



STAFF REPORT

DATE: February 16, 2021

CONSENT

AGENDA ITEM: Reimbursement Resolution for Capital Projects

SUBMITTED BY: Kristina Handt, City Administrator

BACKGROUND:

Per the 2021-2025 Capital Improvement Plan and a review of our cash balances during the utility financial management plan in November, a number of projects are proposed to be funded through the issuance of debt this year. They include the new city hall/fire station, public works addition, Old Village Phases 5 and 6, the Manning/TH 36 Interchange, Heritage Farms Streets and Utility project, Tamarack Farms Estates Street project, and Hamlet on Sunfish Lake Sewer project. The timing of the bonds for 2021 is to hold the CIP hearings for the new city facilities and TH36/Manning Interchange project in June (this is an additional requirement when assessments are not used to fund a project), set the sale of bonds in August, approve the sale of bonds in September and close on them in October. This schedule is necessary to ensure we have the best information possible in determining the amount of bonds for the new city facilities. However, we will not be waiting until October to pay the contractor invoices on the other projects. The city will cash flow those bills and be reimbursed with the bond proceeds in October. In order to do so, the Council must pass a reimbursement resolution. This criteria was already met in 2018 for the new city facilities so they are not included in the resolution.

ISSUE BEFORE COUNCIL:

Should the City Council adopt Resolution No 2021-0XX to be reimbursed for certain project costs from the 2021 bond?

PROPOSAL:

The resolution in your packet was drafted by bond counsel and reviewed by our financial advisor and staff. It lists the projects and the estimated street and sewer expenses to be reimbursed from the 2021 bonds.

FISCAL IMPACT:

This will allow the city to be reimbursed for costs for certain projects that are paid prior to the city receiving bond funds in October. The projects were planned to be financed through debt issuance.

RECOMMENDATION:

If removed from the consent agenda:

“Motion to approve Resolution No 2021-021.”

ATTACHMENT:

- Resolution No 2021-021
- Calendar of Events for 2021 Bonding

**CITY OF LAKE ELMO
WASHINGTON COUNTY
STATE OF MINNESOTA**

RESOLUTION NO. 2021-021

**RESOLUTION RELATING TO THE FINANCING OF THE CITY'S STREET
IMPROVEMENTS AND SANITARY SEWER PROJECTS; DECLARING
THE OFFICIAL INTENT TO REIMBURSE CERTAIN CAPITAL
EXPENDITURES OF THE PROJECT FROM THE PROCEEDS OF TAX-
EXEMPT BONDS AND ESTABLISHING COMPLIANCE WITH
REIMBURSEMENT BOND REGULATIONS UNDER THE INTERNAL
REVENUE CODE**

WHEREAS, the Internal Revenue Service has issued Treasury Regulations, Section 1.150-2 (the "Reimbursement Regulations") under the Internal Revenue Code of 1986, as amended (the "Code"), providing that proceeds of tax-exempt bonds used to reimburse prior capital expenditures will not be deemed spent unless certain requirements are met; and

WHEREAS, the City of Lake Elmo, Minnesota, municipal corporation and a political subdivision of the State of Minnesota (the "City"), expects to incur certain expenditures that may be financed temporarily from sources other than tax-exempt bonds, and later reimbursed from the proceeds of tax-exempt bonds; and

WHEREAS, the City has determined to make a declaration of its official intent (the "Declaration") to reimburse certain capital costs from the proceeds derived from the sale of tax-exempt bonds issued by the City or another political subdivision in accordance with the Reimbursement Regulations.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LAKE ELMO, MINNESOTA AS FOLLOWS:

1. The City may incur certain capital expenditures in connection with certain street improvements to be constructed commencing in 2021, including without limitation the County Manning/TH 36 Interchange project, the Old Village Phase 5 and 6 project, the Heritage Farms project and the Tamarack Farms Estates project (the "Street Improvements") and certain improvements to the City's sanitary sewer system, including without limitation utility improvements in connection with the Old Village Phase 5 and 6 project, the Heritage Farms project, and the Hamlet on Sunfish Lake sewer project, to be constructed commencing in 2021 (the "Sanitary Sewer Improvements" and, together with the Improvements, the "Project")

2. The City reasonably expects to reimburse the expenditures made for certain costs of the (i) Street Improvements from the proceeds of tax-exempt bonds in a principal amount currently estimated not to exceed \$7,018,800; and (ii) Sanitary Sewer Improvements from the proceeds of tax-

exempt bonds in a principal amount currently estimated not to exceed \$5,770,900. All reimbursed expenditures related to the Project will be capital expenditures, costs of issuance of the tax-exempt bonds or other expenditures eligible for reimbursement under Section 1.150-2(d)(3) of the Reimbursement Regulations.

3. This Declaration has been made not later than 60 days after payment of any original expenditure to be subject to a reimbursement allocation with respect to the proceeds of tax-exempt bonds, except for the following expenditures: (a) costs of issuance of tax-exempt bonds; (b) costs in an amount not in excess of the lesser of \$100,000 or 5% of the proceeds of the tax-exempt bonds; or (c) "preliminary expenditures" up to an amount not in excess of 20% of the aggregate issue price of the tax-exempt bonds that are reasonably expected by the City to finance the Project. The term "preliminary expenditures" includes architectural, engineering, surveying, soil testing, bond issuance and similar costs that are incurred prior to commencement of acquisition, construction, or rehabilitation of the Project, excluding land acquisition, site preparation, and similar costs incident to commencement of construction.

4. A reimbursement allocation with respect to tax-exempt bonds will be made not later than 18 months after the later of: (i) the date the original expenditure is paid; or (ii) the date the Project is placed in service or abandoned, but in no event more than 3 years after the original expenditure.

5. This Declaration is an expression of the reasonable expectations of the City based on the facts and circumstances known to the City as of the date hereof. The anticipated original expenditures for the Project and the principal amount of the tax-exempt bonds described in paragraph 2 are consistent with the City's budgetary and financial circumstances. No sources other than proceeds of tax-exempt bonds are reasonably expected to be reserved, allocated on a long-term basis, or otherwise set aside pursuant to the City's budget or financial policies to pay such expenditures for which bonds are issued.

6. The action is intended to constitute a declaration of official intent for purposes of the Reimbursement Regulations.

The motion for the adoption of the foregoing resolution was duly seconded by member _____ and, after a full discussion thereof and upon a vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

Whereupon the resolution was declared duly passed and adopted.

APPROVED by the Lake Elmo City Council on this 16th day of February, 2021.

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By: _____
Charles Cadenhead
Mayor

ATTEST:

Julie Johnson
City Clerk

STATE OF MINNESOTA)
)
COUNTY OF WASHINGTON) SS.
)
CITY OF LAKE ELMO)

I, the undersigned, being the duly qualified and acting Clerk of the City of Lake Elmo, Minnesota (the “City”), DO HEREBY CERTIFY that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full and true and complete transcript of the minutes of a meeting of the City Council of said City, duly called and held on February 16, 2021, insofar as such minutes relate to a resolution declaring official intent.

WITNESS my hand on this _____ day of _____, 2021.

Clerk

PRELIMINARY AS OF JANUARY 20, 2021
CITY OF LAKE ELMO, MINNESOTA
GENERAL OBLIGATION BONDS, SERIES 2021A
PROPOSED SCHEDULE OF EVENTS

The following checklist of items denotes each milestone activity as well as the members of the finance team who will have the responsibility to complete it. *Please note this proposed timetable assumes regularly scheduled City Council meetings.*

April 2021						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

May 2021						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

June 2021						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

July 2021						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

August 2021						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

September 2021						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

October 2021						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

November 2021						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

Date	Action	Responsible Party
Heritage Farms=12/15/20 Tamarck Estates=12/15/20 OV 5 and 6=2/16/21	Call for Special Assessment Hearing	City Council Action
HF= 12/18 TE= 12/18 OV5and 6=TBD	Publish Notice of Special Assessment Hearing (1 st Publication)	City Staff
HF=12/23/20 TE=12/21/20 OV5and6=TBD	Mail Note of Public Hearing (at least 10 day prior to Public Hearing)	City Staff
HF=1/15 TE=1/15 OV5and6= TBD	Publish Notice of Special Assessment Hearing (2 nd Publication, at least 1 week after first publication and 3 days prior to hearing)	City Staff

Date	Action	Responsible Party
HF=1/19/21 TE=1/19/21 OV5and 6=3/16/21	Hold Special Assessment Hearing and Adopt Resolution Ordering the Improvements (requires 4/5 vote)	City Council Action
May 17	City staff confirms the project costs to be included in the CIP for city hall and fire station	City staff
May 18	Draft CIP and Street Reconstruction Plan sent to City staff for review	Bond Counsel, Northland, City Staff
May 25	Notice of CIP and Street Reconstruction Hearing provided to paper no later than this date (for publishing in May 28, 2021 paper)	Bond Counsel, City Staff
June 1	Notices of CIP and Street Reconstruction Hearing published no later than this date	Bond Counsel, City Staff
June 2	Final Draft CIP and Street Reconstruction Plan sent to City for Council Packet	Bond Counsel
June 9	Resolution Approving the CIP and Authorizing the Issuance of the Bonds (CIP) and Resolution Approving the Street Reconstruction Plan and Authorizing the Issuance of Street Reconstruction Bonds sent to City	Bond Counsel, Northland
June 15	Hold Public Hearing for CIP and Street Reconstruction Plan; Adopt Resolution Approving the CIP Plan and Authorizing the Issuance of the CIP Bonds; Adopt Resolution Approving Street Reconstruction Plan and Authorizing the Issuance of Street Reconstruction Bonds	City Council Action, Northland, Bond Counsel
July 15	Reverse Referendum Period for CIP Portion and Street Reconstruction Portion over	
August 2	City confirms project costs to be financed and source of payment.	Northland, City Staff
August 10	Set Sale Resolution Sent to City for Council Packets Finance Plan Sent to the City	Northland, Bond Counsel
August 12	Preliminary Official Statement Sent to City for Sign Off and to Rating Agency (Moody's)	Northland, City
Late August - Early September	Rating Conference Call	Northland, City, Rating Agency
August 17	Set Sale Resolution for Bonds Adopted and review of Finance Plan - 7:00 p.m.	City Council Action, Northland, Bond Counsel
September 9	Rating Received	Rating Agency, City, Northland
September 21	Bond Sale - 10:30 a.m. Authorizing Resolution Adopted - 7:00 p.m.	City Council Action, Northland, Bond Counsel
October 14	Closing on the Bonds (Proceeds available)	Northland, City Staff, Bond Counsel