

**To: HONORABLE MAYOR AND CITY COUNCIL.**

**FROM: Dave Maroney, Director of Economic Development and Planning.**  
**SUBJECT: 2017 Transportation Economic Development (TED) Grant.**  
**DATE: August 31, 2017.**

**BACKGROUND.**

On July 18<sup>th</sup> the City Council approved a proposal by SRF Consulting Group, Inc. (SRF) to assist with the preparation and submission of an Application for Transportation Economic Development (TED) grant funds made available by the Minnesota Department of Transportation for the TH 52 overpass. Subject to approval by the City Council, the Application will be submitted to MnDOT by September 15<sup>th</sup>.

Since July 18<sup>th</sup>, considerable work has been accomplished to assemble, evaluate and prepare documentation for the Application. In addition to seeking and securing local support for the project, a revised cost estimate to construct the overpass has also been prepared. Although the estimate may be subject to further revision, it is now possible to project the “local cost share”.

On August 9<sup>th</sup> the Economic Development Authority (Authority) discussed the proposed overpass and financing for the project. With regard to “local cost share”, the Authority prepared the following recommendation for your consideration:

*Prior to executing the Cooperative Construction Agreement (February 5, 2013), the Authority understands that the total local cost share for Cannon Falls to construct the interchange AND overpass was \$2,000,000. When MnDOT removed construction of the overpass from the Highway 52 project, the City of Cannon Falls local cost share was adjusted to \$1,341,695. Moving forward to finance and construct the overpass, the Authority supports a local cost share of \$658,305, plus a reasonable adjustment for inflation. Provided that a TED grant supplemented with other available sources of public transportation funding can be secured, the Authority fully supports construction of the overpass.*

Preliminarily, SRF has estimated that a “local cost share” of \$658,305 adjusted for inflation (2014 – 2016) amounts to \$692,210 – the Application to MnDOT for the TED grant reflects this amount. Assuming the “local cost share” would be financed through the issuance of \$745,000 *General Obligation Street Reconstruction Bonds*, Ehlers has prepared the accompanying preliminary *Debt Service Schedule*. Given certain assumptions represented by the *Schedule*, the average annual debt service payable over a 15-year term is \$60,954.

The current estimated cost to complete the overpass project is \$5,250,000, including pending acquisition by MnDOT of two parcels, engineering and construction. The

maximum TED grant is limited to 70% of eligible project costs - assume \$3,706,500. If the "local cost share" is limited to \$692,210, "other sources" will need to commit \$896,290 of financing to complete the project. "Other sources" that I have discussed with MnDOT representatives have included the Minnesota Local Road Improvement Program and potential Federal Transportation Programs.

Reasons that support moving forward with submission of the Application for the TED grant at this time include: (1) SRF has been engaged by the City Council to assist with preparation of the Application and the Application is ready to submit. (2) In the event that the TED grant request is awarded, "other sources" will also need to be secured if the "local cost share" is limited to \$692,210. If "other sources" are NOT secured and/or IF the City Council is unwilling to increase the "local cost share" amount, then the City Council may choose to reject the TED grant and the overpass will not be constructed. (3) Although some property owners and local taxpayers have decided not to support the overpass project at this time, others have expressed support believing that: (a) property values will increase; (b) development potential will be enhanced; and (c) traffic mobility, efficiency and safety will result from improved connectivity. (4) Cannon Falls has acquired tax-forfeit land, some of which will be needed for the overpass project. MnDOT may "credit" the City \$30,000 for contributed land but that amount has not (yet) been accounted for in the \$5,250,000 budget estimate. (5) In the event that the Application for the TED grant is not awarded, the City Council is in a "better" position to seek State and/or Federal legislative appropriation to fund the overpass.

#### **REQUESTED COUNCIL ACTION.**

The City Council is asked to approve the accompanying Resolution authorizing submission of the Application requesting TED (MnDOT) grant funds to finance construction of the overpass at Trunk Highway 52.

# Cannon Falls, Minnesota

## \$745,000 General Obligation Street Reconstruction Bonds, Series 2018

Assumes Current Market BQ AA- Rates plus 50bps

### Sources & Uses

Dated 07/01/2018 | Delivered 07/01/2018

#### Sources Of Funds

Par Amount of Bonds	\$745,000.00
<b>Total Sources</b>	<b>\$745,000.00</b>

#### Uses Of Funds

Total Underwriter's Discount (1.500%)	11,175.00
Costs of Issuance	30,000.00
Deposit to Capitalized Interest (CIF) Fund	10,572.92
Deposit to Project Construction Fund	692,210.00
Rounding Amount	1,042.08
<b>Total Uses</b>	<b>\$745,000.00</b>



# Cannon Falls, Minnesota

\$745,000 General Obligation Street Reconstruction Bonds, Series 2018

Assumes Current Market BQ AA- Rates plus 50bps

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S	Fiscal Total
07/01/2018	-	-	-	-	-	-	-
02/01/2019	-	-	10,572.92	10,572.92	(10,572.92)	-	-
08/01/2019	-	-	9,062.50	9,062.50	-	9,062.50	-
02/01/2020	45,000.00	1.500%	9,062.50	54,062.50	-	54,062.50	63,125.00
08/01/2020	-	-	8,725.00	8,725.00	-	8,725.00	-
02/01/2021	45,000.00	1.600%	8,725.00	53,725.00	-	53,725.00	62,450.00
08/01/2021	-	-	8,365.00	8,365.00	-	8,365.00	-
02/01/2022	45,000.00	1.750%	8,365.00	53,365.00	-	53,365.00	61,730.00
08/01/2022	-	-	7,971.25	7,971.25	-	7,971.25	-
02/01/2023	45,000.00	1.900%	7,971.25	52,971.25	-	52,971.25	60,942.50
08/01/2023	-	-	7,543.75	7,543.75	-	7,543.75	-
02/01/2024	45,000.00	2.000%	7,543.75	52,543.75	-	52,543.75	60,087.50
08/01/2024	-	-	7,093.75	7,093.75	-	7,093.75	-
02/01/2025	45,000.00	2.150%	7,093.75	52,093.75	-	52,093.75	59,187.50
08/01/2025	-	-	6,610.00	6,610.00	-	6,610.00	-
02/01/2026	50,000.00	2.250%	6,610.00	56,610.00	-	56,610.00	63,220.00
08/01/2026	-	-	6,047.50	6,047.50	-	6,047.50	-
02/01/2027	50,000.00	2.400%	6,047.50	56,047.50	-	56,047.50	62,095.00
08/01/2027	-	-	5,447.50	5,447.50	-	5,447.50	-
02/01/2028	50,000.00	2.550%	5,447.50	55,447.50	-	55,447.50	60,895.00
08/01/2028	-	-	4,810.00	4,810.00	-	4,810.00	-
02/01/2029	50,000.00	2.700%	4,810.00	54,810.00	-	54,810.00	59,620.00
08/01/2029	-	-	4,135.00	4,135.00	-	4,135.00	-
02/01/2030	50,000.00	2.800%	4,135.00	54,135.00	-	54,135.00	58,270.00
08/01/2030	-	-	3,435.00	3,435.00	-	3,435.00	-
02/01/2031	55,000.00	2.900%	3,435.00	58,435.00	-	58,435.00	61,870.00
08/01/2031	-	-	2,637.50	2,637.50	-	2,637.50	-
02/01/2032	55,000.00	3.000%	2,637.50	57,637.50	-	57,637.50	60,275.00
08/01/2032	-	-	1,812.50	1,812.50	-	1,812.50	-
02/01/2033	55,000.00	3.100%	1,812.50	56,812.50	-	56,812.50	58,625.00
08/01/2033	-	-	960.00	960.00	-	960.00	-
02/01/2034	60,000.00	3.200%	960.00	60,960.00	-	60,960.00	61,920.00
<b>Total</b>	<b>\$745,000.00</b>	<b>-</b>	<b>\$179,885.42</b>	<b>\$924,885.42</b>	<b>(10,572.92)</b>	<b>\$914,312.50</b>	<b>-</b>

## Significant Dates

Dated	7/01/2018
First Coupon Date	2/01/2019

## Yield Statistics

Bond Year Dollars	\$6,674.58
Average Life	8.959 Years
Average Coupon	2.6950809%
Net Interest Cost (NIC)	2.8625071%
True Interest Cost (TIC)	2.8686054%
Bond Yield for Arbitrage Purposes	2.6738356%
All Inclusive Cost (AIC)	3.4123351%

## IRS Form 8038

Net Interest Cost	2.6950809%
Weighted Average Maturity	8.959 Years
Series 2018 GO Street Rec   SINGLE PURPOSE   8/25/2017   8:45 AM	



**EHLERS**  
LEADERS IN PUBLIC FINANCE

# Cannon Falls, Minnesota

## \$745,000 General Obligation Street Reconstruction Bonds, Series 2018

Assumes Current Market BQ AA- Rates plus 50bps

### Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S	105% of Total
02/01/2019	-	-	10,572.92	10,572.92	(10,572.92)	-	-
02/01/2020	45,000.00	1.500%	18,125.00	63,125.00	-	63,125.00	66,281.25
02/01/2021	45,000.00	1.600%	17,450.00	62,450.00	-	62,450.00	65,572.50
02/01/2022	45,000.00	1.750%	16,730.00	61,730.00	-	61,730.00	64,816.50
02/01/2023	45,000.00	1.900%	15,942.50	60,942.50	-	60,942.50	63,989.63
02/01/2024	45,000.00	2.000%	15,087.50	60,087.50	-	60,087.50	63,091.88
02/01/2025	45,000.00	2.150%	14,187.50	59,187.50	-	59,187.50	62,146.88
02/01/2026	50,000.00	2.250%	13,220.00	63,220.00	-	63,220.00	66,381.00
02/01/2027	50,000.00	2.400%	12,095.00	62,095.00	-	62,095.00	65,199.75
02/01/2028	50,000.00	2.550%	10,895.00	60,895.00	-	60,895.00	63,939.75
02/01/2029	50,000.00	2.700%	9,620.00	59,620.00	-	59,620.00	62,601.00
02/01/2030	50,000.00	2.800%	8,270.00	58,270.00	-	58,270.00	61,183.50
02/01/2031	55,000.00	2.900%	6,870.00	61,870.00	-	61,870.00	64,963.50
02/01/2032	55,000.00	3.000%	5,275.00	60,275.00	-	60,275.00	63,288.75
02/01/2033	55,000.00	3.100%	3,625.00	58,625.00	-	58,625.00	61,556.25
02/01/2034	60,000.00	3.200%	1,920.00	61,920.00	-	61,920.00	65,016.00
<b>Total</b>	<b>\$745,000.00</b>	<b>-</b>	<b>\$179,885.42</b>	<b>\$924,885.42</b>	<b>(10,572.92)</b>	<b>\$914,312.50</b>	<b>\$960,028.13</b>

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**CITY OF CANNON FALLS  
GOODHUE COUNTY, MINNESOTA**

**RESOLUTION NUMBER 2294**

**LOCAL GOVERNMENT RESOLUTION FOR TRANSPORTATION AND  
ECONOMIC DEVELOPMENT PROGRAM APPLICATION**

BE IT RESOLVED that the City of Cannon Falls (Applicant) act as the legal sponsor for the project contained in the Transportation Economic Development (TED) Program Application to be submitted on September 15, 2017 and that Lyman M. Robinson (Mayor) and Ronald S. Johnson (City Administrator) are hereby authorized to apply to the Minnesota Department of Transportation for funding of this project on behalf of the City of Cannon Falls.

BE IT FURTHER RESOLVED that the City of Cannon Falls has the legal authority to apply for financial assistance, and the institutional, managerial, and financial capability to ensure matching funds and adequate construction of the proposed project.

BE IT FURTHER RESOLVED that the City of Cannon Falls has not violated any Federal, State or local laws pertaining to fraud, bribery, graft, kickbacks, collusion, conflict of interest or other unlawful or corrupt practice.

BE IT FURTHER RESOLVED that upon approval of its application by the State, the City of Cannon Falls may enter into an agreement with the State of Minnesota for the above-referenced project and that it will comply with all applicable laws and regulations as stated in all contract agreements.

BE IT FURTHER RESOLVED that the City of Cannon Falls has committed \$692,210 towards the local match requirement (\$658,305 adjusted for inflation).

BE IT FURTHER RESOLVED that the City of Cannon Falls confirms if the project cost increases above the amount listed in the Application, the City of Cannon Falls will provide or secure all additional funds necessary to complete the project.

BE IT FURTHER RESOLVED that the City of Cannon Falls certifies that it will comply with all applicable laws, regulations, and rules of the Application.

BE IT FURTHER RESOLVED that the sources and uses, private investors, equity, and other financing commitment represented in the attached document are accurate.

NOW, THEREFORE BE IT RESOLVED that Lyman M. Robinson (Mayor) and Ronald S. Johnson (City Administrator), or their successors in office, are hereby authorized to execute such agreements and amendments thereto, as are necessary to implement the project on behalf of the applicant.

Adopted this 5<sup>th</sup> day of September, 2017.

**CITY OF CANNON FALLS**

\_\_\_\_\_  
Lyman M. Robinson, Mayor

ATTEST: \_\_\_\_\_  
Ronald S. Johnson, City Administrator

I CERTIFY THAT the above Resolution  
was adopted by the City Council of the  
City of Cannon Falls on September 5,  
2017.

SIGNED:

Authorized Official \_\_\_\_\_ Signature \_\_\_\_\_

Title \_\_\_\_\_ Date \_\_\_\_\_