

**CITY COUNCIL WORK SESSION  
CITY OF RAMSEY  
ANOKA COUNTY  
STATE OF MINNESOTA**

The Ramsey City Council conducted a City Council Work Session on Tuesday, May 28, 2013, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present: Mayor Sarah Strommen (arrived at 6:07 p.m.)  
Councilmember Randy Backous  
Councilmember Mark Kuzma  
Councilmember John LeTourneau  
Councilmember Chris Riley  
Councilmember Jason Tossey

Also Present: City Administrator Kurtis Ulrich  
Finance Director Diana Lund  
Fire Chief Dean Kapler  
Police Chief James Way  
Parks and Assistant Public Works Superintendent Mark Riverblood  
Public Works Superintendent Grant Riemer  
Assistant Planner/Environmental Coordinator Chris Anderson  
Development Services Manager Timothy Gladhill  
City Engineer Bruce Westby  
Assistant to the City Administrator Patrick Brama  
City Attorney William Goodrich

**1. CALL TO ORDER**

Acting Mayor Backous called the City Council Work Session to order at 5:52 p.m.

The Council agreed to first consider Item 2.05.

**2. TOPICS FOR DISCUSSION**

**2.05: Innovative Financing for Advancement of Mn/DOT Projects – The Tinklenberg Group**

Elwyn Tinklenberg, The Tinklenberg Group, reviewed the consideration by the Legislature relating to the financing and bonding programs. He explained that as a fall back position, he has talked with Mn/DOT about new ways to help finance projects that provided more flexibility. Meetings have been held and presentations made before Mn/DOT. In that discussion, he has suggested that a demonstration project should be the Armstrong interchange in the City of Ramsey, which is how it became incorporated in advancing an alternate funding process. Mr. Tinklenberg stated Oppenheimer put together a financing technique that is being successfully used in Florida, Ohio, and Indiana. This financing technique is now beginning in Minnesota.

Mr. Tinklenberg explained the Mn/DOT procurement process when a project costs more than Mn/DOT has in hand, resulting in a delay while waiting for the future appropriation cycles and federal authorizations. He noted this long delayed process occurred with the Stillwater Bridge and completion of Highway 610, which impacted economic development. In addition, by the time the funding was actually acquired, the cost of the project increased due to inflation. Mr. Tinklenberg explained this innovative financing plan accelerates the time period by allowing Mn/DOT to go to the contractors to build the project and also finance the project. He noted with the \$250 million Crosstown project, Mn/DOT had asked contractors do a design/build/finance program but none responded because if the contractor has to finance on their balance book, they will not be able to do any other projects. Or, if the contractor goes to the bank for financing, it is very expensive and ties up their capital. Mr. Tinklenberg explained that Oppenheimer put together a plan that allows the contractor to finance the project by using tax exempt bonds with a very low interest rate and the bonds are non-recourse. This means the guarantee for the repayment comes not on the basis of the credit worthiness of the contractor or full faith of the State of Minnesota, but is specifically related to Mn/DOT's commitment to pay for the project. Then Mn/DOT can reset the financing for the project, put payments in for a few years, eliminate payments when cash strapped, and/or adjust the amount of the payment depending on level of funding available. Mr. Tinklenberg stated that is why this is an attractive financing alternative for the State and contractor; more projects can be undertaken sooner. He stated the important thing is that none of this involves the City. The City has no responsibility to the financing plan other than what it may wish to have in terms of a cost sharing arrangement with Mn/DOT. This is a financing plan for Mn/DOT, not for the cities involved in the project. Mr. Tinklenberg noted the City indicated in the past it may be willing to consider cost sharing with Anoka County but that is a separate discussion and consideration. He assured the Council that the City of Ramsey would not be "on the hook" for repayment of this type of financing. He stated it is an exciting process, enables Mn/DOT to do more projects and much sooner, and a great place to demonstrate how it can work is in Ramsey.

Acting Mayor Backous asked where this type of financing has been used successfully.

Andre Lubervich, Oppenheimer, described the two Florida projects. He explained the repayments were decided by the Florida Department of Transportation (DOT) and the contractors set their draw schedule with the Florida DOT.

Acting Mayor Backous noted the risk is then whether the State pays back the contractor as promised.

Mr. Lubervich explained a surety company would back the contractor should they default so a new company can be brought in to complete the project. In addition, a letter of credit for non-asset items and a small debt service reserve fund would be required.

Mr. Tinklenberg stated the surety part is important because when banks are involved, there may be an argument about who can complete the project. He advised that the majority of surety companies that have reviewed this type of financing project are willing to do so.

City Administrator Ulrich asked how financing for the Hanson Boulevard project would compare.

Mayor Strommen arrived at 6:07 p.m. and asked Acting Mayor Backous to chair the remainder of this agenda item.

Mr. Tinklenberg stated Mn/DOT did not have the money to do the Hanson Boulevard project so they turned it over to Anoka County to advance fund the project with Mn/DOT paying back the County over time through a contractual arrangement. Under this new innovative financing option, tax exempt bonds would be sold to provide the financing mechanism.

City Administrator Ulrich asked if the State is to pay from guaranteed revenues or annually appropriated.

Mr. Lubervich stated in Florida it was guaranteed that the funds will be appropriated but that is a risk factor the bond holders have to assume.

Mr. Tinklenberg stated it does not go against the creditworthiness of Mn/DOT or the State as it is an annual appropriation.

Mr. Lubervich stated it also does not show as debt on the Mn/DOT balance sheet.

Councilmember LeTourneau stated this is very innovative type of financing and asked how it would be structured for the Armstrong interchange.

Mr. Tinklenberg stated the funding gap would be subject to negotiations. He explained if you assume there is a \$35 million project and \$20 million is not funded, then Mn/DOT would follow the process of putting the project out for bids as a design/build/finance project or as a design/bid/build project. In this case, Anoka County is moving forward to have final design so Mn/DOT would put the project out as a construction/finance project. If approved, the contractor would have this innovative financing option and come back with a bid to Mn/DOT. Then Mn/DOT would enter into a contract, bonds would be sold and used to fill the funding gap, as needed.

Councilmember LeTourneau asked if this option would be only to fund the financing gap.

Mr. Tinklenberg answered in the affirmative.

Mr. Lubervich agreed that is ideal but does not have to be the only process as there are other options such as a short-term payment with nothing up front.

Councilmember Tossey stated the City knows what it has invested, which is \$10 million maximum, but it is not known what Mn/DOT will put forward for funding. He felt there was still a chance that Mn/DOT will allocate funding for this project under the \$250 million appropriated. Councilmember Tossey asked who facilitates the next step and why come to the City if the City is not "on the hook" for this type of financing.

Mr. Tinklenberg explained that Mn/DOT does not need to use this plan if they have the money and that would be the first choice, to just do the project and pay for it. Another option may be that the next bonding bill would have money for this project and in that case Mn/DOT would move forward with the project with its own money and money from next year and would not use this option. He indicated this innovative financing option would only apply if Mn/DOT was looking at a longer period of time and did not have financing for the project. It would be a fall back financing alternative.

Mayor Strommen asked if the City or County would bond, or a combination, for this type of project.

Mr. Lubervich stated the tax exempt bonds would be sold based on a repayment or future appropriation agreement. It would be a public offering.

Mr. Tinklenberg stated the City would not sell these bonds.

Mayor Strommen asked what the risk to the City is.

Mr. Lubervich stated the risk is to the bond holders on future appropriations, not on the City.

Mr. Tinklenberg stated there is no risk to the City of Ramsey.

Mr. Lubervich stated if Mn/DOT defaults, that is the risk the bond holders assume.

Acting Mayor Backous asked why the City of Ramsey would not consider this option and asked Mr. Tinklenberg if it would be his role to present this financing option to Mn/DOT.

Mr. Tinklenberg stated it follows a number of different paths and his job is to get the project done. The first piece is to get financing through a traditional process (bonding bill, Federal and State dollars, and some contribution from Anoka County and Ramsey). If that does not happen and there is a financing gap, rather than the entire burden falling on Anoka County and Ramsey, Mn/DOT could put together a financing plan and spread out payments, fill the gap, and manage its cash flow. Mr. Tinklenberg stated he is in conversations with Mn/DOT and made presentations to their financing teams and found significant interest. During those discussions, he has promoted Ramsey as being a demonstration project, to complete a demonstration project early, and allow Mn/DOT pay for it over time without over burdening any of the project participants. Mr. Tinklenberg stated there is a need to overcome the lack of familiarity and inertia at Mn/DOT to consider something different. He indicated the experience in Florida has been extremely positive so there is growing excitement about this option for other projects.

Councilmember Tossey stated this concerns him because he wants it clear what government should and should not do. He stated roads are a function of government but this sounds too good to be true, so he is cautious.

Mr. Tinklenberg stated he appreciates that concern but the important thing to know is that the City has no liability and bears no burden to the project other than what it chooses relating to a cost sharing. This financing plan would not obligate the City in any way as it is strictly between the contractor, Mn/DOT, and bond holders.

Acting Mayor Backous stated this financing program makes sense but he shares the concern expressed by Councilmember Tossey.

City Attorney Goodrich asked what incentive there is for the City to put any money into the project.

Mr. Tinklenberg stated it is entirely up to the City, noting it would narrow the funding gap if one exists.

City Administrator Ulrich asked if the Statutory authority exists today to do this.

Mr. Tinklenberg stated he believes it does because Mn/DOT initiated this option with the Crosstown project. However, at that time the contractor had to get financing through its bank and because this option was not available, no contractors bid.

Councilmember Kuzma noted it will actually be up to Mn/DOT to decide if they want to consider this financing option.

Mr. Tinklenberg stated that is correct, it is a Mn/DOT procurement.

Mayor Strommen stated the point is that this is a topic Mr. Tinklenberg has held discussions on with Mn/DOT and hoped to raise with Senator Klobuchar. She noted it makes sense that the City is aware of this option and what is being communicated about this project on behalf of the City. She stated if the Council does not support this option, then its representatives should not be promoting it.

Mr. Tinklenberg provided the Council with the materials presented before Mn/DOT on this innovative financing option.

Mayor Strommen chaired the remainder of the meeting.

## **2.01: Overview Emergency Management Process**

Fire Chief Kapler reviewed the staff report and provided a brief overview of the Emergency Management Process.

Mayor Strommen asked the Council to next consider Item 2.04.

## **2.04: Discuss Economic Development Prospect Foxtrot**

Assistant to the City Administrator Brama reviewed the staff report and explained that Prospect Foxtrot is interested in locating its manufacturing operations and needs a 12-acre site that is pad ready. If a site can be found, Prospect Foxtrot would like to complete their expansion in phases with a 77,000 sq. ft. first phase for 50 employees. The second phase would include a 48,000 sq. ft. expansion and significant additional job growth. Assistant to the City Administrator Brama advised that Ramsey does not currently have any 12 acre sites that are correctly zoned; however, the City's current Public Works campus (five separate parcels totaling over 13 acres) may be an option to consider since the site would be constructed in phases. Assistant to the City Administrator Brama presented the options as detailed in the staff report. He stated the prospect would require an option agreement on the remaining two parcels on the far east side of the site on a ten-year term for fair market value with an inflation factor and two-year call. He noted the ten-year term would provide timing for Phase 2. This site is at the entrance to The COR off Ramsey Boulevard and the prospect indicated its intent to construct a high quality building and landscaping. In addition, the prospect is working with the State of Minnesota to get a grant to pay for one-half of the public improvements. Assistant to the City Administrator Brama stated they are interested in a business subsidy and staff intends to act in accordance with the adopted policy and work with the applicant to submit such an application for Council consideration. He requested Council input on this opportunity and general direction regarding economic development assistance. If supportive, staff would prepare a sales ordinance for introduction on May 28, 2013, and an ordinance introduction to allow vacation of right-of-way at the June 11, 2013, Regular Session.

Councilmember Kuzma asked if this business cuts cardboard.

Assistant to the City Administrator Brama stated the company cuts multi-ton reams of cardboard to specifications for a manufacturer that needs cardboard boxes.

Councilmember Kuzma stated support for this idea.

Councilmember Backous stated he is also excited about this opportunity and asked if the salt shed can be easily moved.

Public Works Superintendent Riemer stated salt delivery occurs tomorrow.

Councilmember Backous stated if the salt shed can be moved without a leaseback, it would be ideal but it appears the timing does not work to do so.

Public Works Superintendent Riemer stated that can be accomplished over the summer months.

Assistant to the City Administrator Brama noted the lease is for the City's portion of taxes only so it should be a wash.

Councilmember Riley stated this looks good and appears it must be a strong prospect if the City is making this recommendation.

Assistant to the City Administrator Brama confirmed this is a strong prospect, staff has met with them multiple times, they have a banker, and are developing site plans with an architect.

Councilmember LeTourneau asked if there is an estimate on the tax base and number of jobs.

Assistant to the City Administrator Brama stated within two years there will be 37 employees with City taxes estimated of \$22,000 per year and between \$140,000 to \$160,000 total with fiscal disparities taken out.

Councilmember LeTourneau stated he is supportive of staff continuing to work with this prospect.

Mayor Strommen noted that if in support, it means the City would commit to move the Public Works Campus, perhaps sooner than anticipated.

Councilmember Backous stated that is a good point and asked if this straps the City too tightly, to move the Public Works Campus at this time.

Assistant to the City Administrator Brama stated any agreement is negotiable and if the City wants to be conservative, the agreement could be extended for two years. The current draft includes a one-year clause.

City Administrator Ulrich stated staff can run the numbers so the Council is aware of the potential financial impact.

Mayor Strommen asked staff to include the future plans for a new Fire Station in the analysis and to determine financial ramifications.

Assistant to the City Administrator Brama indicated that more information on this prospect will be presented on June 11, 2013, including an EDA recommendation and business subsidy application.

The consensus of the Council was to support staff continuing to work with this prospect.

**2.02: Consider Terms for Bury & Carlson (B&C) Request to Terminate Lease Agreement**

**2.03: Consider City participation in Game Fair 2013**

These items were considered at the May 28, 2013, City Council Regular Session.

**2.04: Discuss Economic Development Prospect Foxtrot**

This item was considered prior to Item 2.02.

**2.05: Innovative Financing for Advancement of Mn/DOT Projects – The Tinklenberg Group**

This item was considered prior to Item 2.01.

**2.06: Discussion Regarding a Conflict of Interest Policy and Disclosure Form**

**2.07: Council Committee Utilization**

These item will be rescheduled to a future Work Session.

**3. FUTURE TOPICS FOR DISCUSSION**

Noted.

**4. MAYOR / COUNCIL / STAFF INPUT**

**4.01: Receive Information and Update: 15153 Nowthen Boulevard Property Development**

Received.

**5. ADJOURNMENT**

Mayor Strommen declared the Work Session of the City Council adjourned at 6:56 p.m.

Respectfully submitted,

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Kurtis G. Ulrich  
City Administrator

ATTEST:

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Jo Ann M. Thieling  
City Clerk

Drafted by Carla Wirth,  
*TimeSaver Off Site Secretarial, Inc.*