

Fertile City Council Minutes
Special Meeting
April 26, 2016

The Fertile City Council held a special meeting on Tuesday, April 26, 2016 at 7:30 p.m. at the Community Center. Present were: Mayor Brian Nephew and Council members Linda Widrig, Reid Jensrud, Dennis Hasler, and Todd Wise. Also present were City Administrator Lisa Liden, Fair Meadow Administrator Angie Leiting, Dani Nelson, Randy Aarestad, and David Drown.

David Drown of David Drown Associates, Inc. was then introduced to the Council. Drown explained that he had been introduced to Angie Leiting by Randy Aarestad of Red River State Bank and they had held discussions on financing the Fair Meadow Nursing Home renovation project. Drown has been in the business of tax exempt municipal bonds for 17 years and has worked with over 400 small towns.

Drown then went on to explain that there were a couple of financing options on the renovation project. The City could get one bond to cover both phases of the project or finance each phase separately. Interest rates are currently at an all time low so while interest costs would be higher to finance the entire project before funds are needed for phase two, overall interest savings would be realized if rates were to increase for a second borrowing on phase two. He stated that given the time frames for completing a bond issue that it would be wise to start the process as soon as possible.

Drown then explained that there were two ways to finance with the first being revenue bonds which rely on the profitability and revenues of the nursing home to pay off the debt. The second option is with a general obligation bond which relies on the taxing authority of the City to levy for paying off the bond. Regardless of which type of bond, Drown recommended selling the bonds competitively or by a negotiated sale to get a favorable interest rate. Another option was to work with Standard and Poors to get a rating based on the City's financials. That process, however, was lengthier than a negotiated sale.

This was followed by a discussion on the way the project had been financed with warrants up to this point. Depending on whether or not it was stated clearly that the intent was to eventually finance with tax-exempt bonds it could affect whether the bond to pay off the outstanding warrants would be tax exempt. City Administrator Liden said that she would review the minutes of past meetings when the financing was discussed to see if there were any formal motions or resolutions that would indicate the City's intent to bond for the project.

Fair Meadow Nursing Home Administrator Angie Leiting then explained that the first year interest paid on the project was used in the State property rate calculation. When the former Administrator had looked at bond financing from the start of the project the interest rates that would be paid on a bond were too low to impact the State's calculation in a positive way for future reimbursement rates. Leiting stated that is why warrants were used for the first year of the project rather than bonding from the beginning.

The Council then asked David Drown to put together a proposal on bonds that could be reviewed at the June Council meeting.

The next item up for discussion was the natural gas franchise agreement with Community Co-op of Lake Park. Administrator Liden reported that she had received copies of the agreements that Mahnomen and Twin Valley had signed with CCLP. The language in those agreements was identical to the language in the original agreement submitted to Fertile.

Council member Hasler then commented that his interpretation of City Attorney Stephen Larson's letter was that the language regarding binding arbitration wasn't necessarily a deal breaker since in all likelihood there would be no future issues with the agreement.

After a brief discussion, Council member Hasler made the motion to adopt the franchise agreement with the new language that was proposed by CCLP in sections 2.8 and 8.1. The motion was seconded by Council member Wise and was carried.

The final agenda item to be addressed was Resolution #4-1-16, a Resolution Supporting Regional Park or Trail Designation Application in Greater Minnesota. Administrator Liden explained that the Learning Center was applying to be designated as a park of regional significance in order to be eligible for future State funding under the Legacy Program.

After a brief discussion, Council member Wise made the motion to approve Resolution #4-1-16. The motion was seconded by Council member Jensrud and was carried.

There being no further discussion, the meeting was adjourned.

Brian Nephew, Mayor

Lisa J. Liden, City Administrator