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David Drown Associates, Inc.
Public Finance Advisors

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July 30, 2025

City of Saint James
Attn: Amanda Knoll, City Manager
P.O. Box 70
Saint James, MN 56081

RE: 2025 Project Financing – 7th Street, 13th Avenue, and Ring Road

Honorable Mayor, Councilmembers, and Manager Knoll:

The purpose of this letter is to provide preliminary information regarding project financing for the 2025 Project that includes reconstruction of portions of 7th Street, 13th Avenue, and Ring Road. Based on the estimated project costs resulting from the bids received and costs incurred to date, we estimate the total project costs as follows:

Construction & Engineering	\$2,349,513.01
MN Rural Water Program Fees	20,750.00
Capitalized Interest	5,183.44

TOTAL PROJECT COSTS: \$2,375,446.45

Sources to be utilized to finance project costs are summarized below:

G.O. Tax Abatement & Utility Revenue Bonds	\$965,000.00
Construction Fund Earnings	2,271.95
MNDOT Grant (LRIP)	1,408,174.50

TOTAL FUNDING SOURCES: \$2,375,446.45

Payment and Revenue Requirements:

The bond issue has been structured over a 20-year term based on debt service contributions from tax levy, impacted enterprise funds, and special assessments. A tax levy authorized through tax abatement will be pledged for portions of the street project costs which will require a public hearing. The estimated tax levy based on the attached cash flow will be approximately \$24,000 per year. Water revenues will contribute approximately \$19,000 to debt service annually, wastewater revenues will contribute approximately \$15,000 annually, and the storm sewer fund will be required to make an annual contribution to debt service averaging approximately \$7,000 per year.

It is assumed that special assessments of \$197,194 will be levied against benefited properties over a term of 20-years at an interest rate of approximately 5.25%. It is expected that the assessments will be certified this fall for collection starting in 2025.

Method of Sale:

We have found negotiated bank placements to be effective for issues of less than \$1 million as we are able to significantly reduce issuance costs by avoiding a credit rating (\$13,250) and an underwriter (\$12,545). Staff has directed us to make contact with local lending institutions to determine their level of interest in purchasing this bond issue. We have recommended utilizing Minnesota Rural Water Association's loan program as it has pre-negotiated issuance costs which are lower than standard fee schedules. This program is able to work with local lenders if they express interest in purchasing the bonds.

\$965,000 General Obligation Bonds:

If the Council chooses to finance the project as proposed, David Drown Associates, Inc. recommends the following:

- Approximately 20-year term on the project financing
- Bonds callable any time after 2/1/2032.
- Sale of bonds through a negotiated bank placement (MN Rural Water Program)
- We do not recommend purchasing a Standard & Poor's Rating

Schedule and Issuance:

If determined to be appropriate to proceed, the proposed schedule would be as follows:

August 6, 2025	Authorize Sale Process & Call for Abatement Hearing
September 2, 2025	Tax Abatement Hearing & Award Sale of Bonds
September 16, 2025	Closing

Attached you will find a resolution calling for the public hearing on the proposed tax abatement and issuance of bonds. We recommend that the City Council approve this resolution if it is determined to be appropriate to proceed with the project financing as proposed. Please feel free to contact me with any questions regarding the attached materials. Thank you for your time and consideration.

Sincerely,



Shannon Sweeney, Associate
David Drown Associates, Inc.

\$965,000
General Obligation Tax Abatement & Utility Revenue Bonds, Series 2025A

Uses of Funds			Bond Details		
Street Improvements		1,439,151.39	Set Sale Date		N/A
Utility Reconstruction		910,361.62	Sale Date		9/2/2025
Total Project Costs		2,349,513.01	Dated Date		9/16/2025
Underwriter's Discount Allowance	0.000%	-	Closing Date		9/16/2025
Unused Underwriter's Discount Allowance		-	1st Interest Payment		2/1/2026
MRWA Program Fee		20,750.00	Proceeds spent by:		12/31/2026
Bond Counsel		-			to Dated Date
Pay Agent/Registrar		-	Purchase Price		965,000.00
Printing & Misc		-	Net Interest Cost		581,848.44
Rating Agency Fee		-	Net Effective Rate		4.8500%
Capitalized Interest		5,183.44	Average Coupon		4.8500%
Accrued Interest		-	Yield		TBD
Rounding		-	Average Life		12.4320
		<u>2,375,446.45</u>	Call Option		2/1/2032
Sources of Funds			Purchaser	MRWA Loan Program - Preliminary	
Bond Issue		965,000.00	Bond Counsel	Taft	
Construction Fund Earnings		2,271.95	Pay Agent	City of St. James	
LRIP Grant		<u>1,408,174.50</u>	Tax Status	Tax Exempt, Bank Qualified	
		<u>2,375,446.45</u>	Continuing Disclosure	Audit within 180 days	
			Rebate	Small Issuer Exemption	
			Statutory Authority	M.S. 469, 444, & 475	

Payment Schedule & Cashflow

Payment Schedule						Pledged Revenues						Account Balances	
12-Month Period ending	Principal	Interest Rate	Interest	Payment Total	plus 5% Coverage	Collection Year	Tax Abatement Levy	Water Revenues	Wastewater Revenues	Storm Sewer Revenues	Special Assessments	Surplus (deficit)	Account Balance
9/16/2025	-		-	-							Capitalized & accrued interest >		5,183
2/1/2026	-	4.850%	17,551	17,550.94	18,169	2025	-	5,974	4,675	2,337	-	(5,183)	-
2/1/2027	30,000	4.850%	46,803	76,802.50	80,643	2026	25,014	18,155	14,209	7,104	16,161	-	-
2/1/2028	30,000	4.850%	45,348	75,347.50	79,115	2027	24,504	17,687	13,842	6,921	16,161	-	-
2/1/2029	35,000	4.850%	43,893	78,892.50	82,837	2028	23,995	19,633	15,365	7,683	16,161	-	-
2/1/2030	35,000	4.850%	42,195	77,195.00	81,055	2029	23,486	19,048	14,907	7,454	16,161	-	-
2/1/2031	35,000	4.850%	40,498	75,497.50	79,272	2030	22,977	18,462	14,449	7,224	16,161	-	-
2/1/2032	35,000	4.850%	38,800	73,800.00	77,490	2031	22,467	17,877	13,990	6,995	16,161	-	-
2/1/2033	40,000	4.850%	37,103	77,102.50	80,958	2032	21,958	19,706	15,422	7,711	16,161	-	-
2/1/2034	40,000	4.850%	35,163	75,162.50	78,921	2033	21,449	19,003	14,872	7,436	16,161	-	-
2/1/2035	45,000	4.850%	33,223	78,222.50	82,134	2034	26,190	18,300	14,322	7,161	16,161	-	-
2/1/2036	45,000	4.850%	31,040	76,040.00	79,842	2035	25,426	17,598	13,772	6,886	16,161	-	-
2/1/2037	50,000	4.850%	28,858	78,857.50	82,800	2036	24,662	19,310	15,112	7,556	16,161	-	-
2/1/2038	50,000	4.850%	26,433	76,432.50	80,254	2037	23,898	18,490	14,470	7,235	16,161	-	-
2/1/2039	50,000	4.850%	24,008	74,007.50	77,708	2038	23,134	17,670	13,829	6,914	16,161	-	-
2/1/2040	55,000	4.850%	21,583	76,582.50	80,412	2039	22,370	19,265	15,077	7,539	16,161	-	-
2/1/2041	55,000	4.850%	18,915	73,915.00	77,611	2040	21,606	18,328	14,344	7,172	16,161	-	-
2/1/2042	60,000	4.850%	16,248	76,247.50	80,060	2041	26,093	17,391	13,610	6,805	16,161	-	-
2/1/2043	65,000	4.850%	13,338	78,337.50	82,254	2042	25,074	18,869	14,767	7,384	16,161	-	-
2/1/2044	65,000	4.850%	10,185	75,185.00	78,944	2043	24,056	17,815	13,942	6,971	16,161	-	-
2/1/2045	70,000	4.850%	7,033	77,032.50	80,884	2044	23,037	19,176	15,007	7,504	16,161	-	-
2/1/2046	75,000	4.850%	3,638	78,637.50	82,569	2045	22,019	20,420	15,981	7,990	16,161	-	-
965,000			581,848	1,546,848.44	1,623,932		473,414	378,177	295,965	147,982	323,211		-