

Armstrong Interchange Funding Strategy

Ramsey, Minnesota

June 5, 2013

Goal: Using the promise of committed and likely project funding sources and the option of the Oppenheimer gap financing tool, persuade MnDOT to agree to initiate the Armstrong Interchange as a design/build/finance project this year.

Background: As a result of the concerted and coordinated efforts by the City of Ramsey and its partners at Anoka County and within the local business community, the prospect of finally constructing the long awaited Armstrong Interchange has become much more imminent. Sufficient funding from a variety of potential resources now appears available to make the interchange a reality. These resources include city and county funds, federal grant funds, MnDOT TED grant funds, MnDOT special appropriations, County Transit Improvement Board funds, and state bonding funds. The good news is that the total amount of dollars available from all these sources is significantly greater than the estimated cost of the project; a fact which allows the project to absorb possible reductions in any of the funding categories. The bad news is that these funding resources become available at a variety of times over the next two years. Under a traditional procurement process that would mean that construction could not begin until all of the money was in hand. Most likely not until sometime in 2015.

The proposal I am submitting to you today would use the funding tool I briefed the council on at an earlier meeting to close the “gap” in the timing of the funding so that the project could begin sooner. As I indicated in the briefing, this gap financing would be made available through the sale of tax-exempt bonds and would be secured by a commitment from MnDOT to repay the bonds as the anticipated funding becomes available. Under this “gap” financing plan the Armstrong Interchange could be initiated as a Design/Build/Finance project this year, providing

the safety and economic benefits at least one full year sooner than would otherwise be possible and eliminating one year's worth of inflationary and other cost increases. The success of this approach will be entirely dependent on MnDOT's confidence that enough of the potential funding sources will in fact be to cover debt service payments and their willingness to assume the risk of making those payments should there be a delay in one or more of the potential funding sources.

Strategy: I believe this is the time to take advantage of the project's momentum, its visibility, its potential funding sources, and its political influence to make a final push to get it started now. Delay is almost always costly and dangerous. To that end I would propose that the city extend its contract with The Tinklenberg Group for a period of three months (June through August, 2013) for the purpose of:

- 1) Continuing efforts with MnDOT regarding the benefits of using the "gap" financing tool and positioning Armstrong as a demonstration project
- 2) Persuade Anoka County to support the project by authorizing the county HRA to function as the bonding agency for the sale of the tax-exempt bonds associated with the project
- 3) Convince MnDOT, on the basis of the county's willingness to act as the bonding agency, to proceed with the Armstrong Interchange as a Design/Build/Finance project and to initiate it this year
- 4) Maintain political pressure on the Governor and the project MnDOT Commissioner to do the project
- 5) Follow-up with Klobuchar, Franken, Nolan and Waltz on federal grant funding support and on the use of the gap financing tool.

Cost: The estimated cost of this three month effort would not exceed \$12,000.00.