

OCTOBER 25, 2023

A Special Meeting of the Lake Benton City Council was held on Wednesday, October 25, 2023 at 10:00 AM in the Lake Benton Area Community and Event Center. Mayor Michael Carpenter presided. Trustees Rosie DeZeeuw, Patrick Haynes, Karen Lichtsinn and Scott Christensen were present. City Administrator/Clerk Eileen Christensen, Maintenance Supervisor Travis Lustfield, and Shannon Sweeney with David Drown Associates were also present. Vince Robinson was absent.

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

Mayor Michael Carpenter welcomed Shannon Sweeney and stated the purpose of the meeting was to discuss financing options for the upcoming 2027 MnDOT Reconstruction Project. The former Lake Benton City Council committed to this project in March 2019 when the project was to begin in 2024 but was pushed back to 2027. MnDOT is moving forward and is planning to meet with the Council before the end of the year. Presently the City has two obligations – the first is the 2008 project with USDA with a balance of \$2,150,000.00 at 2.25% at the end of 2023, and the second is the Library loan with USDA with a balance of approximately \$98,500.00 with a fixed interest rate of 3.125%.

Shannon Sweeney indicated that he was provided information on costs for various projects with funding needs, and that ultimately a scope would need to be defined for the 2027 MnDOT project and other funding requests that the city may wish to include in the funding discussions.

Shannon first referenced the 2018 bond which was refinanced from a USDA loan to privately financing which can be prepaid in 2027 (or later) prior to the start of the projects. The first scenario of \$1.5 million was a project cost from Banner Associates for water, sanitary sewer, and storm sewer related to the 2027 MnDOT Project. Shannon indicated the storm sewer portion of the project would most likely not be grant eligible through the Public Facilities Authority (PFA) or USDA. Both entities look at the median household income and for the purpose of determining grant eligibility. Currently the average monthly payment per customer in Lake Benton is \$46.44 per month for water and \$35.55 per month for sewer. PFA would indicate that to be eligible for their grant funding, the customer would need to pay \$52.75 per month for each, and the USDA would likely be at \$65.94 (for each) before the project would be grant eligible.

The affordability requirements for grant eligibility are based on the median household income (2020 census) which is \$52,750.00. Shannon indicated the USDA would likely use the same median income, but has a higher affordability threshold.

The 2027 project cost estimate provided by the engineer had not been allocated to water/sanitary/storm, but Shannon indicated that for discussion purposes, if the bulk of those costs were split evenly between water and sewer, the average rates would need to be \$60.59 for water and \$49.70 for sewer. While it surpasses the grant eligibility threshold for a PFA grant for the water project, the state would need to find that the project is competitive (as compared to other projects) and it would have to score in the “fundable” range by the state.

Shannon also indicated that both PFA and USDA rarely provide grant funding for storm sewer, and only the USDA will cover street reconstruction costs if the street is disturbed to reconstruct at least two underlying utilities. Shannon suggested that regardless of scope, the city should consider a request for a state appropriation through the bonding bill for the 2027 project. If street and storm sewer costs are incorporated (for other prioritized projects), the bonding bill contribution should be directed towards those costs as they are not always grant eligible for other programs.

While both the PFA and the USDA have lower interest rates on their loans, both agencies have requirements that can add significantly to the project cost. The City will need to evaluate the added costs of the government participation based on the scope of the project to determine if their funding is efficient and affordable.

PFA and USDA applications typically require expensive engineering reports in order to apply to the programs. The Minnesota Pollution Control Agency (MPCA) and the State's Public Facilities Authority (PFA) evaluate where the City ranks in their funding process. Engineers can be very helpful if going after the PFA and USDA funds and assisting with pre-determining eligibility. The City may want to consider other needs in the community in addition to the 2027 MnDOT Project in those application processes. If the City has other needs such as street reconstruction, this will change how funding is pursued for the project. The 2027 MnDOT Project alone may not score high enough or may not trigger grant eligibility.

If a state appropriation is pursued, legislators that participate in that process will ask if the City applied to the PFA and if they are within the funding range. Shannon encouraged the City to seek a state appropriation through the bonding bill regardless of whether PFA or USDA funding is applicable to the project. City Council/Staff can present their request to the legislature in a very efficient and cost-effective manner.

Working with MnDOT on the 2027 project is also helpful in describing the need for funding. The City can state they are required to work under MnDOT's timeline to do the utility work as a part of the MnDOT project. Shannon stated that now is a great time to start working on funding for a 2027 reconstruction project and feels the City has at least two opportunities to submit a request for a state appropriation before the project is implemented. The application deadline is June, but the City's local legislators could assist them in being considered in the 2024 session.

Shannon indicated that if the Council was not successful the first time, they should continue to apply for a state appropriation. It was suggested that the City evaluate its project needs now, consider expanding the scope to meet additional needs that are a priority, and estimate a bit high for an appropriation request to account for inflation between when the request is initiated and when it may be granted.

Shannon indicated that the Council should be aware that they have an outstanding loan (originating from a USDA project) and that the USDA may look to refinance that existing loan to reduce their grant eligibility. As financing improvements over a longer term may not be in the City's interest, extending the term may not be desirable.

The Council informed Shannon that the City has 160 acres north of town and Lincoln-Pipestone Rural Water is constructing their new facility next spring and bringing in their own water and a private septic system. The Council is meeting with the EDA board this Friday and they will be discussing this area that has rolling hills and there is no place to expand unless the City takes out a hill. The Council inquired if funding is available to assist in leveling the ground and adding roads. Shannon informed the Council they can apply through the Department of Employment and Economic Development (DEED) but it is only for industrial development, warehousing or distribution, and DEED will provide 50% towards construction. The City can apply for this without a bonified tenant but it must be recognized as industrial development only. This will not fund a private septic system, but will fund water, storm sewer and street.

Shannon went on to explain that the PFA application deadline is typically in March. The application requires an engineering study of the water and sanitary sewer utilities. It was recommended the City ask the engineer what experience they have with PFA and if the project will be competitive in the scoring process.

The Council then informed Shannon the City funded an infrastructure project on the west side of town with their own cash reserves and inquired if this will assist in getting funding for the 2027 project as well. Shannon indicated that the City's investment in infrastructure should be included in the state appropriation discussion as it demonstrates that the city is investing and paying its fair share of project costs.

Shannon then stated in order to determine the amount of the state appropriation request, the City should identify a project scope that includes the most significant needs (i.e. water, sanitary sewer, storm sewer and streets). Shannon and Vince Robinson will then review and recommend funding sources that should be pursued and how best to submit a state appropriation request.

The City is presently at approximately \$5,000.00 in debt per capita which is considered high by credit rating agencies. This information can demonstrate that the City has invested in itself and has paid its share of project costs.

At the November 16, 2021 special meeting of the Council and MnDOT, the Council was presented with five cost analysis for the storm sewer TH 75 Reconstruction and Alternative for Grant Street Improvements – MnDOT is 4.5%, Lincoln County is 2% and the City of Lake Benton is 93.7% of the costs. The Preferred Alternative for Grant Street Improvements – 4A for the drainage issues will cost approximately \$400,000.00. The Secondary Alternative would cost the City of Lake Benton approximately \$660,000.00. After discussions with MnDOT, Todd Draper and Maintenance Supervisor Travis Lustfield, it is their recommendation the Council vote on the Preferred Alternative Grant Street Improvements – 4A for approximately \$400,000.00. **MOTION** by Scott Christensen, seconded by Karen Lichtsinn to approve the Preferred Alternative for Grant Street Improvements – 4A for approximately \$400,000.00. Motion carried.

Mayor Michael Carpenter reminded the Council of the Joint Council/EDA meeting this Friday, October 27, 2023 at 10:00 AM at the Lake Benton Area Community and Event Center.

There being no further business to come before the Council at this time, a **MOTION** was made by Scott Christensen, seconded by Rosie DeZeeuw and carried, the meeting adjourned.

MAYOR

ADMINISTRATOR/CLERK