that either mature or are redeemed on January 1 and February 1, so investors have money to reinvest. In addition, municipal bond mutual funds last week reported net inflows of funds, following 33 weeks of net outflows. (*The Bond Buyer*, January 17, 2014)

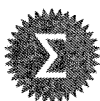
All of this adds up to lots of investors and underwriters competing to buy a limited supply of bonds. In December of last year, we were frequently seeing one to five bids on competitive sales of bonds. As the attached sale listing shows, issuers received as many as 13 bids on competitive sales during the past two weeks. In some cases, the average rates on the bonds sold were a full 0.50% less than we had estimated in December. Over the last two weeks, yields on municipal bonds have generally declined more than treasury yields. As of last Friday, the ratio of the yield on a 10-year AAA-rated muni to the 10-year Treasury note was at 91%, well below the average of the last several years.

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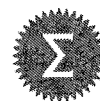
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These lower yields may mean that some bond issues – particularly refunding issues – that did not seem to be advisable in November or December may be more feasible now. On the other hand, if supply and demand for municipal bonds become more balanced, that could lead to increases in rates. Be sure to consult your Ehlers financial advisor if you are considering issuing debt.

Moody's Implements New Rating Criteria for Local Governments

On Wednesday, January 15, Moody's Investors Service announced that it was immediately implementing new rating criteria for General Obligation debt of local governments. The new criteria, which have been discussed in past editions of this Commentary, were first outlined in a Request for Comment in August of 2013. The final version is very similar to the original proposed version.

In the new rating criteria, the percentage of the rating based on debt was increased from 10% to 20%, including 10% directly based on pension obligations. These obligations are calculated using a new Moody's methodology implemented in April 2013, rather than using the liabilities directly from a local government's audit. In many cases, this will result in greater liabilities than shown in audits. The percentage of the rating based on "economic factors" (e.g., tax base and socioeconomic factors) was reduced from 40% to 30%. In addition, Moody's is introducing a "scorecard" that more specifically quantifies expected values for several of the most important factors considered in a rating.

Also on January 15, Moody's announced that it had placed the ratings for 256 local governments "on review" as a result of the new criteria. Of these 256 local governments, 132 are on review for possible upgrades, and 124 are on review for possible downgrades. All of these ratings will be reviewed within the next 180 days. If your entity is on the list for review and you are an Ehlers client, you should have already received notice both from Moody's and from Ehlers.

SEC Delays Effective Date of Municipal Advisor Rule

We have written extensively in past editions of this commentary about the long and complex process of federal regulation of "Municipal Advisors" (including firms like Ehlers), which was mandated by the "Investor Protection and Securities Reform Act of 2010," more commonly known as the Dodd-Frank Act. On September 13, 2013 the Securities and Exchange Commission (SEC) released their final rule on the registration of Municipal Advisors and set an effective date of January 13, 2014.

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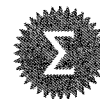
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The final rule established requirements for books and records that Municipal Advisors must maintain. It also defined as a Municipal Advisor any firm that provides advice to a municipal entity relating to the structuring, timing and terms of municipal securities or investment of bond proceeds. This SEC definition could require engineering firms, accounting firms, energy conservation firms, attorneys, banks and underwriters to register as a Municipal Advisor if they provide this type of advice.

On the afternoon of January 13, the SEC announced that it would delay the effective date of this rule until July 1, 2014. The SEC had received pressure from broker-dealer firms and banks to delay the effective date to give them more time to address the far reaching impact of the Municipal Advisor definition.

The delay of the effective date will not result in any significant changes in the way that Ehlers interacts with clients or in our internal procedures to document our work. We will continue to update you as new developments occur in the regulation process.

No Investment Advice or Offers

Nothing in this article constitutes investment advice, including, but not limited to Ehlers filings with the Securities and Exchange Commission, Municipal Securities Rulemaking Board, or recommendations as to the suitability of any specific product or service. Ehlers provides public finance materials for convenience and information only.

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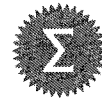
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Competitive Sale Results January 6, 2013 - January 17, 2014

Sale Date	Issuer	St	Par Amt (in millions)	Issue	Underlying Rating	Credit Enhanced Rating	BQ	TIC / NIC	Maturities	# of Bidders	Winning Bidder
01/08/14	Granite Falls, City	MN	0.49	GO Equipment Certificates	NR		Y	2.69%	2015-24	3	Granite Falls Bank
01/06/14	Yellow Medicine East SD No. 2190	MN	0.73	GO Alternative Facilities Bonds	AA+		Y	2.35%	2016-24	5	Granite Falls Bank
01/06/14	Howard Lake-Waverly-Winsted SD No. 2687	MN	21.32	GO School Building Bonds	AA+	Y	N	4.12%	2015-37	9	Baird
01/06/14	Nobles County	MN	5.70	GO Refunding Bonds	AA+		Y	1.30%	2015-21	13	BOSC
01/07/14	Inside SD No. 181	IL	9.15	GO Refunding Bonds	Aaa		Y	2.50%	2017-24	10	Piper Jaffray
01/08/14	Lake Land Community College Dist. No. 517	IL	3.87	GO Community College Bonds	AA-		Y	1.22%	2018-18	6	Raymond James
01/08/14	Lombard SD No. 44	IL	3.53	GO Limited Tax Refunding Debt Certificates	Aa1		Y	1.92%	2015-22	6	Raymond James
01/08/14	Hibbing, City	MN	0.83	Taxable GO Tax Incremental Bonds	AA		N	5.00%	2016-36	3	Bernardi Securities
01/08/14	Tomah, City	WI	9.76	GO Refunding Bonds	A1		Y	2.96%	2014-30	7	Bancient Bank
01/09/14	Madison Area Tech College District	WI	9.29	GO Prim Notes	Aaa/AAA		N	1.65%	2014-23	13	Piper Jaffray
01/09/14	South St. Paul SD No. 6	MN	10.00	GO School Building Bonds	AA+	Y	Y	3.65%	2015-33	9	FTN Fin Cap Mkts
01/13/14	Flossmoor SD No. 161	IL	9.54	GO Limited Tax School Bonds	AA+		Y	2.17%	2014-24	6	FTN Fin Cap Mkts
01/13/14	Hessport, City	KS	1.40	Temporary Improvement Notes	NR		Y	0.72%	2016	7	UMB Bank
01/13/14	Blue Valley SD No. 229	KS	61.00	GO School Bonds	Aaa/AA+		N	3.08%	2014-33	12	Citigroup
01/13/14	Hector, City	MN	8.30	GO Temporary Water and Sewer Revenue Bonds	AA+	Y	Y	0.86%	2017	6	BOSC
01/13/14	Meonhead Area SD No. 132	MN	30.78	GO School Building Bonds	Aa2		Y	1.57%	2015-22	12	Citigroup
01/13/14	Rothsay SD No. 850	MN	9.40	GO School Building Bonds	AA+	Y	Y	4.39%	2034-43	3	Piper Jaffray
01/13/14	Clear Lake School District	WI	6.42	GO School Building and Improvement Bonds	AA	BAM Inv.	Y	3.44%	2017-33	4	Raymond James
01/13/14	DeForest Area School District	WI	5.89	GO Refunding Bonds	AA+		Y	0.62%	2014-17	9	BMO Cap Mkts GKST
01/13/14	Rice Lake Area School District	WI	10.00	GO School Improvement Bonds	Aa3		Y	2.49%	2015-27	4	BOSC
01/13/14	Menasha, Town	WI	2.11	Waterworks System and Sewerage System Revenue Bonds	A1		Y	2.06%	2015-23	4	Raymond James
01/14/14	Summit Hill SD No. 161	IL	9.37	GO Refunding Bonds	Aa2		Y	2.50%	2015-23	4	Jamney Montgomery
01/14/14	Winfield, Village	IL	4.25	GO Limited Tax Certificates	Aa2		Y	3.91%	2015-34	2	Baird
01/14/14	Wichita, City	KS	3.55	GO Bonds	Aa1/AA+		N	2.11%	2015-24	7	Baird
01/14/14	Wichita, City	KS	4.72	Taxable GO Bonds	Aa1/AA+		N	3.57%	2015-28	7	Raymond James
01/14/14	Wichita, City	KS	8.01	GO Airport Bonds	Aa1/AA+		N	3.86%	2015-44	4	Baird
01/14/14	Johnson County Water District No. 1	KS	86.35	Water Revenue Bonds	Aa1/AAA		N	3.45%	2014-33	7	Wells Fargo Secs.
01/14/14	Minneapolis-St. Paul Metro	MN	8.00	GO Park Notes	Aaa/SP-1+		N	0.27%	2015-16	5	Morgan Stanley
01/14/14	Minneapolis-St. Paul Metro	MN	25.00	GO Transit Notes	Aaa/SP-1+		N	0.25%	2015-16	10	Morgan Stanley
01/14/14	Minneapolis-St. Paul Metro	MN	60.00	GO Wastewater Revenue Bonds	Aaa/AAA		N	3.28%	2015-34	9	Piper Jaffray
01/14/14	Minneapolis-St. Paul Metro	MN	100.80	GO Grant Anticipation Notes	Aaa/SP-1+		N	0.30%	2015-16	8	Morgan Stanley
01/15/14	Northbrook Park District	IL	4.01	GO Limited Tax Park Bonds	Aaa		Y	0.42%	2014-15	5	BOSC
01/15/14	Henderson, City	MN	0.38	GO Bonds	NR		Y	3.20%	2016-24	2	Northland Securities
01/15/14	Iver Grove Heights SD No. 189	MN	24.75	GO School Building Bonds	Aa2	Y	N	3.78%	2015-33	8	Citigroup
01/15/14	Genoa Joint SD No. 4	WI	1.00	GO Refunding Bonds	AA-		Y	1.28%	2015-20	5	BOSC
01/16/14	Beavira Park District	IL	1.20	GO Limited Tax Park Bonds	NR		Y	1.12%	2014-15	3	Piper Jaffray
01/16/14	Peak Ridge Park District	IL	2.72	GO Limited Tax Park Bonds	AA+		Y	1.99%	2014-22	6	Piper Jaffray
01/16/14	Peak Ridge Park District	IL	5.03	GO Park Bonds	AA+		Y	2.78%	2014-26	5	Piper Jaffray
01/16/14	Kansas Development Finance Authority	KS	35.18	Revenue Bonds	A1		N	3.71%	2014-34	6	Baird



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