

Mayor Hafften called the **May 13, 2014** Regular Meeting of the Rockford City Council to order at 7:02 p.m. The meeting was held in the Council Chambers of City Hall at 6031 Main Street, Rockford, MN.

Roll Call

Roll call was taken. The following council members were present: Hafften, Graner, Kesanen, Martinson and Wenz. Absent: None. Also in attendance were: Engineer Ward, Financial Consultant Sweeney, Finance Clerk Swendsen, Public Works Supervisor Peterson and Deputy Clerk Etzel

The Pledge of Allegiance to the Flag was given.

Approve Consent Agenda/Set Agenda

MOTION was made by Graner, seconded by Wenz to approve all items on the consent agenda 3.A to 3.E and set agenda Items 4.A to 4.C.

MOTION CARRIED-VOTING IN FAVOR: HAFFTEN, GRANER, KESANEN, MARTINSON AND WENZ.

***Approve Regular Council Minutes/April 22, 2014**

MOTION was made by Graner, seconded by Wenz to approve the minutes of the April 22, 2014, Regular Council Meeting.

MOTION CARRIED-VOTING IN FAVOR: HAFFTEN, GRANER, KESANEN, MARTINSON AND WENZ.

***Approve Special Council Minutes/April 29, 2014**

MOTION was made by Graner, seconded by Wenz to approve the minutes of the April 29, 2014, Special Council Meeting.

MOTION CARRIED-VOTING IN FAVOR: HAFFTEN, GRANER, KESANEN, MARTINSON AND WENZ.

***Approve Payment of Claims**

MOTION was made by Graner, seconded by Wenz to approve the payment of claims #23167 to #23244 in the amount of \$156,018.15

MOTION CARRIED-VOTING IN FAVOR: HAFFTEN, GRANER, KESANEN, MARTINSON AND WENZ.

***Approve April 2014 Building Permits**

MOTION was made by Graner, seconded by Wenz to approve the April Building Permits #14-19 to #14-29.

MOTION CARRIED-VOTING IN FAVOR: HAFFTEN, GRANER, KESANEN, MARTINSON AND WENZ.

***Approve Hiring Summer Engineer Intern/Stranchfield**

MOTION was made by Graner, seconded by Wenz to hire John Stranchfield as the 2014 engineer internship for three months at \$15 per hour, starting on May 19, 2014.

MOTION CARRIED-VOTING IN FAVOR: HAFFTEN, GRANER, KESANEN, MARTINSON AND WENZ.

Resolution #14-24/2014B G.O. Water and Sewer Revenue Bonds

Financial Consultant Sweeney stated the City Council previously awarded construction contracts for the purpose of replacing water and sanitary sewer mains, and for the purpose of making modifications to the wastewater treatment facility to reduce phosphorus emissions. Their recommendation for the structure and sale of bonds to finance these activities includes the use of a credit enhancement program offered by the Minnesota Public Facilities Authority whereby the State provides a limited guarantee for the repayment of the bonds. The net result is a less expensive credit rating, and City staff will likely not be required to go through the rating call process.

Based on the estimated total project costs provided by the City's engineer, a competitive sale in the amount of \$4,795,000 has been structured based on anticipated revenues from special assessments and the City's ability to adopt water and sewer rate increases to make debt service payments.

The financing structure is based on the following:

Water & Sanitary Sewer Main Replacement	\$3,292,566.87
Wastewater Treatment Plan Improvements	\$1,425,800.00
Underwriting	\$47,950.00
Finance & Legal	\$31,300.00
Rating	\$4,800.00
TOTAL PROJECT COST:	\$4,797,616.87

The funding sources to be utilized to finance project costs are summarized below:

G.O. Water & Sewer Revenue Bonds	\$4,795,000.00
Construction Fund Earnings	\$2,616.87
TOTAL FUNDING SOURCES:	\$4,797,616.87

While the principal payments are gradually increased over the first three years, starting in 2018 the City of Rockford will be required to apply approximately \$192,000 per year in sanitary sewer revenues and \$205,000 in water utility revenues toward the debt service of this bond issue.

The sanitary sewer fund is presently contributing approximately \$93,000 per year toward the debt service of the 2004B Bonds which will be paid off in 2016. This will create capacity for a portion of the required payment on the new bonds, but will still require rate increases of approximately 34% over 2013 rates to generate sufficient revenues to meet this obligation, and to pay the additional operation and maintenance cost of the phosphorus project which was previously estimated to be approximately \$100,000 per year. As the Sanitary Sewer Fund has a very low cash balance, it is likely that the Council will wish to consider an even greater increases to supplement the cash reserves in this utility.

The water utility is making annual debt service payments on the 2012B Bonds of \$34,000 per year which will be paid off in 2019, and is making payments of \$197,000 annually on the 2014A Bonds which will be

paid off in 2020. As the water utility does have a significant cash balance, he believes that a combination of rate increases of 20% over 2013 revenues and a spend down of approximately \$300,000 in cash will get the City through 2020 when the 2012 Bonds are paid off. If the City is anticipating that the capacity created in 2020 by the payoff of the 2012A Bonds will be needed for other projects, his recommendation for a rate increase to support the proposed bond issue then increases to a 38% increase in 2013 revenues.

The water and sanitary sewer rate increases referenced do not take into account any significant SAC/WAC revenues that could be used to offset some of the proposed increases if development activity improves in any meaningful way. As the bonds have been structured to provide some flexibility for the implementation of rate increases versus the utilization of connection charges in the next three years, he would recommend monitoring these revenues closely.

The preliminary debt service schedule also relies on the collection of \$320,600 in special assessments (principal) over a 10 year term at 4.5% interest. The prepayment of special assessments can cause cash flow issues as the interest on invested funds is currently much less than the interest being paid on the bond issue.

David Drown Associates, Inc. recommends the following for the proposed bond issue:

- Callable any time after 2/1/2021
- Sale of bonds utilizing a competitive sales process
- Utilization of the MN Public Facilities Authority Credit Enhancement Program
- They recommend purchasing a Standard & Poor's Rating (State's Rating)

The following is the proposed schedule for the issuance of bonds:

May 13, 2014 – Authorize Sale Process
June 10, 2014 – Award Sale of Bond Issue
June 24, 2014 – Closing

Council discussed the options and make the following motion.

MOTION was made by Martinson, seconded by Graner to approve Resolution #14-24 providing for the competitive negotiated sale of \$4,795,000 General Obligation Water and Sewer Revenue Bonds Series 2014B and covenanting and obligating the City to be bound by and to use the provision of M.S. 446A.086 to guarantee the payment of the principal and interest on the bond.

MOTION CARRIED-VOTING IN FAVOR: HAFFTEN, GRANER, KESANEN, MARTINSON AND WENZ.

Resolution #14-25/2014 Fog Seal Coat Bid

Public Works Supervisor Peterson noted on March 11, 2014 the City Council authorized staff to go out for bids for the 2014 Fog Seal Coat Project. They received three bids, with the lowest bid from Pearson Brothers for \$99,596.75. This project was budgeted and will be paid out of the Capital Improvement Fund 401.

Last year the Council approved a Fog Seal Coat Project and the staff feels this is better than the seal coat process. The seal coat project is less expensive but only lasts about 5 years where the fog seal coat project is expected to last 7 to 8 years.

Staff is recommending the Council approve the bid received from Pearson Brothers for \$99,596.75.

MOTION was made by Kesanen, seconded by Wenz to approve Resolution #14-25 awarding the bid received from Pearson Brothers for the 2014 Fog Seal Coat Project not to exceed \$99,596.75 and authorizes the Mayor and Clerk sign the contract.

MOTION CARRIED-VOTING IN FAVOR: HAFFTEN, GRANER, KESANEN, MARTINSON AND WENZ.

Approve Rockford Mall Outdoor Sales Application/Community Market

Staff received a request to use the Rockford Mall for the upcoming Community Market. The Temporary Outdoor Sales Permit needs to be signed by the property owner, the City of Rockford. The Community Market will be held on Fridays starting on May 16th until October 17th from 3pm-7pm for a total of 23 days.

The Rockford Mall property is located in the C-3 district and is allowed a maximum of 90 days per calendar year for temporary outdoor sales. The Rockford Mall property located at 8900 Walnut Street has not been issued any Temporary Outdoor Sales Permits for 2014.

Council discussed the use of the property and agreed the Community Market can use the outside space as requested, but will not be allowed to move the market indoor due to bad weather. There were concerns about ware-and-tear and if this would disturb the businesses, so no indoor use will be allowed.

The Community Market group is asking the Council to waive the \$25 fee and approve the applications. Council will waive the fee this year, but would like to review their balance sheet next year before waiving future fees.

MOTION was made by Martinson, seconded by Kesanen to waive temporary outdoor sales fee of \$25 for the Community Market, approves the outside use of the Rockford Mall property and authorizes the Administrator to sign the temporary outdoor sales permit on behalf of the City.

MOTION CARRIED-VOTING IN FAVOR: HAFFTEN, GRANER, KESANEN, MARTINSON AND WENZ.

Engineer's Report

The Engineer's report included the following:

- update on WWTF – preconstruction meeting has been held and contract is being finalized
- Utility Improvement Project – preconstruction meeting has been held, weekly notices will be distributed to the affected property owner with updates on the project, Centerpoint Energy plans to start the gas line relocations next week.
- Hurst Woods Channel Stability – punch list is being completed to review with the contractor
- Wellhead Protection Plan – working on the model phase of Part 1
- Working with staff on private developments

Finance Clerk's Report – 2014 First Quarter

Finance Clerk Swendsen presented the Council with the first quarter finances.

- Water Sales compared to 2013 have increased \$9,686
- Sewer Sales compared to 2014 have increased \$11,949

- Investment at the beginning of the year \$4,193,902 and end of first quarter \$3,386,715
- General Fund: Revenues \$53,835 YTD and Expenses \$312,394 YTD

Also reviewed: bond payments, CIP Funds, Park Dedication and other special funds.

A brief recap of the 2013 audit conducted by Abdo, Eick & Merers showed expenditures were under \$12,248 and revenues were over \$152,901 over budget.

Deputy Clerk’s Report

Deputy Clerk’s update included: clean-up day had over 140 paid loads, lots of events going on in town, Memorial Day events, and staff has been busy with the Rockford Mall and meeting with developers interested in residential lots.

Council Reports

Martinson – the Lions and Masons are working on a Memorial for the park, more information will eventually be presented to the Park Commission and the City Council. The Lion’s will have a pork chop dinner following the Memorial Day ceremony.

Graner – Fire Department Pancake Breakfast was a success.

Hafften – nothing to report

Wenz – Memorial Day the Stork House will have a pie & ice cream social following the ceremony.

Kesanen – the Community Market is starting on Friday, there is Dove Release on Saturday to raise funds for the American Cancer Society, 1000 Hearts Service Day is Sunday, May 18th and there are a lot of great projects going on in town and the surrounding area.

OPEN FORUM

Mayor Hafften called for open forum. No one from the public spoke.

ADJOURNMENT

MOTION was made by Graner, seconded by Wenz to adjourn the meeting.

MOTION CARRIED-VOTING IN FAVOR: HAFFTEN, GRANER, KESANEN, MARTINSON AND WENZ.

Mayor Hafften adjourned the meeting at 7:58 p.m.

Renee Hafften, Mayor

Audra Etzel, Deputy Clerk