

TO: Honorable Mayor and City Council

FROM: City Administrator Ron Johnson

SUBJECT: Financing of Projects

DATE: November 14, 2014

BACKGROUND

Earlier this year Council discussed the General Fund reserves balance and the need to finance various projects/items as the following: Library Costs over the Estimate, the 318th St project, 3rd St/Cannon Improvement Project and the 2nd St SW improvement project (water and street). At that time Council approved a motion to further discuss options for funding projects, including the use of general fund reserves, but to a level not falling below 50%. As noted in the attached memo from George Eilertson, staff has been working with him to provide a recommendation on the financing of projects with the goal of minimizing or eliminating the need to issue debt, and still keep the general fund reserves balance at approximately 50%.

REQUESTED COUNCIL ACTION

Motion to approve the financing plan to cover Library Costs over the Estimate (\$388,000), the 318th St Project (approximate cost of \$142,000), the 2nd St SW Street project (approx. cost of \$95,000), the 2nd St SW Water Main Project (approx. cost of \$70,000), 3rd St/Cannon Improvement Project (approx. cost of \$55,000), the River Road Improvement feasibility study (approx. cost of \$20,000) and the Westside II Improvement Project feasibility study (approx. cost of \$ 30,000) by utilizing General Fund reserves of approximately \$388,000, funds from the decertification of Tax Increment District #2-01 of \$220,000, a transfer from the 2013 East Side bond issue construction fund of \$130,000, and Water Fund reserves of \$62,000.

Attachment(s): Memo and spreadsheet from Northland Securities

DATE: November 13, 2014

TO: Honorable Robby Robinson, Mayor & Members of the City Council
Mr. Ron Johnson, Administrator
Ms. Lanell Endres, Finance Director
City of Cannon Falls

FROM: George Eilertson, Sr. Vice President
Northland Securities

GE

RE: Financing Recommendation for 2014 Projects

Earlier this year Council discussed the General Fund reserves balance and the need to finance various projects/items as the following: Library Costs over the Estimate, the 318th St project, and the 2nd St SW improvement project (water and street). At that time Council approved a motion to further discuss options for funding projects, including the use of general fund reserves, but to a level not falling below 50%. City staff has since spent time researching solutions to minimize or eliminate the need to issue debt while maintaining the general fund reserve balance at approximately 50%.

Northland Securities has met with the City Administrator and Finance Director on several occasions to review the financing options for 2014 projects as well as 2015 feasibility reports. Additional conversations have been held with the City's bond attorney and tax increment financing consultant to ensure that the recommendations made in this memo are accurate.

The attached spreadsheet details the list of projects that were considered. The second column (Source of Funding) identifies the four available sources of revenue to finance the projects. Note – all projects are able to be financed without the issuance of any general obligation bonds.

The four sources of funding are as follows (total \$800,000):

1. General Fund reserves = \$388,000
2. Funds from the decertification of Tax Increment District #2-01 = \$220,000
3. Transfer from the 2013 East Side bond issue construction fund = \$130,000
4. Water Fund reserves = \$62,000

Please feel free to contact me at 612-851-5906 with any questions.

City of Cannon Falls, Minnesota

Capital Projects Information

Projects	Project Amount	Source of Funding
Library Costs Over Estimate	\$ 388,000	\$388,000 General Fund reserves
318th Street	142,000	\$130,000 East Side / \$12,000 TIF (a)
2nd St SW Street	95,000	\$95,000 TIF (b)
2nd St SW Water	70,000	\$62,000 Water Fund / \$8,000 TIF
3rd St/Cannon Interchange	55,000	\$55,000 TIF (c)
River Rd Feasibility	20,000	\$20,000 TIF
Westside II Feasibility	30,000	\$30,000 TIF
	\$ 800,000	

Overall Source of Funds

General Fund Reserves	\$ 388,000
Tax Increment Funds	220,000
East Side Bond funds	130,000
Water Fund reserves	62,000
TOTAL	\$ 800,000

Notes:

- (a) 318th St project has assessment agreements that should pay for most of project over time, as follows:

Estimate: \$112,000 - Mayo; \$12,000 - Country Side Imp (Bauer); \$4,000 - Rechtzigel; \$14,000 - City

- (b) The 2nd St SW Street project will have assessments of approx \$17,500

- (c) 3rd St/Cannon prjct is approx \$70,000-DEED will pay \$15000. \$10,800 assessed to prop owner