

**Minutes from the Work Session
Harris Town Board
Wednesday, August 17 2015 at 11:30 a.m.**

A work session of the Harris Town Board was held on Monday, August 17, 2015 at Harris Town Hall, 21998 Airport Road Grand Rapids, MN. The work session was called to order at 11:30am by Chairman Rosato. (This work session was open to the public, but was not televised nor recorded by ICTV.)

In attendance were Supervisors Rosato, Kortekaas, Kelley, Haubrich, and Ives, as well as Clerk Smith and Treasurer Adams. *Absent:* None

Also in attendance was Glen Hodgson – SEH Road Engineer for the township, and residents Bonnie Key, Judy Myers, Jim & Mary Buckman, and representative from Robert W. Baird & Co – Paul Donna.

Purpose of this work session, as posted:

Town Board will meet with Paul Donna, Managing Director, Robert W. Baird & Co. to discuss the bonding process as an option for the township to fund major road reconstruction and overlays.

Because Paul Donna was not at the town hall at 11:30am, a motion was made by Supervisor Kelley, and seconded by Supervisor Haubrich, to recess the work session until he arrived. Motion carried.

At 11:37 a.m., a motion to reconvene the meeting was made by Supervisor Kelley, and seconded by Supervisor Haubrich. Motion passed, and the board welcomed Paul Donna, Managing Director of Robert W. Baird & Co (aka Baird).

Mr. Donna went through the 'Talking Points' handout, which he shared with the board (a copy will be attached to these minutes):

- Donna has 25 years experience; he has family in McGregor and opened an office in Minneapolis
- Baird is national company. They close more bond transactions for municipalities than any other; they supply the capital. Baird is based in Milwaukee and is apx 100 yrs old.
- The 'players' when bonding would be the township, Baird as either the direct underwriter, who then sells bonds publically, or as the agent/financial adviser who then works with local institutions for private placement of the bonds. There would also be a bond attorney involved – who issues an opinion that the bonds are tax exempt. The attorney also makes sure all the proper hoops are jumped through in the bonding process.
- Private placement of bonds tends to have lower transaction costs but a higher interest rate. Public market bonds allows for more trading options, so have higher transaction costs, but lower interest rates. Baird would review the net effect of both options and make a recommendation to the board as to which type of bonds to issue.
- Baird tries to work with local banks; they are treated as a priority – with public or private issuance.
- The bonding money would go into the township's bank account via wire transfer. No title company is involved. Local banks would need to provide collateral for 2.5 million when they money comes in.
- The IRS likes to see the money borrowed spent within 3 years.
- A rating company is not 'needed' for the township to bond; however, the interest rate may be a bit higher if they do not have a rating. Baird can help determine a credit rating and evaluate the cost

benefit. The cost to get rating is apx \$10,000 - \$15,000, but a good rating could help get a better interest rate on bonds and so may be worth it.

- Before closing, terms of the bonds would be locked in. For public bonds, these terms do not change; trading does not affect the terms. With private bonds, they may lock in terms for 5 years, or up to 10 years but not likely 15 years.
- Paying off the debt early is fine with either public or private bonding; a prepayment option is included with both.
- Payback is generally semi-annual, comprised of both interest and annual principal payments. However, whatever works best for the township's cash flow is generally fine. It can be monthly as well with local banks.
- The amount of time needed for the bonding process is apx 90 days from start to finish, to close and get money in the bank.
- The road construction project does *not* need to be bid in order to bond. If the market is good, it makes sense to borrow the money up front. However, with public market bonds, the township would start drawing interest right away.
- Estimated cost for Baird's services: \$55,000-\$65,000 (see page 6 of handout, regarding the potential cost of issuance); their services include an estimate on rating.
- Bonds come with a "general obligation pledge", so the township can increase levy/taxes to make the payments.

Other items discussed upon questions from the board:

- If the township does a second bond after a year or two, there would be additional financial transaction costs so it would be more cost effective to do all bonding at once.
- Interest rates are historically low currently; apx 2.5% for \$10K; 2.8% for \$15K (a good rating makes a difference)
- The average length of a bond varies. For roads, 20 years is not uncommon. Longer terms reduce the payback amount but it's against federal law to go beyond the length of the road life. And the shorter the payback period, the lower the interest rate.
- Part of the statutory process of bonding for street reconstruction bonds requires the township hold a public hearing to talk about the bonding plan, and review their 5-year road plan. A resolutions need to be passed. Baird would help the township with all of these processes.
- If the board receives a petition requesting a vote on the issuance of the general obligation debt (i.e. to sell bonds only with a referendum passing), and is signed by at least 5% of the votes cast in the last general election, the board can then decide to do funding via special assessment bonds or other GEO bonds.
- Communication with the public is very important, including laying out timeline and costs.
- Baird can help with long range planning – there is no additional cost for this service.
- Bond market rates are expected to go up. Mr. Donna will email a graph to the board when he gets back to his office, showing the rate history.

5 year road plan discussed:

- Per Glen Hodgson, bidding is better in the early spring (March), than at the end of the year; generally, they get better rates early in the year. Projects can be bid while the bonding process is going on. However, he'd need to discuss this with Baird before bidding.

- Adams recommended a work session to lay out a road plan for next 5 years or more, and review the levy needed as well as discuss how much money to borrow.
- If bonding for 10 years, the board requested a 10 year road plan – rather than just a 5 year plan. However, they understood that the roads listed for repair beyond 5 years would be much more subject to change.
- Hodgson agreed to update his proposed 5-year road plan – as it’s now just a 4 year plan. He will also add in related cost estimates for the road projects by year.
- The board commented that when roads were last paved would be nice to see included in the road plan. However, they recognized that this information may be difficult to find for some roads.

The board set a meeting date to discuss a road plan and timeline with Glen Hodgson for Monday, August 31st at 7:00pm. Clerk Smith will call the town hall caretaker to inquire about town hall availability and post the meeting notice accordingly.

A motion to adjourn the work session was made by Supervisor Kelley at 1:00pm. Upon a second by Supervisor Haubrich, the meeting was adjourned.

Respectfully submitted,

Michele Smith, Harris Township Clerk