

## **APRIL 21, 2022**

The Special Meeting of the Lake Benton City Council and the Lake Benton Economic Development Authority was held on Thursday, April 21, 2022 at 5:30 P.M. in the Lake Benton Area Community and Event Center. Mayor Michael Carpenter presided. Trustees Rosie DeZeeuw, Mark Dunn, Patrick Haynes and Daryl Schlapkohl were present. City Attorney Mike Cable, Shannon Sweeney with David Drown Associates, Administrator/Clerk Eileen Christensen, and Vince Robinson with DSI were also present.

Mayor Michael Carpenter called the meeting to order. The Pledge of Allegiance was recited by all present.

Mayor Michael Carpenter informed the audience the purpose of the public hearing is to receive public comment regarding the issuance by the Lake Benton Economic Development Authority of its Housing Development Bonds (Lake Benton General Obligation) in an aggregate principal amount not to exceed \$1,300,000.00, backed by the full faith and credit of the City of Lake Benton, Minnesota.

### **5:30 PM PUBLIC HEARING ON GENERAL OBLIGATION PLEDGE**

Mayor Michael Carpenter asked for a motion to go into the public hearing. **MOTION** by Rosie DeZeeuw, seconded by Daryl Schlapkohl to go into the public hearing. Motion carried.

Shannon Sweeney reminded the Council and EDA he previously recommended they take the lowest cost proposed on the issuance of obligation bonds backed by a general obligation pledge of the City which means the City can pledge a tax levy in the event of revenue shortfalls. The interest rates are low at this time and the investors know what they are purchasing. Generally this process includes issuance costs with hiring an underwriter, placing a mortgage on the EDA's current units, and the purchase of security documents which is ultimately more complicated. The goal is to keep the cost as low as possible by using the general obligation process. Minnesota Statutes Sections 469.090 to 469.1081 declare a public hearing needs to take place to pledge bonds 15 days before awarding the sale of bonds. After the 15 days, Shannon will bring a resolution to the Council to accept the bond sale. The process taking place this evening requires a draft housing finance program that briefly explains the project and to act on both preliminary resolutions (City and EDA) in order to move forward with the issuance of the bonds. Neither the City nor the EDA are incurring debt by any actions taken this evening, as they are not obligating the resolutions.

Following the proposed actions above, Shannon then provided a copy of the preliminary debt service schedule with First Security Bank for a 20-year obligation bond with a 3.65% fixed interest that totals approximately \$93,000.00 a year. Shannon reminded the City and EDA that 110% of actual debt coverage is required from revenue from the existing units and the new units to cover the debt. If the City and EDA choose a 30-year obligation bond they will incur additional interest. Shannon stated the 20-year obligation bond is good as there are sufficient funds to cover the debt and any maintenance expenses. Shannon compared the results of the obligation with First Security Bank and other bank placements, and they are competitive and he recommended working with First Security Bank.

The first initial payment of \$32,526.00 is due February 1, 2023 and after that date the EDA is required to use EDA funds to pay the remaining debt. The payments are due annually, February 1st to include the principal and interest and August 1st includes interest only. The principal was reduced for the February 2024 payment and the average payment will be \$90,000.00 a year. The EDA will have the ability to use funds from the existing units to help make the payments. After the award of financing and closing in 10 to 15 days later, the EDA will be reimbursed the \$230,000.00 previously paid to the Contractor for materials less \$50,000.00 for the EDA pledge toward the bond funding.

The floor was then opened for questions from the City Council and the EDA board members. A question was asked if the EDA will need the entire \$1.3 million. Shannon noted the EDA could lower the amount however, it will delay the process, so settling on a final dollar amount now would be quicker. It was suggested to use any remaining surplus bond proceeds to make the initial 2023 and 2024 debt service payments. This would allow the EDA to generate and retain revenue for general maintenance and other

associated costs of the duplexes. Can the EDA use the funding to pay the debt service? Shannon explained the \$1.3 million will be used to fund the project and contingencies and possibly the interest on the debt service. There is a prepayment penalty if the bond is paid prior to February 1, 2029, and it is better to wait ten (10) years. The taxes are based on the Payments in Lieu of Taxes (PILOT) program. It will be the EDA's responsibility to give notification and authorize the request through the County. The first property tax assessment will be effective January 1, 2023 and should be in place before the end of that year.

Shannon then informed the group that the EDA currently knows the revenue on the existing units and Shannon used \$1,400.00 for rent on the new duplex units in his projections, plus rental increases of 3% per year on the existing units as well as the new units. A question arose if the market rents being charged are consistent with communities the size of Lake Benton. Shannon explained the rent is right where it should be to pay for what you are building and the new units are being subsidized with the existing units. Other communities in the area are working on similar projects and are charging similar amounts.

**MOTION** by Mark Dunn, seconded by Patrick Haynes to close the public hearing at 5:55 PM. Motion carried.

The next item of business was to review/act on a Resolution approving the Housing Finance Program and the Issuance and Sale by the Economic Development Authority of the City of Lake Benton of its Housing Development Bonds, Series 2022 (City of Lake Benton, Minnesota, General Obligation) in an amount not to exceed \$1,300,000.00 backed by the full faith and credit of the City of Lake Benton, Minnesota.

**MOTION** by Daryl Schlapkohl, seconded by Rosie DeZeeuw to adopt the Resolution approving the Housing Finance Program and the Issuance and Sale by the Economic Development Authority of the City of Lake Benton of its Housing Development Bonds, Series 2022 (City of Lake Benton, Minnesota, General Obligation) in an amount not to exceed \$1,300,000.00 backed the full faith and credit of the City of Lake Benton, Minnesota. Motion carried.

The City and the EDA inquired about next steps, and Shannon explained he will attend a regular City Council meeting to approve the resolution awarding the sale, after bond counsel completes the documents. Shannon will work with Eileen Christensen on the meeting date. It is customary to award the bid within 15 days from now and to close within 30 days. Mayor Michael Carpenter informed the EDA the City is able to advance them up to \$70,000.00 if needed to cover the prepayment on the materials with the Contractor. The EDA did not act on that offer at that time.

There being no further business to come before the Council at this time, a **MOTION** was made by Mark Dunn, seconded by Daryl Schlapkohl and carried, the meeting adjourned at 6:05 PM.

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MAYOR

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ADMINISTRATOR/CLERK