

## **CITY OF WILLMAR**

**FINANCE COMMITTEE MEETING  
5:00 PM, THURSDAY, APRIL 23, 2020  
TELECONFERENCE GO TO MEETING**

### **AGENDA**

1. Meeting Called to Order
2. Action Items
  - a. 2020 Improvement Projects
    - i. Intent to Reimburse – Resolution
    - ii. Preliminary Budget – Resolution
3. Discussion Items
  - a. Local Option Sales Tax Projects
4. Future Agendas
  - a. Carris Health/Rice Memorial Hospital
  - b. Willmar Municipal Utilities 2019 Audit
  - c. Council Information requests

Adjourn



**CITY COUNCIL AGENDA REPORT**

<b>To: Mayor and City Council</b>	<b>Date: April 23, 2020</b>
<b>From: Sean E. Christensen, P.E. Public Works Director</b>	<b>Agenda Item: 2020 Improvement Projects Preliminary Budget &amp; Intent to Reimburse</b>

**RECOMMENDED ACTIONS:**

Motion By: \_\_\_\_\_ Second By: \_\_\_\_\_, to adopt the resolution of the 2020 Improvement Projects Preliminary Budget.

Motion By: \_\_\_\_\_ Second By: \_\_\_\_\_, to adopt the resolution of Intent to Reimburse for the costs incurred on the 2020 Street and Other Improvement Projects.

**DETAILS:**

The City Council ordered the 2020 Street and Other Improvement projects at the Improvement Hearing held on March 2<sup>nd</sup>. Bids were opened on April 20<sup>th</sup> for the assessable street improvement projects. Prior to incurring costs on these projects, it is necessary the Council adopt the resolution of Intent to Reimburse to ensure the City will be reimbursed for the costs.

**FINANCIAL IMPACT:**

The resolution of Intent to Reimburse insure project costs are covered by the bond issue. The preliminary budget for the Improvement Projects is set at \$3,443,188. This includes:

- Construction- \$2,858,333
- Contingencies- \$285,833
- Engineering- \$285,833
- Legal/Advertising Fees- \$13,189

The funding sources for the projects include:

- Assessments- \$739,877
- Community Investment/Levy- \$1,225,123
- State Aid- \$1,173,438
- MUC- \$65,512
- Wastewater- \$239,238

**REVIEWED BY:** Brian Gramentz, City Administrator

**COMMITTEE MEETING DATE:** April 23, 2020

**COUNCIL MEETING DATE:** May 4, 2020

RESOLUTION NO. \_\_\_\_\_  
**PRELIMINARY 2020 STREET IMPROVEMENTS BUDGET**

**ESTIMATED TOTAL COST \$3,439,999,**

\*Budget Amounts are Essential

Dated:

Code

**PERSONNEL SERVICES**

10* Salaries Reg. Employees	_____
11* Overtime Reg. Employees	_____
12* Salaries Temp. Employees	_____
13* Employer Pension Contr.	_____
14* Employer Ins. Contr.	_____
<b>TOTAL</b>	<b>\$0.00</b>

**SUPPLIES**

20* Office Supplies	_____
21* Small Tools	_____
22* Motor Fuels & Lubricants	_____
23* Postage	_____
24 Mtce. of Equipment	_____
25 Mtce. of Structures	_____
26 Mtce. of Other Improvements	_____
27 Subsistence of Persons	_____
28 Cleaning & Waste Removal	_____
29* General Supplies	_____
<b>TOTAL</b>	<b>\$0.00</b>

**OTHER SERVICES**

30 Communications	_____
31* Printing & Publishing	_____
32 Utilities	_____
33* Travel-Conf.-Schools	_____
34 Mtce. of Equipment	_____
35 Mtce. of Structures	_____
36* Mtce. of Other Impr.	\$2,858,333.00
37 Subsistence of Persons	_____
38 Cleaning & Waste Removal	_____
39* Other Services	\$285,833
<b>TOTAL</b>	<b>\$3,144,166</b>

**OTHER CHARGES**

40 Rents	_____
41* Insurance & Bonds	_____
42 Awards & Indemnities	_____
43 Subscription/Memberships	_____
44 Interest	_____
45 Licenses & Taxes	_____
46* Prof. Serv.	\$285,833.00
47* Advertising	_____
48* Adm. OH (Transfer)	\$13,189.00
49 Other Charges	_____
<b>TOTAL</b>	<b>\$299,022.00</b>

**GRAND TOTAL** **\$3,443,188**

**RECEIVABLES**

Assessments Prop Owners	\$739,877.00
Community Investment /Levy	\$1,225,123.00
MSA	\$1,173,438.00
MUC	\$65,512.00
WTP	\$239,238.00
Fed Aid	\$0.00
<b>TOTAL</b>	<b>\$3,443,188.00</b>

**FINANCING**

Bonds	\$1,965,000.00
MSA	\$1,173,438.00
MUC	\$65,512.00
WTP	\$239,238.00
Fed Aid	\$0.00
<b>TOTAL</b>	<b>\$3,443,188.00</b>

**GRAND TOTAL** **\$3,443,188.00**

Dated: \_\_\_\_\_

\_\_\_\_\_  
 Mayor

**Attest:**

\_\_\_\_\_  
 City Clerk

RESOLUTION NO. \_\_\_\_

RESOLUTION ESTABLISHING PROCEDURES  
RELATING TO COMPLIANCE WITH REIMBURSEMENT BOND  
REGULATIONS UNDER THE INTERNAL REVENUE CODE

Motion By: \_\_\_\_\_ Second By: \_\_\_\_\_

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

1. Recitals.

A. The Internal Revenue Service has issued Treasury Regulations, Section 1.150-2 (as the same may be amended or supplemented, the "Regulations"), dealing with "reimbursement bond" proceeds, being proceeds of the City's bonds used to reimburse the City for any project expenditure paid by the City prior to the time of the issuance of those bonds.

B. The Regulations generally require that the City make a declaration of intent to reimburse itself for such prior expenditures out of the proceeds of subsequently issued bonds, that such declaration be made not later than 60 days after the expenditure is actually paid, and that the bonding occur and the written reimbursement allocation be made from the proceeds of such bonds within 18 months after the later of (1) the date of payment of the expenditure or (2) the date the project is placed in service (but in no event more than 3 years after actual payment).

C. The City heretofore implemented procedures for compliance with the predecessor versions of the Regulations and desires to amend and supplement those procedures to ensure compliance with the Regulations.

D. The City's bond counsel has advised the City that the Regulations do not apply, and hence the provisions of this Resolution are intended to have no application, to payments of City project costs first made by the City out of the proceeds of bonds issued prior to the date of such payments.

2. Official Intent Declaration. The Regulations, in the situations in which they apply, require the City to have declared an official intent (the "Declaration") to reimburse itself for previously paid project expenditures out of the proceeds of subsequently issued bonds. The Council hereby authorizes the City Clerk to make the City's Declarations or to delegate from time to time that responsibility to other appropriate City employees. Each Declaration shall comply with the requirements of the Regulations, including without limitation the following:

A. Each Declaration shall be made not later than 60 days after payment of the applicable project cost and shall state that the City reasonably expects to reimburse itself for the expenditure out of the proceeds of a bond issue or similar borrowing. Each Declaration may be made substantially in the form of the Exhibit A, which is attached to and made a part of this Resolution, or in any other format which may at the time comply with the Regulations.

B. Each Declaration shall (1) contain a reasonably accurate description of the "project," as defined in the Regulations (which may include the property or program to be financed, as applicable), to which the expenditure relates and (2) state the maximum principal amount of bonding expected to be issued for that project.

C. Care shall be taken so that the City, or its authorized representatives under this Resolution, not make Declarations in cases where the City doesn't reasonably expect to issue reimbursement bonds to finance the subject project costs, and the City officials are hereby authorized to consult with bond counsel to the City concerning the requirements of the Regulations and their application in particular circumstances.

D. The Council shall be advised from time to time on the desirability and timing of the issuance of reimbursement bonds relating to project expenditures for which the City has made Declarations.

3. Reimbursement Allocations. The designated City officials shall also be responsible for making the

EXHIBIT A

DECLARATION OF OFFICIAL INTENT

The undersigned, being the duly appointed and acting City Clerk of the City of Willmar, Minnesota (the "City"), pursuant to and for purposes of compliance with Treasury Regulations Section 1.150-2 (the "Regulations"), under the Internal Revenue Code of 1986, as amended, hereby states and certifies as follows:

1. The undersigned has been and is on the date hereof duly authorized by the Willmar City Council to make and execute this Declaration of Official Intent (the "Declaration") for and on behalf of the City.
2. This Declaration relates to the following project, property or program (the "Project") and the costs thereof to be financed: 2020 Street Improvements Bond.
3. The City reasonably expects to reimburse itself for the payment of certain costs of the Project out of the proceeds of a bond issue or similar borrowing (the "Bonds") to be issued by the City after the date of payment of such costs. As of the date hereof, the City reasonably expects that \$3,429,998.47 is the maximum principal amount of the Bonds, which will be issued to finance the Project.
4. Each expenditure to be reimbursed from the Bonds is or will be a capital expenditure or a cost of issuance, or any of the other types of expenditures described in Section 1.150-2(d)(3) of the Regulations.
5. As of the Date thereof, the statements and expectations contained in this Declaration are believed to be reasonable and accurate.

Dated: May 4, 2020

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Judy Thompson  
City Clerk  
City of Willmar, Minnesota

## Steve Okins

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**From:** Brian Gramentz  
**Sent:** Friday, April 17, 2020 12:25 PM  
**To:** Brian Gramentz; Steve Okins; Rob Baumgarn; Sean Christensen  
**Cc:** Robert Scott  
**Subject:** Update on projects  
**Attachments:** Project Info.xlsx

All:

I have attached a small spread sheet I have been using to keep track of the projects, contract amounts, and cost paid to date. We will have the Marcus and LSE contract signed on Monday, and are working on the WSN (Recreation Fields and Swansson) and BKV/RJM City Hall/Community Center contracts. All firms have been informed that these projects may be delayed or put on hold at any time, likely at the end of the full design/Plans and Spec completion stage, prior to bidding.

There were two projects that were to be started and mostly finished in 2020. The Robbin's Island and Swansson Field projects. As you can see, revenues equal the soft costs of design up to the bidding stage. There is no money left over to construct either of these, although there might be \$500,000 if the economy is more positive than expected. Not enough for either projects.

Being able to bond for some or all projects (based on projected sales tax revenue) with debt payments starting in 2021 could happen. It depends on how much and if there are any buyers out in the market. This needs analysis to see what the current sales tax revenue can support for long term debt.

As expected, the lower sales tax revenue and the current economic conditions have made an impact on sales tax revenue. While this is expected to be 1-2 years or less, the big picture is that we will collect less in the original anticipated 14 year sales tax collection calculation. We have 3 options if we want to continue with the projects.

1. We go back to the State to get an extension to the time line by adding 3+ years, or
2. We reduce scope/aspects of the projects to align expenses with anticipated revenues, to stay within 14 year period
3. Use the sales tax revenue collected and subsidize debt (make up the difference with local property taxes), keep in mind operational cost will increase and will also increase property taxes

I expect more discussion on this in future committee and City Council meetings.

Brian Gramentz  
Willmar City Administrator  
333 SW 6<sup>th</sup> Street  
Willmar, MN 56201  
Office: 320-214-5160  
bgramentz@willmarmn.gov

Project Name	Project Budget/Source	Arch/Eng CMr Service/Contractor	Contract Amount	Accrued To Date	Paid to Date
City Hall/Community Center	\$2,000,000 Sales Tax Bond	BKV Group (1)	\$562,500		
	\$8,500,000 GO Bond	RJM CMr (1)	\$570,710		
Athletic Fields	\$6,000,000 Sales Tax Bond	Widseth Smith Nolting	\$319,046	\$14,355	
		Marcus CMr	\$523,200		
Robbins Island	\$3,000,000 Sales Tax Bond	Bolton and Menk Eng.	\$199,500		
Swanson Field	\$2,000,000 Sales tax Bond	Widseth Smith Nolting	\$106,350	\$12,936	
		Marcus CMr	\$174,400		
		Survey-B&M Eng.	\$19,400	\$19,400	
Storm Water Projects	\$7,000,000 Sales Tax Bond	Project #1	\$417,363		
		Bolton and Menk Eng.	\$110,000	\$73,058	\$73,058
		Crow River Const. Ph#1 (2)	\$52,321	\$29,650	\$29,650
		UNKN Ph#2 (2)	\$250,000		
Recreation/Event Center	\$10,000,000 Sales Tax Bond	LSE	\$455,660	\$161,125	\$161,125
		Marcus CMr	\$886,025		
		Survey-Sundee	\$23,075		
Totals	\$38,500,000		\$4,252,187	310524	263833
		Arch/Eng	\$1,800,000		
		CMr	\$2,154,000		
		Hard cost	\$300,000		

(1) Delay City Hall Community Center, frees up \$1,13,1000 (\$562,500 and \$570,710)

(2) Included project hard costs

All Soft cost	\$1,800,000
Less City Hall BKV	(\$562,500)
Subtotal	\$1,237,500
Add Hard cost	\$302,500
Add 10% CMr	\$160,000
<b>Total exp. 2020</b>	<b>\$1,700,000</b>

This amount takes all the projects except City Hall/Community Center up to bidding.

Sales tax receipts \$100,000 - \$150,000 per month

Est. 2020 sales tax	\$1.2-\$1.8 m
2019 sales tax	\$580,000
<b>Est. sales tax avail.</b>	<b>\$1.8-\$2.4 m</b>