WATERVILLE ECONOMIC DEVELOPMENT AUTHORTY
Special Meeting
August 3, 2023, 6:30 P.M.
CITY HALL
200 THIRD STREET SOUTH

There was a meeting of the Waterville Economic Development Authority held at 200 Third Street South at 6:30 p.m. on August 3, 2023.
Present: Jennifer Grobe, Richard Davis, Sue Mariska, William Conlin and President Sue Myers
Absent: None
Also Present: Teresa Hill
Also Absent: None

Call to Order / Roll Call

EDA President Myers noted that all EDA members were present and called the meeting to order at 6:30 p.m.

Present: President Sue Myers, **Members:** Jennifer Grobe, Richard Davis, Sue Mariska**,** William Conlin

Special Guest: Bond Specialist Paul Donna

Joint Meeting with EDA on Fire Hall Finance Options 6:30 p.m. Administrator Hill conveyed to Council that there has been a discussion on which way to go to obtainment of the Bonding for the new Fire Hall project. In this portion of the meeting, we are looking for consideration from the City Council on what type of Bonding that we should be looking into. This will drive how we build out the rest of the project. **Administrator Hill** introduced Paul Donna at this time. **Mr. Donna** addressed the Council and EDA. Stating the MN statutes allows Bonding for Fire Halls along with some other assets like City Halls. There are three bonding options: Limited-tax General Obligation Bond, Unlimited-tax General Obligation Bond, and Lease Revenue Bond. General Obligation Bonds allow the City to have a pledge with unlimited tax authority and levy taxes. The City would be pledging to the buyers of bonds the amount providing the lowest interest costs for a Capital project. The Lease Revenue Bond has been issued by the City to fund the Public Works Building. The EDA would be the issuer of the bonds with a lease agreement with the City specifying the payments. The Lease Revenue Bond would essentially be what the cost of the borrowing amount. Lease Revenue bonds simply require a resolution passed by the City Council and EDA. Lease Revenue Bonds are paid with tax monies but do not have levy authority like a General obligation Bond. The lease payment would be an annual line item within the budget for the typical 20-year term. This creates a little less security for the bondholder because it is not certified to the County. Most investors say a Fire Hall will not typically be defunded because most Cities see this as a great asset to their City and Community. This type of payment gets you 25-30 basis points and an increase in interest rate compared to a General Obligation Bond. You can also issue a Referendum Bond if tax payer approved. Capital Improvement Bonds would allow the city to move forward with issuing a General Obligation Bond subject to a reverse referendum. This process allows you to Publish the Public Notice, hold a Public Hearing, and then there is time for a petition. With this, there are normally not too many citizens that come out and vote in these types of elections. The two General Obligation Bonds can be put to a vote or move forward based on Council direction. If the voters want to put this to a vote, they would have to go through the petition process. **Council McIntyre** if it went to a Referendum Bond and was turned down what are our options after that? **Mr. Donna** replied you can decide to not move forward. Nothing prohibits you from a Lease Revenue Bond, Capital Improvement Bond. A Referendum Bond would be time-sensitive. The Lease Revenue allows it to be a Council and EDA decision, and still have a public opinion, but a public hearing would not be required. **Council & EDA Grobe** asked what the interest rate is typically for a General Obligation Bond versus a Lease Revenue Bond. **Mr. Donna** replied each of the General Obligation Bonds would have no different perspective from the investors' side. **Council & EDA Grobe** asked if the interest rate stays fixed once it has been established. **Mr. Donna** replied the difference would be in a Lease Revenue, there is an annual appropriation clause which is about ¼ of a percent. **Council & EDA Grobe** asked if the interest rate stays fixed once it has been established. **Mr. Donna** replied yes it would stay at a fixed rate. **EDA Mariska** asked what is the rate right now. **Mr. Donna** replied currently, if the City would borrow right now on a General Obligation Bond basis for twenty years, he estimates close to 4% today. **EDA Mariska** asked to clarify if the Lease Revenue payments will be going to the EDA, and then to the Bond Holder. **Mr. Donna** replied yes, the EDA would be a pass-through entity, and this would not count against the city as a long-term debt. Which is helpful when it comes to debt limitations and the debt-to-asset ratio. The EDA would be a conduit for debt. **EDA Mariska** asked how would this affect the taxpayers of the city? **Mr. Donna** replied, the same as an increase as for a Lease Revenue or a General Obligation Bond. The City would levy for money against the population to repay either type of financing. It would be a little bit higher with the Lease Revenue Bond than the General Obligation Bond due to the interest rate being ¼ of a percent higher. **Council & EDA Grobe** would there be a limit on the amount of Lease Revenue Bonds the City can hold at one time? **Mr. Donna** replied no. **Council Smith** asked what the term was for the current Lease Revenue Bond that the City holds. **Administrator Hill** stated she did not have that information in front of her at the moment. **Mr. Donna** conveyed to the Council and EDA that once the bond is paid off, the asset is transferred from the EDA to the City. This would be a lease purchase. Typically, this asset is sold to the City for $1. **Administrator Hill** commented there was discussion on debt threshold. The Lease Revenue will not affect the ability to obtain a General Obligation Bond if needed in the future. **Council Smith** asked what are the differences between the Lease Revenue and the General Obligation? **Mr. Donna** replied, Lease Revenue is politically driven and widely accepted where General Obligation Bonds are community driven. Before Capital Improvement Projects, Lease Revenue were widely accepted to obtain Capital Assets. Now there are Capital Improvement Project Bonds. Lease Revenue Bonds are more paperwork. **Council Smith** ask Mr. Donna, given your knowledge of the City finances, would there be an issue with the City debt limits with the General Obligation Bonds on this project? If we had to go out for another big project, are we going to cover our debt to asset limit? **Mr. Donna** stated, to do that, we would need to recognize financially where you are today and look five years down the road at any future needs or projects plug those numbers in and see where the city's flexibility may be at. **Council Smith** agreed, that seeing those numbers would help in deciding on what type of financing should be selected for this current project. **Administrator Hill** stated that she will be working with Mr. Donna on this. **Council Smith** stated he was not opposed to the EDA obtaining a Lease Revenue Bond, which is the same Bonding we have for the Public Works Building, depending on how we are doing with the financials and the numbers that we can come up with. **EDA Mariska** asked, with a Lease Revenue Bond would the City levy the full amount right away or yearly? **Mr. Donna** replied, there are typically two payments a year for principal and interest. This is necessary to fulfill a certified levy cycle schedule. This would typically be certified every year for the following year. This is similar to any other type of levy. You would levy for the following year in the current year. As for General Obligation Bonds they are certified with the County for the life of the Bond. Working with a County the people would know those levies are in place for the time of the Bond. With either financial option there will always be an annual levy. **Administrator Hill** mentioned, at previous Fire Hall Committee meetings there has been discussion on obtaining Finance with a private holder with the Bond Council. **Attorney Moran** stated, that with a Lease Revenue, the EDA is a good way to finance this type of project. It will entail working with the EDA and the possibility of paying a little more in interest, but it will alleviate a referendum or a reverse referendum issue you've had to contend with in the past. It is even possible that you could go with a private entity to take on this project which will take on a similar scope to a Lease Revenue Bond. You would still have the competitive bidding requirements that may be triggered even working with a private third party. We can continue to explore this and try to get some of those costs to come down. **Administrator Hill** added to Moran's statement, they have spoken with Mary Ippel a Bond Attorney. She didn't feel that contracting with a particular entity to have the building construction did not meet the competitive bidding rule. There were a lot of questions about compliance within the law. This is the main reason for moving toward the Lease Revenue Bond. **Attorney Moran** replied, if it is over $175,000.00 it would need to be competitive bidding in some fashion, and this Fire Hall project is definitely over that amount. **Mr. Donna** agreed with the Bond Attorney, with the public bidding and how it would play into this project. This was their first concern that it would appear to be in violation by state law and how it is structured. In other states, this has been very effective because they have different laws to issue Bonds for these types of projects. Whereas Minnesota has more restrictive statutes. As the EDA and Council, with a Lease Revenue Bond you will have the ability to own the project and issue the same type of financial structure directly. **Council McIntyre** asked, if we are the holders of the Lease, we will have the most control? **Mr. Donna** agreed. **Administrator Hill** added, if we were to go with a private entity for the financing, they would be making some type of revenue from this bond. The fees and interest rates for this project would be more advantageous for the City with a Lease Revenue Bond. **Council McIntyre** stated, if it is private, they can buy and sell out whenever they want. **Citizen Bauer** asked, what is the voting aspect for the tax-paying citizens, pertaining to the three different financing scenarios? **Mr. Donna** replied**,** if the City Council chooses to go with a Referendum the citizens would be called out to vote on the item in the referendum. In the General Obligation Capital Improvement Plan Bond, the citizens are not asked to vote directly, but asked to a public hearing and then it could be sent to an election. With a Lease Revenue Bond, there are no referendum requirements no vote, and no public hearing required. Ninety-nine times out of One-hundred there is always public input on a project in process. **Mayor Conlin** asked the Council who was in favor of what funding source. All were in favor of the Lease Revenue and Council Wollin was in favor of the General Obligation, stating he felt it would hold more of a public input. **Administrator Hill** advised that the citizens could be at meetings. Also, if the Council chooses, and they want to put this to a vote you could. Neither are requirement of a Lease Revenue Bond. **Council Smith** agreed that he would like the meetings to be public hearings to get citizens' input. As a member of the Council, I would be opposed to the Lease Revenue Bonding if the rest of the Council wanted to exclude the public hearings from these meetings. **Council Grobe** asked, where are we sitting right now with our Bonding? How many projects can we still have done and still comply with our financial abilities? **Administrator Hill** replied, I will have to gather that information. This is why I would be in favor of the Lease Revenue Bonding because it would put us to our capital debt ceiling. If the Council choose a General Obligation Bond, if an emergency project comes up, we will still have the ability to acquire financing for what we need. The City would have more availability for future projects. **Council Grobe** asked for an example of interest on a two-million-dollar loan. **Mr. Donna** answered the question with a 4% interest on a two-million-dollar loan would be about $80,000.00 in interest. **President Myers** requested a memo of notes in explanation of how the different Bonds all work. **Mr. Donna** stated he would be happy to refresh the memo again and include the capacity analysis, along with an estimated tax impact. This will be a good tool for all to look at. **Motion by** Smith, **Seconded by** McIntyre **to revisit this on the EDA meeting date on August 28, 2023, at 6:30 as a joint meeting. Motion Carried 5-0.**

Adjourn

Motion by Mariska**, Seconded by** Grobe **to adjourn. Motion Carried 5-0. The meeting adjourned at 7:13 p.m.**

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Susan Myers, Chairperson/President

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Teresa Hill, Administrator-Clerk