

MEETING DATE: October 26, 2017

TITLE: Authorization to execute Master Finance Agreement with Carver County

RESOLUTION NUMBER: 17-067

PREPARED BY: James Wisker

E-MAIL: Jwisker@minnehahacreek.org

TELEPHONE: 952-641-4509

REVIEWED BY: Administrator Counsel Program Director
 Board Committee Engineer Other

WORKSHOP ACTION:

<input type="checkbox"/> Advance to Board mtg. Consent Agenda.	<input checked="" type="checkbox"/> Advanced to October 26, for final Board action.
<input type="checkbox"/> Refer to a future workshop (date):_____	<input type="checkbox"/> Refer to taskforce or committee (date):_____
<input type="checkbox"/> Return to staff for additional work	<input type="checkbox"/> No further action requested

PURPOSE or ACTION REQUESTED:

Authorization to execute a Master Finance Agreement with Carver County, to support Six Mile – Halsted Bay capital project implementation

PROJECT/PROGRAM LOCATION:

Six Mile – Halsted Bay, Carver County (Attachment 1)

PROJECT HISTORY:

- May 22, 2014 – RES 14-047 Identifying Six Mile Creek – Halsted Bay (SMCHB) as a MCWD priority
- June 2015 – MCWD PPC receives memo and discusses capital project finance strategy
- 2015-2016 – Ongoing MCWD Board discussions of SMHB financing. Staff begin Carver due diligence
- May 2016 – President White, Treasurer Miller, and Manager Olson meet with MCWD staff/finance team
- May 2016 – SMCHB Partnership Kick Off Meeting
- July 2016 – MCWD Board accepts Task Force framework for increasing outside funds
- December 2016 – Carver County Board supports MCWD-Carver staff developing financing agreement
- January 2017 – MCWD Board briefed on Carver County finance agreement
- April 18, 2017 – Carver County Board RES 18-17 supports establishment of SMCHB Partnership
- June 2017 – MCWD PPC Committee discusses SMCHB funding strategy
- June 2017 – Completion of SMCHB Subwatershed Plan
- September 2017 – SMCHB Partners issue letters/resolutions of support for the Plan
- September 28, 2017 – MCWD Board Workshop Master Finance Agreement discussion
- October 17, 2017– Carver County Board approves Master Finance Agreement

NEXT STEPS:

- December 2017 – Issue request for proposals for short term financing

SUMMARY:

Background:

The Minnehaha Creek Watershed District (MCWD or District) has established the Six Mile Creek-Halsted Bay (SMCHB) Subwatershed as a focal geography for natural resource planning and implementation. This area was selected as a priority by the District's Board of Managers due to its abundant natural resources, its connection to Halsted Bay, the area's projected growth and development, and our existing strong regional partnership with the agencies in this geography (Attachment 1).

The District's approach to accomplishing its mission – the *Balanced Urban Ecology* policy – emphasizes public and private partnerships that align plans, policies and investments in the landscape, identifying innovative solutions that achieve the greatest public benefit possible (environmental, economic, social).

Accordingly, over the last year, the District has worked with the SMCHB Partnership to develop a comprehensive capital improvement program that addresses natural resource objectives in ways that successfully manage the challenges and opportunities resulting from growth and development, supporting the creation of thriving communities.

SMCHB Partners include: Carver and Hennepin Counties, the cities of Minnetrista, St. Bonifacius, Waconia, and Victoria, Laketown Township, Carver County Soil and Water Conservation District, and Three Rivers Park District.

In developing the plan, the District and the SMCHB Partners:

- Established a shared understanding of key natural resource issues within the subwatershed, and what is driving those issues
- Developed long-range management strategies to address the issues and their drivers
- Identified local priorities and goals, including those related to parks and open space, transportation and infrastructure, and growth and development
- Mapped implementation priorities, while retaining flexibility to respond to new opportunities that emerge through coordination with partners

This approach and the resulting SMCHB Plan are a part of the District's overall Water Resource Management Plan, and has been formally endorsed by Carver County in March of 2017 through the adoption of the SMCHB Resolution of Support, and more recently via recognition from the Carver County Water Management Organization (CCWMO), Hennepin County, Three Rivers Park District, and the City of Victoria.

Financing Strategy:

Given the scale of the SMCHB geography, and the corresponding level of investment required to make measurable change within the landscape, the District and its Partners have identified the need to develop a funding strategy that leverages regional, state and federal resources to support implementation.

Under the umbrella of the funding strategies developed to implement the SMCHB Plan, MCWD and its Partners have accomplished the following:

- Secured \$250,000 Clean Water Legacy Grant to enhance public stormwater infrastructure and improve water quality draining from downtown Victoria into East Auburn Lake.
- Partnered with a national homebuilder, Lennar Corporation, to privately fund the restoration of 12 acres of wetland and upland buffer, draining to Wasserman Lake.
- Partnered with the City of Victoria to acquire 30.5 acres of land to address a legacy pollutant source on Lake Wassermann while creating upland park amenities for public recreation and lake access.
- Submitted a proposal, and ranked second among pending habitat applications, for \$795,000 Lessard Sams Outdoor Heritage Council funding – for a large-scale habitat and water quality improvement at the headwaters of Lake Minnetonka.

MCWD – Carver County Financing Partnership:

To complement and leverage potential investments made by the District, SMCHB Partners, and outside regional-state-federal grants, the MCWD Board of Managers has requested support and partnership from Carver County, to provide long-term public financing for programmed capital improvements through the issuance of general obligation bonds to be backed by MCWD's tax levy.

In December of 2016, MCWD obtained support from the Carver County Board to begin developing such a finance framework with County staff. Based on this work, and consistent with terms discussed with the MCWD Board of Managers, attached is a DRAFT Master Finance Agreement (MFA) that provides up to \$25 million in permanently placed financing for SMCHB capital projects and land acquisitions.

The Draft MFA was unanimously approved by the Carver County Board on October 17, 2017.

Next Steps:

Pending approval by the MCWD Board of Managers, staff will work with District counsel and financial advisors to develop a request for short term financing proposals. Authorization to release this RFP will come before the Board in December 2017.

ATTACHMENTS:

- Attachment 1 – Six Mile-Halsted Bay Map
- Attachment 2 – Carver Resolution 18-17
- Attachment 3 – DRAFT Master Finance Agreement.
- Attachment 4 – DRAFT Promissory Note

RESOLUTION

RESOLUTION NUMBER: 17-067

TITLE: **Authorization to execute a Master Finance Agreement with Carver County**

WHEREAS, pursuant to Resolution 17-007, the Minnehaha Creek Board of Managers (MCWD) established a strategic direction for the organization which prioritizes the implementation of high impact capital improvements; and

WHEREAS, pursuant to Resolution 14-047, the MCWD Board of Managers established the Six Mile Creek – Halsted Bay (SMCHB) geography as a capital project planning and implementation priority; and

WHEREAS, pursuant to Carver County Resolution 18-17, Carver County:

- Established a shared vision for the SMCHB subwatershed that integrates land use and water resources in support of vibrant communities,
- Supported the formation of the SMCHB Partnership,
- Committed to working within the SMCHB Partnership to develop an implementation plan and supporting investment strategy; and

WHEREAS, the MCWD Board of Managers has discussed the need to develop a diverse financing strategy to support SMCHB implementation, that integrates the District's levy with contributions from local partners, regional/state/federal grants and appropriations, and long-term public financing of projects through partnership with Carver County; and

WHEREAS, The District has worked closely with the Six Mile – Halsted Bay Partnership (Hennepin and Carver Counties, Cities of Minnetrista, St. Bonifacius, Victoria and Waconia, Laketown Townships, Carver Soil and Water Conservation District, and Three Rivers Park District) to develop the SMCHB Capital Improvement Plan, and investment strategy; and

WHEREAS, the SMCHB Plan has been distributed for review and comment as part of its ten-year watershed management plan; and

WHEREAS, the Plan has received broad support from state and regional agencies, local municipalities, park districts and counties; and

WHEREAS, in December of 2016, the Carver County Board expressed support for County and District staff collaborating to develop a Master Finance Agreement for consideration by both agencies, which would provide long-term capital project financing for the SMCHB implementation plan through the County's issuance of general obligation bonds serviced by the District's tax levy; and

WHEREAS, the DRAFT Master Finance Agreement has been developed in collaboration with, and has the support of, Carver County and MCWD staff, legal counsel, and financial advisors; and

WHEREAS, on October 17, 2017, the DRAFT Master Finance Agreement was approved by the Carver County Board of Commissioners; and

**DRAFT for discussion purposes only and subject to Board approval and the availability of funds.
Resolutions are not final until approved by the Board and signed by the Board Secretary.**

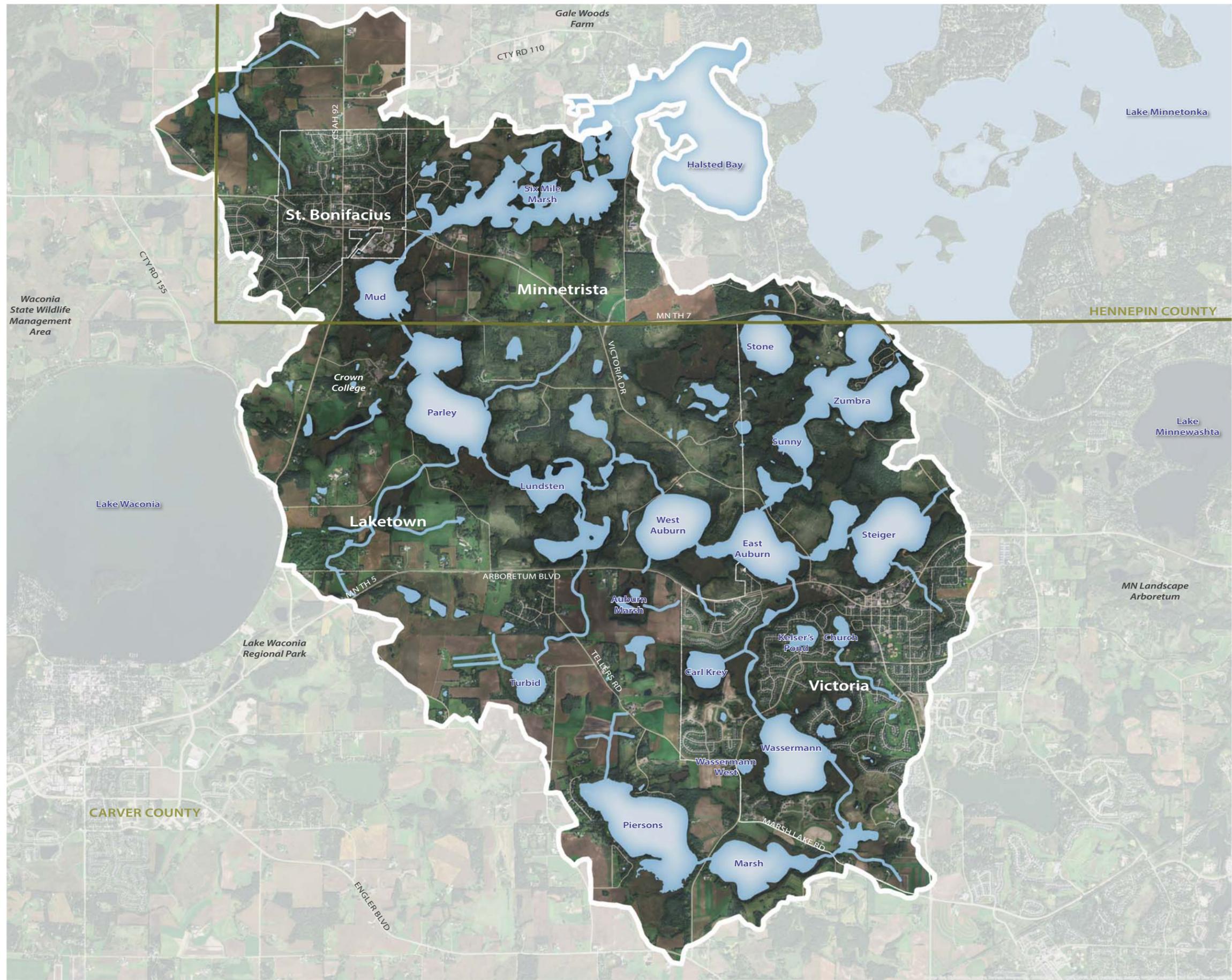
WHEREAS, the DRAFT Master Finance Agreement has been found by MCWD counsel to operate within the legal framework established by Minnesota watershed planning law §103B.251;

NOW, THEREFORE, BE IT RESOLVED that the Minnehaha Creek Watershed District Board of Managers hereby authorizes the Board President, on advice of counsel, to execute the Carver County – MCWD Master Finance Agreement.

Resolution Number 17-067 was moved by Manager _____, seconded by Manager _____.
Motion to adopt the resolution ___ ayes, ___ nays, ___ abstentions. Date: _____.

Secretary Date: _____

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- LEGEND**
- Six Mile Creek Watershed Boundary
 - City and Township Boundaries
 - County Boundary
 - Streets
 - Rivers and Streams
 - Lakes



BASE MAP

Six Mile Subwatershed Planning Project Minnehaha Creek Watershed District



HART | HOWERTON





BOARD OF COUNTY COMMISSIONERS CARVER COUNTY, MINNESOTA

Date: April 18, 2017 Resolution No.: 18-17

Motion by Commissioner: Maluchnik Seconded by Commissioner: Ische

RESOLUTION OF SUPPORT TO ESTABLISH THE SIX MILE-HALSTED BAY SUBWATERSHED PARTNERSHIP

WHEREAS, the Six Mile-Halsted Bay subwatershed spans 27 square miles and includes the communities of Victoria, Waconia, Minnetrista, St. Bonifacius, and Laketown Township; Hennepin and Carver Counties; and the 3,700 acre Carver Park Reserve, owned and managed by Three Rivers Park District;

WHEREAS, each of these municipalities, both counties, the Three Rivers Park District, and the Minnehaha Creek Watershed District share a vision of a Six Mile-Halsted Bay subwatershed that:

- Preserves and enhances natural resources;
- Wisely anticipates the growth and development of vibrant communities;
- Promotes the preservation of distinctive areas;
- Recognizes that natural systems can serve to underpin local identity and sense of place;
- Builds strong community connections through transportation infrastructure, trails, parks, and schools; and
- Integrates natural and built systems to enhance the long term social and economic value of communities;

WHEREAS, the Six Mile-Halsted Bay subwatershed is rich in water resources, with 17 lakes and hundreds of acres of wetlands connected by Six Mile Creek, which drains into Halsted Bay on the west side of Lake Minnetonka; five of the area's lakes are listed on the state's impaired waters list due to excessive nutrients; these impairments are driven by a combination of landscape loading and internal loading, exacerbated by the presence of carp in a number of lakes; Halsted Bay requires the largest phosphorus load reduction of any waterbody in the Minnehaha Creek Watershed; many of the area's wetlands and stream segments have been altered and degraded requiring restoration; the area also includes a number of high quality natural resources that merit protection plans as the area develops;

WHEREAS, the Six Mile-Halsted Bay subwatershed represents one of the fastest growing areas of the region, and much of the land will be annexed and developed over the coming decades; the City of Victoria has an orderly annexation agreement with the Cities of Waconia and Chaska that will over time lead to the annexation of all of Laketown Township, resulting in significant land use conversion and infrastructure development;

WHEREAS, the cities and counties are currently updating their comprehensive plans pursuant to the Metropolitan Land Planning Act, and the Minnehaha Creek Watershed District is updating its comprehensive water resources management plan pursuant to the Metropolitan Surface Water Management Act, and the Partners have identified these plan updates as an opportunity to integrate long range policies and plans;

WHEREAS, the Minnehaha Creek Watershed District Board of Managers has established the Six Mile-Halsted Bay subwatershed as a priority focal geography, and has committed significant resources to develop a multi-jurisdictional investment strategy to preserve and restore natural systems in the Six Mile-Halsted Bay subwatershed while enhancing the social and economic vitality of communities;

WHEREAS, the communities of Victoria, Waconia, Minnetrista, St. Bonifacius, and Laketown Township; Hennepin and Carver Counties; the Three Rivers Park District; and the Minnehaha Creek Watershed District each recognize that in order to meet the goals of the partnership stated in paragraph two, the following actions are needed to establish a partnership:

- Develop and adopt a subwatershed plan that identifies key water resource issues and strategies, identifies natural resource corridors, and accommodates local growth and development planning; and
- Establish a framework for plan implementation, memorializing routine reengagement of the Partners for the purposes of aligning plans and priorities, forecasting upcoming projects, and establishing investment strategies, including sources of external funding, to be incorporated into capital improvement plans;

WHEREAS, each of these partners desire to participate in a planning process to develop strategies to implement this vision of the Six Mile-Halsted Bay subwatershed, along with a coordinated investment framework;

NOW, THEREFORE, BE IT RESOLVED:

Carver County shares a vision for the Six Mile-Halsted Bay subwatershed that integrates land use and water resources to protect and enhance natural resources, supports the growth vibrant communities, values and preserves distinct areas, and builds strong community connections, and

FURTHER, Carver County expresses support for the establishment of the Six Mile-Halsted Bay subwatershed Partnership and assigns/authorizes Paul Moline to serve as a representative on the Six Mile-Halsted Bay Subwatershed Committee (the Committee), and

FURTHER, The Committee will guide the development of a coordinated policy and investment framework for the Six Mile-Halsted Bay subwatershed, to be memorialized through the District's Comprehensive Plan in a dedicated Six Mile-Halsted Bay Subwatershed plan section (the Plan), and

FURTHER, The District and its partners will share its plans and appropriate staff resources to contribute to the development of the Plan, and

FURTHER, The Committee will further develop and adopt a framework for plan implementation, to include routine coordination for the purposes of aligning plans a priorities, identifying upcoming project opportunities, and developing investment strategies, and

FURTHER, The District and its partners will work together to secure federal, state or other resources to implement the Plan, and

FURTHER, As the Six Mile-Halsted Bay subwatershed plan will be informed by local priorities and plans, the District's partners will utilize the Plan in the development of comprehensive plans, land use ordinances, investment strategies, and other local planning and implementation work.

YES

ABSENT

NO

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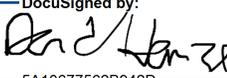
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**STATE OF MINNESOTA
COUNTY OF CARVER**

I, Dave Hemze, duly appointed and qualified County Administrator of the County of Carver, State of Minnesota, do hereby certify that I have compared the foregoing copy of this resolution with the original minutes of the proceedings of the Board of County Commissioners, Carver County, Minnesota, at its session held on the 18th day of April, 2017, now on file in the Administration office, and have found the same to be a true and correct copy thereof.

DocuSigned by:

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 County Administrator

MINNEHAHA CREEK WATERSHED DISTRICT CAPITAL IMPROVEMENT AND
LAND CONSERVATION PROGRAM
MASTER FINANCE AGREEMENT

This Agreement is made and entered into this _____ day of _____, 2017 by and between MINNEHAHA CREEK WATERSHED DISTRICT (the “District”) and CARVER COUNTY (the “County”).

WHEREAS, the District has instituted a Capital Improvement and Land Conservation Program (the “Program”) under which the District plans to construct water resource improvements and to acquire real property interests for environmental and conservation purposes;

WHEREAS, the District has adopted a watershed management plan under Minnesota Statutes, Section 103B.231 (the “Watershed Plan”) and, as provided in Section 103B.231, Subd. 6, has included a capital improvement program as part of the Watershed Plan;

WHEREAS, Minnesota Statutes, Section 103B.231, Subd. 7(c) provides that the Carver County Board of Commissioners may either approve or disapprove those projects in the capital improvement program which may require County funding under Section 103B.251;

WHEREAS, under Minnesota Statutes, Section 103B.241, Subd. 1, the District has authority to levy property taxes to pay for capital improvements, the proceeds of which are to be deposited in a separate fund for such purposes;

WHEREAS, Minnesota Statutes, Section 103B.251 sets forth a procedure by which the cost of a capital improvement which has been approved by the County may be certified to the County for payment;

WHEREAS, Section 103B.251, Subd. 7 permits the County to issue general obligation bonds to pay the costs of approved capital improvements certified to it, which bonds, as provided by Section 103B.251, Subd. 8, are payable primarily from taxes on taxable property within the watershed district or a subwatershed unit for which the bonds are to be issued;

WHEREAS, Minnesota Statutes, Section 103B.253, provides that any taxes levied to fund a project under Section 103B.241 or to pay County bonds issued under Section 103B.251 are not included in the County's levy certified under Section 275.07, Subd. 1, paragraph (a), but instead are extended as a special taxing district levy;

WHEREAS, in lieu of the issuance of County bonds as the immediate source of funding of capital improvements or the levy of taxes on District property to pay the entire cost of the Program in Carver County, the District will issue shorter term notes and the County

will provide permanent financing as provided herein;

WHEREAS, the District and the County are entering into this Agreement to establish procedures for the coordinated financing of the projects of the District's Program in Carver County;

NOW, THEREFORE, the County and District agree as follows:

1. Capital Improvement Program. The District shall include the Capital Improvement and Land Conservation Program (the "Program") within its capital improvement program as part of the Watershed Plan. The District shall determine at the time of ordering a capital improvement or land acquisition whether it may wish to finance the project or acquisition through the permanent financing provisions of this Agreement. If the District determines to seek such permanent financing for such a project or acquisition, it shall provide written notice to the County. Such notice will include the amount to be financed hereunder, the project to be constructed or parcels or property interests to be acquired, the cost thereof and the estimated amount of sale proceeds which may be derived from any anticipated sale of all or a portion of the acquired property interests. The County Board of Commissioners may request that a District representative appear to provide a description and answer questions about the proposed project or acquisition. The County shall approve, deny, request more information, and/or request an extension of more time to make a decision on providing permanent financing for the proposed project or acquisition and communicate this decision to the District in writing within sixty (60) days of receiving notice from the District.

2. Financing Requests. The notice provided under paragraph 1 shall be accompanied by (a) a certified resolution of the Board of Managers of the District which requests permanent financing in a specific amount for capital improvement costs or acquisition of specified parcels or other property interest in accordance with the terms of this Agreement and pledges the full faith and credit and taxing powers of the District to the payment of the permanent financing bonds to be issued hereunder, (b) an opinion of counsel to the District to the effect that the acquisition is included in the plan and no further plan amendments are required, and (c) a statement of the facts relevant to a determination of whether the interest on any County obligations to be issued hereunder, if issued separately for each acquisition transaction, would be exempt from federal and Minnesota income taxation.

3. District Notes. In lieu of the issuance of County bonds as the immediate source of funding of capital improvements or the levy of taxes on District property to pay the entire cost of the Program in Carver County, and pursuant to Minnesota Statutes, Section 475.61, Subd. 6, which provides that the District may issue temporary obligations in anticipation of permanent financing, the District will issue negotiable notes for conservation purposes for a maximum term of thirty-six (36) months pursuant to Minnesota Statutes, Section 103D.335, Subd. 1 ("District Notes");

4. Permanent Obligations. The County shall, at such time prior to the maturity of the District Notes as the County deems practical, issue its bonds under Section 103B.251 in

minimum amounts of \$1 million to provide permanent financing for the unpaid balance of such District Notes, but (a) if interest on the bonds is intended to be tax exempt, only upon receipt of written undertakings of the District and acceptable to the County relating to the maintenance of the tax exempt status of any such bonds, and (b) if interest on the bonds is intended to be tax exempt, only to the extent interest on such obligations, if publicly issued as a separate issue for the acquisition costs being financed, would, in the opinion of the County's bond counsel, be exempt from federal and state income taxation, and (c) only if the County determines to its satisfaction that any District taxes levied or to be levied for the County's permanent financing hereunder supplant, and do not supplement, the District's levy for the Program.

5. Aggregate Outstanding Principal. The aggregate outstanding principal amount of permanent obligations hereunder shall not exceed \$25 million at any time. The County shall determine the maturity schedules and other terms of the permanent financing in consultation with the District and shall use its best efforts to provide the District with 20-year financing. The District shall pay a portion of the issuance costs of an issue of County bonds which provides the permanent financing based on the District's pro rata share of the total par amount of bonds issued. The bonds shall be payable primarily from payments to be made by the District on the dates and in the amounts sufficient to pay the County bonds when due. Such obligation shall be evidenced by a Promissory Note of the District substantially in the form attached as Appendix A. In the event of any actual or anticipated deficiency the County may levy taxes on all taxable property in the District to provide for the full and prompt payment of the County bonds.

IN TESTIMONY WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the day and year first above written.

COUNTY OF CARVER

By _____
Chair, Carver County Board of
Commissioners

By _____
County Administrator

Approved as to form and execution:

By _____ Assistant County Attorney

MINNEHAHA CREEK WATERSHED
DISTRICT

By _____
President,
Board of Managers

Approved as to form and execution:

By _____ District Counsel

PROMISSORY NOTE

UNITED STATES OF AMERICA
STATE OF MINNESOTA
MINNEHAHA CREEK WATERSHED DISTRICT

Dated: _____ \$ _____

For value received, MINNEHAHA CREEK WATERSHED DISTRICT (the "District"), hereby acknowledges itself indebted to and promises to pay to the order of:

CARVER COUNTY

or registered assigns, the principal sum of _____ Dollars (\$ _____), and interest thereon in installments of principal and interest on or before the dates and in the amounts set forth in Appendix A attached hereto.

This Note is subject to prepayment in whole or in part at the option of the District on any date at par plus accrued interest on or after (the first call date of the County's bonds), and only with the consent of the County.

This Note is issued in accordance with the Master Loan Agreement by and between the District and Carver County, Minnesota dated _____, 20__ (the "Loan Agreement") to evidence the obligation of the District to provide for the payment of bonds issued by the County pursuant to the Loan Agreement.

This Note is issued pursuant to and in conformity with the Constitution and Laws of the State of Minnesota, including Minnesota Statutes, Section 103D.335, Subd. 1 and Chapter 475, and is payable from ad valorem taxes on all taxable property in the District which the District shall levy as part of its capital improvement program under Minnesota Statutes, Section 103B.241, Subd. 1, without limit as to rate or amount.

The representations and warranties of the District as set forth in the Loan Agreement are incorporated by reference herein.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to be done, to happen and to be performed precedent to and in the issuance of this Note have been done, have happened and have been performed in regular and due form, time and manner as required by law and that this Note, together with all other indebtedness of the District outstanding on the date of its issuance, does not exceed any constitutional or statutory limitation of indebtedness.

IN WITNESS WHEREOF, said MINNEHAHA CREEK WATERSHED DISTRICT, in the State of Minnesota, by its Board of Managers, has caused this Note to be executed by the President of said Board, on the date of this Note.

MINNEHAHA CREEK WATERSHED DISTRICT

By _____
Its President

DRAFT