

**PUBLIC HEARING MINUTES**

**ON STREET RECONSTRUCTION PLAN  
AND INTENT TO ISSUE GENERAL OBLIGATION  
STREET RECONSTRUCTION BONDS THEREUNDER  
October 28, 2015 – 6:00pm**

A Public Hearing of the Harris Town Board was held on Wednesday, October 28, 2015. The public hearing was called to order at 6:00pm as posted and published, at the Harris Town Hall, with the following officers present: Supervisors Gary Rosato, Dennis Kortekaas, Jim Kelley, Ken Haubrich and Burl Ives as well as Clerk Michele Smith and Treasurer Becky Adams.

Also in attendance were Paul Donna - from Robert W. Baird & Co., Glen Hodgson – SEH Road Engineer, Dan Butterfield, Marge Kelley, Cyndy Martin, Ron Myers, Mike Hendricks, Ed & Sue Casper, Jennifer & Lester Flem, and ICTV.

**The purpose of the hearing was as follows**, per posted and published notice (Oct 18, 2015):

The Board of Supervisors of Harris Township (the “Municipality”) will meet at 6:00 p.m. on Wednesday, November 18, 2015, at Harris Town Hall, 21998 Airport Road, Grand Rapids, MN, to conduct a public hearing on the Municipality’s street reconstruction plan (the “Plan”) and the Municipality’s intention to issue its general obligation street reconstruction bonds (the “Bonds”) in an amount presently estimated not to exceed \$3,000,000, to finance the cost of a portion of the street reconstruction projects identified in the Plan. The Bonds will be issued pursuant to authority granted by Minnesota Statutes, Section 475.58, subdivision 3b.

**1. Pledge to the flag**

**2. Opening remarks – Chairman, Gary Rosato**

Chairman Rosato opened the public hearing, commenting that the purpose of tonight’s session was to get public feedback on the proposed five year road plan to be presented by Glen Hodgson, road engineer from SEH, and on funding options including issuance of bonds for up to three million dollars to be presented by Paul Donna from Robert W. Baird (who was running about 15-20 minutes late).

**3. Presentation of five-year road plan – Glen Hodgson, road engineer**

Maps showing the proposed five year road projects were shared by Glen Hodgson, road engineer for SEH. There was one map per year, and Hodgson recapped the roads proposed for each year:

○ **2016 (3 roads)**

1. Sunny Beach Road – the complete length. There would be two types of improvements: From Harris Town Road to Adair Road, would be an overlay. The rest of the road from Adair Road to Wendigo Road, would be a reclaim. Hodgson explained both processes and why they are being used on the two sections of Sunny Beach Road.
2. Isleview Road - reclaim
3. Birch Street - reclaim

The proposed cost estimate for the 2016 roads: **\$3.057 million dollars.**

○ **2017 (2 roads)**

1. Sunny Lane - reclaim
2. Gary Drive – reclaim

The proposed cost for the 2017 roads: **\$306,000**

● **2018 (2 roads)**

1. Fieldcrest Road - reclaim

2. Romans Road – reclaim

The proposed cost for the 2018 roads: **\$318,000**

- **2019 (3 roads)**

1. Mishawaka shores trail - overlay
2. Little crystal lane - overlay
3. Woodbine lane - overlay

The proposed cost for the 2019 roads: **\$379,000**

- **2020 (3 roads)**

1. Alisha Place - overlay
2. Wesley Drive - overlay
3. Tolerick Drive – overlay

The proposed cost for the 2020 roads: **\$383,000**

Hodgson recapped that the board worked on the proposed work plan over the past 8-10 months, and that consideration to approve the five year road plan was part of the purpose of tonight’s public hearing. He noted that it was just a *plan* – as the roads noted farther out were more speculative. He recommended the board reviewing all roads each year, and then updating the plan as needed, while adding another year to the five year plan. Hodgson also commented that without bonding, the proposed Sunny Beach Road project would not occur in 2016; those two items would need to happen together.

**Public comments and responses by Hodgson or board:**

- Q: Beyond the 2016 Sunny Beach Road project, the repairs for roads in subsequent years average apx \$300,000. Is that typical?  
A: Yes, on average, that’s the amount the township has budgeted each year for major road construction within the current levy.
- Q: What is the reclaim cost per mile, and how does that compare to overlay costs?  
A: \$300,000/mile to overlay vs \$450,000/mile for reclaim (pavement work only -not drainage). The life of a reclaim is a lot longer: 15 year life for overlay vs, 25-30 year life for a reclaim.
- Q: Given the added life, why not reclaim the entire Sunny Beach Road?  
A: As a road engineer, he recommends only doing what is necessary at the time, and reclaiming the first section of Sunny Beach Road is unnecessary.
- Without bonding, how long would it take to repair Sunny Beach Road?  
A: If the township spent \$300,000/year just on that road, it would take approximately 10 years.
- Q: Are any drainage issues going addressed during work on Sunny Beach Road?  
A: Yes; the areas currently planned are the: the first corner after the first mile - the culverts are undersized so will be fixed. And, the area of the “Sutherland swap” – the board has discussed raising the road in that area. No other major drainage changes are in the 3 million dollar budget. Another drainage area was suggested: In the area east of Oak Island Estates, water drains on the road. Hodgson hadn’t looked at that area yet, but will add it to his list for consideration. This is in the reclaim area – so that will help as road bed is higher.
- Q: Will the township be bidding more than one road project per year? Perhaps do 2016 and 2017 together?  
A: Each year will be bid separately, because as the future unfolds, the roads to repair may change.
- Q: When will the board decide if they will move forward with bonding?  
A: This will be considered at the P&D meeting later tonight, when a resolution will be considered to adopt the five year road plan and proceed with issuing general obligation bonds.

***With no other comments from the audience, a motion was made by Supervisor Kelley at 6:25pm to recess the public hearing until Paul Donna arrived, to discuss the bonding option. The motion was seconded by Supervisor Kortekaas and passed by a unanimous vote.***

***At 6:30pm, Paul Donna arrived and Supervisor Kelley made a motion, seconded by Supervisor Haubrich, to come out of recess at and continue the public hearing. The motion carried by a unanimous vote.***

#### **4. Financing options - Paul Donna, Robert W. Baird & Co.**

Paul Donna, from Robert W. Baird & Company, explained that Minnesota State statues allow townships to issue road street reconstruction bonds as a way to fund road projects if approved by the board. He went on to explain that with general obligation bonds, the township would borrow money at the lowest interest rate available for this type of bond to fund the road projects as discussed, and that the entire townships repays the loan through their taxes.

Mr. Donna handed out and reviewed some scenario information, for \$2.5 or 3 million dollars, and for payback over 10 or 15 years. *(A copy will be included with these minutes)*. He noted that the first year to collect on the loan would be in 2017, but construction could start in 2016. The interest rates shown were as of Oct 6, 2015 and ranged from 2.4% for a 10 year payoff period to 2.9 % for 15 year payoff period. The effect of taxes on a home valued at \$100,000 was shown, and ranged from \$44/yr to \$73/yr depending on the amount of the bonds issued, and the payback period.

#### **Public comments and responses by Mr. Donna or board:**

- Q: What are the origination fees?  
A: This is the “Underwriters discount” as shown on page 2 of handout; its included in TIC % rate on page 1.
- Q: Is a 10 year loan more economical and a 15 year loan?  
A: Yes.
- Q: If the township bonds for \$3 million, will they only get \$2.8 million after all the fees are deducted?  
A: Yes
- Q: In the information that the board had, there was talk of a “day loan charge of 1% per annum”. Could Mr. Donna please explain?  
A: These costs may or may not occur; if they do, it would be for a very short period of time, during day of closing. This is *not* something that is charged every year.
- Q: What is makes up the “Cost of issuance” noted on page 1?  
A: Page 2 shows break out, and includes: underwriters fee as well as the costs of bond counsel, of a pricing opinion, the paying agent, and the contingency.
- Q: Who would insure the loan?  
A: Two insurance companies would be polled, but the exact companies had not yet be investigated.
- Q: The Township has never taken a loan, and therefore has no ‘credit history’. Does the township need to be ‘rated’? If so, what are the benefits?  
A: There are two rating agencies – Moody’s and Standard & Poor’s. Each charges a fee to provide a rating – which is approximately \$10,000-\$15,000. The township would not want to pay to be rated unless it’s beneficial. Baird & Co. would do the research and then recommend to the board whether or not to get a rating - depending on the net cost. Donna noted that the handouts assume no credit rating, so costs could be lower if rated. An “A rating” could mean a ¼ percent better rate.

- Q: What is the difference between private placement and public issuance of bonds?  
A: If the board moves forward, they will need to consider private placement vs public issuance. Private placement would have lower transaction costs, but interest rates are generally a little higher but the difference could offset each other. Private placement is also often a smoother process. With public issued bonds, the transaction costs are higher, but interest rates are usually lower.
- Q: Are there any hidden costs not shown on the handouts?  
A: Pay agent costs not included; they are the ones who actually pay the bond holders.
- Q: Is there an attorney involved?  
A: Yes, there is a bond council involved, who represents township. They make sure the township has gone through all the right steps in the bonding process. The firm that has helped out so far, at no cost, is Faegre, Baker, Dainiels LLP out of Minneapolis.
- Q: Paul Donna was asked what would *he* do in his own neighborhood, if faced with this question. What would bet the biggest bang for the buck? And are there any other options besides bonding?  
A: The only way for a township to pay for large projects is either pay upfront, or pay over time. It's difficult for a township to write a check for 2-3 million dollars unless they've saved up over time, or raise the levy to cover the cost of the project. The other option is for them to take out a loan. Anytime a loan is taken out by a government unit, it's considered bonding. Due to low interest rates, it's cheaper now to borrow money than over the last 40-50 years; cheap money over time is what he'd do.
- Q: What's closing like? How long does it take?  
A: A resolution would start the process and overall closing would take about 60 days. If the resolution is approved tonight, the township could have funds in the bank by early to mid January.

## 5. Public input

- Mike Hendricks: Even if the board bonds for \$3 million dollars, only \$2.8 million would be deposited - which is <\$200,000> short of the 2016 estimated road project costs. The township levy would need to be raised in order to do the other township projects at the current level of services, which would mean higher taxes. In addition, he was scared of the impact of Itasca County taxes which are going up 7% plus there is a large ISD #318 referendum being voted on next Tuesday (11/3/15) for \$80 million dollars. All of these would impact residents' taxes.
- Dan Butterfield: What is the time frame for voting on the resolution? If it could wait until a November meeting, they would know if school bond issue passed.
- Ed Casper: If the township does not bond, he didn't know how they could ever repair Sunny Beach Road. Patching the road over 8—10 years was not a viable option to him; bonding made sense.
- Lester Flem: He concurred with Ed Casper and moving forward with bonding. This project needs to get done. And the road will continue to fall apart regardless of whether or not the school board bond passes.
- Ron Myers: Agreed with Ed Casper and Lester Flem; overall, he was in favor of bonding in order to get Sunny Beach Road repaired in one year.

## 6. Adjourn

***With no other comments by the board, or input from the public, a motion to adjourn the public hearing was made at 7:06pm by Supervisor Ives. Upon a second by Supervisor Haubrich, the motion passed and the meeting adjourned. Note: At the subsequent P&D meeting held at 7:30pm tonight, the public hearing was continued (rather than adjourned) until November 18, 2015 at 6:00pm at the Harris Town Hall.***

Respectfully submitted,  
Michele Smith, Clerk of Harris Township