

City of Lake Elmo  
3800 Laverne Avenue North

March 3, 2009

7:00 p.m.

- A. CALL TO ORDER
- B. PLEDGE OF ALLEGIANCE:
- C. ATTENDANCE: \_\_\_\_\_ Johnston \_\_\_\_\_ DeLapp \_\_\_\_\_ Emmons \_\_\_\_\_ Park \_\_\_\_\_ Smith
- D. APPROVAL OF AGENDA: (The approved agenda is the order in which the City Council will do its business.)
- E. ORDER OF BUSINESS: (This is the way that the City Council runs its meetings so everyone attending the meeting or watching the meeting understands how the City Council does its public business.)
- F. GROUND RULES: (These are the rules of behavior that the City Council adopted for doing its public business.)
- G. APPROVE MINUTES:
  - 1. Consider approval of February 17, 2009 minutes
- H. PUBLIC COMMENTS/INQUIRIES: In order to be sure that anyone wishing to speak to the City Council is treated the same way, meeting attendees wishing to address the City Council on any items NOT on the regular agenda may speak for up to three minutes.
- I. CONSENT AGENDA: (Items are placed on the consent agenda by city staff and the Mayor because they are not anticipated to generate discussion. Items may be removed at City Council's request.)
  - 2. Approve payment of disbursements and payroll
  - 3. Recognition of Washington County Historical Society 75<sup>th</sup> Anniversary
- J. REGULAR AGENDA:
  - 4. Introduce new fire captains
  - 5. Refunding bond
  - 6. Street financing discussion
  - 7. Process for selecting city attorney

8. REPORTS AND ANNOUNCEMENTS:

(These are verbal updates and do not have to be formally added to the agenda.

- Mayor and City Council
- Administrator
- Planning Director

9. Adjourn

City of Lake Elmo  
City Council Minutes

February 17, 2009

Mayor Johnston called the meeting to order at 7:00 p.m.

Present: Mayor Johnston and Council Members Emmons, Park and Smith

Absent: Council Member DeLapp

Also present: Interim City Administrator Dawson, Planning Director Klatt, City Engineer Griffin, City Attorney Schmidt, Finance Director Bouthilet, and Recording Secretary Luczak.

APPROVAL OF AGENDA:

*Motion: Council Member Smith moved to approve the February 17, 2009 agenda as presented. Council Member Park seconded the motion. The motion passed 4-0.*

ORDER OF BUSINESS:

GROUND RULES:

APPROVED MINUTES:

The minutes of February 3, 2009, were approved by consensus.

PUBLIC COMMENTS/INQUIRIES:

Michelle Carlson, Lake Elmo Jaycees, presented a check to the City for \$7,500 from the charitable gambling proceeds.

Ann Bucheck, 2301 Legion Ave. N, questioned the frequency of Planning Commission meetings, when the City would be contacting the Metropolitan Council regarding changing the terms of the Memorandum of Understanding, and were the storm water fees only being spent on storm water utilities.

CONSENT AGENDA:

*MOTION: Council Member Park moved to approve the Consent Agenda as presented. Council Member Smith seconded the motion. The motion passed 4-0.*

- Approve payment of disbursements and payroll in the amount of \$133,637.39
- Approve I-94 Corridor Joint Powers Agreement
- Affirm the City's participation in the Urban Land Institute's study regarding the development of common understandings regarding development

## REGULAR AGENDA:

### Conditional Job Offer to Brittnie Cunnien, Jason Sinclair, Tom Steinman and Andrea Friedrich

Fire Chief Malmquist introduced four volunteer firefighters to the City Council, and requested approval of conditional job offers to Brittnie Cunnien, Jason Sinclair, Tom Steinman, and Andrea Friedrich pending the outcome of their department physical and each would be placed on probationary status with the fire department if their physical was passed. Chief Malmquist also informed that the dept. had four firefighters resign.

*MOTION: Council Member Smith moved to make conditional job offers to Brittnie Cunnien, Jason Sinclair, Tom Steinman and Andrea Friedrich pending the outcome of their department physical and that each would be placed on probationary status with the fire department if their physical was passed. Council Member Emmons seconded the motion. The motion passed 4-0.*

### Extend a Deadline for the Removal of Vehicles from 5699 Keats Avenue

Interim City Administrator Dawson updated the City Council regarding the status of the vehicles at 5699 Keats Avenue, stating the resident had emailed a request for an extension of May 15, 2009, for removal of the vehicles due to weather. He asked the Council for Staff direction.

*MOTION: Council Member Park moved to extend the deadline for the three vehicles being openly stored at 5699 Keats Ave North which are unlicensed and/or inoperable are in violation of City Code Sections 150.001, 150.003, 154.095(b) and 96.03, Subd. 11(a); and all three vehicles should be removed from the property or be brought into conformance with Code by May 15, 2009. The vehicle currently used for snow removal shall have current tabs in place within seven days (2/24/09). Council Member Emmons seconded the motion. The motion passed 4-0.*

### Planning Commission 2009 Work Plan

Planning Director Klatt reported that the Planning Commission had reviewed and approved a 2009 work plan, and the Commission was requesting the City Council to comment on it. He briefly outlined the zoning, planning and administrative initiatives, and the projected timelines. Joint Workshop and Planning Commission meetings were also possible.

City Council discussed the workload for the staff and commission based on deadlines; monthly vs. twice monthly meetings; how priorities were determined.

Ann Bucheck, 2301 Legion Ave. N., commented the Planning Commission should meet twice monthly; new members would be better informed to work on the Comprehensive Plan deadline.

*MOTION: Council Member Smith moved to accept the 2009 Planning Commission Work Plan. Council Member Park seconded the motion. The motion passed unanimously 4-0.*

2009-2013 Street Capital Improvement Program (CIP); Authorization to Proceed on the 2009 Street Improvements Feasibility Report

Interim City Administrator Dawson requested the City Council to approve the 2009-2013 Street Capital Improvement Program, and authorize TKDA to prepare the feasibility report for the 2009 street improvements in the estimated amount of \$9,800.

Council discussed a street finance proposal, special assessments, and monitoring process.

*MOTION: Council Member Park moved to approve the 2009-2013 Street Capital Improvement Program, and authorize TKDA to prepare the feasibility report for the 2009 street improvements in the estimated amount of \$9,800. Mayor Johnston seconded the motion. The motion passed 4-0.*

Selection Process for City Attorney

Interim City Administrator Dawson reported that the City received eleven proposals for City Attorney services. He provided the Council with a draft form to rate the firm and provide comments.

Council consensus was to review the proposals and discuss the process at the March 3, 2009, Council meeting.

Set Date to Consider Formal Publication of Final Village AUAR

Interim City Administrator Dawson recommended that the City Council consider authorizing publication of the Lake Elmo Village Area final AUAR at the March 17, 2009, City Council meeting. Adoption of the AUAR could then be considered at the April 7, 2009, Council meeting.

Wireless Communications Facilities Ordinance Update

Planning Director Klatt provided an update on the wireless communications facilities ordinance moratorium. He stated that Staff has received numerous inquiries and questions from consultants interested in providing their services. The intent is to have a consultant on board before a public open house on the topic in the latter part of March.

The Planning Department is scheduled to begin initial discussions regarding a new facilities ordinance at the March 9, 2009, Planning Commission meeting in March.

The meeting was adjourned at 7:58 p.m.

Respectfully submitted by Carole Luczak, Recording Secretary

City Council  
Date: 3/3/2009  
CONSENT  
Item: 2

ITEM: Approve disbursements in the amount of \$192,373.49

SUBMITTED BY: Tom Bouthilet, Finance Director

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<u>Claim #</u>	<u>Amount</u>	<u>Description</u>
ACH	\$ 7,408.95	Payroll Taxes to IRS 02/26/09
ACH	\$ 1,145.47	Payroll Taxes to Mn Dept.of Revenue 02/26/09
DD2076 - DD2088	\$ 17,733.89	Payroll Dated 02/26/2009 (Direct Deposit)
33911 - 33917	\$ 9,555.20	Payroll Dated 02/26/2009 (Payroll & Benefits)
33918 - 33960	\$ 156,529.98	Accounts Payable Dated 03/03/2009

**Total: \$ 192,373.49**

SUMMARY AND ACTION REQUESTED: The City Council is being asked to approve disbursements in the total amount of \$192,373.49

# Accounts Payable

## Checks for Approval

User: Administrator  
Printed: 02/26/2009 - 8:34 AM

Check Number	Check Date	Fund Name	Account Name	Vendor Name	Amount
33918	03/03/2009	Water	Water Meters & Supplies	Ace Hardware , Inc	29.10
Check Total:					29.10
33919	03/03/2009	General Fund	Contract Services	Animal Control Services	1,211.63
Check Total:					1,211.63
33920	03/03/2009	General Fund	Repairs/Maint Bldg	Aramark, Inc.	37.01
33920	03/03/2009	General Fund	Repairs/Maint Bldg	Aramark, Inc.	38.54
33920	03/03/2009	General Fund	Uniforms	Aramark, Inc.	36.14
33920	03/03/2009	General Fund	Repairs/Maint Contractual Bldg	Aramark, Inc.	75.96
Check Total:					187.65
33921	03/03/2009	General Fund	Repairs/Maint Eqpt	ASTLEFORD International	25.50
Check Total:					25.50
33922	03/03/2009	General Fund	Insurance	Berkley Risk Administrators Co	28,882.00
33922	03/03/2009	General Fund	Vehicle Insurance	Berkley Risk Administrators Co	14,472.00
33922	03/03/2009	General Fund	Insurance	Berkley Risk Administrators Co	1,025.00
33922	03/03/2009	General Fund	Insurance	Berkley Risk Administrators Co	13,743.00
33922	03/03/2009	General Fund	Insurance	Berkley Risk Administrators Co	5,084.00
33922	03/03/2009	Water	Insurance	Berkley Risk Administrators Co	9,143.00
33922	03/03/2009	General Fund	Insurance	Berkley Risk Administrators Co	9,086.00
33922	03/03/2009	General Fund	Insurance	Berkley Risk Administrators Co	335.00
Check Total:					81,770.00
33923	03/03/2009	General Fund	Rentals - Buildings	Biff's Inc.	61.27

Check Number	Check Date	Fund Name	Account Name	Vendor Name	Amount
Check Total:					61.27
33924	03/03/2009	General Fund	EMS Supplies	BOUND TREE MEDICAL LLC	246.54
33924	03/03/2009	General Fund	EMS Supplies	BOUND TREE MEDICAL LLC	68.93
33924	03/03/2009	General Fund	EMS Supplies	BOUND TREE MEDICAL LLC	48.84
33924	03/03/2009	General Fund	EMS Supplies	BOUND TREE MEDICAL LLC	141.56
33924	03/03/2009	General Fund	EMS Supplies	BOUND TREE MEDICAL LLC	260.94
Check Total:					766.81
33925	03/03/2009	General Fund	Equipment Parts	Car Quest Auto Parts	137.39
Check Total:					137.39
33926	03/03/2009	General Fund	Conferences & Training	Century College	894.96
Check Total:					894.96
33927	03/03/2009	General Fund	Miscellaneous	City of Roseville	2,564.51
Check Total:					2,564.51
33928	03/03/2009	General Fund	Mileage	Craig Dawson	51.70
Check Total:					51.70
33929	03/03/2009	General Fund	Repairs/Maint Bldg	Fastenal	210.84
33929	03/03/2009	General Fund	Shop Materials	Fastenal	45.50
Check Total:					256.34
33930	03/03/2009	General Fund	Assessing Services	FXL, Inc.	2,000.00
Check Total:					2,000.00
33931	03/03/2009	General Fund	Conferences & Training	Government Training Services	220.00
33931	03/03/2009	General Fund	Conferences & Training	Government Training Services	125.00
33931	03/03/2009	General Fund	Conferences & Training	Government Training Services	55.00
33931	03/03/2009	General Fund	Conferences & Training	Government Training Services	125.00
Check Total:					525.00



Check Number	Check Date	Fund Name	Account Name	Vendor Name	Amount
33932	03/03/2009	Water	Small Tools & Minor Equipment	HSBC Business Solutions	46.84
Check Total:					46.84
33933	03/03/2009	General Fund	Radio	Interstate All Battery Ctr	27.00
Check Total:					27.00
33934	03/03/2009	General Fund	Miscellaneous	ITERIS Inc.	993.00
Check Total:					993.00
33935	03/03/2009	General Fund	Conferences & Training	Metropolitan Area Manager Asociation	25.00
33935	03/03/2009	General Fund	Conferences & Training	Metropolitan Area Manager Asociation	25.00
Check Total:					50.00
33936	03/03/2009	General Fund	Refuse	Maroney's Sanitation, Inc	103.66
33936	03/03/2009	General Fund	Refuse	Maroney's Sanitation, Inc	45.62
33936	03/03/2009	General Fund	Refuse	Maroney's Sanitation, Inc	219.53
33936	03/03/2009	General Fund	Refuse	Maroney's Sanitation, Inc	198.87
Check Total:					567.68
33937	03/03/2009	Water	Utility System Maintenance	McCarthy Well Company	290.00
Check Total:					290.00
33938	03/03/2009	General Fund	Contract Services	McCombs Frank Roos Assoc Inc.	3,564.00
33938	03/03/2009	General Fund	Engineering	McCombs Frank Roos Assoc Inc.	891.00
33938	03/03/2009	General Fund	Contract Services	McCombs Frank Roos Assoc Inc.	-3,832.00
Check Total:					623.00
33939	03/03/2009	Water	Water Utility	MDH	1,405.00
Check Total:					1,405.00
33940	03/03/2009	General Fund	Repairs/Maint Bldg	Menards - Stillwater	85.09
Check Total:					85.09
33941	03/03/2009	General Fund	Conferences & Training	MNAPA	20.00

Check Number	Check Date	Fund Name	Account Name	Vendor Name	Amount
Check Total:					20.00
33942	03/03/2009	General Fund	Dues & Subscriptions	Munici-Pals	25.00
Check Total:					25.00
33943	03/03/2009	Park Dedication	Repairs/Maint Imp Not Bldgs	Northwest Computer Services	1,038.38
Check Total:					1,038.38
33944	03/03/2009	General Fund	Miscellaneous	Historical Society Oakdale Lake Elmo	1,100.00
Check Total:					1,100.00
33945	03/03/2009	General Fund	Shop Materials	Parts Associates Inc.	325.84
Check Total:					325.84
33946	03/03/2009	General Fund	Legal Services	Peterson Fram & Bergman Corp	1,641.00
33946	03/03/2009	General Fund	Attorney Criminal	Peterson Fram & Bergman Corp	4,646.57
33946	03/03/2009	General Fund	Legal Services	Peterson Fram & Bergman Corp	931.50
33946	03/03/2009	General Fund	Legal Services	Peterson Fram & Bergman Corp	99.00
Check Total:					7,318.07
33947	03/03/2009	General Fund	Contract Services	PLANT HEALTH ASSOCIATES, INC	1,536.00
33947	03/03/2009	Development Fund	Contract Services	PLANT HEALTH ASSOCIATES, INC	120.00
Check Total:					1,656.00
33948	03/03/2009	General Fund	Cable Operation Expense	Steven Press	62.71
33948	03/03/2009	General Fund	Cable Operation Expense	Steven Press	78.38
33948	03/03/2009	General Fund	Use Tax Payable	Steven Press	-8.61
Check Total:					132.48
33949	03/03/2009	General Fund	Fuel, Oil and Fluids	River Country Cooperative	79.00
Check Total:					79.00
33950	03/03/2009	General Fund	Repairs/Maint Contractual Bldg	Diane Rud	340.00
33950	03/03/2009	General Fund	Repairs/Maint Bldg	Diane Rud	255.60

Check Number	Check Date	Fund Name	Account Name	Vendor Name	Amount
33950	03/03/2009	General Fund	Use Tax Payable	Diane Rud	-35.60
Check Total:					560.00
33951	03/03/2009	General Fund	Office Supplies	Sam's Club	57.18
33951	03/03/2009	General Fund	Office Supplies	Sam's Club	23.98
33951	03/03/2009	General Fund	Miscellaneous	Sam's Club	72.21
33951	03/03/2009	General Fund	Miscellaneous	Sam's Club	21.90
Check Total:					175.27
33952	03/03/2009	General Fund	Software Support	Software House International	126.74
Check Total:					126.74
33953	03/03/2009	General Fund	Street Maintenance Materials	T.A. Schifsky & Sons Inc	185.10
Check Total:					185.10
33954	03/03/2009	General Fund	Telephone	TDS METROCOM - LLC	165.56
33954	03/03/2009	General Fund	Telephone	TDS METROCOM - LLC	152.86
33954	03/03/2009	Sewer	Telephone	TDS METROCOM - LLC	102.87
33954	03/03/2009	Water	Telephone	TDS METROCOM - LLC	41.59
Check Total:					462.88
33955	03/03/2009	General Fund	Engineering Services	TKDA, Inc.	4,159.77
33955	03/03/2009	Infrastructure Reserve	Engineering Services	TKDA, Inc.	4,575.59
33955	03/03/2009	Surface Water Utility	Engineering Services	TKDA, Inc.	3,816.44
33955	03/03/2009	Water	Engineering Services	TKDA, Inc.	2,687.12
33955	03/03/2009	Sewer	Engineering Services	TKDA, Inc.	670.09
33955	03/03/2009	Infrastructure Reserve	Engineering Services	TKDA, Inc.	2,969.81
33955	03/03/2009	Development Fund	Engineering Services	TKDA, Inc.	115.71
33955	03/03/2009	Development Fund	Engineering Services	TKDA, Inc.	127.22
33955	03/03/2009	Development Fund	Engineering Services	TKDA, Inc.	231.42
33955	03/03/2009	Development Fund	Engineering Services	TKDA, Inc.	1,323.31
33955	03/03/2009	Development Fund	Engineering Services	TKDA, Inc.	2,449.02
33955	03/03/2009	Village	Engineering Services	TKDA, Inc.	277.70
33955	03/03/2009	Surface Water Utility	Engineering Services	TKDA, Inc.	6,395.83
33955	03/03/2009	Infrastructure Reserve	Engineering Services	TKDA, Inc.	5,005.68
33955	03/03/2009	General Fund	Engineering Services	TKDA, Inc.	7,640.93
33955	03/03/2009	General Fund	Engineering Services	TKDA, Inc.	3,282.41
33955	03/03/2009	Water	Engineering Services	TKDA, Inc.	409.32
33955	03/03/2009	Water	Engineering Services	TKDA, Inc.	1,244.94

Check Number	Check Date	Fund Name	Account Name	Vendor Name	Amount
Check Total:					47,382.31
33956	03/03/2009	General Fund	Newsletter/Website	United States Postal Service	500.00
Check Total:					500.00
33957	03/03/2009	General Fund	Repairs/Maint Contractual Eqpt	Vata Communications, Inc.	150.00
Check Total:					150.00
33958	03/03/2009	General Fund	Repairs/Maint Bldg	Washington County	85.00
Check Total:					85.00
33959	03/03/2009	General Fund	Assessing Services	Washington County	35.00
Check Total:					35.00
33960	03/03/2009	General Fund	Cleaning Supplies	Zack's, Inc.	108.48
33960	03/03/2009	General Fund	Shop Materials	Zack's, Inc.	297.93
33960	03/03/2009	General Fund	Shop Materials	Zack's, Inc.	197.03
Check Total:					603.44
Report Total:					156,529.98

City Council  
Date: 3.05.09  
CONSENT  
Item: 3  
MOTION

ITEM: 75<sup>th</sup> Anniversary of Washington County Historical Society

SUBMITTED BY: Craig W. Dawson, Interim City Administrator

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SUMMARY AND ACTION REQUESTED:

The City Council is being asked to recognize the 75<sup>th</sup> Anniversary of the Washington County's Historical Society.

MOTION:

*Move to adopt Resolution 2009-006 recognizing the Washington County Historical Society's 75<sup>th</sup> Anniversary.*

ATTACHMENTS: Resolution No. 2009-006

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

**RESOLUTION NO. 2009 - 006**

**A RESOLUTION RECOGNIZING  
THE WASHINGTON COUNTY HISTORICAL SOCIETY  
ON ITS 75<sup>th</sup> ANNIVERSARY**

WHEREAS, our shared history – the story of all events and the people who have gone before us – is the foundation of all communities; and

WHEREAS, the past is important to explain the present and to guide the course for the future; and

WHEREAS, the histories of the communities in Washington County are the building blocks of the larger Washington County community; and

WHEREAS, the Washington County Historical Society, a member-driven organization that has been collecting, preserving, and sharing the history of Washington County – Minnesota's first county – and the State of Minnesota since 1934; and

WHEREAS, the City Council of the City of Lake Elmo appreciates the service given to the community by the Washington County Historical Society;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lake Elmo that it congratulates the Washington County Historical Society on its 75<sup>th</sup> anniversary.

ADOPTED by the City Council of the City of Lake Elmo on March 3<sup>rd</sup>, 2009.

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Dean A. Johnston, Mayor

ATTEST:

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Craig W. Dawson, Interim City Administrator

ITEM: Announce and introduce the promotions of two new Captains, Barney Sachs and Mike Cornell

SUBMITTED BY: Greg Malmquist, Fire Chief

REVIEWED BY: Craig Dawson, Interim City Administrator

SUMMARY AND ACTION REQUESTED: No action is required by City Council as these two appointments are filling existing positions.

Chief Malmquist will give brief introduction, District Chiefs Doug Pepin and Brad Winkels will give brief explanation of hiring process and talk about candidates.

RECOMMENDATION:

Acknowledge promotions of Barney Sachs and Mike Cornell.

*SUGGESTED MOTION FOR CONSIDERATION*

No motion required.

ORDER OF BUSINESS:

- Introduction Greg Malmquist, Fire Chief
- Report and introductions District Chiefs, Doug Pepin and Brad Winkels
- Questions to presenter Mayor and Councilmembers
- Questions/comments from the Public, if any (up to 3 minutes) Mayor facilitates
- Call for a motion
- Discussion
- Action

City Council

Date:

March 3, 2009

REGULAR

Item:

Motion

45

ITEM: Refunding of Bonds

SUBMITTED BY: Craig W. Dawson, Interim City Administrator

REVIEWED BY: Tom Bouthilet, Finance Director  
Joe Rigdon, Finance Specialist

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**SUMMARY AND ACTION REQUESTED:** Paul Donna, a senior vice-president with Northland Securities, has alerted staff about a favorable market climate for the possible refunding (i.e., refinancing) of two bond issues. Given the anticipated market for municipal bonds over the next few months, the City should achieve notable savings in future interest costs. (The average interest rates of the current bond issues is approximately 4.8%; the projected average interest rate is approximately 2.9%.) In addition, by refunding the bonds, the City will be able to free up funds to address other financial needs. The City Council would need to adopt a resolution to authorize the process for the bond refunding to begin.

**BACKGROUND:**

There is greater efficiency in the financing transaction costs when larger amounts are financed, and generally when the amount is greater than \$1 million. Two bond issues, under consideration, totaling just over \$1 million in outstanding principal, are:

1. General Obligation State Aid Street Bonds, Series 2001A

These bonds were issued in 2001 for roadway improvements in the Eagle Point commercial area. The streets were financed with special assessments and future Municipal State Aid (MSA) revenues. Approximately \$525,000 of outstanding bond principal remains. The bond issue is scheduled to mature in 2017, and the bonds are callable at any time.

The City's Bond Fund has a balance of approximately \$240,000, as all special assessments have been paid and have been accruing interest. This balance would be freed up for any purpose as deemed by the Council. Interest on the existing bonds is currently \$27,000, and is paid from the City's current \$94,000 annual MSA maintenance allocation. As projected in the refunding, the interest amount could be reduced to \$23,000 in 2010, and would steadily decrease to \$5,500 in 2016; the savings would be used for better maintenance of the City's MSA-designated streets. Projected savings in future interest costs for the MSA Bond would have a net present value benefit of \$35,000 (given the current market).

2. General Obligation Water Revenue Bonds, Series 2002B

These bonds were issued in 2002 for trunk water system improvements – Well No. 2 and its pumphouse, and drilling Well No. 3. Payments for these bonds are included in the rates paid by all water customers. Approximately \$500,000 of outstanding bond principal remains. The bond issue is scheduled to mature in 2022, and the bonds are callable late in 2009.

As projected in the refunding, the savings in future interest costs for the Water Fund would have a net present value benefit of \$29,000 (given the current market)..



**Net Present Value Savings:** State law requires that the calculated net present value savings be at least 3.0 percent in order for advance refunding bonds to be issued. The projected net present value savings for these two issues is nearly \$65,000, or to just over 6.0 percent, with the savings on the MSA bonds being slightly higher than that percentage.

**Advance Crossover Refunding Bonds:** As the Water refunding bonds would be issued before the call date of the existing bonds, the proceeds from the refunding would need to be placed in escrow until the call date. These funds will be placed in a very low-risk account (direct obligations of the U.S. Treasury,) in order to preserve the refunding principal until it is needed on the call date.

**Use of Balance in 2001A Bond Fund:** The City's bond attorney has advised that the approximate \$240,000 balance from special assessment revenue in the 2001A Bond Fund can be used for any purpose deemed appropriate by the Council. Staff would suggest that the Council transfer these funds to the Tablyn Park improvement fund in order to eliminate a deficit there. These improvements were made with funding by the City and 3M, and at year-end 2008 the fund has a deficit of approximately \$340,000. The last installment due from 3M is \$104,000, leaving the City's cost for the project underfunded by about \$236,000, and no strategy yet developed to address it. Applying the balance from the 2001A Bond Fund would remove this deficit from the City's books and help keep the City in the good graces of the auditors and credit rating agencies. Another advantage is that the City would not be "spending" funds, but rather reassigning them, and thus be able to retain the entire \$240,000 in cash during the current economic challenges.

**Financial Services:** The City historically has used the services of Northland Securities, Inc., for these financial transactions. The firm receives compensation only upon issuance of the bonds. If the Council decides at any time not to continue with the process, no fees will be due to Northland Securities, Inc.

**RECOMMENDATION:** Staff recommends that the City Council adopt the resolution authorizing the process to begin the refunding of these bonds, and to authorize the services of Northland Securities, Inc., to assist the City in this process. Based on its discussion with Northland Securities during the meeting, a target level of savings should be stated within the resolution in order to guide the timing and future consideration of the bond sale.

#### **SUGGESTED MOTION FOR CONSIDERATION**

***Move to adopt the resolution authorizing the commencement of refunding State Aid Bonds Series 2001A, and Water Improvement Bonds, Series 2002B, and to authorize the services of Northland Securities, Inc., for this transaction.***

#### **ATTACHMENTS:**

Proposed resolution

Financial information from Northland Securities, Inc., related to the refundings

#### **ORDER OF BUSINESS:**

- Introduction Craig Dawson
- Report by staff or other presenter Paul Donna
- Questions from City Council members to the presenter facilitated by Mayor
- Questions/comments from the public to the City Council facilitated by Mayor
- Action on motion City Council

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

**RESOLUTION NO. 2009 - 007**

**RESOLUTION APPROVING THE ISSUANCE OF  
GENERAL OBLIGATION REFUNDING BONDS; SERIES 2009A**

BE IT RESOLVED by the City Council of the City of Lake Elmo, State of Minnesota (the "City"), as follows:

1. The City Council hereby finds and declares that it is necessary and expedient for the City to sell and issue its fully registered general obligation refunding bonds in the total aggregate principal amount of not to exceed \$1,100,000 (herein, the "Bonds"). The proceeds of the Bonds will be used, together with any additional funds of the City which might be required, to (i) current refund on or about May 12, 2009, all or a portion of the February 1, 2010, through 2017 maturities, aggregating up to \$525,000 in principal amount, of the City's General Obligation State-Aid and Improvement Bonds, Series 2001, dated October 1, 2001, as the date of original issue, (ii) to crossover refund on December 1, 2009, all or a portion of the December 1, 2010 through 2021 maturities, aggregating up to \$500,000 in principal amount, of the City's General Obligation Water Revenue Bonds, Series 2002B, dated May 1, 2002, as the date of original issue and (iii) to fund the costs of issuing the Bonds.
2. The City Council desires to proceed with the sale of the Bonds by direct negotiation to Northland Securities, Inc. (herein, "NSI").
3. The City Administrator and Finance Director are hereby authorized to approve the sale of the Bonds in an aggregate principal amount of not to exceed \$1,100,000 and to execute a bond purchase agreement for the purchase of the Bonds with NSI, provided the total net savings is at least \$\_\_\_\_\_.
4. Upon approval of the sale of the Bonds by the City Administrator and Finance Director the City Council will take action at its next regularly scheduled meeting thereafter to adopt the necessary approving resolutions as prepared by the City's bond counsel.
5. NSI is authorized to prepare an offering document related to the sale of the Bonds.
6. If the City Administrator and Finance Director have not approved the sale of the bonds to NSI and executed the related bond purchase agreement by December 31, 2009, this resolution shall expire.

ADOPTED by the City Council of the City of Lake Elmo on March 3<sup>rd</sup>, 2009.

ATTEST:

\_\_\_\_\_  
Dean A. Johnston, Mayor

\_\_\_\_\_  
Craig W. Dawson, Interim City Administrator

# **FINANCE PLAN SUMMARY**

**FOR**

**CITY OF LAKE ELMO, MINNESOTA**

**\$1,070,000**

**GENERAL OBLIGATION REFUNDING BONDS**

**SERIES 2009A**

---

**NORTHLAND  SECURITIES**

45 South 7<sup>th</sup> Street  
Suite 2500  
Minneapolis, MN 55402  
612-851-5900 800-851-2920

**March 3, 2009**

**City of Lake Elmo, Minnesota**  
**\$1,070,000**  
**General Obligation Refunding Bonds, Series 2009A**

**Financing Overview:**

The Bonds will be issued pursuant to Minnesota statutes 475, 444 and 162. The Bond proceeds will be used for (i) a current refunding on or about May 12, 2009 of all or a portion of the February 1, 2010 through 2017 maturities, aggregating up to \$525,000 in principal amount, of the City's General Obligation State Aid-Improvement Bonds Series 2001, dated October 1, 2001 as date of original issue, (ii) a crossover refunding on December 1, 2009 for all or a portion of the December 1, 2010 through 2021 maturities, aggregating up to \$500,000 in principal amount, of the City's General Obligation Water Revenue Bonds, Series 2002A dated May 1, 2002, the date of original issue and (iii) to pay the costs associated with issuing the Series 2009A Bonds. The estimated sources and uses of funds are illustrated below.

**Refunding Summary**

Dated 05/01/2009 | Delivered 05/12/2009

	2001	2002	Issue Summary
<b>Sources Of Funds</b>			
Par Amount of Bonds	\$550,000.00	\$520,000.00	\$1,070,000.00
Accrued Interest from 05/01/2009 to 05/12/2009	337.33	451.00	788.33
<b>Total Sources</b>	<b>\$550,337.33</b>	<b>\$520,451.00</b>	<b>\$1,070,788.33</b>
<b>Uses Of Funds</b>			
Deposit to Crossover Escrow Fund	531,970.00	507,255.84	1,039,225.84
Total Costs of Issuance including Underwriter's Discount	18,025.00	13,185.00	31,210.00
Deposit to Debt Service Fund	337.33	-	337.33
Rounding Amount	5.00	10.16	15.16
<b>Total Uses</b>	<b>\$550,337.33</b>	<b>\$520,451.00</b>	<b>\$1,070,788.33</b>

The 2001 Bonds and 2002A Bonds are currently outstanding at an average interest rate of 4.79% and 4.84% respectively. Given current market conditions, we estimate these maturities could be refunded with a new bond issue at an average interest rate of 2.88%. This interest rate spread, together with interest earnings on the new bond proceeds until the respective call dates, would result in a total debt service cost savings of approximately \$77,895 savings is net of all costs and would be realized through the original terms of each series of refunded bonds. The debt service comparison showing the scheduled debt service versus the new estimated debt service is illustrated below.

### Debt Service Comparison

Date	Total P+I	PCF	Existing D/S	Net New D/S	Old Net D/S	Savings
02/01/2010	85,050.00	(508,610.00)	554,765.00	130,852.51	134,365.00	3,512.49
02/01/2011	124,855.00	-	-	124,855.00	135,827.50	10,972.50
02/01/2012	128,505.00	-	-	128,505.00	136,957.50	8,452.50
02/01/2013	131,825.00	-	-	131,825.00	137,787.50	5,962.50
02/01/2014	124,790.00	-	-	124,790.00	133,260.00	8,470.00
02/01/2015	132,585.00	-	-	132,585.00	138,600.00	6,015.00
02/01/2016	129,882.50	-	-	129,882.50	138,350.00	8,467.50
02/01/2017	121,950.00	-	-	121,950.00	132,795.00	10,845.00
02/01/2018	53,870.00	-	-	53,870.00	57,160.00	3,290.00
02/01/2019	52,272.50	-	-	52,272.50	54,955.00	2,682.50
02/01/2020	55,675.00	-	-	55,675.00	57,750.00	2,075.00
02/01/2021	53,900.00	-	-	53,900.00	55,250.00	1,350.00
02/01/2022	51,950.00	-	-	51,950.00	57,750.00	5,800.00
<b>Total</b>	<b>\$1,247,110.00</b>	<b>(508,610.00)</b>	<b>\$554,765.00</b>	<b>\$1,292,912.51</b>	<b>\$1,370,807.50</b>	<b>\$77,894.99</b>

### PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	64,547.26
Net PV Cashflow Savings @ 2.856%(Bond Yield).....	64,547.26
Accrued Interest Credit to Debt Service Fund.....	337.33
Contingency or Rounding Amount.....	15.16
Net Present Value Benefit	\$64,899.75
Net PV Benefit / \$1,126,859.52 PV Refunded Debt Service	5.759%

Included as Exhibit A is the complete refunding analysis.

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**Summary of Recommended Terms:**

- |                          |  |
|--------------------------|--|
| 1. Type of Bond Sale     | Negotiated Sale with Northland Securities  |
| 2. Proposed Pricing      | Thursday, April 2, 2009.   |
| 3. Council Consideration | Tuesday, April 7, 2009 at 7:00 P.M.  |
| 4. Repayment Term        | The Bonds will mature annually each December 1, 2010 - 2021. Interest on the Bonds will be payable on December 1, 2009 and semiannually thereafter on each June 1 and December 1.              |
| 5. Security              | General obligation of the City. In addition, the City pledges state-aid road payments formerly pledged to the Series 2001 Bonds and water revenues formerly pledged to the Series 2002A Bonds. |
| 6. Prepayment Option     | The Bonds maturing on or after December 1, 2018 will be subject to redemption on December 1, 2017 and any day thereafter at a price of par.  |
| 7. Tax Status            | Dorsey and Whitney LLP, Minneapolis, Minnesota   |
| 8. Credit Enhancement    | We believe a credit rating will be cost beneficial. The City's general obligation debt is currently rated Aa3 by Moody's.  |

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### Related Considerations:

- *Bank Qualified* - because total tax-exempt debt issued by the City in calendar year 2009 is expected to be less than \$30.0M, the bonds will be designated as "bank qualified" obligations pursuant to Federal Tax Law. The impact of this designation may result in slightly lower interest rates since banking institutions will be interested in purchasing the bonds. We have adjusted the estimated interest rates accordingly.
- *Arbitrage Compliance* –
  - Project / Construction Fund – All tax exempt issues are subject to federal rebate requirements which require all arbitrage earned to be rebated to the U.S. Treasury. A rebate exemption the City expects to qualify for is the "small issuer exemption" because the City expects to issue less than \$5.0M of tax exempt bonds, including any 501 C 3 conduit financings, in calendar year 2009.
  - Debt Service Fund – The City must maintain a bona fide debt service fund for the bonds or be subject to yield restriction in the debt service fund. A bona fide debt service fund involves an equal matching of revenues to debt service expense with a balance forward permitted equal to the greater of the investment earnings in the fund during that year or 1/12 of the debt service of that year.

The City should become familiar with the various Arbitrage Compliance requirements for this bond issue. The Bond Resolution explains the requirements in greater detail. We are also available to assist the City in meeting these requirements.

- *Book Entry* - The Bonds will be *global book entry with a bank designated as the paying agent*. As "paperless" bonds, you will avoid the cost of bond printing and annual registrar charges. The Paying Agent will invoice you for the interest semiannually and on an annual basis for the principal coming due. You will be charged only for paying agent/transfer agent services provided by the bank. This cost of services has been capitalized into the bond issue.
- *Continuing Disclosure* - Because the City's outstanding debt is less than \$10.0M, it is subject to limited disclosure requirements of the Securities and Exchange Commission. Northland can assist the City in complying with these requirements.

# City of Lake Elmo, Minnesota

G.O. Refunding Bonds of 2009

2001 and 2002

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Preliminary

# City of Lake Elmo, Minnesota

G.O. Refunding Bonds of 2009

2001 and 2002

## Refunding Summary

Dated 05/01/2009 | Delivered 05/12/2009

	2001	2002	Issue Summary
<b>Sources Of Funds</b>			
Par Amount of Bonds	\$550,000.00	\$520,000.00	\$1,070,000.00
Accrued Interest from 05/01/2009 to 05/12/2009	337.33	451.00	788.33
<b>Total Sources</b>	<b>\$550,337.33</b>	<b>\$520,451.00</b>	<b>\$1,070,788.33</b>

<b>Uses Of Funds</b>			
Deposit to Crossover Escrow Fund	531,970.00	507,255.84	1,039,225.84
Total Costs of Issuance including Underwriter's Discount	18,025.00	13,185.00	31,210.00
Deposit to Debt Service Fund	337.33	-	337.33
Rounding Amount	5.00	10.16	15.16
<b>Total Uses</b>	<b>\$550,337.33</b>	<b>\$520,451.00</b>	<b>\$1,070,788.33</b>

### Flow of Funds Detail

State and Local Government Series (SLGS) rates for	2/20/2009	2/20/2009	2/20/2009
Date of OMP Candidates			
Primary Purpose Fund Solution Method	Net Funded	Net Funded	Net Funded
Total Cost of Investments	\$531,970.00	\$507,255.84	\$1,039,225.84
Interest Earnings @ 0.483%	-	1,354.16	1,354.16
Total Draws	\$531,970.00	\$508,610.00	\$1,040,580.00

### PV Analysis Summary (Net to Net)

Net PV Cashflow Savings @ 2.856%(Bond Yield)	35,124.84	29,422.42	64,547.26
Accrued Interest Credit to Debt Service Fund	337.33	-	337.33
Contingency or Rounding Amount	5.00	10.16	15.16
Net Present Value Benefit	\$35,467.17	\$29,432.58	\$64,899.75
Net PV Benefit / \$1,025,000 Refunded Principal	6.756%	5.887%	6.332%
Net PV Benefit / \$1,070,000 Refunding Principal	6.449%	5.660%	6.065%

### Bond Statistics

Average Life	4.138 Years	7.420 Years	5.733 Years
Average Coupon	2.2920176%	3.2383801%	2.8872708%
Net Interest Cost (NIC)	2.7270231%	3.4809719%	3.2012498%
Bond Yield for Arbitrage Purposes	2.8564631%	2.8564631%	2.8564631%
True Interest Cost (TIC)	2.7571353%	3.4901374%	3.2105780%
All Inclusive Cost (AIC)	3.1546256%	3.6077151%	3.4351821%

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## City of Lake Elmo, Minnesota

G.O. Refunding Bonds of 2009

2001 and 2002

### Debt Service Comparison

Date	Total P+I	PCF	Existing D/S	Net New D/S	Old Net D/S	Savings
02/01/2010	85,050.00	(508,610.00)	554,765.00	130,852.51	134,365.00	3,512.49
02/01/2011	124,855.00	-	-	124,855.00	135,827.50	10,972.50
02/01/2012	128,505.00	-	-	128,505.00	136,957.50	8,452.50
02/01/2013	131,825.00	-	-	131,825.00	137,787.50	5,962.50
02/01/2014	124,790.00	-	-	124,790.00	133,260.00	8,470.00
02/01/2015	132,585.00	-	-	132,585.00	138,600.00	6,015.00
02/01/2016	129,882.50	-	-	129,882.50	138,350.00	8,467.50
02/01/2017	121,950.00	-	-	121,950.00	132,795.00	10,845.00
02/01/2018	53,870.00	-	-	53,870.00	57,160.00	3,290.00
02/01/2019	52,272.50	-	-	52,272.50	54,955.00	2,682.50
02/01/2020	55,675.00	-	-	55,675.00	57,750.00	2,075.00
02/01/2021	53,900.00	-	-	53,900.00	55,250.00	1,350.00
02/01/2022	51,950.00	-	-	51,950.00	57,750.00	5,800.00
<b>Total</b>	<b>\$1,247,110.00</b>	<b>(508,610.00)</b>	<b>\$554,765.00</b>	<b>\$1,292,912.51</b>	<b>\$1,370,807.50</b>	<b>\$77,894.99</b>

### PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	64,547.26
Net PV Cashflow Savings @ 2.856%(Bond Yield)....	64,547.26
Accrued Interest Credit to Debt Service Fund.....	337.33
Contingency or Rounding Amount.....	15.16
Net Present Value Benefit	\$64,899.75
Net PV Benefit / \$1,126,859.52 PV Refunded Debt Service	5.759%
Net PV Benefit / \$1,025,000 Refunded Principal...	6.332%
Net PV Benefit / \$1,070,000 Refunding Principal..	6.065%

### Refunding Bond Information

Refunding Dated Date	5/01/2009
Refunding Delivery Date	5/12/2009

Preliminary

**City of Lake Elmo, Minnesota**G.O. Refunding Bonds of 2009  
2001 and 2002**Debt Service Schedule**

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/12/2009	-	-	-	-	-
12/01/2009	70,000.00	1.350%	15,050.00	85,050.00	-
02/01/2010	-	-	-	-	85,050.00
06/01/2010	-	-	12,427.50	12,427.50	-
12/01/2010	100,000.00	1.350%	12,427.50	112,427.50	-
02/01/2011	-	-	-	-	124,855.00
06/01/2011	-	-	11,752.50	11,752.50	-
12/01/2011	105,000.00	1.600%	11,752.50	116,752.50	-
02/01/2012	-	-	-	-	128,505.00
06/01/2012	-	-	10,912.50	10,912.50	-
12/01/2012	110,000.00	1.850%	10,912.50	120,912.50	-
02/01/2013	-	-	-	-	131,825.00
06/01/2013	-	-	9,895.00	9,895.00	-
12/01/2013	105,000.00	2.100%	9,895.00	114,895.00	-
02/01/2014	-	-	-	-	124,790.00
06/01/2014	-	-	8,792.50	8,792.50	-
12/01/2014	115,000.00	2.350%	8,792.50	123,792.50	-
02/01/2015	-	-	-	-	132,585.00
06/01/2015	-	-	7,441.25	7,441.25	-
12/01/2015	115,000.00	2.550%	7,441.25	122,441.25	-
02/01/2016	-	-	-	-	129,882.50
06/01/2016	-	-	5,975.00	5,975.00	-
12/01/2016	110,000.00	2.800%	5,975.00	115,975.00	-
02/01/2017	-	-	-	-	121,950.00
06/01/2017	-	-	4,435.00	4,435.00	-
12/01/2017	45,000.00	3.550%	4,435.00	49,435.00	-
02/01/2018	-	-	-	-	53,870.00
06/01/2018	-	-	3,636.25	3,636.25	-
12/01/2018	45,000.00	3.550%	3,636.25	48,636.25	-
02/01/2019	-	-	-	-	52,272.50
06/01/2019	-	-	2,837.50	2,837.50	-
12/01/2019	50,000.00	3.550%	2,837.50	52,837.50	-
02/01/2020	-	-	-	-	55,675.00
06/01/2020	-	-	1,950.00	1,950.00	-
12/01/2020	50,000.00	3.900%	1,950.00	51,950.00	-
02/01/2021	-	-	-	-	53,900.00
06/01/2021	-	-	975.00	975.00	-
12/01/2021	50,000.00	3.900%	975.00	50,975.00	-
02/01/2022	-	-	-	-	51,950.00
<b>Total</b>	<b>\$1,070,000.00</b>	<b>-</b>	<b>\$177,110.00</b>	<b>\$1,247,110.00</b>	<b>-</b>

Dated 5/01/2009

Delivery Date 5/12/2009

First Coupon Date 12/01/2009

First available call date

Call Price -

Accrued Interest from 05/01/2009 to 05/12/2009 788.33

Bond Year Dollars \$6,134.17

Average Life 5.733 Years

Average Coupon 2.8872708%

Net Interest Cost (NIC) 3.2012498%

True Interest Cost (TIC) 3.2105780%

Bond Yield for Arbitrage Purposes 2.8564631%

Net Interest Cost 2.8898217%

Weighted Average Maturity 5.702 Years

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Preliminary

## City of Lake Elmo, Minnesota

G.O. Refunding Bonds of 2009

2001

### Refunding Summary

Dated 05/01/2009 | Delivered 05/12/2009

#### Sources Of Funds

Par Amount of Bonds	\$550,000.00
Accrued Interest from 05/01/2009 to 05/12/2009	337.33
<b>Total Sources</b>	<b>\$550,337.33</b>

#### Uses Of Funds

Deposit to Current Refunding Fund	531,970.00
Total Underwriter's Discount (1.800%)	9,900.00
Costs of Issuance	8,125.00
Deposit to Debt Service Fund	337.33
Rounding Amount	5.00
<b>Total Uses</b>	<b>\$550,337.33</b>

#### Flow of Funds Detail

State and Local Government Series (SLGS) rates for	2/20/2009
Date of OMP Candidates	
Current Refunding Escrow Solution Method	Net Funded
Total Cost of Investments	\$531,970.00
Total Draws	\$531,970.00

#### Issues Refunded And Call Dates

01old	5/13/2009
-------	-----------

#### PV Analysis Summary (Net to Net)

Net PV Cashflow Savings @ 2.856%(Bond Yield)	35,124.84
Accrued Interest Credit to Debt Service Fund	337.33
Contingency or Rounding Amount	5.00
Net Present Value Benefit	\$35,467.17
Net PV Benefit / \$525,000 Refunded Principal	6.756%
Net PV Benefit / \$550,000 Refunding Principal	6.449%

#### Bond Statistics

Average Life	4.138 Years
Average Coupon	2.2920176%
Net Interest Cost (NIC)	2.7270231%
Bond Yield for Arbitrage Purposes	2.8564631%
True Interest Cost (TIC)	2.7571353%
All Inclusive Cost (AIC)	3.1546256%

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Preliminary

## City of Lake Elmo, Minnesota

G.O. Refunding Bonds of 2009

2001

### Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings
02/01/2010	76,440.00	76,097.67	79,600.00	3,502.33
02/01/2011	75,095.00	75,095.00	82,262.50	7,167.50
02/01/2012	74,217.50	74,217.50	79,622.50	5,405.00
02/01/2013	78,177.50	78,177.50	81,922.50	3,745.00
02/01/2014	71,882.50	71,882.50	78,900.00	7,017.50
02/01/2015	75,517.50	75,517.50	80,780.00	5,262.50
02/01/2016	78,872.50	78,872.50	82,350.00	3,477.50
02/01/2017	71,960.00	71,960.00	78,675.00	6,715.00
<b>Total</b>	<b>\$602,162.50</b>	<b>\$601,820.17</b>	<b>\$644,112.50</b>	<b>\$42,292.33</b>

### PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	35,124.84
Net PV Cashflow Savings @ 2.856%(Bond Yield).....	35,124.84
Accrued Interest Credit to Debt Service Fund.....	337.33
Contingency or Rounding Amount.....	5.00
Net Present Value Benefit	\$35,467.17
Net PV Benefit / \$573,514.72 PV Refunded Debt Service	6.184%
Net PV Benefit / \$525,000 Refunded Principal...	6.756%
Net PV Benefit / \$550,000 Refunding Principal..	6.449%

### Refunding Bond Information

Refunding Dated Date	5/01/2009
Refunding Delivery Date	5/12/2009

Preliminary

# City of Lake Elmo, Minnesota

G.O. Refunding Bonds of 2009

2001

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
05/12/2009	-	-	-	-	-
12/01/2009	70,000.00	1.350%	6,440.00	76,440.00	-
02/01/2010	-	-	-	-	76,440.00
06/01/2010	-	-	5,047.50	5,047.50	-
12/01/2010	65,000.00	1.350%	5,047.50	70,047.50	-
02/01/2011	-	-	-	-	75,095.00
06/01/2011	-	-	4,608.75	4,608.75	-
12/01/2011	65,000.00	1.600%	4,608.75	69,608.75	-
02/01/2012	-	-	-	-	74,217.50
06/01/2012	-	-	4,088.75	4,088.75	-
12/01/2012	70,000.00	1.850%	4,088.75	74,088.75	-
02/01/2013	-	-	-	-	78,177.50
06/01/2013	-	-	3,441.25	3,441.25	-
12/01/2013	65,000.00	2.100%	3,441.25	68,441.25	-
02/01/2014	-	-	-	-	71,882.50
06/01/2014	-	-	2,758.75	2,758.75	-
12/01/2014	70,000.00	2.350%	2,758.75	72,758.75	-
02/01/2015	-	-	-	-	75,517.50
06/01/2015	-	-	1,936.25	1,936.25	-
12/01/2015	75,000.00	2.550%	1,936.25	76,936.25	-
02/01/2016	-	-	-	-	78,872.50
06/01/2016	-	-	980.00	980.00	-
12/01/2016	70,000.00	2.800%	980.00	70,980.00	-
02/01/2017	-	-	-	-	71,960.00
<b>Total</b>	<b>\$550,000.00</b>	<b>-</b>	<b>\$52,162.50</b>	<b>\$602,162.50</b>	<b>-</b>

Dated	5/01/2009
Delivery Date	5/12/2009
First Coupon Date	12/01/2009
First available call date	
Call Price	-
Accrued Interest from 05/01/2009 to 05/12/2009	337.33
Bond Year Dollars	\$2,275.83
Average Life	4.138 Years
Average Coupon	2.2920176%
Net Interest Cost (NIC)	2.7270231%
True Interest Cost (TIC)	2.7571353%
Bond Yield for Arbitrage Purposes	2.8564631%
Net Interest Cost	2.2941360%
Weighted Average Maturity	4.107 Years

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Preliminary

# City of Lake Elmo, Minnesota

G.O. Bonds of 2001

## Debt Service To Maturity And To Call

Date	Refunded Bonds	Interest to Call	D/S To Call	Principal	Coupon	Interest	Refunded D/S	Fiscal Total
05/12/2009	-	-	-	-	-	-	-	-
05/13/2009	525,000.00	6,970.00	531,970.00	-	-	-	-	-
08/01/2009	-	-	-	-	-	12,300.00	12,300.00	-
02/01/2010	-	-	-	55,000.00	4.250%	12,300.00	67,300.00	79,600.00
08/01/2010	-	-	-	-	-	11,131.25	11,131.25	-
02/01/2011	-	-	-	60,000.00	4.400%	11,131.25	71,131.25	82,262.50
08/01/2011	-	-	-	-	-	9,811.25	9,811.25	-
02/01/2012	-	-	-	60,000.00	4.500%	9,811.25	69,811.25	79,622.50
08/01/2012	-	-	-	-	-	8,461.25	8,461.25	-
02/01/2013	-	-	-	65,000.00	4.650%	8,461.25	73,461.25	81,922.50
08/01/2013	-	-	-	-	-	6,950.00	6,950.00	-
02/01/2014	-	-	-	65,000.00	4.800%	6,950.00	71,950.00	78,900.00
08/01/2014	-	-	-	-	-	5,390.00	5,390.00	-
02/01/2015	-	-	-	70,000.00	4.900%	5,390.00	75,390.00	80,780.00
08/01/2015	-	-	-	-	-	3,675.00	3,675.00	-
02/01/2016	-	-	-	75,000.00	4.900%	3,675.00	76,675.00	82,350.00
08/01/2016	-	-	-	-	-	1,837.50	1,837.50	-
02/01/2017	-	-	-	75,000.00	4.900%	1,837.50	76,837.50	78,675.00
<b>Total</b>	<b>\$525,000.00</b>	<b>\$6,970.00</b>	<b>\$531,970.00</b>	<b>\$525,000.00</b>	<b>-</b>	<b>\$119,112.50</b>	<b>\$644,112.50</b>	<b>-</b>

### Yield Statistics

Average Life	4.483 Years
Weighted Average Maturity (Par Basis)	4.453 Years
Average Coupon	4.7992565%

### Refunding Bond Information

Refunding Dated Date	5/01/2009
Refunding Delivery Date	5/12/2009

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Northland Securities  
Public Finance

Preliminary

## City of Lake Elmo, Minnesota

G.O. Refunding Bonds of 2009

2001

### Current Refunding Escrow

Date	Rate	Receipts	Disbursements	Cash Balance
05/12/2009	-	531,970.00	-	531,970.00
05/13/2009	-	-	531,970.00	-
<b>Total</b>	<b>-</b>	<b>\$531,970.00</b>	<b>\$531,970.00</b>	<b>-</b>

### Investment Parameters

Investment Model [PV, GIC, or Securities]	Securities
Default investment yield target	User Defined
Cash Deposit	531,970.00
Total Cost of Investments	\$531,970.00
Target Cost of Investments at bond yield	\$531,928.09
Actual positive or (negative) arbitrage	(41.91)
Yield to Receipt	-
Yield for Arbitrage Purposes	2.8564631%



Preliminary

## City of Lake Elmo, Minnesota

G.O. Refunding Bonds of 2009

2002

### Refunding Summary

Dated 05/01/2009 | Delivered 05/12/2009

#### Sources Of Funds

Par Amount of Bonds	\$520,000.00
Accrued Interest from 05/01/2009 to 05/12/2009	451.00

<b>Total Sources</b>	<b>\$520,451.00</b>
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#### Uses Of Funds

Deposit to Crossover Escrow Fund	507,255.84
Total Underwriter's Discount (1.800%)	9,360.00
Costs of Issuance	3,825.00
Rounding Amount	10.16

<b>Total Uses</b>	<b>\$520,451.00</b>
-------------------	---------------------

#### Flow of Funds Detail

State and Local Government Series (SLGS) rates for	2/20/2009
Date of OMP Candidates	

Crossover Escrow Fund Solution Method	Net Funded
Total Cost of Investments	\$507,255.84
Interest Earnings @ 0.483%	1,354.16
Total Draws	\$508,610.00

#### Issues Refunded And Call Dates

02old	12/01/2009
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#### PV Analysis Summary (Net to Net)

Net PV Cashflow Savings @ 2.856%(Bond Yield)	29,422.42
Contingency or Rounding Amount	10.16
Net Present Value Benefit	\$29,432.58

Net PV Benefit / \$500,000 Refunded Principal	5.887%
Net PV Benefit / \$520,000 Refunding Principal	5.660%

#### Bond Statistics

Average Life	7.420 Years
Average Coupon	3.2383801%
Net Interest Cost (NIC)	3.4809719%
Bond Yield for Arbitrage Purposes	2.8564631%
True Interest Cost (TIC)	3.4801374%
All Inclusive Cost (AIC)	3.6077151%

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Preliminary

## City of Lake Elmo, Minnesota

G.O. Refunding Bonds of 2009

2002

### Debt Service Comparison

Date	Total P+I	PCF	Existing D/S	Net New D/S	Old Net D/S	Savings
02/01/2010	8,610.00	(508,610.00)	554,765.00	54,754.84	54,765.00	10.16
02/01/2011	49,760.00	-	-	49,760.00	53,565.00	3,805.00
02/01/2012	54,287.50	-	-	54,287.50	57,335.00	3,047.50
02/01/2013	53,647.50	-	-	53,647.50	55,865.00	2,217.50
02/01/2014	52,907.50	-	-	52,907.50	54,360.00	1,452.50
02/01/2015	57,067.50	-	-	57,067.50	57,820.00	752.50
02/01/2016	51,010.00	-	-	51,010.00	56,000.00	4,990.00
02/01/2017	49,990.00	-	-	49,990.00	54,120.00	4,130.00
02/01/2018	53,870.00	-	-	53,870.00	57,160.00	3,290.00
02/01/2019	52,272.50	-	-	52,272.50	54,955.00	2,682.50
02/01/2020	55,675.00	-	-	55,675.00	57,750.00	2,075.00
02/01/2021	53,900.00	-	-	53,900.00	55,250.00	1,350.00
02/01/2022	51,950.00	-	-	51,950.00	57,750.00	5,800.00
<b>Total</b>	<b>\$644,947.50</b>	<b>(508,610.00)</b>	<b>\$554,765.00</b>	<b>\$691,092.34</b>	<b>\$726,695.00</b>	<b>\$35,602.66</b>

### PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	29,422.42
Net PV Cashflow Savings @ 2.856%(Bond Yield).....	29,422.42
Contingency or Rounding Amount.....	10.16
Net Present Value Benefit	\$29,432.58
Net PV Benefit / \$553,344.80 PV Refunded Debt Service	5.319%
Net PV Benefit / \$500,000 Refunded Principal...	5.887%
Net PV Benefit / \$520,000 Refunding Principal..	5.660%

### Refunding Bond Information

Refunding Dated Date	5/01/2009
Refunding Delivery Date	5/12/2009

Preliminary

**City of Lake Elmo, Minnesota**

G.O. Refunding Bonds of 2009

2002

**Debt Service Schedule**

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
05/12/2009	-	-	-	-	-
12/01/2009	-	-	8,810.00	8,810.00	-
02/01/2010	-	-	-	-	8,810.00
06/01/2010	-	-	7,380.00	7,380.00	-
12/01/2010	35,000.00	1.350%	7,380.00	42,380.00	-
02/01/2011	-	-	-	-	49,760.00
06/01/2011	-	-	7,143.75	7,143.75	-
12/01/2011	40,000.00	1.600%	7,143.75	47,143.75	-
02/01/2012	-	-	-	-	54,287.50
06/01/2012	-	-	6,823.75	6,823.75	-
12/01/2012	40,000.00	1.850%	6,823.75	46,823.75	-
02/01/2013	-	-	-	-	53,647.50
06/01/2013	-	-	6,453.75	6,453.75	-
12/01/2013	40,000.00	2.100%	6,453.75	46,453.75	-
02/01/2014	-	-	-	-	52,907.50
06/01/2014	-	-	6,033.75	6,033.75	-
12/01/2014	45,000.00	2.350%	6,033.75	51,033.75	-
02/01/2015	-	-	-	-	57,067.50
06/01/2015	-	-	5,505.00	5,505.00	-
12/01/2015	40,000.00	2.550%	5,505.00	45,505.00	-
02/01/2016	-	-	-	-	51,010.00
06/01/2016	-	-	4,995.00	4,995.00	-
12/01/2016	40,000.00	2.800%	4,995.00	44,995.00	-
02/01/2017	-	-	-	-	49,990.00
06/01/2017	-	-	4,435.00	4,435.00	-
12/01/2017	45,000.00	3.550%	4,435.00	49,435.00	-
02/01/2018	-	-	-	-	53,870.00
06/01/2018	-	-	3,636.25	3,636.25	-
12/01/2018	45,000.00	3.550%	3,636.25	48,636.25	-
02/01/2019	-	-	-	-	52,272.50
06/01/2019	-	-	2,837.50	2,837.50	-
12/01/2019	50,000.00	3.550%	2,837.50	52,837.50	-
02/01/2020	-	-	-	-	55,675.00
06/01/2020	-	-	1,950.00	1,950.00	-
12/01/2020	50,000.00	3.900%	1,950.00	51,950.00	-
02/01/2021	-	-	-	-	53,900.00
06/01/2021	-	-	975.00	975.00	-
12/01/2021	50,000.00	3.900%	975.00	50,975.00	-
02/01/2022	-	-	-	-	51,950.00
<b>Total</b>	<b>\$520,000.00</b>	<b>-</b>	<b>\$124,947.50</b>	<b>\$644,947.50</b>	<b>-</b>

Dated	5/01/2009
Delivery Date	5/12/2009
First Coupon Date	12/01/2009
First available call date	
Call Price	-

Accrued Interest from 05/01/2009 to 05/12/2009	451.00
Bond Year Dollars	\$3,858.33
Average Life	7.420 Years

Average Coupon	3.2383801%
Net Interest Cost (NIC)	3.4809719%
True Interest Cost (TIC)	3.4901374%

Bond Yield for Arbitrage Purposes	2.8564631%
Net Interest Cost	3.2400338%
Weighted Average Maturity	7.389 Years

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Preliminary

**City of Lake Elmo, Minnesota**

G.O. Water Revenue Bonds of 2002

**Debt Service To Maturity And To Call**

Date	Refunded Bonds	Interest to Call	D/S To Call	Principal	Coupon	Interest	Refunded D/S	Fiscal Total
06/01/2009	-	11,782.50	11,782.50	-	-	11,782.50	11,782.50	-
12/01/2009	500,000.00	11,782.50	511,782.50	-	4.000%	11,782.50	11,782.50	-
02/01/2010	-	-	-	-	-	-	-	23,565.00
06/01/2010	-	-	-	-	-	11,782.50	11,782.50	-
12/01/2010	-	-	-	30,000.00	4.100%	11,782.50	41,782.50	-
02/01/2011	-	-	-	-	-	-	-	53,565.00
06/01/2011	-	-	-	-	-	11,167.50	11,167.50	-
12/01/2011	-	-	-	35,000.00	4.200%	11,167.50	46,167.50	-
02/01/2012	-	-	-	-	-	-	-	57,335.00
06/01/2012	-	-	-	-	-	10,432.50	10,432.50	-
12/01/2012	-	-	-	35,000.00	4.300%	10,432.50	45,432.50	-
02/01/2013	-	-	-	-	-	-	-	55,865.00
06/01/2013	-	-	-	-	-	9,680.00	9,680.00	-
12/01/2013	-	-	-	35,000.00	4.400%	9,680.00	44,680.00	-
02/01/2014	-	-	-	-	-	-	-	54,360.00
06/01/2014	-	-	-	-	-	8,910.00	8,910.00	-
12/01/2014	-	-	-	40,000.00	4.550%	8,910.00	48,910.00	-
02/01/2015	-	-	-	-	-	-	-	57,820.00
06/01/2015	-	-	-	-	-	8,000.00	8,000.00	-
12/01/2015	-	-	-	40,000.00	4.700%	8,000.00	48,000.00	-
02/01/2016	-	-	-	-	-	-	-	56,000.00
06/01/2016	-	-	-	-	-	7,060.00	7,060.00	-
12/01/2016	-	-	-	40,000.00	4.900%	7,060.00	47,060.00	-
02/01/2017	-	-	-	-	-	-	-	54,120.00
06/01/2017	-	-	-	-	-	6,080.00	6,080.00	-
12/01/2017	-	-	-	45,000.00	4.900%	6,080.00	51,080.00	-
02/01/2018	-	-	-	-	-	-	-	57,160.00
06/01/2018	-	-	-	-	-	4,977.50	4,977.50	-
12/01/2018	-	-	-	45,000.00	4.900%	4,977.50	49,977.50	-
02/01/2019	-	-	-	-	-	-	-	54,955.00
06/01/2019	-	-	-	-	-	3,875.00	3,875.00	-
12/01/2019	-	-	-	50,000.00	5.000%	3,875.00	53,875.00	-
02/01/2020	-	-	-	-	-	-	-	57,750.00
06/01/2020	-	-	-	-	-	2,625.00	2,625.00	-
12/01/2020	-	-	-	50,000.00	5.000%	2,625.00	52,625.00	-
02/01/2021	-	-	-	-	-	-	-	55,250.00
06/01/2021	-	-	-	-	-	1,375.00	1,375.00	-
12/01/2021	-	-	-	55,000.00	5.000%	1,375.00	56,375.00	-
02/01/2022	-	-	-	-	-	-	-	57,750.00
<b>Total</b>	<b>\$500,000.00</b>	<b>\$23,565.00</b>	<b>\$523,565.00</b>	<b>\$500,000.00</b>	-	<b>\$195,495.00</b>	<b>\$695,495.00</b>	-

**Yield Statistics**

Average Life	7.663 Years
Weighted Average Maturity (Par Basis)	7.633 Years
Average Coupon	4.8458351%

**Refunding Bond Information**

Refunding Dated Date	5/01/2009
Refunding Delivery Date	5/12/2009

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Northland Securities  
Public Finance

Preliminary

## City of Lake Elmo, Minnesota

G.O. Refunding Bonds of 2009

2002

### Crossover Escrow Fund Cashflow

Date	Principal	Rate	Interest	Receipts	Disbursements	Cash Balance
05/12/2009	-	-	-	0.84	-	0.84
12/01/2009	507,255.00	0.480%	1,354.16	508,609.16	508,610.00	-
Total	\$507,255.00	-	\$1,354.16	\$508,610.00	\$508,610.00	-

#### Investment Parameters

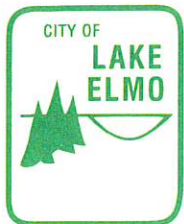
Investment Model [PV, GIC, or Securities]	Securities
Default investment yield target	Bond Yield

Cash Deposit	0.84
Cost of Investments Purchased with Bond Proceeds	507,255.00
Total Cost of Investments	\$507,255.84

Target Cost of Investments at bond yield	\$500,698.10
Actual positive or (negative) arbitrage	(6,557.74)

Yield to Receipt	0.4826784%
Yield for Arbitrage Purposes	2.8564631%

State and Local Government Series (SLGS) rates for	2/20/2009
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## City of Lake Elmo

651/777-5510

3800 Laverne Avenue North / Lake Elmo, MN 55042

### MEMORANDUM

**TO:** City Council  
**FROM:** Craig W. Dawson, Interim City Administrator  
**DATE:** March 3, 2009  
**SUBJECT:** Additional Information regarding Agenda Item 6

Councilmember DeLapp has prepared the attached materials, and requested that they be copied and made available for the discussion of this agenda item at tonight's Council meeting.



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## Lake Elmo Road Assessment Policy for Consideration, March 3, 2009.

The "Basic Road Design" for a City road, except for designated MSA and Trail routes, will be defined as a 9 ton, 22 foot wide, paved surface, intended for two way traffic and without a curb. One way roads will be assumed to be 11 feet wide.

The "Basic Road Design" for City designated Minnesota State Aid roads will be 9 ton, 24 feet wide. One way road sections for MSA roads will be assumed as 16 feet wide, per MnDot standards.

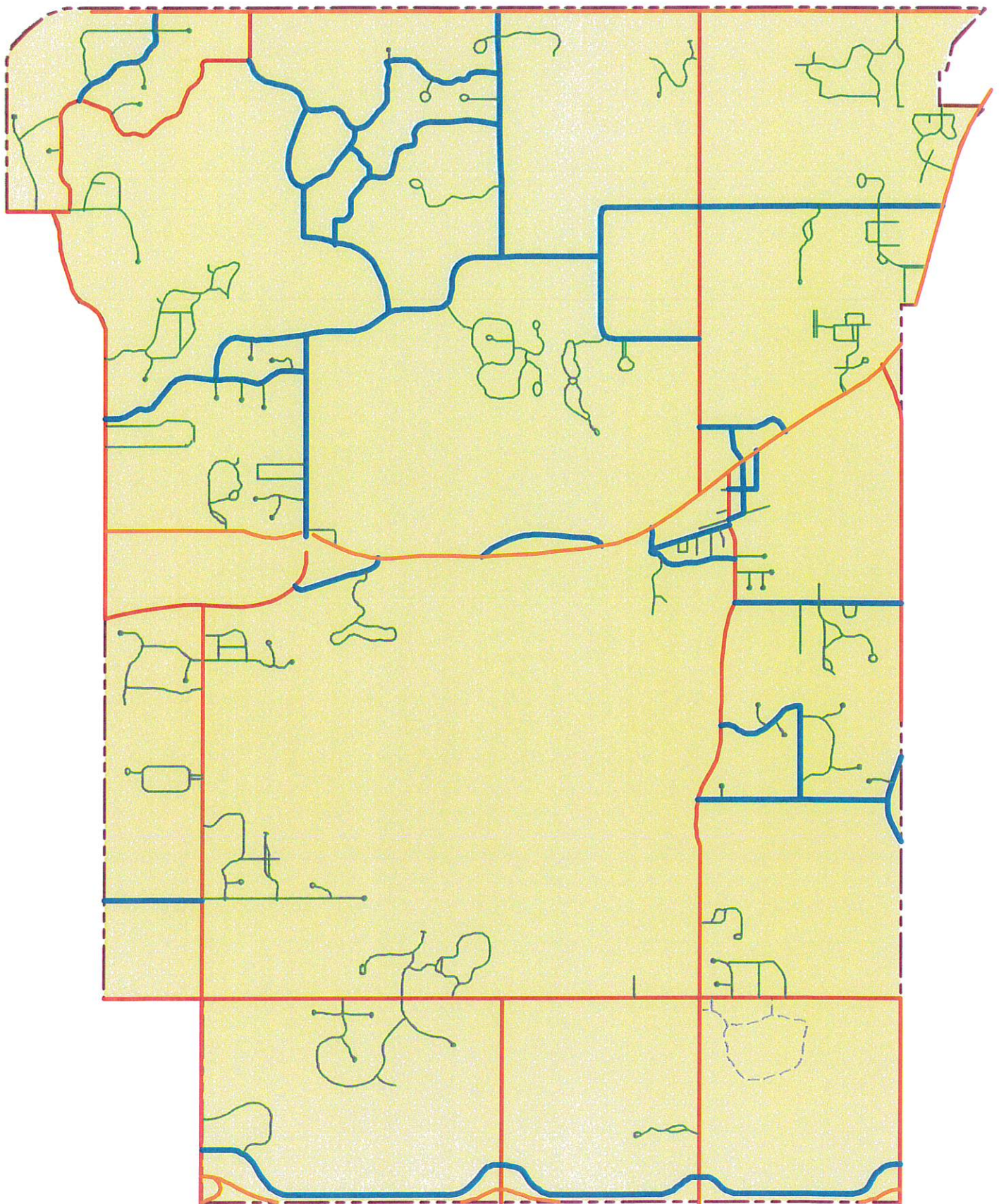
The "Basic Road Design" for City designated bike routes on the City Trail Plan, will be 9 ton, 26 feet wide.

Turn-arounds at the end of cul-de-sacs will be assumed as 16 feet wide because the sharp turning radius precludes an 11 or 12 foot width for City emergency vehicles and buses.

City taxes will fund the total cost for all seal coating, and the cost for overlays, and replacement of roads up to the cost required for "Basic Road Design", which in all cases is the minimum needed for equal provision of City services and the providing the least negative environmental impact.

Property owners will pay 100% for road overlay/replacement costs above the costs for "Basic Road Design". This includes additional costs for wider roads, and the costs for replacement of curbs. (It will be assumed that the costs for engineering, and contractor's general conditions will be included as part of the costs for "Basic Road Design".)



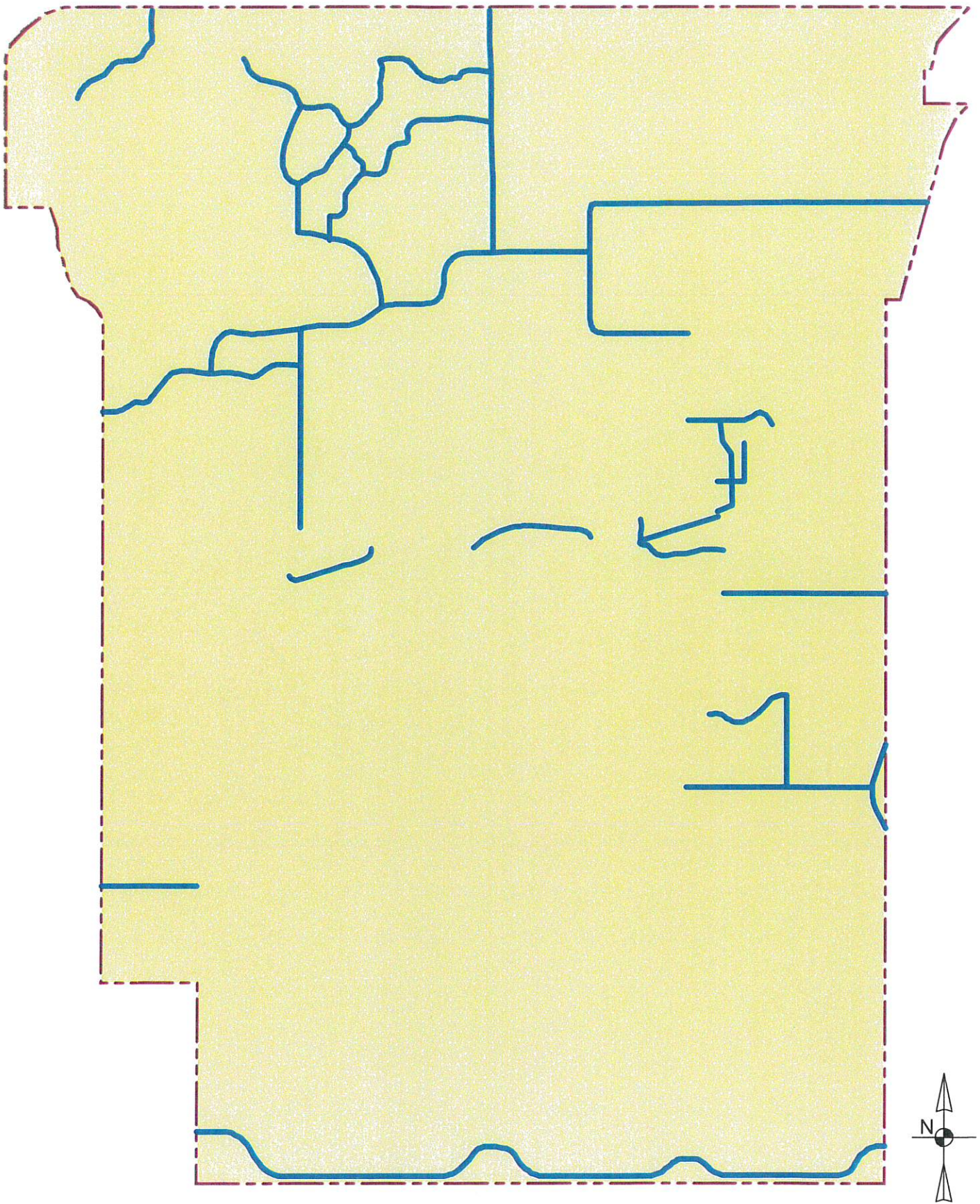


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|---|---|
| <span style="color: orange;">—</span> State Hwys        | <span style="color: blue;">—</span> City Thru Streets     |
| <span style="color: red;">—</span> County Hwys          | <span style="color: green;">—</span> City Insular Streets |
| <span style="color: brown;">—</span> Oak Park Hgts. St. | <span style="color: blue;">—</span> Cimarron Priv. St.    |

## Lake Elmo Streets

March 3, 2009



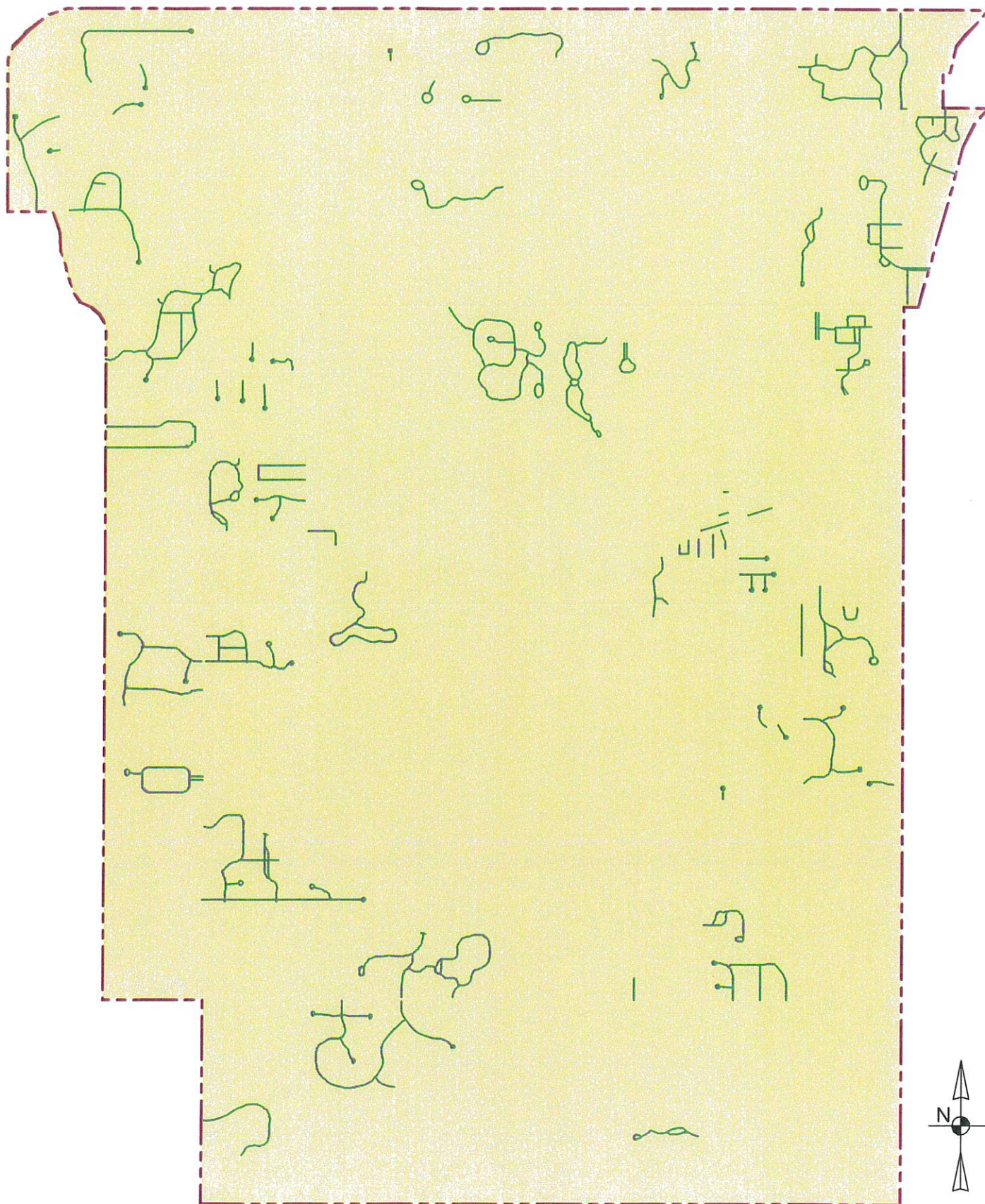


— City Thru Streets

## Lake Elmo Thru Streets

March 3, 2009





— City Insular Streets

## Lake Elmo Insular Streets

March 3, 2009



City Council

Date: March 3, 2009

REGULAR

Item: 6

Motion

ITEM: Special Assessment Policy & Financing of Projects  
in 2009-2013 Streets Capital Improvement Program (CIP)

SUBMITTED BY: Craig W. Dawson, Interim City Administrator

REVIEWED BY: Jack Griffin, City Engineer  
Ryan Stempski, Assistant City Engineer  
Tom Bouthilet, Finance Director  
Jonathan North and Dave Callister, Ehlers, Inc. (financial consultants)  
Jerry Filla, City Attorney

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**SUMMARY AND ACTION REQUESTED:** The City Council has had discussion in work sessions about the options to finance the street improvement projects in the 2009-2013 Streets CIP, including the use of special assessments. At the February 10 work session, the Council asked for information regarding the impacts of assessments at 30 and 35 percent of project costs. On February 17, the Council authorized the preparation of the feasibility report for the 2009 street projects in the CIP. In order for the feasibility reports to be completed, the plan(s) for financing of the project need to be identified. After reviewing the complete feasibility report, the Council may begin the process leading to ordering the improvement and eventually levying special assessments (if any).

Council members have expressed differing opinions about preferences for debt versus pay-as-you-go financing, whether and how special assessments should be used, and what changes may be needed for the City's special assessment policy. The City Council should review and identify what amendments should be made to the special assessment policy, and identify the general policy or guideline to be used in determining the amount to be assessed.

**BACKGROUND:** The City's Public Improvement and Assessment Policy appears to have been adopted in 1996; however, there is no record in the minutes that Council formally acted on it. The policy generally follows what is specified in Chapter 429 of Minnesota Statutes, which relates to public improvements as well as to the possibility of special assessments in the financing of them. The policy is broad in terms of how assessments may be set. Amendments were made to the policy in 2001, and provided that properties on cul-de-sacs would be assessed for improvements made on streets that provided access to them.

The policy provides that the Council may establish the vary basis for assessments by zoning category. From our research, we found that the Council has varied the assessment among different types of residentially-zoned property. It also appears that the Council has generally used a "unit method" to make assessments, rather than using frontage or land area or appraisals.

As an example of a recent special assessment, in 2007 street overlays were done in the Tablyn Park/Lake Elmo Heights area. The assessment was \$1,309 per buildable lot, which represented nearly 27 percent of the project costs.

**Major Types of Financing:** As explained in the report and presentation by Ehlers, Inc., there are three major types of financing for public improvement projects.

1. **Pay-as-you-go:** The City simply accumulates funds until they are sufficient to pay all of the costs for improvements. While this approach allows the City to earn interest during the years it is setting funds aside and avoids paying interest if it issued debt, it has a "generational equity" matter in that future beneficiaries do not contribute to the improvement. To the extent that the City needs to levy taxes to fund these projects, they would be subject to levy limits that may be imposed by the Legislature.

2. General Obligation Capital Improvement Program Bonds: Several years ago, the Legislature authorized cities to issue these bonds for a variety of public improvements that are identified in their capital improvement programs. However, using these bonds is subject to a *reverse referendum*. Within 30 days after taking action to use this bond financing, if a number equivalent to at least five percent of the voters in the last general election submit a petition calling for a referendum, then one must be held. Capital improvement bonds are currently outside of any levy limits established by the Legislature, but must not exceed 0.16 percent of the taxable market value of all property in the City.
3. General Obligation Improvement Bonds (Using Special Assessments): Chapter 429 of Minnesota Statutes allows cities to issue general obligation ("G.O", meaning backed by the full faith and credit of the City,) improvement bonds provided that at least 20 percent of the revenues for the bond issue come from special assessments. By State law, the special assessment levied on a property may not exceed the benefit (i.e., increase in market value) to the property resulting from the improvement. Special assessments acknowledge that there are general public as well as private benefits from public improvements. These bonds have not been subject to levy limits established by the Legislature.

For the improvements described in (2) and (3) above, the benefit of debt financing comes from being able to plan for more constant and affordable levels of funding from year to year. Depending on one's point of view, it also addresses the matter of generational equity.

Varying Percentages for Assessments: Updated information from Ehlers, Inc., illustrates the tax impact of the 2009-2013 Street CIP for \$300,000 - \$700,000 residential properties, given the cost estimates for the projects in the CIP. They show the resulting tax from special assessment revenue from 20 to 40 percent of project costs, in five percent increments. The difference on the taxes for an individual property whether 20 or 40 percent is assessed amounts to only a few dollars per year. However, the amount assessed to a property would vary significantly more, from \$1,400 to \$2,100 in 2009, for example.

Fixed Unit Assessments: The City has preferred to use the per-unit approach to special assessments. The cost per unit can be spread based on the percentage chosen to be assessed. This can be done for each improvement project, or based on the costs of all the projects to be done over a year or more. For example, the Council might set the unit assessment at \$1,600 for one year, raise it to \$1,700 in a subsequent year, etc. This approach would provide some consistency and predictability for property owners from year to year. The rate would need to be set to assure that at least 20 percent of revenue for the improvement bonds would come from special assessments.

Differentiation Based on Type of Improvement: There are at least two types of street improvements that the Council may wish to address differently.

- 1) Major streets vs. minor streets: Major streets are designed to carry more traffic than minor, residential streets. These streets will cost more to build, and may require more frequent improvements like overlays. This raises an issue of fairness for the owners of properties on major streets compared to those owning property on residential streets. It is common among cities to identify a standard for a residential street, and to apply and cost for that street as the basis for assessments on properties along major streets. The City's policy is silent about this matter.
- 2) Reconstruction vs. Rehabilitation/Overlay: The City's policy states that the Council may establish a rate for each type of improvement. In practice, the City has treated each type of improvement the same in terms of the level of assessments. There may be greater benefit for properties from (re)constructing a street compared to an overlay. The Council may want to consider whether different percentages of costs should be assessed based on the type of street improvement.

Suggested Updates and Revisions to Current Policy: As staff has reviewed the existing policy, we have identified several items that should be considered for revision.

- The policy is a bit cumbersome as the statutory process is often repeated under each type of improvement. It could be reorganized with the process stated once toward the beginning of the policy
- The January 1 date by which petitions must be received should be removed. It really has no practical effect on the likelihood of constructing an improvement the following year.
- In Section II (page 2), the unit-basis for assessments on Agricultural and Rural Residential Property is addressed. Such properties that have not been subdivided will be assessed one unit per dwelling on the property. If such a property is subdivided after the improvement is completed, but before the greater of the period of assessment or eight years, the property will pay for the total number of new lots based on the original assessment. It is unclear whether interest is to be charged.

To make special assessments collectible, this approach should be identified as something to be done by deferred assessment. The deferred amount would likely be calculated based upon the number of units that could be created given current zoning. The Council could consider capping the interest that would accrue, as well as whether the deferral should sunset (in which case the City would be at risk to cover the amount of the deferred assessment).

- The City Attorney has provided several comments for consideration (see attachment).

**RECOMMENDATION:** Staff recommends that the Council (1) determine the basis for any special assessments to be used for projects in 2009 (i.e., a percentage of costs, or a fixed dollar amount); and (2) identify and direct staff to prepare any modifications the Council wishes to make to the City's policy.

**SUGGESTED MOTION FOR CONSIDERATION:**

*Move to set the special assessments to be used for 2009 street projects and to direct staff to prepare modifications to the City's Public Improvement and Assessment Policy per Council discussion.*

**ATTACHMENTS:**

- City's Public Improvement and Assessment Policy
- City's Attorney's memorandum of February 26, 2009
- Revised Charts and Tables from Ehlers, Inc. (four pages)

**ORDER OF BUSINESS:**

- |  |   |
|--|---|
| • Introduction   | Craig Dawson                                  |
| • Report by staff or other presenter                     | Craig Dawson, Jack Griffin,<br>Dave Callister |
| • Questions from City Council members to the presenter   | facilitated by Mayor                          |
| • Questions/comments from the public to the City Council | facilitated by Mayor                          |
| • Action on motion                                       | City Council                                  |

City of Lake Elmo  
Public Improvement and Assessment Policy

**I. INTRODUCTION**

It has been and will continue to be the policy of the City Council that when public improvements are made which are of special benefit to certain areas, special assessments will be levied for the benefits received. The procedures used by the City are those specified by Minnesota Statutes, Chapter 429, which provide that all, or a part of the cost of the improvements, may be assessed against benefiting properties in accordance with the benefits received. The statute, however, does not provide a guide as to how these benefits are measured or how the costs are to be apportioned. The purpose of this general policy is to establish a consistent standard for the apportionment of special assessments.

**II. TYPES OF IMPROVEMENTS**

This policy shall relate to those public improvements allowable under Minnesota Statute 429. Generally, the improvements include: street and street lighting improvements; sanitary and water utility improvements; sanitary and water utility improvements; storm sewer and drainage improvements; and bikeway/ped/way improvements.

This policy outlines how new construction, reconstruction, and major maintenance shall be financed under each type of project.

Project costs shall include: the construction costs; engineering; testing; permitting; legal; administrative; land or easement acquisition; fiscal; capitalized interest; data processing and publications fees.

**III. SPECIAL ASSESSMENT METHODS**

Benefiting properties generally are assessed by one or a combination of four (4) methods; front footage; area; unit and benefit appraisal. Generally, the nature of an improvement lends itself to a particular method. The four (4) methods are described as follows:

- A. Frontage Method:** Frontage is measured at the building setback line. Assessments are determined by multiplying the frontage by the Council-established rate.
- B. Area Method:** Assessments are determined by multiplying the net developable area (gross area less wetland area) by the Council-established assessment rate.
- C. Unit Method:** Assessments are determined by multiplying the particular land unit by the Council established assessment rate, for each particular zoning category.

**D. Benefit Appraisal Method:** Assessments are determined by assigning the increase in value to a property as determined by the appraisal.

**Corner Lots:** Corner lots are included in the benefiting area with the exception of single/two family dwellings. If the improvements are along the front lot line of a single/two family dwelling, the parcel shall be included in the benefiting area with each unit assessed separately. If the improvements are along the side lot line of a single/two family dwelling, the parcel shall not be included in the benefiting area, unless the lot can be subdivided. <sup>1</sup>For the purpose of this Assessment Policy, the front lot line is defined as the side of the lot which abuts the street upon which the property is addressed.

**Recreational Lots:** Recreational lots without a primary living structure, but used for recreational purposes, and not combined with the owner's lot with a primary structure shall be included in the benefiting area and assessed at one-half (1/2) of the rate for a non-recreational lot within the same project.

**Agricultural and Rural Residential Property:** Property zoned Agricultural or Rural Residential that has not been subdivided will be assessed as one unit for each dwelling on the property. If the property is subdivided after the completion of said improvement, but before the expiration of the assessment period or eight years, whichever is the greater, then the property will pay a total contribution equivalent to the total number of subdivided lots based on the original assessment without interest. (or with interest.)

**Cul de Sacs<sup>2</sup>:** Property located on a cul-de-sac will be assessed the same as that of the street providing access to the cul-de-sac. This policy shall apply regardless of the cul-de-sac being included in the street improvement.

#### **IV. IMPROVEMENTS**

##### **A. Roadway and Street Lighting Improvements**

1. Petitions for roadway and street lighting projects shall be filed and accepted by the Council prior to January 1 of the year of construction. The Council may authorize accepting a petition after January by special consent.
2. Projects may be initiated by petition of at least thirty-five percent (35%) of the property owners measured in area and/or frontage, and requires a majority vote of the City Council.

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<sup>2</sup> Amended by the City Council on 8-21-01

3. Projects may be initiated by the City Council in absence of an adequate petition and requires a four-fifths (4/5) majority vote of the City Council.
4. Street light petitioned projects shall be uniformly spread to the benefiting properties.

**B. Reconstruction**

1. Petitions for roadway projects shall be filed and accepted by the Council prior to January 1 of the year of construction. The Council may authorize accepting a petition after January 1 by special consent.
2. The scope of project shall be determined by traffic volumes, and reason for pavement deterioration.
3. Abutting property owners, and property obtaining access to a cul-de-sac from the street subject to improvement<sup>3</sup> shall be assessed based on zoning category. The Council will set the appropriate rate for each zoning category.
4. The assessment rate with a zoning category shall be equal throughout the community, independent of project scope.
5. The City will assess its share of County Road projects to properties along County roadways in the same manner as City streets.
6. The City participation in projects will be the difference between the project cost and the amount to be assessed. The City's share may include: Municipal State Aids (MSA) on MSA routes, Grants, Capital Improvement Funds, or a Citywide Improvement Utility.
7. Streetlights may be installed as part of a roadway reconstruction project if sixty percent (60%) of the neighborhood signs a petition requesting the installation. The installation costs will be financed as part of the reconstruction project.

**C. Major Maintenance**

1. Overlays to postpone the reconstruction of a roadway shall be assessed to the abutting property owners based on zoning category. The Council will set the appropriate rates for each zoning category.
2. Sealcoating shall not require abutting property participation.

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<sup>3</sup> Amended by the City Council on 8-21-01



3. The City's share of project costs shall be determined by deducting the assessable costs from the project costs. The City's share may be financed with MSA, Capital Improvement funds, Maintenance Funds, or funds acquired through a Citywide Improvement Utility.

**D. Bikeway/Pedway Improvements**

1. The City may install bikeway/pedways according to the Comprehensive bikeway/pedway plan for the community. The bikeway/pedways should be an eight (8) foot wide asphalt surface if separated from the roadway surface a minimum of four (4) feet.
2. Bikeways/Pedways may be financed as part of a roadway reconstruction assessment; park dedication fees; MSA, Capital Improvement funds, or funds acquired through a Citywide Improvement Utility.
3. The City will repair and remove snow from all bikeway/pedways.

**E. Street Light Improvements**

1. Streetlights may be included as part of reconstruction and overlay projects if sixty percent (60%) of the property owners petition for the installation.
2. Streetlights installed as part of reconstruction or overlay projects shall be financed as part of the assessed roadway project.

**F. Utility Improvements (New Construction)**

1. Petitions for utility projects shall be filed and accepted by the Council prior to January 1 of the year of construction. The Council may authorize accepting a petition after January 1 by special consent.
2. Projects may be initiated by petition of at least thirty-five percent (35%) of the property owners measured in area and/or frontage, and requires a majority vote of the City Council.
3. Projects may be initiated by the City Council in absence of an adequate petition and requires a four-fifths (4/5) majority vote of the City Council.
4. The City's share may be financed with Water/Sewer Access Charge funds (WAC/SAC).

**G. Utility Improvements (Reconstruction and Major Maintenance)**

1. The replacement of water mains, sanitary sewer mains and service lines within the right-of-way shall be financed out of the Utility Reserve Fund.
2. The property owner shall pay for the replacement of services on private property.
3. Roadway reconstruction and major maintenance projects accelerated because of utility replacement projects shall be financed through the Utility Reserve Fund in proportion to the remaining design life of the street.

**H. Storm Sewer Projects (New Construction)**

1. Petitions for storm sewer projects shall be filed and accepted by the Council before January 1 of the year of construction. The Council may authorize accepting a petition after January 1 by special consent.
2. Projects may be initiated by petition of at least thirty-five percent (35%) of the property owners measured in area and/or frontage, and requires a majority vote of the City Council.
3. Projects may be initiated by the City Council in absence of an adequate petition and requires a four-fifths (4/5) majority vote of the City Council.
4. Projects initiated by property owners shall have their participation determined by land use, contributing area and rate of runoff. Project assessments shall be determined by multiplying the accessible area by the Council-established assessment rate taking into account land use and rate of runoff.

**I. Storm Sewer Projects (Reconstruction and Major Maintenance)**

1. Storm Sewer Projects shall be incorporated and considered as part of roadway reconstruction and major maintenance projects, and assessed as part of the project.

**V. ASSESSMENT PERIODS DETERMINED BY TYPE OF PROJECT**

New construction projects may be assessed over a five (5) year period, with the exception of street lighting, which shall be limited to three (3) years.

- \* Reconstruction projects may be assessed over a ten (10) year period.
- \* Trunk water and sewer facilities may be assessed over a twenty (20) year period.
- \* Overlay projects may be assessed over a five (5) year period.

## **VI. HARDSHIP DEFERRALS FOR SPECIAL ASSESSMENTS**

The City Council will consider a deferment for the payment of special assessments on any homestead property, owned by a person 65 years of age or older or retired by virtue of permanent and total disability for whom it would be a hardship to make the payments.

A hardship shall be deemed to exist when the annual principle installment of all assessments levied against the property exceeds two percent (2%) of the adjusted gross income of the applicant as evidenced by the applicant's most recent federal income tax return, and total assets (excluding the homestead property) do not exceed six times the adjusted gross income.

The City Council may also determine, on a case by case basis, the existence of a hardship on the basis of exceptional and unusual circumstances not covered by these standards and guidelines, if done in a non-discriminatory manner and without giving the applicant an unreasonable preference or advantage over other property owners.

All assessments will continue to bear interest on the unpaid principle balance at the rate established on the original special assessment.

The deferment shall terminate and all principle and interest becomes due and payable upon the occurrence of any of the following events:

1. The death of the owner when there is no spouse whom is eligible for deferment.
2. The sale, transfer or subdivision of the property or any part thereof.
3. The property should lose its homestead status.
4. The City Council should determine that the hardship no longer exists. A review of the hardship will be conducted every three to five years.

Warren E. Peterson  
Jerome R. Filla  
Daniel Witt Fram  
Glenn A. Bergman  
John Michael Miller  
Michael T. Oberle  
Steven H. Bruns\*  
Paul W. Fahning\*  
Sonja R. Ortiz  
Amy K. L. Schmidt  
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February 26, 2009

Craig Dawson  
City Administrator  
City of Lake Elmo  
3800 Laverne Ave. North  
Lake Elmo, MN 55042

Re: Special Assessment Policy

Craig:

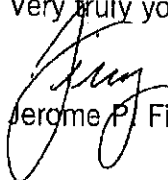
At your request, I have reviewed the City's current Public Improvement and Assessment Policy ("Policy"). It is my understanding that the City Council will be reviewing and possibly amending portions of the Policy before it conducts hearings on improvement projects proposed for 2009. I offer the following general comments and recommendations:

1. All or a portion of the improvements listed in Minnesota Statutes Chapter 429.021 can be specially assessed against benefiting property.
2. The maximum special assessment is equal to the increase in a property's market value resulting from the construction of the improvement.
3. Cities adopt assessment policies primarily to ensure that, over time, similarly situated properties are assessed in the same manner.
4. In regard to the City's current policy:
  - a. Section III (Assessment Methods) itemizes methods the City uses to treat similar property equally. If a property owner challenges the levy of a special assessment, a reviewing court will determine whether the assessment method treats similar property in an equal manner; and if, regardless of the assessment method utilized, the assessment increases market value by the amount of the special assessment.

- b. The provisions in Section III (Agricultural and Rural Residential Property) appear to have been adopted so that owners of large parcels are not forced to subdivide in order to pay special assessments. If the City intends to defer special assessments, it should adopt a deferred special assessment roll and file it with the county.
- c. Various sections of the policy indicate that improvement projects can be initiated by a petition of property owners or by city council action. Public improvement projects constructed pursuant to M.S. 429, can be approved by three (3) affirmative votes of the city council when there has been a petition signed by the owners of 35% of the frontage of the real property abutting on streets named within the petition. Area is not a criteria when determining the adequacy of a petition. If there is no petition, four (4) affirmative city council votes are necessary to approve an improvement project. After the project is constructed, it only takes three (3) affirmative council votes to levy assessments.
- d. I don't know what assessing by zoning categories means and this method of assessment is not identified in the first part of Section III.
- e. City Code Sections 50.17 and 51.025 relate to connection charges for city water and waste treatment facilities. These sections are based on the authority contained in M.S. 444.075 and indicate that the City can recapture improvement project costs, which were not specially assessed by means of the connection charge. This provision can only be applied to sewer and water projects, but not street improvement projects.
- f. I have not been able to establish, based on council minutes that were given to me, when the current policy was adopted. Therefore, when the city council completes its policy review, I would recommend that the entire policy be specifically adopted by the city council as revised.

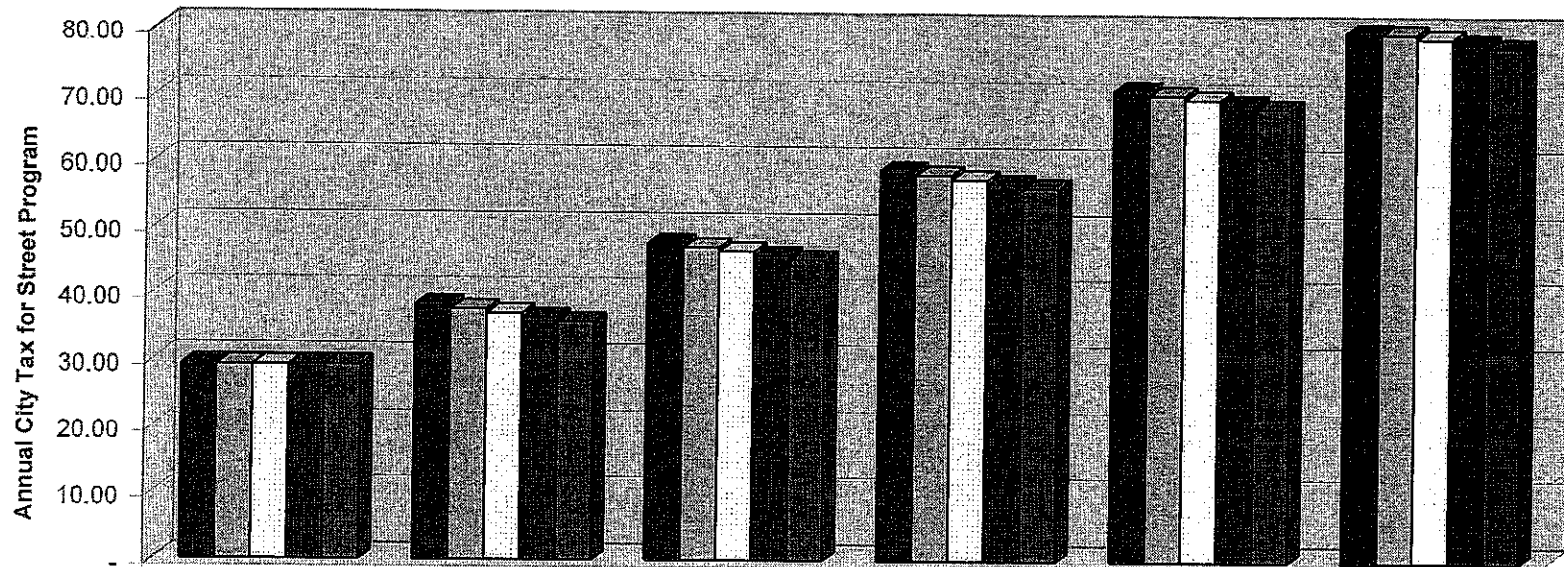
If you have any questions, please contact me.

Very truly yours,

  
Jerome P. Filla

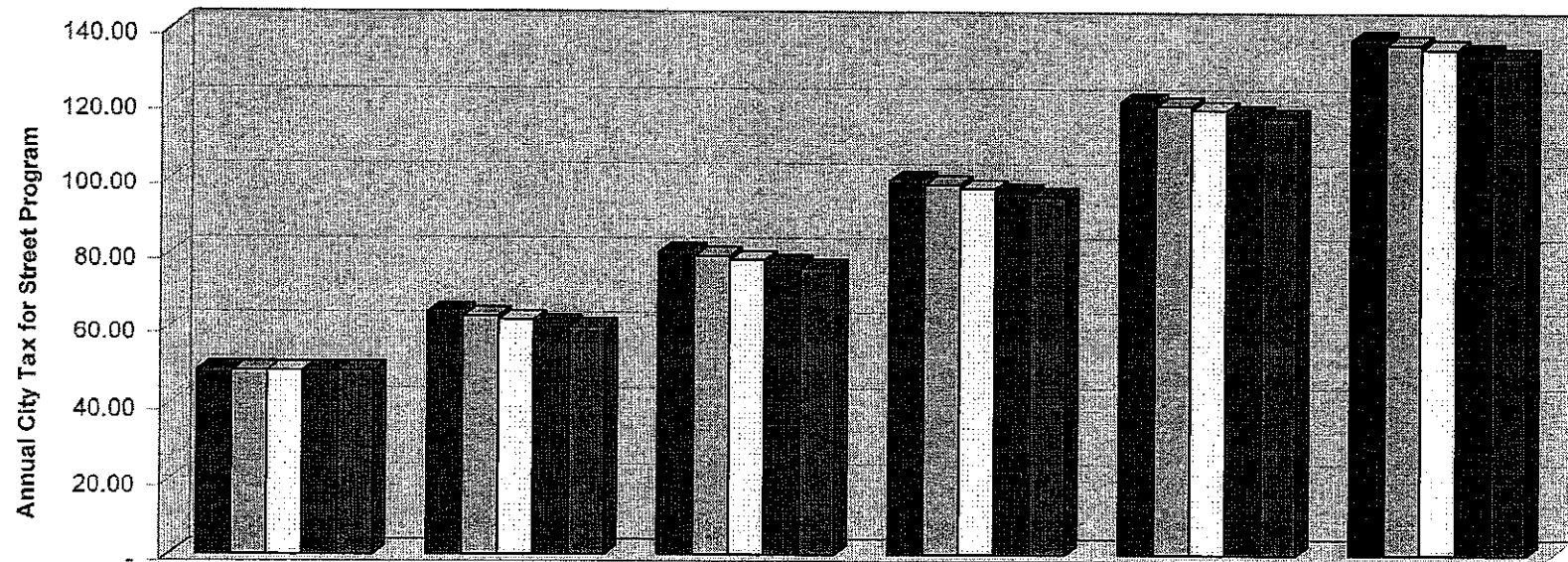
JPF/jmt

**City of Lake Elmo  
Projected City Tax Impacts  
Street Reconstruction Program  
\$300,000 Home (Inflated at 2% Annually)**



	2009	2010	2011	2012	2013	2014
■ 20% Assessment	29.29	38.33	47.86	58.94	71.17	80.48
■ 25% Assessment	29.29	37.70	47.23	58.31	70.55	79.86
□ 30% Assessment	29.29	37.07	46.60	57.68	69.92	79.23
■ 35% Assessment	29.29	36.45	45.97	57.05	69.29	78.60
■ 40% Assessment	29.29	35.82	45.35	56.43	68.66	77.97

**City of Lake Elmo  
Projected City Tax Impacts  
Street Reconstruction Program  
\$500,000 Home (Inflated at 2% Annually)**



	2009	2010	2011	2012	2013	2014
■ 20% Assessment	48.82	64.20	80.54	99.65	120.88	137.30
■ 25% Assessment	48.82	63.15	79.48	98.58	119.81	136.23
□ 30% Assessment	48.82	62.09	78.43	97.52	118.75	135.16
■ 35% Assessment	48.82	61.04	77.37	96.46	117.68	134.09
■ 40% Assessment	48.82	59.99	76.31	95.40	116.61	133.02

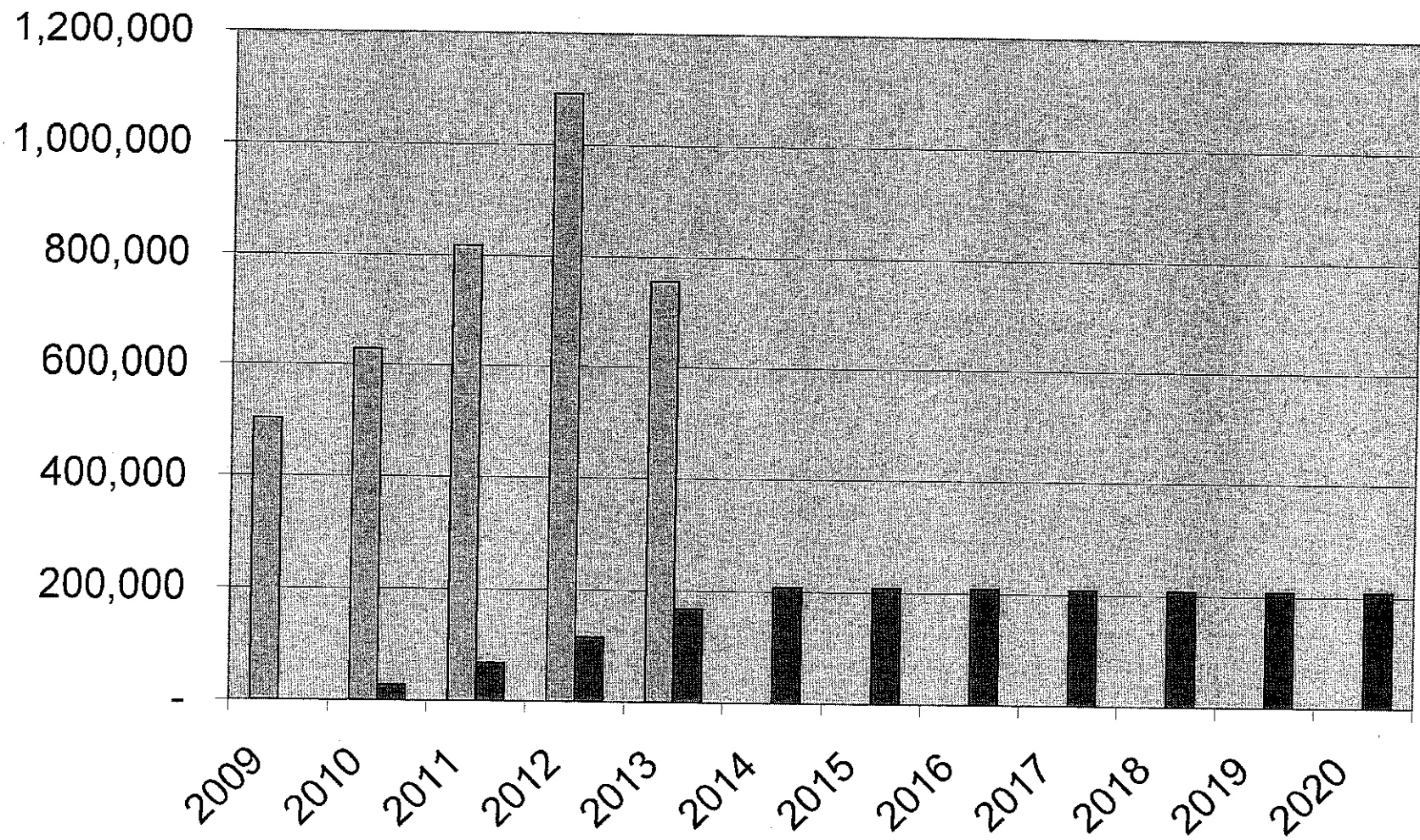
**City of Lake Elmo  
Projected City Tax Impacts  
Street Reconstruction Program  
\$700,000 Home (Inflated at 2% Annually)**

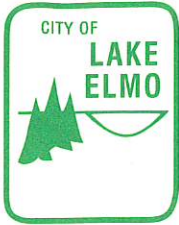


	2009	2010	2011	2012	2013	2014
20% Assessment	73.24	96.14	120.42	148.76	180.19	204.37
25% Assessment	73.24	94.56	118.84	147.18	178.60	202.78
30% Assessment	73.24	92.99	117.26	145.59	177.01	201.18
35% Assessment	73.24	91.41	115.68	144.01	175.42	199.59
40% Assessment	73.24	89.84	114.10	142.42	173.83	197.99



## Cash financing v debt financing





# City of Lake Elmo

651/777-5510

3800 Laverne Avenue North / Lake Elmo, MN 55042

## MEMORANDUM

**TO:** City Council  
**FROM:** Craig W. Dawson, Interim City Administrator  
**DATE:** March 3, 2009  
**SUBJECT:** Additional Information regarding Agenda Item 6

Councilmember DeLapp has prepared the attached materials, and requested that they be copied and made available for the discussion of this agenda item at tonight's Council meeting.

## Lake Elmo Road Assessment Policy for Consideration, March 3, 2009.

The "Basic Road Design" for a City road, except for designated MSA and Trail routes, will be defined as a 9 ton, 22 foot wide, paved surface, intended for two way traffic and without a curb. One way roads will be assumed to be 11 feet wide.

The "Basic Road Design" for City designated Minnesota State Aid roads will be 9 ton, 24 feet wide. One way road sections for MSA roads will be assumed as 16 feet wide, per MnDot standards.

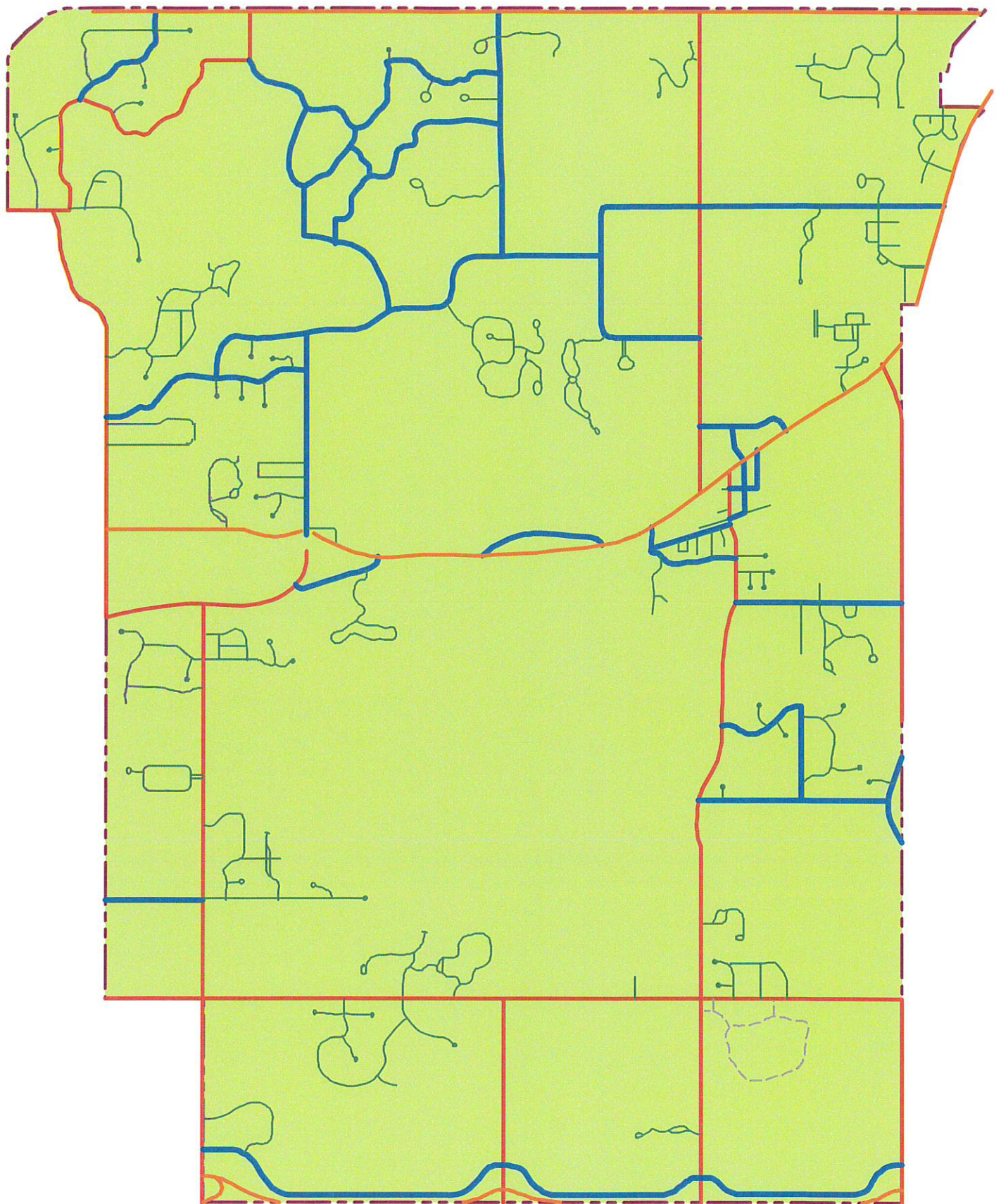
The "Basic Road Design" for City designated bike routes on the City Trail Plan, will be 9 ton, 26 feet wide.

Turn-arounds at the end of cul-de-sacs will be assumed as 16 feet wide because the sharp turning radius precludes an 11 or 12 foot width for City emergency vehicles and buses.

City taxes will fund the total cost for all seal coating, and the cost for overlays, and replacement of roads up to the cost required for "Basic Road Design", which in all cases is the minimum needed for equal provision of City services and the providing the least negative environmental impact.

Property owners will pay 100% for road overlay/replacement costs above the costs for "Basic Road Design". This includes additional costs for wider roads, and the costs for replacement of curbs. (It will be assumed that the costs for engineering, and contractor's general conditions will be included as part of the costs for "Basic Road Design".)



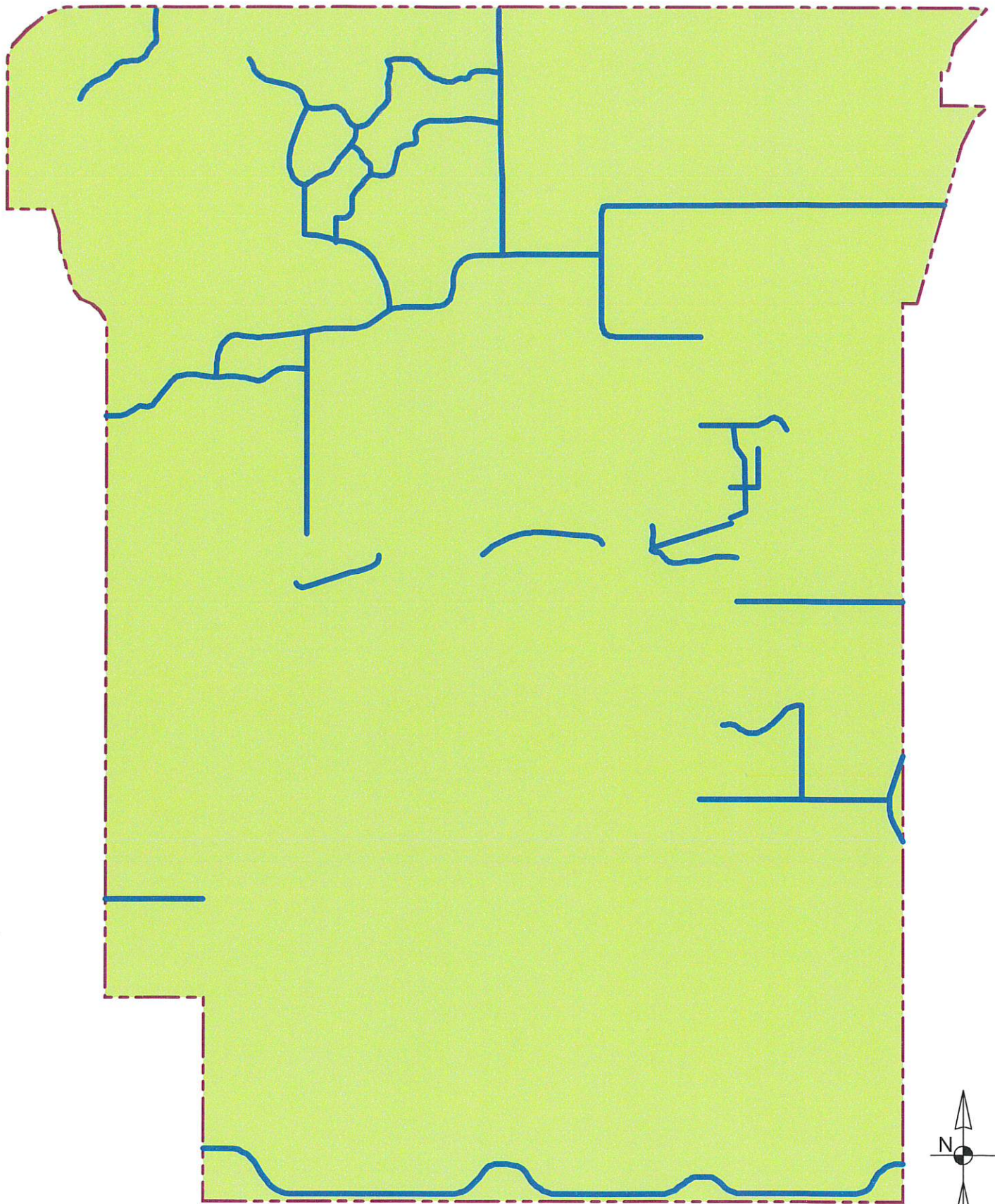


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| <span style="color: red;">—</span> State Hwys         | <span style="color: gray;">---</span> Cimarron Priv. St.  |
| <span style="color: red;">—</span> County Hwys        | <span style="color: blue;">—</span> City Thru Streets     |
| <span style="color: red;">—</span> Oak Park Hgts. St. | <span style="color: green;">—</span> City Insular Streets |

## Lake Elmo Streets

March 3, 2009



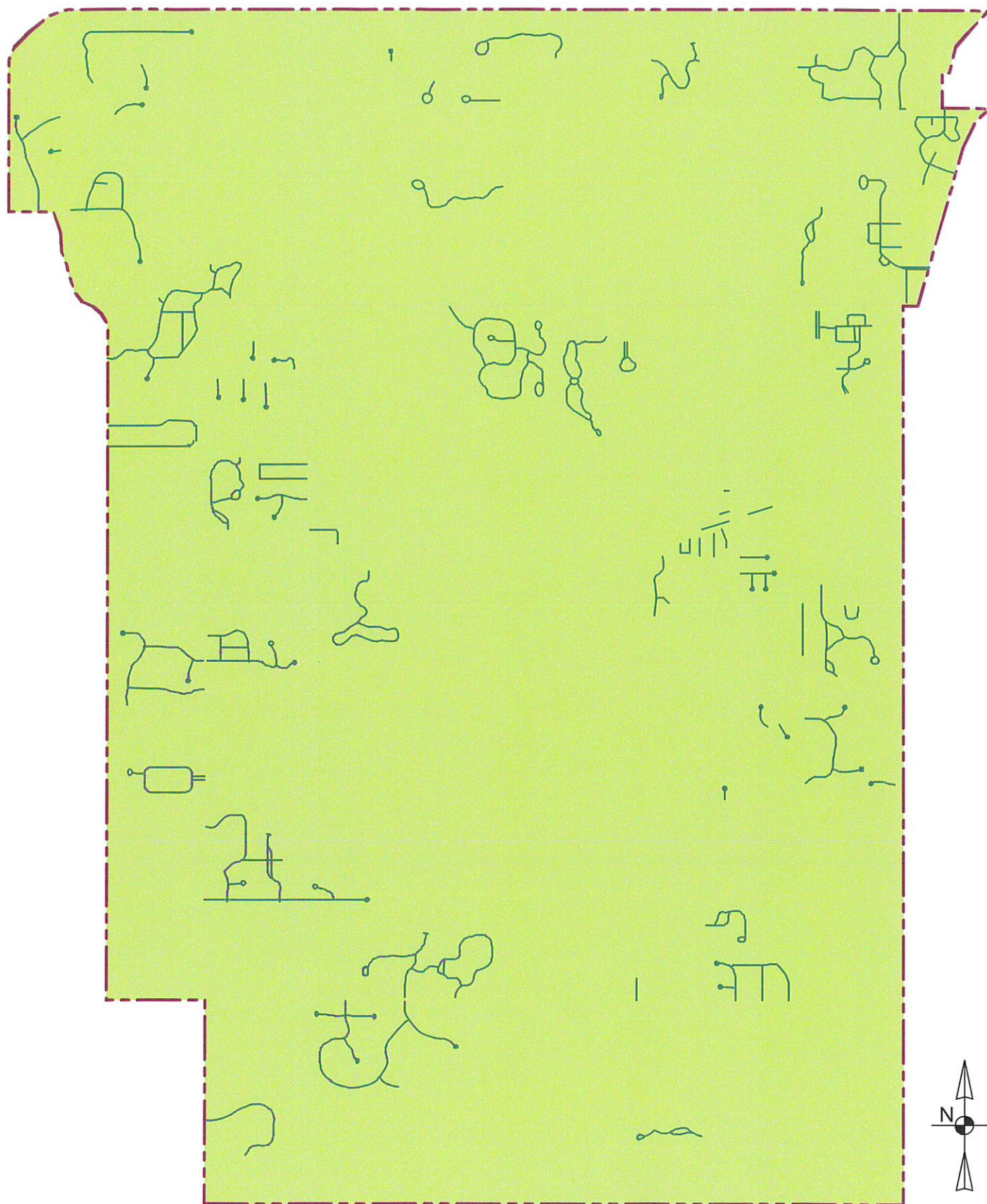


— City Thru Streets

## Lake Elmo Thru Streets

March 3, 2009





— City Insular Streets

## Lake Elmo Insular Streets

March 3, 2009

City Council

Date:

March 3, 2009

REGULAR

Item:

Motion

ITEM: Selection Process for City Attorney  
SUBMITTED BY: Craig W. Dawson, Interim City Administrator

---

**SUMMARY AND ACTION REQUESTED:** On February 17, the City Council received proposals from 11 firms that responded to the City's Request for Proposal (RFP) for city attorney (civil legal) services. I provided a rating guide for the Council to assist you as you reviewed the proposals. The Council decided to take the two weeks between Council meetings to review the proposals, and to discuss at the March 3 meeting how it would go about the process of selecting firms to interview.

The Council will need to decide how it will proceed with the next step(s) of the city attorney selection process. The schedule anticipated in the RFP that firms would be interviewed during the week of March 9. The Council will also need to set the date(s) for the interviews to be conducted.

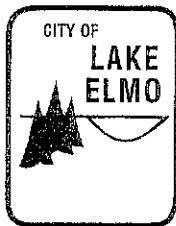
**SUGGESTED MOTION FOR CONSIDERATION**

*(Move to proceed with the city attorney selection process per Council discussion.)*

**ORDER OF BUSINESS:**

- |  |                      |
|--|----------------------|
| • Introduction   | Craig Dawson         |
| • Report by staff or other presenter                     | Craig Dawson         |
| • Questions from City Council members to the presenter   | facilitated by Mayor |
| • Questions/comments from the public to the City Council | facilitated by Mayor |
| • Action on motion                                       | City Council         |





# City of Lake Elmo

651/777-5510

## MEMORANDUM

3800 Laverne Avenue North / Lake Elmo, MN 55042

**TO:** City Council  
**FROM:** Craig W. Dawson, Interim City Administrator  
**DATE:** February 17, 2009  
**SUBJECT:** City Attorney Proposals

When the door came down on the front counter last Friday afternoon, the City had received 11 proposals from attorneys to civil legal services as the City's new City Attorney. Their proposals are non-public documents until the Council has appointed the new City Attorney. The firms submitting are:

1. Barna, Guzy & Steffen, Ltd.
2. Callies Law, PLLC
3. Campbell Knutson, PA
4. Eckberg, Lammers, Briggs, Wolff & Vierling, PLLP
5. Hoff, Barry & Kozar, P.A.
6. Iverson Reuvers, LLC
7. Kelly & Lemmons, P.A.
8. Kennedy & Graven, Chartered
9. Koll, Morrison, Charpentier & Hagstrom, PLLP
10. Malkerson Gilliland Martin, LLP
11. Meagher & Geer, PLLP

The anticipated schedule related in the Request for Proposals (RFP) showed that the City Council would be reviewing proposals through March 6, and the whole Council interviewing invited firms during the week of March 9. Thus, it would be possible to appoint the City Attorney at the March 17 Council meeting. The Council should discuss the process to be followed if it wishes to invite some, but not all, of the firms to interview. This schedule can, of course, be adjusted as the Council deems appropriate, but it would likely move the appointment date back to early April.

I would suggest that the Council individually review the proposals; use the attached form (or something like it) to rate the firms and provide comments; and select two of its members to work with the city administrator to determine which firms to invite to interview.

As with any selection process, it is challenging to be entirely objective; as councilmembers, you need to exercise good judgment. I'm suggesting that the firms be rated as follows:

- 3 - Definitely interview
- 2 - Worth considering to interview
- 1 - Do not invite to interview

There will likely be a natural break-point which will make it apparent which firms the Council believes should be invited to interview. It's not necessarily necessary to set a fixed number of firms to consider.

Also, as with any professional services, the Council does not need to consider the firms' proposed fees as the primary criterion in making its selection. The Council should be judging which firms offer the best value in serving its interests.



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