

15. Upper Minnesota Valley – Small Cities Policies Approval **Action Requested**
- Anti Displacement Relocation Plan & Resolution
 - Drug Free Workplace Requirements
 - Benson Program Income Plan
 - Section 3 Plan
 - Commercial Rehabilitation Procedural Guidelines
 - Owner-Occupied Rehabilitation Procedures
16. Adjourn: Mayor

In compliance with the American Disability Act, if you need special assistance to participate in this meeting, please contact the City Manager's office at 320-843-4775. Notification 48 hours prior to the meeting will enable the City of make reasonable arrangements to ensure accessibility to this meeting.

DRAFT

**MINUTES - BENSON CITY COUNCIL - REGULAR MEETING
OCTOBER 16, 2017**

The meeting was called to order at 5:30 p.m. by Mayor Landmark. Members present: Terri Collins, Jack Evenson, Gary Landmark, Stephanie Heinzig & Lucas Olson. Members Absent: None. Also present: City Manager Rob Wolfington, Director of Finance Glen Pederson, Police Chief Hodge, Director of Public Works Dan Gens, City Attorney Don Wilcox, Firemen Rob Lee, Mark Plumhoff, Eric Tolifson, and Bob Hoberg, County Auditor Kim Saterbak, Tim Giesek from the DNR, Shelly Eldridge from Ehlers and Associates, Kurt Waldbillig and Dan Enderson with Swift County Benson Health Services, Swift County Commissioner Eric Rudnigen and Jay Alsaker.

The Council recited the Pledge of Allegiance.

Mayor Landmark asked if there were any changes to the agenda. Wolfington asked to strike the Public Hearing for a diseased elm as the tree was taken down today, also the application for a variance request for 1328 Atlantic Avenue was rescinded by the applicant, and to add 1st Reading of an Ordinance to Vacate Alley. It was moved by Evenson, seconded by Collins and carried unanimously to approve the amended agenda.

It was moved by Collins, seconded by Evenson and carried unanimously to approve the following items on the Consent Agenda:

- October 2, 2017 City Council Minutes
- October 2, 2017 Planning Commission Meeting
- September 5, 2017 Planning Commission Meeting
- July 20, 2017 EDA Meeting
- October 9, 2017 Library Meeting
- MnDOT Office of Freight – Gustie’s Road Application Information
- Police Report
- CenterPoint Energy’s Request to the Public Utility Commission Rate Increase
- Additional Request to Rename Northside Rec

The Mayor asked for people with unscheduled business to which there were none.

Next Shelly Eldridge with Ehler’s and Associates approached the Council. Pederson reminded the Council at the October 2, 2107 meeting they discussed the refinancing of the Electric Revenue Refunding Bonds Series 2017A, and at that time presented three options for refinancing. The option being recommended is to engage in private negotiations. Eldridge presented the presale information, and predicted a savings of approximately \$500,000 by refinancing these bonds. Pederson stated the reason he would like to execute the refinancing soon is to lock in the interest rate as it is expected to go up. After discussion, councilmember Collins offered the following resolution:

**Resolution Providing for the Sale of \$3,720,000
Electric Revenue Refunding Bonds, Series 2017A
(Resolution No. 2017-23)**

- A. WHEREAS, the City Council of the City of Benson, Minnesota has heretofore determined that it is necessary and expedient to issue the City's \$3,720,000 Electric Revenue Refunding Bonds, Series 2017A (the "Bonds"), to current refund the City’s Electric Revenue Bonds, Series 2007 for interest cost saving; and

B. WHEREAS, the City has retained Ehlers & Associates, Inc., in Roseville, Minnesota ("Ehlers"), as its independent municipal advisor for the Bonds and is therefore authorized to work with Robert W. Baird & Company Incorporated ("Baird") to provide placement agent services for the sale of the Bonds in accordance with the terms set forth in the pre-sale report and Minnesota Statutes, Section 475.60, Subdivision 2(9);

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Benson, Minnesota, as follows:

1. Authorization; Findings. The City Council hereby authorizes Ehlers to structure the terms of the Bonds to provide for optimal cost savings. The City Council authorizes the Mayor to consider the proposal of Baird and take any other appropriate action with respect to the Bonds. Ehlers is further authorized to negotiate the sale of the Bonds with Baird.
2. Meeting; Ratify Acceptance of Proposal; Award Bond Sale. The City Council shall meet at 5:30 p.m. on November 20, 2017 or another date set by City staff, to ratify the acceptance of a proposal from Baird, to award the sale of the Bonds and to take any other appropriate action with respect to the Bonds.
3. Request for Proposals; Term Sheet. In connection with said sale, the officers or employees of the City are hereby authorized to cooperate with Ehlers and participate in the preparation of a request for proposals and a term sheet for the Bonds.

Councilmember Evenson seconded the foregoing resolution and the following vote was recorded: AYES: Collins, Heinzig, Evenson, Landmark, Olson. NAYES: None. Thereupon the Mayor declared Resolution 2017-23 duly passed and adopted.

Next Enderson approached the Council. Wolfington said last Friday he and Councilmember Collins attended a meeting with the hospital. They reviewed the hospital's Brehmer Bank loan proposal and there is a financing gap that needs to be closed. At the meeting the question was asked what could the City and County do to fill the \$750,000 gap in their assisted living project. Enderson stated the \$50,000 grant from the Sonsteng Foundation annually for ten years could not be considered in the loan process. Wolfington said the City could sign a loan guarantee for \$750,000 over the life of the loan to close the gap, and give the Benson HRA the authority to authorize the loan. Currently the Hospital makes a loan payment to Swift County in the amount of \$122,000 per year. They are being asked to forgo three years of payments to cash flow the project. The Hospital in turn would use that money to pay toward the line of credit to the bank. The City would then ask the Hospital for a payment in lieu of taxes in the event it's a tax free property. If they are deemed tax free, it will leave the debt service on the TIF bonds short \$30-35,000 per year which will have to come out of the City's General fund. Wolfington stated it would need to go through an administrative process of public hearings and published in the paper and could take 30-60 days. He estimated it would cost \$10,000 to hire Ehlers to do the document preparations. Enderson stated the USDA Guarantee isn't finished yet. Landmark said if the project has an overrun in cost who pays? Enderson said there is a \$300,000 contingency and a "not to exceed" clause in the project agreement. Wolfington reminded the Council in addition to the \$750,000 and the 1.2 million TIF bond for sewer and water will only pay for 60% of the debt service payment of that bond which leaves a 40% shortfall to pay the bonds. All this obligation must be carried in our audit report. After discussion, Wolfington was directed to engage Ehlers to get some information for us on the feasibility of this option. Wolfington stated the County will be looking at this option at their County Commissioner meeting tomorrow morning. Commissioner Rudnigen stated this is listed on their agenda as a discussion item and no action will be taken. There was discussion with Eldridge whether the HRA could issue TIF in order to secure this guarantee. Landmark asked if this financing to the Hospital will go against our debt service to which Wolfington stated yes.

Next Wolfington and Wilcox discussed the utility easement running east and west to the south of Scofield will need to be vacated for the Hospital project. It was moved by Collins, seconded by Heinzig

and carried unanimously to approve the 1st Reading of An Ordinance to Vacate Utility Easement. CenturyLink is expected to ask \$48,000 to relocate their utilities.

Next Tim Gieseck from the DNR approached to discuss shared aquifers and how they are looking at more efficient ways to manage them. Their area hydrologist has expressed concern about the depletion of our aquifers and water usage. They want to move forward and open a dialog on conservation and education to start planning now rather than if a crisis arises with our water supply.

Next Rob Lee and Eric Tolifson with the Benson Fire Department Relief Association came forward to discuss Benson Fire Department Bylaw changes and to discuss the Firemen’s Relief Association. They would like to change the Bylaws to remove fees and dues to participate, as well as to increase the benefit to those in the Relief Association from \$1,100 to \$1,300 per year. After discussion Evenson offered the following resolution:

**RESOLUTION APPROVING BENSON FIRE RELIEF BYLAW AMENDMENT
CITY OF BENSON
(RESOLUTION NO. 2017-24)**

WHEREAS, the Benson Fire Relief Board has reviewed its bylaws; and

WHEREAS, the bylaws need to be updated and approved by the Council to reflect the benefit increase and other operational procedures; and

WHEREAS, the Benson Fire Relief Board is recommending approval of the bylaws as amended, and attached as Exhibit “A”,

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Benson, Minnesota hereby approves the amended Benson Fire Relief Bylaws.

Councilmember Olson seconded the foregoing Resolution and the following vote was recorded: AYES: Collins, Heinzig, Evenson, Landmark, Olson. NAYES: None. Thereupon the Mayor declared Resolution 2017-24 duly passed and adopted.

Next Lee discussed the Benson Fire Relief Association has been managing the retirement fund until now. The rules and regulations are getting harder to keep up with and they are asking to join the State run program which is managed by PERA. It would be at no additional cost to the City. After discussion, Evenson offered the following resolution:

**CITY OF BENSON
Voluntary Statewide Lump-Sum
Volunteer Firefighter Retirement Plan
(RESOLUTION No. 2017-25)**

A RESOLUTION OPTING TO JOIN THE VOLUNTARY STATEWIDE LUMP-SUM VOLUNTEER FIREFIGHTER RETIREMENT PLAN

The City Council of the City of Benson, Minnesota, does ordain:

WHEREAS: The City is authorized to join the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan administered by the Public Employees Retirement Association (PERA); and

WHEREAS: The City and the City’s Fire Department Relief Association have jointly consented to and obtained a cost analysis for joining the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan from PERA not more than 120 days ago; and

WHEREAS: The City highly values the contributions of City Fire Department members to the safety and wellbeing of our community and wishes to safeguard their pension investments in a prudent manner; and

WHEREAS: The existing benefit level for the City Fire Department is currently at the \$1,300.00 benefit level per year of service

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BENSON, MINNESOTA:

- 1) The City hereby approves coverage by and requests participation in the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan administered by PERA under the terms provided in the PERA cost analysis at the \$1,300.00 benefit level per year of service, effective January 1, 2018; and
- 2) The City Clerk/Administrator and Mayor are hereby authorized to execute all documents necessary to effectuate the intent of this resolution.

Councilmember Collins seconded the foregoing Resolution and the following vote was recorded: AYES: Collins, Heinzig, Evenson, Landmark, Olson. NAYES: None. Thereupon the Mayor declared Resolution 2017-25 duly passed and adopted.

Wolfington discussed the intersection at Nevada Avenue and 16th Street North. Currently Nevada Avenue is used by parents to transport their children to and from Northside School. There are stop signs going north and south. Wolfington said the Planning Commission recommended making this intersection a four way stop. Landmark and Collins expressed concern about traffic backing up onto Highway 29. After discussion it was moved by Heinzig, seconded by Evenson and carried unanimously to amend the stop sign plan making the intersection of 16th Street North and Nevada a four way stop. Hodge said they will monitor traffic flow after the signs are placed and see if this change will cause any traffic problems.

Next were pay requests for overhead to underground work. It was moved by Collins, seconded by Evenson and carried unanimously to approve a pay request from Goff Electric in the amount of \$30,636.23. It was moved by Collins, seconded by Evenson and carried unanimously to approve a second pay request from Goff Electric in the amount of \$6,406.93.

Wolfington discussed the upcoming State legislative session. He shared his concern over the possibility of an amendment to the Xcel Energy agreement, and is asking the Council to approve an agreement with Flaherty & Hood, P.A. to stay abreast of any possible changes to the agreement for us. After discussion, it was moved by Collins, seconded by Olson and carried unanimously to approve the agreement with Flaherty and Hood for services not to exceed \$15,000.

Wolfington shared an invite the City of Benson received from the MPCA concerning a meeting to discuss wastewater discharge permits in the Minnesota River Basin on October 18 in Mankato. He and Gens will be attending the meeting to see if Benson will have any new permits or regulations.

Pederson and Hodge approached the Council with quotes for a new phone system for the Police Department. They are going with a cloud based system and presented the following quotes:

Vendor	Initial Charge	Recurring Mo. Charge	5 year Total
MARCO	\$8,140.00	\$751.00	\$53,200
Telesystems	\$748.50	\$509.18	\$31,299
MNIT	\$6,858.12	\$177.61	\$17,514

After discussion, it was moved by Evenson, seconded by Olson and carried unanimously to approve the quote from MNIT as presented.

Next were pay requests from Marcus Construction for the police department building construction management. It was moved by Collins, seconded by Evenson and carried unanimously to approve pay request #2 to Marcus Construction in the amount of \$6,366.40. Next was a change order. It was moved by Collins, seconded by Olson and carried unanimously to approve a change order from Marcus Construction for fencing in the amount of (\$4,185.00). It was moved by Evenson, seconded by Collins and carried unanimously to approve pay request #3 to Marcus Construction Co., Inc. in the amount of \$7,980.07.

Mid-Central Concrete submitted a change order for concrete work at the police department building. It was moved by Collins, seconded by Evenson and carried unanimously to approve a change order for dirt work in the amount of \$7,435.00. It was moved by Evenson, seconded by Heinzig and carried unanimously to approve pay request #2 in the amount of \$32,729.40.

Next were two pay requests from Chester Contracting for construction work on the police department building. It was moved by Collins, seconded by Evenson and carried unanimously to approve pay request 2 in the amount of \$35,150.00. It was moved by Evenson, seconded by Olson and carried unanimously to approve pay request #3 to Chester Contracting in the amount of \$21,489.00.

It was moved by Collins, seconded by Olson and carried unanimously to approve the following election judges for the General Election on November 6, 2017:

- | | |
|-----------------|---------------|
| Jan Baukol | Gene Doscher |
| Alta Larson | Diane Doscher |
| Jan Pagel | Karen Nelson |
| Mary Langan | Sue Fitz |
| Marge Scheffler | Susan Snow |
| Mike Scheffler | Jim Hilleren |
| Pam Lawatsch | Glen Pederson |
| LoAnn Hagen | Val Alsaker |
| Dennis Laumeyer | Pam Anderson |

Pederson stated he received a notice from the South West-West Central (SWWC) Services Coop of a \$38% rate increase on the employee health insurance. He along with Justin Kroeger from Flexible Benefits Administrators started looking for alternatives to the current policy and found PEIP (Public Employee Insurance Plan) which is a state plan with a large pool and very stable. If the City were to go with PEIP, it will offer significant savings. The City and the unions would have to open their contracts to make the changes in insurance. Both AFSCME and LELS have voted to approve the new plan. Since deductibles are higher, the City would then kick more into the employees HSA to help defray some of the out of pocket costs. It is estimated the City will save \$40,000 in the first year under this new plan. It was moved by Evenson, seconded by Collins and carried unanimously to approve the insurance policy change and to open both union contracts to include the amended insurance changes.

The Council reviewed the budget report.

It was moved by Evenson, seconded by Collins and carried unanimously to approve the bills and warrants in the amount of \$440,082.00.

There being no further business to come before the Council upon motion by Collins, seconded by Evenson and carried unanimously to adjourn the Council meeting at 6:49 p.m.

Mayor

City Clerk

Park Board Meeting

June 19, 2017

City's Council Chamber

Meeting called to order by Jack Evenson. Members present were: Jack Evenson, Wendy Munsterman, Doug ~~Bansund~~, Jani Baukol, and Mayor Gary Landmark. Also present was Rob Wolfington, Dan Gens, and Duane Hopp.

Rob discussed transferring the Civic Center to the school. Rob also stated that Environ Dye was looking for a new location for their business. There was discussion about the cost associated with updating the Civic Center.

There was discussion about the Armory. It is being proposed as possible site for the city offices and recreational use at an approx. cost of two and half million dollars to renovate.

The State Hwy. project in town should be probably done by first part of August.

Rob discussed the old Glacial Plains Elevator; he said the company has done nothing to get the required permits.

The Saddle Club Lease is up for renewal and the proposal is just to renew it for five years.

Mosquito Spraying has begun and will continue through the summer months.

Rob stated the cemetery expansion is continuing with good progress and should be done by this fall.

Rob informed the board there is some interest in the Fibromin property, so there is some discussion going on with these companies.

Rob said there will be a new sidewalk by the electronic sign.

Rob discussed Gusty's road proposed project.

A motion to adjourn the meeting by Jan and seconded by Doug, passed.

Recorded by Duane Hopp

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EDA Meeting October 5, 2017

Members Present: Jon Buyck, Jack Evenson, Rick Horecka, Stephanie Heinzig, Sheryl Madden, Dan Enderson, and Rob Wolfington

Members Absent: None

Also Present: Terry Timmerman and Brian Samuelson from the Coop Credit Union

Chairman Buyck called the meeting to order at 7:00 a.m.

It was moved by Evenson, seconded by Madden and carried unanimously to approve the July 20, 2017 EDA minutes.

Wolfington asked to add West Central Powder Coating to the agenda.

Wolfington presented a loan application from Terry Timmerman from Morris who is interested in buying the building at 1328 Atlantic Avenue. Timmerman approached the EDA. He stated he would like to do business in Benson. He has his financing lined up, but needs gap financing in the amount of \$50,000 that would be shared 50% with Swift County RDA. He would like to avoid a full appraisal from a cost standpoint. Timmerman described the building. There have been 6 recently remodeled apartments. Some are efficiency apartments. Four are upstairs and two are downstairs. He has had interest from a business in town that would be interested in long term renting of all six apartments. Amundson Violin Shop has an interest in staying in the building, which Timmerman stated he would share some office space with. Wolfington stated Timmerman currently has a variance application before the Planning Commission. Timmerman said he would like to buy the building regardless if he is granted the variance. Heinzig asked if the apartments are up to code to which Timmerman stated they were to the best of his knowledge, and he feels renters will help the cash flow for the building. Buyck asked about Timmerman's business to which he recapped his college business he started to his current advertising business which included promotional products. He said many businesses in Morris have purchased LED signs from him. He outlined his vision to eventually have more business out of the building in this town to include some advertising equipment. Chairman Buyck asked for volunteers to be on the loan committee. Members Evenson, Enderson and Buyck volunteered. The loan committee will meet on Tuesday, October 10, 2017 at 7 a.m., followed by a full EDA board meeting at 7:30 a.m.

Brian Samuelson approached the EDA to give a recap on the West Central Powder Coating business. They have a 25,000 loan with the EDA. They are currently leasing out their building to CNH, and in the process of selling their equipment. Since they are no longer in the building, their loans have to be restructured, their Small Business Administration loan is no longer an option. The Coop Credit Union will now be in first position on the mortgage, and a first position UCC filing on equipment. The UMRDC and BIDC and EDA would continue to share a second position on the commercial real estate and equipment. This proposed loan structure would not change our terms and payments would continue as they have been. It was moved by Horecka, seconded by Evenson and carried unanimously to approve the loan restructure as presented with West Central Powder Coating. The EDA directed Wilcox to work with Samuelson to amend the loan documents.

Next was an update on the assisted living project. Enderson said the hospital has applied for a loan with Brehmer Bank in Willmar as well as a USDA guaranteed loan. There is an appraisal being done right now, and the hospital needs the land to appraise out at \$10.5 million. They have completed the application to the USDA. Enderson said it will be tight to get the appraisal at that. The Sonstang Foundation has committed \$500,000 annually for 10 years toward the project, but this money cannot be included on the loan applications. The hospital will be looking for gap financing with Swift County RDA and the EDA. The current financing has a high interest rate. Buyck asked why the hospital went to a bank out of town. Enderson said they are bigger and Ed Ulmaniec works there and used to be on the hospital board. Buyck asked how much can the EDA loan out? Wolfington said \$100,000. Loans over this amount need to go to Council. The current total fund balance is \$800,000. Enderson said they should hear on the appraisal in a week and from Brehmer in a couple weeks. Wolfington suggested using \$500,000 in Xcel grant money, as well a \$200,000 from the Revolving Loan Fund for the hospital project in exchange ROI agrees to TIF Minimum assessment. This property will be tax exempt, and we will lose \$30,000 to pay the TIF bonds. He added if this project goes ahead, the engineering for sewer and water needs to be started now and he isn't sure it can be done by the end of the year. Wolfington went on to say the State has sent a letter to the City to either pay 25% of their EDA fund balance into the State, which would lift restrictions on how loans are granted, or keep operating as they are now under the rules of what percentages of businesses can receive EDA loans.

It was noted by the EDA the CVEC had their shareholder meeting.

The progress of Mi Mexico was discussed. Wolfington stated he was in the building yesterday and the progress is very slow and they are way behind. A January opening is now the plan for Mi Mexico.

There being no other business, it was moved by Horecka, seconded by Heinzig and carried unanimously to adjourn the meeting at 8:10 a.m.

Chairman

Attest: _____
Treasurer

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Special EDA Meeting October 10, 2017

Members Present: Rick Horecka, Sheryl Madden, Jon Buyck, Jack Evenson, Dan Enderson and Rob Wolfington.
Members Absent: Stephanie Heintzig
Also Present: Terry Timmerman

Chairman Buyck called the meeting to order at 7:42 a.m.

Enderson reviewed the loan committee findings on Terry Timmerman's request for a loan for the building at 1328 Atlantic Avenue. They feel it will bring a couple employees to town and should cash flow easily. Enderson made a motion to approve the loan for \$25,000, for 10 years, with a balloon payment in 5 years, interest rate at 4%, auto bank with drawl for payment on the loan and the first payment is due January 1, 2018. The motion was seconded by Horecka and the motion carried unanimously. Timmerman stated he will need the funds on October 31, 2017 at closing. Timmerman thanked the EDA board.

Wolfington said he has received an email from Swift County RDA stating they may rescind their consideration of Timmerman's loan.

Wolfington said he has had an enquiry for an EDA loan from Steve Ricard who would like to move the garages from the south side of Scofield Place to a lot across the alley from his house where he would convert the garages into storage sheds. If the RDA does the Timmerman loan, they won't be able to assist with the Ricard loan as their board doesn't want to draw their funds down below \$20,000. Madden asked if the RDA does not help Timmerman with his loan, will it be a hardship for him. He commented he would have to work with the bank to take a bigger loan out with them.

Wolfington stated he has contracted with Flaherty and Hood with the Coalition of the Greater Minnesota Cities to watch our interests with the Public Utility Commission and the Xcel dollars. The State is studying the impact on Benson Power closing on industry and the surrounding area.

There being no other business, it was moved by Evenson, seconded by Madden and carried unanimously to adjourn the meeting at 7:57 a.m.

Chairman

Attest: _____
Secretary

Wayne Knutson
County Assessor

Phone (320) 842-5891



1214 Atlantic Ave
P.O. Box 207
Benson, MN 56215

wayne.knutson@co.swift.mn.us

October 27, 2017

Rob Wolfington, City Manager
1410 Kansas Avenue
Benson, MN 56215

Dear Rob:

This letter is in response to your recent request regarding the opinion of the tax classification of the proposed assisted living/memory care facility in the city of Benson.

My conclusion is that there are a few concerns still unanswered regarding the planning and ownership of this project. As discussed, I would need more information regarding my determination.

The county is aware of the steps the city has taken to create a TIF district to help finance the expenses to upgrade the utilities to this project. Unfortunately, at this time I cannot answer your request about the proposed building tax classification.

Let me emphasize, if the hospital provides more information about the project, I would be happy to set up a meeting with everyone.

Respectfully,

A handwritten signature in black ink that reads "Wayne Knutson". The signature is written in a cursive, flowing style.

Wayne Knutson, SAMA
Swift County Assessor

Council Report 11/01/17

The following is a summary of Police Dept activities for the month of October 2017.

BPD Officers conducted 154 Traffic Stops in October 2016, in October of 2017, BPD conducted 107 Traffic stops.

BPD Officers arrested 1 person for DUI in October 2016. BPD had 2 people arrested for DUI in October 2017.

BPD Officers issued 44 traffic and non-traffic citations in October 2016, 42 Citations were issued in October 2017.

BPD Officers were involved in 14 Domestic incidents in October 2016, 5 Domestic incidents in October 2017.

BPD Officers arrested 2 people in October 2016, 13 in October 2017.

BPD Officers were overall involved in 544 incidents in October 2016, and 411 in October 2017.

Public Works Report November 6, 2017

Electric:

- Christmas lights are around the corner. Will prep them soon.
- Wrapping up all the little project and helping Olivia do some boring to finish theirs.
- Last Urge Test went well but we do have a fuel leak we are having Ziegler look at.
- Met with the engineers to finish questions on last inspection, fuel meters, next year's o/u project on the south end, and the future path for our 20 year plan.

Parks:

- Mulching, cemetery clean-up, marking stakes, equipment clean-up, equipment prep for winter.

Water:

- All sites have been winterized and the lines are blown clear.
- The crew just completed flushing all of the hydrants around town. They also pumped all that don't drain back so none will freeze.

Wastewater:

- Vac truck is limping along. The boom doesn't work anymore but we can still jet. We have repaired it several times this year but are hesitant to do much more.
- Computer will be repaired on the 8th. All the bells and whistles which will make life easier and more secure.

Streets:

- The cemetery is done! Grass seed is being completed as I write this and that it besides the last of the fencing. Hopefully the fence guys have fished up by the council meeting.
- The electric crew put ice control tabs on the newer street garage to help with sluffing.
- The new grader has not yet arrived but should be here very soon. Russ will be happy this winter now.
- People should really appreciate the leave/branch pile the City provides in town. You would be amazed at how much we haul out of there.
- Winter is coming and the guys are ready.

MISSOURI RIVER ENERGY SERVICES

ELECTRIC RATE STUDY



NOVEMBER 2017



November 1, 2017

Benson Municipal Utilities
1410 Kansas Avenue
Benson, MN 56215

Members of the City Council:

Missouri River Energy Services (MRES) is pleased to submit this electric rate study report for Benson. This study had four principal objectives:

- To determine whether estimated total revenues will be sufficient to cover estimated revenue requirements and provide a reserve for replacements and contingencies
- To determine the cost to serve each customer class
- To design retail rates for the various classes
- To review the competitive position of Benson through utility rate comparisons

The rate study recommendations include:

- Implementation of an overall increase of 3% in 2018
- Increase the customer charges for all customers and the demand rate for Large Power customers to better reflect the fixed costs of providing service
- Reduce the power adjustment clause (PAC) base to better reflect current power costs

The proposed rates were designed to recover increasing operating expenses and to fund capital expenditures. Section 4 of this report contains all of the recommendations, **but further adjustments to the rates may be necessary in future years if wholesale power costs, operating transfers, system characteristics, or the financial needs of the utility change drastically.**

MRES appreciated the opportunity to prepare this study for Benson Municipal Utilities and would like to thank your staff for its valuable assistance.

Respectfully submitted,

Missouri River Energy Services

**BENSON MUNICIPAL UTILITIES
ELECTRIC RATE STUDY
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LETTER OF TRANSMITTAL

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APPENDIX

This rate study was completed in accordance with the agreed upon terms as set forth in the Proposal Letter and Exhibit A, Scope of Services between Missouri River Energy Services and its member, Benson. In completing this study, Missouri River Energy Services has relied on the data and materials provided by Benson and others to be accurate, and has not independently verified their accuracy. The analysis, conclusions, and recommendations contained in this report constitute the opinions of Missouri River Energy Services based on the data and materials provided. Final responsibility for the implementation of the recommendations in this report rests with the Benson staff and the governing board.

SECTION 1 – RATE STUDY INTRODUCTION AND POWER REQUIREMENTS

INTRODUCTION

Benson Municipal Utilities, under the direction of the City Council, provides electric service to about 1,840 customers. All of the amounts in this report relate only to providing electric service.

Missouri River Energy Services (MRES) was engaged to perform a review of the Benson rates, including an analysis of revenues and revenue requirements for the study period of 2017 to 2021, the allocation of costs to serve each customer class based on a Test Year, and the design of retail rates. The study was prompted, in part, by the need to evaluate the adequacy of revenues due to rising operating costs along with capital improvements and debt service requirements. Furthermore, the study was to determine if each class is paying an appropriate share of the costs. The last rate study was completed in 2009.

KEY DEFINITIONS

In this report, there are several key electric utility terms used. Following are definitions for some of these terms:

- Peak Demand (kW) – The maximum rate of power delivery, measured in a defined time period such as 30 minutes, expressed in 1,000 watt units.
- Energy (kWh) – Power multiplied by time. The usage of ten 100 watt light bulbs for one hour equals one kWh. One thousand kWh equals one megawatt-hour (MWh).
- Load Factor – Equals average demand for a given time period (kWh per hour) divided by peak demand. A higher load factor indicates more consistent and efficient use of power and the distribution system. Customers such as grocery stores and medical facilities often have higher load factors, while schools, grain elevators, and manufacturing facilities with only one shift or intermittent equipment usage often have lower load factors.
- Single Phase – The customer is served from one voltage source. This type of service is used for most residential and smaller commercial customers.
- Three Phase – The customer is served by three voltage sources. This is mainly used by commercial customers that have larger loads and/or have large motors.
- Power Factor – The ratio of real power (kW) to apparent power (kVA). A circuit with a lower power factor requires higher currents to transfer a given quantity of real power than a circuit with a higher power factor.

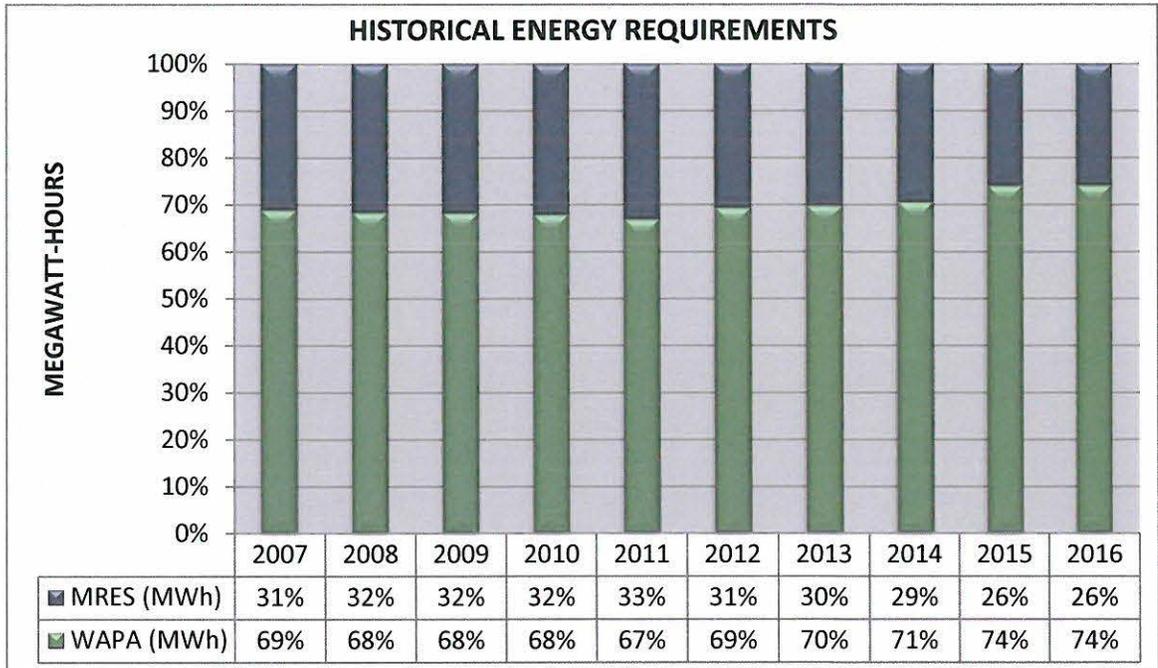
WHOLESALE DEMAND AND ENERGY REQUIREMENTS

Benson Municipal Utilities receives a fixed monthly power allocation from the Western Area Power Administration (WAPA), which operates several hydroelectric plants on the Missouri River. Benson receives all requirements above the WAPA allocation from MRES. Finally, Benson has a transmission agreement with the Northern Cities Group to provide transmission interconnections from the WAPA outlet to the city gate.

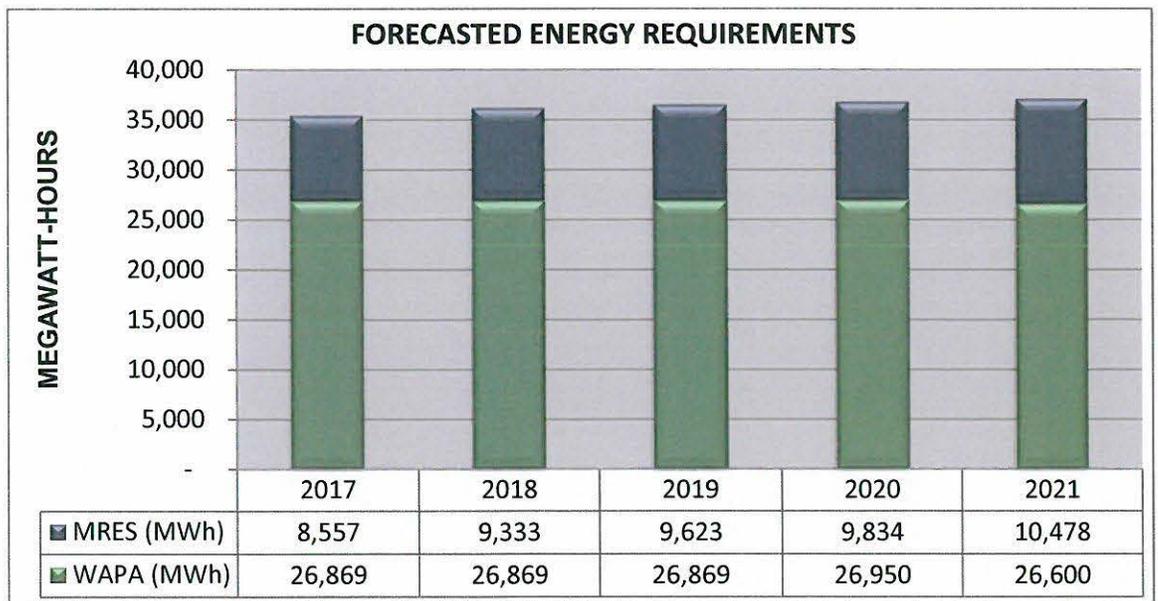
The table below shows the annual peak demand, total wholesale power billing demand, and energy requirements for Benson from 2013 to 2021. Demand and energy is measured at the city gate. Energy usage decreased by 1.1% in 2014 and 4.9% in 2015, mostly due to weather variations. Energy is expected to decrease again by 2.5% in 2017 based on year to date purchases and then increase by 2.2% in 2018 and 0.8% per year from 2019 through 2021. The system annual peak typically occurs in July or August, and the annual peak is forecasted to remain in the summer through 2021.

Historical and Forecasted Total Wholesale Billing Demand and Energy						
	Year	Annual Peak Demand (kW)	Total Wholesale Billing Demand (kW)	% Change	Wholesale Energy (MWh)	% Change
Historical	2013	8,031 Aug.	76,998		38,494	
	2014	7,359 July	74,614	(3.1%)	38,054	(1.1%)
	2015	6,989 July	72,299	(3.1%)	36,197	(4.9%)
	2016	7,370 July	70,416	(2.6%)	36,337	0.4%
Forecasted	2017	7,598 July	70,481	0.1%	35,426	(2.5%)
	2018	6,941 July	71,373	1.3%	36,202	2.2%
	2019	6,997 July	71,944	0.8%	36,492	0.8%
	2020	7,053 July	72,520	0.8%	36,784	0.8%
	2021	7,109 July	73,100	0.8%	37,078	0.8%

Because Benson receives a fixed allocation from WAPA each month, any load growth or decline impacts the quantity of incremental power purchased from MRES. The next chart shows a breakdown of energy purchases from WAPA and MRES from 2007 to 2016. The portion of total energy requirements purchased from MRES has decreased from a high of 33% in 2011 down to 26% by 2015 and 2016.

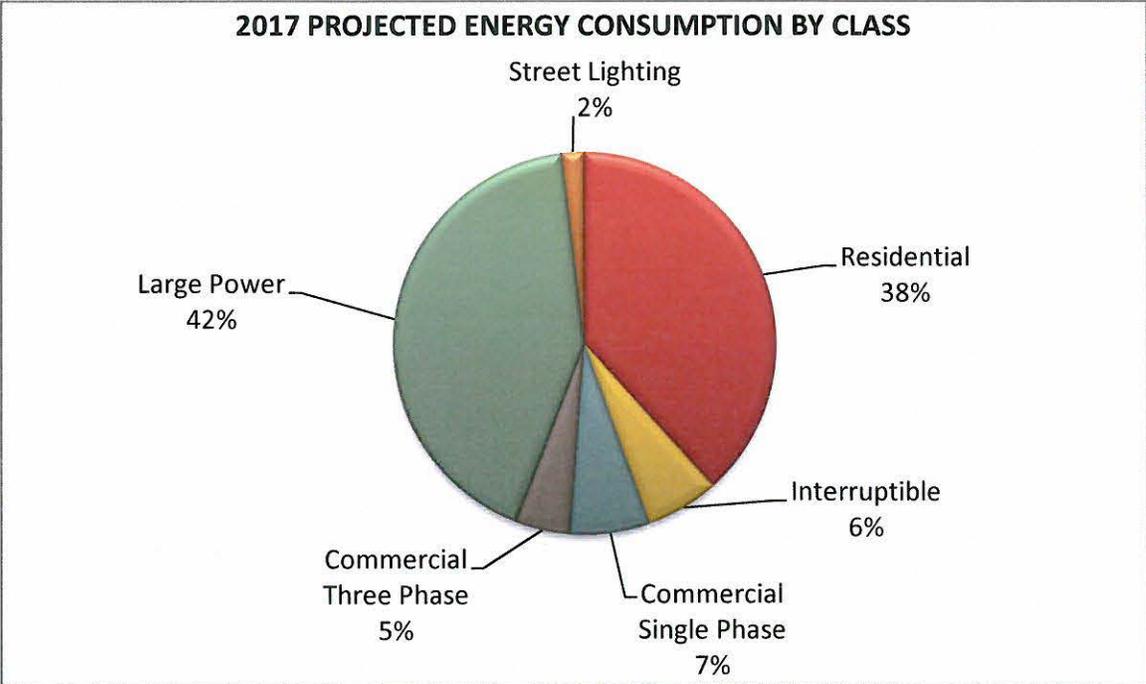


The chart below shows the forecasted energy requirements broken down between WAPA and MRES. In 2021, Benson is forecasted to purchase about 28% of its energy requirements from MRES.



PROJECTED ENERGY CONSUMPTION BY CLASS

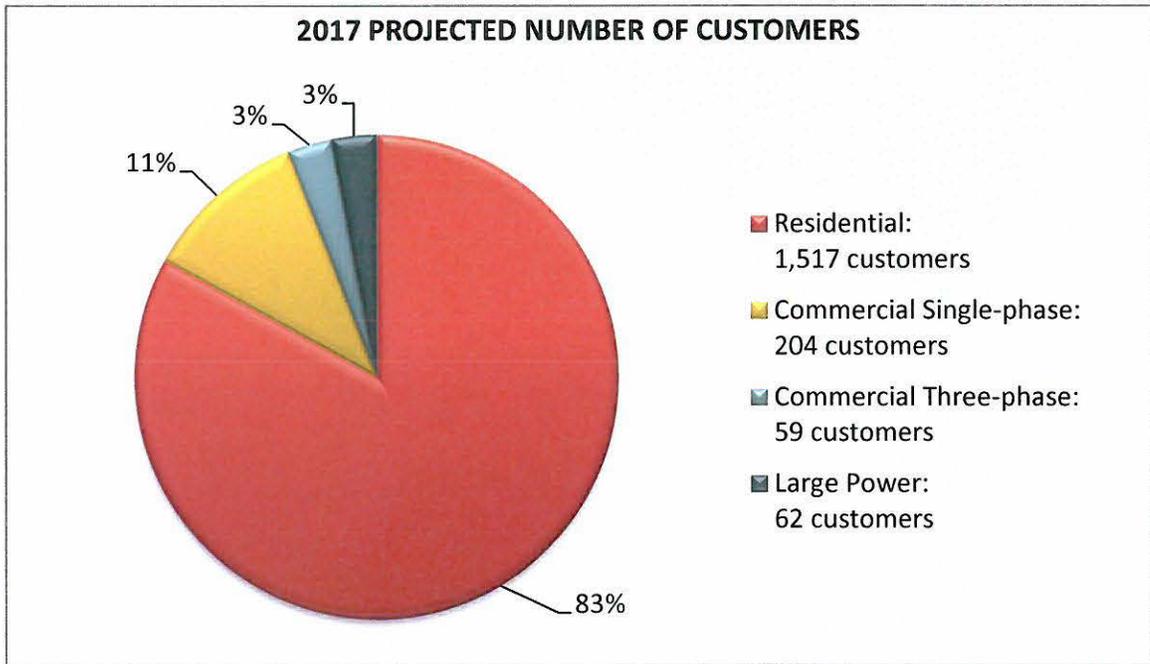
The projected energy consumption by class for 2017 is shown in the pie chart below. The breakdown shows that Residential customers are projected to consume 38% of the energy requirements. The average consumption by the Residential class in other MRES member communities is approximately 42% of the total system energy consumption. The Interruptible class also includes some usage by residential customers. Meanwhile, the 62 Large Power customers are expected to consume 42% of the total energy.



PROJECTED NUMBER OF CUSTOMERS BY CLASS

Based on discussions with staff, Benson expects the number of customers will remain steady, although the customer count may vary slightly from year to year. The chart on the following page breaks down the projected number of customers by class for 2017. The Residential class has 83% of the total number of customers.

PROJECTED NUMBER OF CUSTOMERS BY CLASS (Continued)



SECTION 2 – PROJECTED NET INCOME AND CASH RESERVES

MRES worked with Benson staff to estimate the annual revenues and the expenditures, “revenue requirements”, for the five-year study period of 2017 to 2021. Revenue requirements must be compared to revenues to determine whether the electric utility will recover all of its costs and provide a margin for a reserve for system replacements, contingencies, and rate stabilization. The analyses and assumptions used in developing these estimates are described on the following pages. Exhibits 2-A through 2-B at the end of this section present the projected net income and cash reserves under current rates.

ESTIMATED REVENUES

Estimated revenues consist of charges for metered sales, other operating revenue, interdepartmental charges, and interest and investment revenue. Charges for metered services were estimated based on current retail rates along with the wholesale demand and energy forecasts and the customer class growth projections discussed in Section 1.

Generation payments are based on the Reserved Capacity Agreement with MRES. Total revenues from the agreement during the study period are estimated at just over \$1.7 million, or approximately \$340,000 per year. In addition to these payments, Benson is expected to receive generation sales revenue totaling around \$33,000 during the study period.

Other operating revenues include administrative services, refunds & reimbursements, conservation rebates, transmission revenue, backup power revenues, and miscellaneous revenues. Most of these revenues are expected to increase at about 1% per year during the study period. Transmission revenue is projected to decrease by about 2% annually. The backup power agreement revenues have averaged around \$608,000 annually since 2013 but are expected to drop to around \$80,000 annually in 2019 through the remainder of the study period due to the expected closure of the Benson Power plant. Finally, non-operating revenue consists of interest income, which is estimated at a rate of 1.5% of cash reserves.

ESTIMATED REVENUE REQUIREMENTS

The revenue requirements of the electric utility consist of purchased power and transmission expenses, other operating expenses, the transfer to the general fund, and capital expenditures. Revenue requirement projections were based on historical operating statements from 2013 through 2016, the 2017 and 2018 budgets, estimated purchased power expenses from the MRES forecast, and discussions with Benson staff.

Purchased Power and Transmission Expenses

The estimated wholesale power expenses are based on actual and projected WAPA and MRES rates during the study period and forecasts by MRES of system demand and energy requirements, as outlined in Section 1.

WAPA Wholesale Power Rates

WAPA more than doubled its rates from 2004 through 2010 due to prolonged drought conditions. Due to the drought conditions receding along with other reasons, WAPA held rates steady from 2010 through 2016 at a composite rate of \$33.25 per MWh. From 2015 through 2016, approximately 35% of the composite rate was due to the repayment of drought deficits. The drought portion of the rate is analyzed annually and can be adjusted each January, if needed, by up to 0.2 cents per kWh without a formal public process. In 2017, WAPA reduced the total composite rate by \$5 per MWh to \$28.25 per MWh, or by 15%.

WAPA also began a rate proceeding process in April 2017 to determine the rates for 2018. WAPA has indicated the base charge component of the firm power demand and energy rates will increase to \$24 per MWh and the drought adder will decrease to zero. The voltage discount of 5% of the total bill will also be eliminated in 2018. The net effect of the anticipated changes is expected to result in an overall 15% reduction of the composite rate. Under the new 30 year WAPA contract beginning January 1, 2021, Benson will no longer receive the wheeling credit of \$1.00 per MWh, which results in a 4.1% increase in the WAPA bill. No additional rate changes are expected through 2021.

WAPA Actual and Projected Wholesale Demand and Energy Rates					
Year	Demand Rate (\$/kW-mo.)	All Energy (\$/MWh)	Voltage Discount (% of Bill)	Wheeling Credit (\$/MWh)	Overall % Change
2010-2016 (Actual)	\$7.65	\$19.05	5%	(\$1.00)	
2017 (Actual)	\$6.50	\$16.18	5%	(\$1.00)	(15%)
2018 (Approved)	\$5.25	\$13.27	-	(\$1.00)	(15%)
2019-2020 (Projected)	\$5.25	\$13.27	-	(\$1.00)	0%
2021 (Projected)	\$5.25	\$13.27	-	-	4.1%

MRES Wholesale Power Rates

In 2011, MRES implemented a seasonal demand rate structure while maintaining a single energy rate. Additional changes to the seasonal rates have occurred since 2011 primarily as a result of overall rate increases. The seasonal demand rates better reflect the power supply costs during different times of the year and provide a greater incentive for members to control their retail loads in the summer.

MRES rates are split into power supply and transmission rate components. MRES increased its rates by 3% in 2017 and is projected to hold those rates steady until 2021 when an additional 3% increase is planned. The 2017 increase was due to: 1) Financing equipment that is being installed at Laramie River Station near Wheatland, Wyoming as the result of the regional haze settlement with the Environmental Protection Agency, 2) Increased cost of purchased power, and, 3) To meet the debt service coverage policy of 140%. Actual and projected MRES rates used during the study period are shown on the table below. The timing and magnitude of the projected increases may change during the study period.

As a result of WAPA joining the Southwest Power Pool (SPP) on October 1, 2015, the MRES members that are located in the Midcontinent Independent System Operator (MISO) market no longer take transmission service over the Integrated System (IS). As a result, Benson no longer pays the S-1 transmission rate.

MRES Actual and Projected Wholesale Demand and Energy Rates						
Year	Demand (\$/kW-month)				Energy (\$/MWh)	Overall Percentage Increase/ (Decrease)
	Power Supply			Transmission (B)		
	June - August	December-February	March-May, Sept.-Nov.	All Months		
2012-2013	\$18.85	\$14.85	\$8.35	\$2.38	\$26.50	0.0%
2014	\$19.50	\$15.00	\$9.00	\$2.69	\$28.00	5.5%
2015	\$20.75	\$15.75	\$9.75	\$2.92	\$30.50	8.6%
2016	\$20.75	\$15.75	\$9.75	Eliminated	\$30.50	(8.2%)
2017	\$21.00	\$16.00	\$10.50		\$31.50	3.0%
2018 (Approved)	\$21.00	\$16.00	\$10.50		\$31.50	0.0%
2019 (Projected)	\$21.00	\$16.00	\$10.50		\$31.50	0.0%
2020 (Projected)	\$21.00	\$16.00	\$10.50		\$31.50	0.0%
2021 (Projected)	\$21.25	\$16.25	\$11.25		\$32.50	3.0%

Northern Cities Group Transmission Rates

The Northern Cities Group (NCG) transmission rate increased by approximately 40% from 2014 to 2016. The study assumes the rate will continue to increase by around 5% annually from 2019 through 2021 due to cost recovery by utilities that have made recent transmission investments in the region. The actual and projected rates are shown in the table on the next page.

Northern Cities Group Actual and Projected Transmission Rates				
Year	All Demand (\$/kW-month)	Overall % Increase	Billing Demand	Demand Ratchet
2012-2014 (Actual)	\$3.40		1 CP	90%
2015 (Actual)	\$3.75	10.3%	1 CP	90%
2016 (Actual)	\$4.75	26.7%	1 CP	90%
2017 (Actual)	\$4.75	0.0%	1 CP	90%
2018 (Actual)	\$4.75	0.0%	1 CP	90%
2019 (Projected)	\$5.00	5.3%	1 CP	90%
2020 (Projected)	\$5.25	5.0%	1 CP	90%
2021 (Projected)	\$5.51	5.0%	1 CP	90%

Total purchased power costs are expected to decrease by a total of 13% from 2017 to 2019 as a result of the WAPA decrease and the expected closure of the Benson Power plant which will reduce the backup power agreement costs. Total costs will then increase in 2020 and 2021 due to the rate increases discussed earlier. The table below shows the estimated wholesale power and transmission expenses based on the forecasted purchases shown in the previous section and the rates in the tables from this section.

Estimated Wholesale Power Expenses						
Year	WAPA	MRES	NCG Transmission	Backup Power Agreement	Total Expense	Percentage Change
2017	\$733,873	\$516,622	\$375,243	\$227,265	\$1,853,003	(8.4%)
2018	\$626,161	\$542,588	\$357,702	\$212,475	\$1,738,926	(6.2%)
2019	\$626,161	\$560,771	\$363,824	\$62,880	\$1,613,636	(7.2%)
2020	\$627,155	\$576,516	\$385,078	\$62,880	\$1,651,629	2.4%
2021	\$646,489	\$633,647	\$407,384	\$62,880	\$1,750,400	6.0%

The table below breaks down the cost per kWh in cents from the two power suppliers. The WAPA and MRES amounts were calculated by dividing the costs shown on the table above by the kWh metered at the city gate from each entity. MRES costs per kWh exclude the backup power costs. Meanwhile, the NCG transmission and total blended costs were divided by total energy purchases.

Estimated Wholesale Power Expenses: Cost per kWh Purchased per Supplier and Total Blended Cost per kWh Purchased					
Year	WAPA	MRES	NCG Transmission	Total Blended Cost per kWh	Percentage Change
2017	\$0.0273	\$0.0604	\$0.0106	\$0.0459	(4.6%)
2018	\$0.0233	\$0.0581	\$0.0099	\$0.0422	(8.1%)
2019	\$0.0233	\$0.0583	\$0.0100	\$0.0442	4.9%
2020	\$0.0233	\$0.0586	\$0.0105	\$0.0449	1.5%
2021	\$0.0243	\$0.0605	\$0.0110	\$0.0472	5.1%

Seasonal Wholesale Power Cost Difference

The seasonal wholesale power cost from June through August (summer) is projected to be \$0.0486 per kWh in 2018 and gradually increase to \$0.0529 in 2021, or an increase of just over four-tenths of one cent per kWh. The cost difference between the summer months and the other nine months of the year is projected to slightly increase from \$0.0044 per kWh in 2018 to \$0.0053 per kWh in 2021. Not only are the MRES seasonal demand rates influencing the seasonal cost per kWh difference by season, but the cost variances are also dependent upon the percentage of power supply that is purchased from MRES by season and the system’s monthly load factor.

Actual and Estimated Blended Wholesale Power Cost per kWh by Season and the Seasonal Cost Difference from Summer to Rest of the Year					
Year	June-Aug. (Summer)	December-February (Winter)	March-May & Sept.-Nov. (Spring / Fall)	September-May	Difference: Summer less Sept.-May
2016	\$0.0560	\$0.0506	\$0.0478	\$0.0489	\$0.0072
2017	\$0.0589	\$0.0549	\$0.0502	\$0.0520	\$0.0069
2018	\$0.0486	\$0.0472	\$0.0423	\$0.0442	\$0.0044
2019	\$0.0493	\$0.0475	\$0.0425	\$0.0444	\$0.0049
2020	\$0.0502	\$0.0480	\$0.0433	\$0.0451	\$0.0051
2021	\$0.0529	\$0.0504	\$0.0457	\$0.0475	\$0.0053

Other Operating Expenses

Other operating expenses include power production, transmission, distribution expenses, demand side management, customer accounts and service, administration and general, and depreciation. The study used Benson’s 2017 and 2018 budgets and a projected 3% annual increase for most operating expenses from 2019 through 2021. Depreciation expense is projected based on planned capital expenditures.

Transfer to the General Fund

The electric utility is expected to transfer about \$14,450 to the general fund in 2017. The transfer amount is calculated at 25% of the previous year’s operating income with certain adjustments and exclusions. Under current rates, no additional transfers out of the electric fund are expected from 2018 to 2021, while a transfer of approximately \$42,300 is projected in 2019 under proposed rates. From 2013 through 2016, the utility transferred an average of \$54,000 annually to the general fund, or about 2.4% of operating revenues. The decrease in transfer amount is, in large part, due to the projected decrease in operating income.

The American Public Power Association national survey (released in April 2016 with 2014 data) indicated the median transfer as a percentage of operating revenues was 5.6%. Meanwhile, in a study of 72 area municipal utility financial statements, MRES found that the median level of transfers and donated services as a percentage of operating revenues was also 5.6% of operating revenues. Transfers can include payments in lieu of taxes, franchise fees, free or reduced cost city and enterprise services, interest free loans to other entities, use of electric utility employees, and use of vehicles, equipment, materials, and supplies. Contributions from other city funds or entities to the electric utility are netted against the amount the electric utility provides.

Capital Expenditures

Based on the Benson capital improvement plans and discussions with staff, the revenue-financed capital expenditures are expected to average \$307,000 per year from 2017 through 2021 and will include a variety of projects such as conversion of overhead lines to underground, a new digger derrick, a new boring machine, and other annual upgrades.

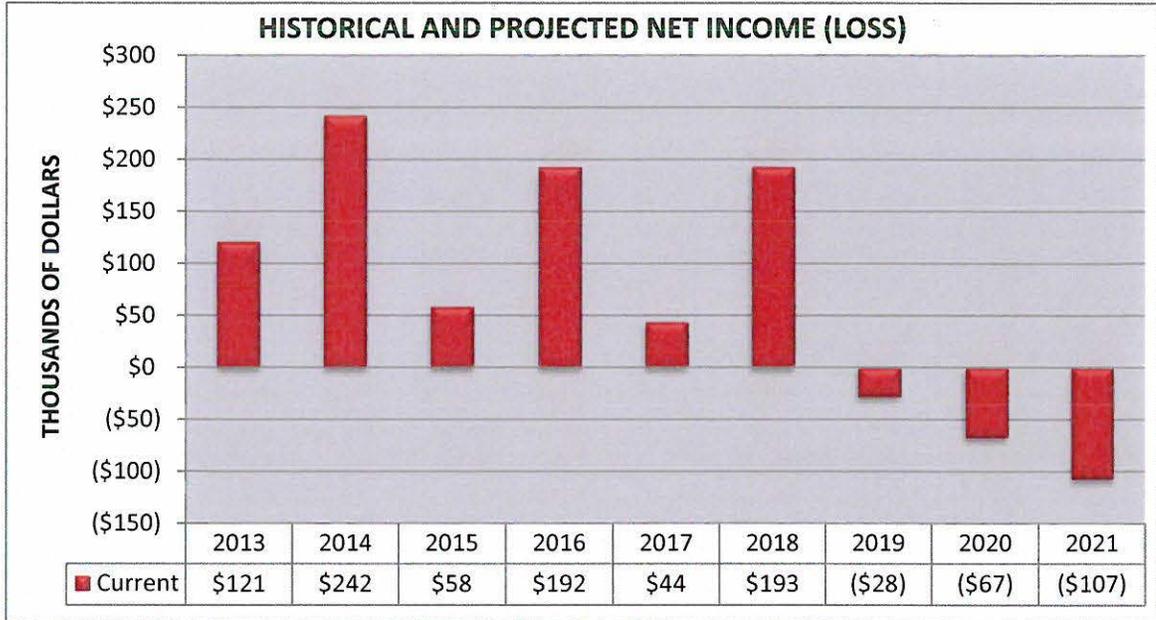
Electric Revenue Bond Payments

In 2007 and 2012, Benson issued electric revenue bonds in the amounts of \$6.89 million and \$495,000 respectively. Payments are due on the 2012 series bonds through December 2022. Benson is planning to refinance the 2007 series bonds in fall 2017, resulting in a savings of nearly \$500,000 over the next 10 years. Annual debt service will decrease to approximately \$470,000 by 2019.

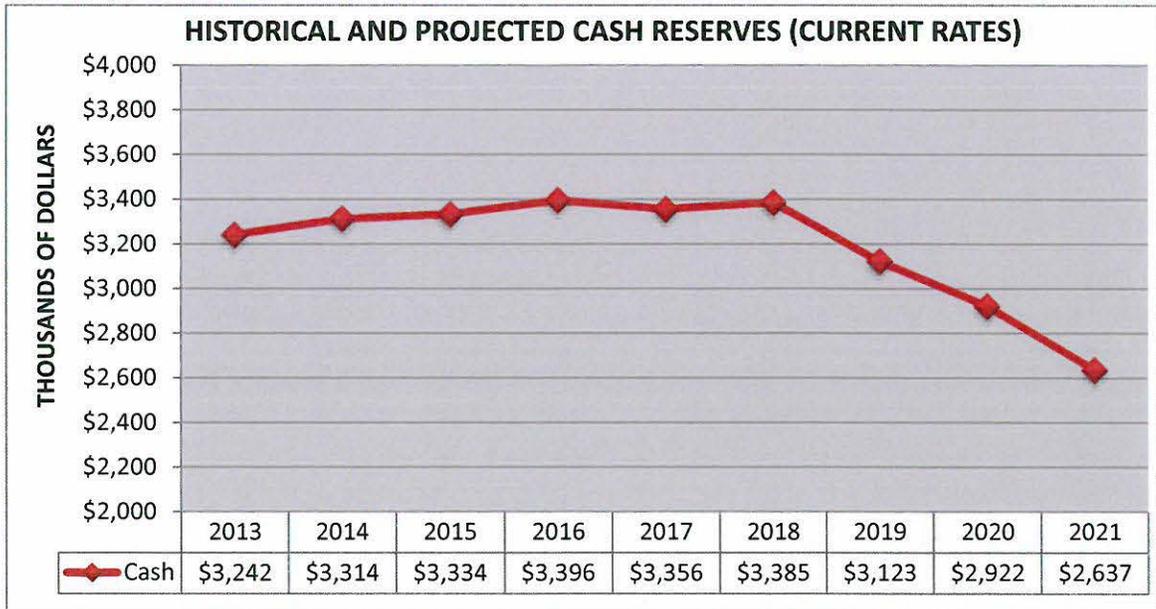
SUMMARY OF RESULTS

Based on the assumptions described in this section, MRES has projected the net income or loss and cash reserves as shown on the next two graphs on the following page and in Exhibits 2-A and 2-B. The projections indicate that under current rates, the utility would have net losses beginning in 2019.

SUMMARY OF RESULTS (continued)



The graph below shows cash reserves under current rates. Reserves are projected to decline to just over \$2.6 million by 2021.



Benson Municipal Utilities
Electric Utility Operating Results
(Current Rates and Projected Power Adjustment Clause Amounts)

Exhibit 2-A

	Historical				Budget and Estimated				
	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total system retail kWh sales	36,191,419	35,731,984	34,508,203	34,031,566	33,420,399	34,153,009	34,426,234	34,701,643	34,979,257
kWh Change		-1.3%	-3.4%	-1.4%	-1.8%	2.2%	0.8%	0.8%	0.8%
OPERATING REVENUES									
Charges for Service	\$ 3,118,745	\$ 3,086,194	\$ 3,073,457	\$ 3,022,827	\$ 2,913,528	\$ 2,833,989	\$ 2,866,566	\$ 2,913,114	\$ 3,020,354
Other Operating Revenue	1,256,271	1,060,784	947,830	1,125,260	979,467	935,062	609,107	612,603	616,189
Interdepartmental Charges	33,735	33,735	33,735	33,735	33,735	33,735	34,072	34,413	34,757
Total Operating Revenue	<u>4,408,751</u>	<u>4,180,713</u>	<u>4,055,022</u>	<u>4,181,822</u>	<u>3,926,731</u>	<u>3,802,786</u>	<u>3,509,745</u>	<u>3,560,130</u>	<u>3,671,301</u>
OPERATING EXPENSES									
Purchased Power	1,823,184	1,768,081	1,742,735	1,748,395	1,625,738	1,526,451	1,550,756	1,588,749	1,687,520
Backup Power Costs	327,037	258,777	260,896	274,044	227,265	212,475	62,880	62,880	62,880
Power Production	201,760	132,502	143,285	136,420	197,240	148,406	152,558	156,835	161,240
Transmission	18,025	17,760	18,781	18,284	20,540	20,906	21,533	22,179	22,845
Distribution Expense	650,164	625,601	650,322	605,756	642,130	647,217	666,634	686,633	707,231
Demand Side Management	67,042	57,721	41,675	56,031	53,500	48,260	49,708	51,199	52,735
Customer Accounts & Service	197,089	215,647	212,799	233,567	230,037	231,800	238,754	245,917	253,294
Administration & General	174,818	177,776	189,399	218,926	209,978	210,440	216,753	223,256	229,953
Depreciation Expense	508,797	521,585	524,463	526,370	521,000	535,000	551,050	567,582	584,609
Total Operating Expense	<u>3,967,916</u>	<u>3,775,451</u>	<u>3,784,354</u>	<u>3,817,793</u>	<u>3,727,428</u>	<u>3,580,955</u>	<u>3,510,626</u>	<u>3,605,228</u>	<u>3,762,307</u>
NET OPERATING INCOME (LOSS)	<u>440,834</u>	<u>405,261</u>	<u>270,668</u>	<u>364,029</u>	<u>199,302</u>	<u>221,831</u>	<u>(880)</u>	<u>(45,098)</u>	<u>(91,007)</u>
NON-OPERATING REVENUE (EXPENSE)									
Investment Income	(87,538)	151,909	56,310	53,036	60,000	58,314	50,781	46,849	43,837
Interest Expense	(162,851)	(253,057)	(239,804)	(225,894)	(201,157)	(87,613)	(78,086)	(69,115)	(59,946)
Gain/Loss on Disposal of Assets	5,630	(537)	3,300	(2,397)	-	-	-	-	-
Sale of Property	1,800	4,868	-	-	-	-	-	-	-
Rent	21,073	2,842	11,459	6,559	-	-	-	-	-
Total Non-Operating Revenue	<u>(221,886)</u>	<u>(93,976)</u>	<u>(168,735)</u>	<u>(168,696)</u>	<u>(141,157)</u>	<u>(29,299)</u>	<u>(27,305)</u>	<u>(22,266)</u>	<u>(16,109)</u>
INCOME (LOSS) BEFORE OPER TRANSFERS	<u>218,949</u>	<u>311,285</u>	<u>101,933</u>	<u>195,333</u>	<u>58,145</u>	<u>192,532</u>	<u>(28,185)</u>	<u>(67,364)</u>	<u>(107,115)</u>
Transfers to General Fund	(98,344)	(69,522)	(43,722)	(3,085)	(14,447)	-	-	-	-
NET INCOME (LOSS)	<u>\$ 120,605</u>	<u>\$ 241,763</u>	<u>\$ 58,211</u>	<u>\$ 192,248</u>	<u>\$ 43,698</u>	<u>\$ 192,532</u>	<u>\$ (28,185)</u>	<u>\$ (67,364)</u>	<u>\$ (107,115)</u>
Net Income (Loss) as a % of Oper Rev	2.7%	5.8%	1.4%	4.6%	1.1%	5.1%	-0.8%	-1.9%	-2.9%

Benson Municipal Utilities
Electric Utility Cash Reserves

Exhibit 2-B

(Current Rates and Projected Power Adjustment Clause Amounts)

	Historical				Budget and Estimated				
	2013	2014	2015	2016	2017	2018	2019	2020	2021
NET INCOME (LOSS)	\$ 120,605	\$ 241,763	\$ 58,211	\$ 192,248	\$ 43,698	\$ 192,532	\$ (28,185)	\$ (67,364)	\$ (107,115)
LESS: Capital Expenditures	(477,568)	(314,423)	(206,110)	(413,172)	(225,000)	(263,000)	(390,000)	(301,000)	(358,000)
LESS: 2007 Bond Principal Payments	(275,000)	(335,000)	(355,000)	(365,000)	(325,000)	(380,000)	(340,000)	(345,000)	(350,000)
LESS: 2012 Bond Principal Payments					(55,000)	(55,000)	(55,000)	(55,000)	(55,000)
ADD: Depreciation					521,000	535,000	551,050	567,582	584,609
INCREASE / DECREASE IN UNRESTRICTED RESERVES					<u>\$ (40,302)</u>	<u>\$ 29,532</u>	<u>\$ (262,135)</u>	<u>\$ (200,782)</u>	<u>\$ (285,506)</u>
Beginning of Year Unrestricted Reserves					\$ 3,396,151	\$ 3,355,849	\$ 3,385,381	\$ 3,123,246	\$ 2,922,463
Decrease in Cash Reserves					(40,302)	29,532	(262,135)	(200,782)	(285,506)
End of Year Unrestricted Reserves	<u><u>\$ 3,241,562</u></u>	<u><u>\$ 3,313,510</u></u>	<u><u>\$ 3,334,028</u></u>	<u><u>\$ 3,396,151</u></u>	<u><u>\$ 3,355,849</u></u>	<u><u>\$ 3,385,381</u></u>	<u><u>\$ 3,123,246</u></u>	<u><u>\$ 2,922,463</u></u>	<u><u>\$ 2,636,957</u></u>
Reserves as a % of Operating Revenues	74%	79%	82%	81%	85%	89%	89%	82%	72%
<u>Cash Analysis:</u>									
Cash Balance	\$ 3,773,313	\$ 3,845,261	\$ 3,865,779	\$ 3,927,902	\$ 3,887,600				
Less: Bond Reserve Fund	531,751	531,751	531,751	531,751	531,751				
End of Year Unrestricted Reserves	<u><u>\$ 3,241,562</u></u>	<u><u>\$ 3,313,510</u></u>	<u><u>\$ 3,334,028</u></u>	<u><u>\$ 3,396,151</u></u>	<u><u>\$ 3,355,849</u></u>				

SECTION 3 – COST-OF-SERVICE STUDY

The purpose of this study is to determine the cost of providing service to each customer class so that these costs can be compared to actual customer revenues. The cost-of-service analysis has been based on the following factors:

- Test Year revenue requirements and revenues using current rates
- Total system and customer class demand and energy requirements
- Actual and assumed customer service characteristics
- Information obtained from customer records

Test Year revenue requirements were mostly based on projected 2018 expenses. These revenue requirements are classified to cost components and allocated to each customer class based upon service characteristics. These allocated costs are then compared to revenues to determine if current rates recover the appropriate level of revenues from each customer class.

CLASSIFICATION OF COSTS

To allocate costs to customer classifications, costs must first be categorized to components. The seven cost components and the types of costs assigned to each are as follows:

12-Month Coincident Peak Demand Component – The costs of purchasing sufficient power to meet the aggregate demand of all the customers at the time of the 12 monthly system peaks. Coincident peak demand costs do not generally vary with the level of energy used. These costs include capacity-related wholesale power and transmission costs.

Energy Component – The costs of supplying electricity to meet customer requirements. These costs will vary directly with the usage of electricity. This includes only the energy portions of the wholesale power bills.

12-Month Non-Coincident Peak Demand Component – The costs of operating and maintaining an electric system that will meet the individual peak demands of each customer class during the annual system peak. The costs include a portion of distribution and administration and general expenses and capital expenditures. The costs also include all power production and transmission expenses. The non-coincident peak demand component costs are offset by all of the MRES generation payments and MISO transmission revenue.

Customer Facilities Component – The costs of providing and maintaining transformers, distribution secondary lines, and customer service drops. Customer facilities costs vary directly with the maximum demand of the customer and the type of facilities the customer requires. The costs include a portion of distribution, administration and general expenses and capital expenditures.

Customer Service Component – The costs associated with billing, collections, and customer assistance. Customer service costs do not vary greatly with peak demand or energy usage of the customer. The costs include a portion of customer accounts and services and capital expenditures. The customer service costs are offset by all of the interdepartmental charges.

Metering Component – The costs of reading meters to determine monthly bills and maintaining the meters. The costs include a portion distribution, customer accounts and services, and capital expenditures.

Load Management Component – The costs associated with operating the load management system. The costs include all demand side management expenses and a portion of capital expenditures.

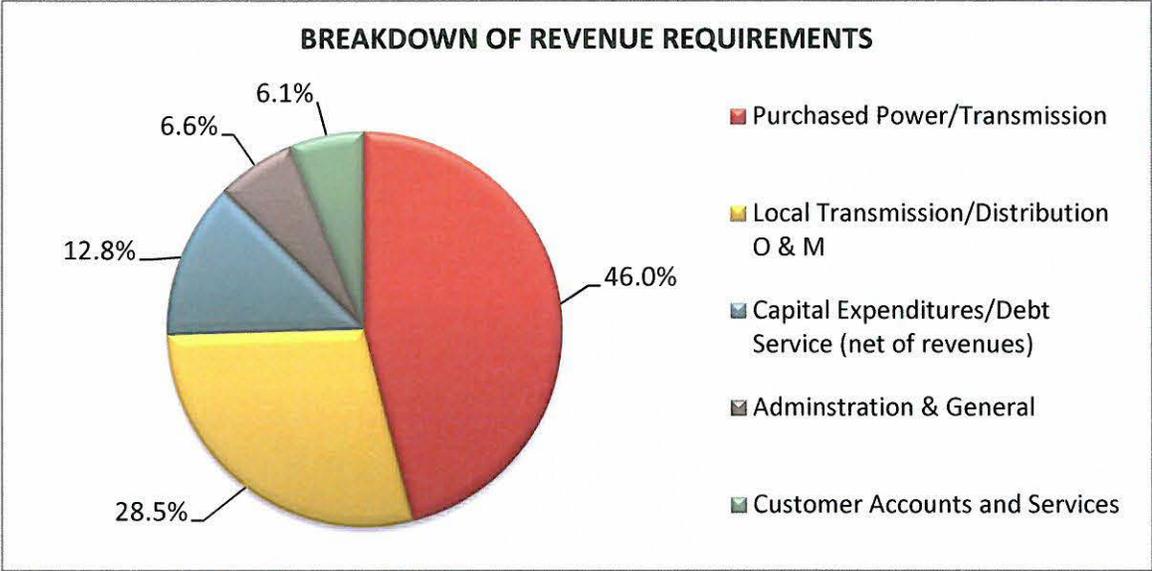
Street Lighting Component – The costs of operating and maintaining street lighting services. The costs include a portion of distribution expenses and capital expenditures

Indirect Revenues and Expenses

Certain revenues and expenses are not categorized to the eight components above but rather are allocated to these components based on direct labor spent on each area and the percentage allocation of other distribution expenses. Allocated in this manner are items such as administration and general, investment income, other operating revenue, and miscellaneous revenue.

Summary of the Revenue Requirements Classifications

Exhibit 3-A at the end of this section shows the detailed classifications of the test year revenue requirements. A breakdown of the revenue requirements is also shown in the chart below. The projected revenue requirements breakdown shows that 46% of the retail rates recover purchased power and transmission costs, which are not directly controlled at the local level. About 29% of revenue requirements are related to maintain the local transmission and distribution system. Capital expenditures make up almost 13% of the total requirements. Administration & General and Customer Accounts and Services make up the remaining 12.5% of the total requirements.



ALLOCATION TO CUSTOMER CLASSIFICATIONS

MRES has determined allocation factors for the Test Year based on actual and assumed customer service characteristics. These allocation factors represent historically accepted rate-making principles and are based on fully distributed, embedded cost allocation procedures. While these principles may still be useful in establishing a baseline cost level upon which to set rates, it is important to note that in a competitive market, some of the allocated costs may not be recovered.

The following summarizes the allocation factors used in the cost-of-service study. See Exhibit 3-B at the end of this section for the development of the factors.

Demand Allocations

Two demand allocators were developed to distribute costs: 12-month coincident peak demand and a 12-month non-coincident peak demand. Coincident peak demand is the estimated class demand at the time of each monthly system peak. This factor is used to allocate the monthly wholesale demand and transmission costs along with the load

management expenses. The non-coincident peak is the sum of the peaks of the individual customers at the time of the class peak, which may or may not occur at the same time as the system peak. This factor is used to allocate all demand-related distribution costs.

Monthly billing demands for the Large Power class were used to estimate the demand allocators for this class. For the other classes, demand allocators were based on the system characteristics of Benson in relation to the specific classes of service.

Energy Allocations

Monthly wholesale energy costs have been allocated based on the monthly sales by customer class.

The following three allocations utilize weighted percentages that were developed by analyzing the number of customers in each class and the resources used to serve each class. The weighting factors were based on the experience of other utilities and Benson staff observations.

Customer Facilities Allocations

Customer facilities allocations are based on the complexity and size of the transformers, distribution secondary lines, and service lines used to serve the various customer classes.

Customer Service Allocations

Customer service allocations are based on the amount of labor and materials for customer billing and collection.

Metering Allocations

Metering allocations are based on the time spent reading and maintaining the meters of the various customer classes. These costs vary between classes that have and do not have a demand meter installed.

Based upon the cost classifications and allocation methods described above, MRES has estimated the cost to serve each customer class during the Test Year. A summary of the results are shown below and on the following page, and the detailed results are shown on Exhibit 3-C at the end of this section.

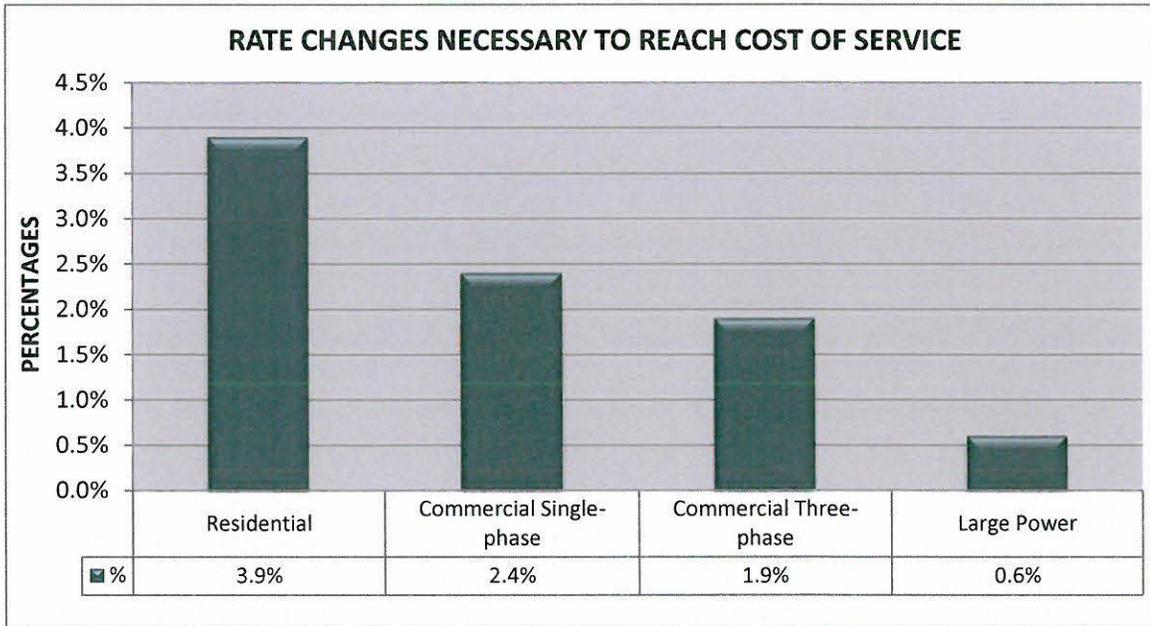
SUMMARY OF RESULTS

The cost-of-service study indicated that the Residential class should have a slightly larger increase than the Commercial and Large Power classes. However, all class revenues are close to the costs of service with the exception of the street lighting rate.

On the chart below, the percentages in the far right column indicate the changes that would be necessary in each class to set rates in line with the costs of service and implement the proposed rate increase. In addition to the cost of service results, other factors are also considered when determining proposed retail rates.

Cost of Service Results by Class				
Customer Classification	Cost per kWh	Revenue per kWh	Cost Less Revenue	Including Overall Rate Increases (A)
Residential	\$0.1031	\$0.0992	\$0.0039	3.9%
Commercial Single-phase	\$0.1039	\$0.1015	\$0.0024	2.4%
Commercial Three-phase	\$0.0981	\$0.0963	\$0.0018	1.9%
Large Power	\$0.0786	\$0.0782	\$0.0004	0.6%
Street Lighting	\$0.1984	\$0.1500	\$0.0484	32.3%
Total	\$0.0931	\$0.0904	\$0.0027	3.0%

(A) The percentages in this column do not represent proposed rate increases or decreases but rather represent the results of the cost-of-service study in percentage terms based on the Test Year data, and adding the 3.0% impact of proposed overall increase.



Benson Municipal Utilities Classification of Test Year Requirements

Exhibit 3-A

	TOTAL	Coincident Peak (CP) Demand	Energy	Non-Coincident Peak (NCP) Demand	Customer Facilities (CF)	Customer Service (CS)	Metering (MR)	Load Mgmt (LM)	Street Lighting (SL)	Basis for Classification
Administration and General										
Gas and Oil	200			100	100					50% NCP, 50% CF
Advertising/Marketing	8,000			3,125	2,192	1,427	619	181	456	Indirect rev. and exp. allocation factors (C)
Management Fees - Administration	27,609			10,784	7,565	4,926	2,135	625	1,574	Indirect rev. and exp. allocation factors (C)
Management Fees - Finance	18,405			7,189	5,043	3,284	1,423	416	1,049	Indirect rev. and exp. allocation factors (C)
Management Fees - Sales	18,405			7,189	5,043	3,284	1,423	416	1,049	Indirect rev. and exp. allocation factors (C)
Non-Utility Salary	75,000			37,500	37,500					Indirect rev. and exp. allocation factors (C)
Travel and Meals	2,000			781	548	357	155	45	114	Indirect rev. and exp. allocation factors (C)
Education/Training	1,600			625	438	285	124	36	91	Indirect rev. and exp. allocation factors (C)
Insurance	40,000			18,906	17,740	1,784	773	226	570	Direct and indirect rev. and exp. allocation factors (D)
Dues, Fees, Memberships	6,000			2,344	1,644	1,071	464	136	342	Indirect rev. and exp. allocation factors (C)
Telephone	7,500			2,929	2,055	1,338	580	170	428	Indirect rev. and exp. allocation factors (C)
Capital Expenditures and Debt Service	825,000			605,610	146,385	339	39,744	17,228	15,694	Per Depreciation Schedule
Investment Income (B)	(33,000)			(12,890)	(9,042)	(5,888)	(2,552)	(747)	(1,882)	Indirect rev. and exp. allocation factors (C)
Other Operating Revenue (B)	(64,000)			(24,998)	(17,536)	(11,419)	(4,950)	(1,448)	(3,649)	Indirect rev. and exp. allocation factors (C)
Transmission Revenue	(76,500)			(76,500)						
Miscellaneous Revenue (B)	(32,300)			(12,616)	(8,850)	(5,763)	(2,498)	(731)	(1,842)	Indirect rev. and exp. allocation factors (C)
LM Credits and Discount	26,112							26,112		100% LM
Interdepartmental Charges (B)	(34,000)					(34,000)				100% CS
Revenue Requirements	<u>\$ 2,993,111</u>	<u>\$ 871,373</u>	<u>\$ 565,149</u>	<u>\$ 666,044</u>	<u>\$ 467,231</u>	<u>\$ 181,798</u>	<u>\$ 91,477</u>	<u>\$ 91,526</u>	<u>\$ 58,513</u>	

- (A) Expenses and revenues are adjusted to level of typical year.
 (B) These amounts offset revenue requirements.
 (C) Indirect revenue and expenses are allocated based on breakdown of direct labor expenses and classifications of other distribution expenses.
 (D) A portion of this expense was classified directly to one of the above allocators. The remaining portion was allocated based on the indirect expense allocation factors described in (C).

**Benson Municipal Utilities
Allocation Factors**

Exhibit 3-B

Allocation Factors	Total	Residential	Commercial Single-phase	Commercial Three-phase	Large Power	Street Lighting
<u>DEMAND ALLOCATION FACTORS</u>						
12 Month Coincident Peak (kW)	72,190	30,943	6,263	3,955	30,832	197
Percentage - CP	100%	42.9%	8.7%	5.5%	42.7%	0.3%
12 Month Non-Coincident Peak (kW)	85,991	35,894	6,915	4,350	37,600	1,231
Percentage - NCP	100%	41.7%	8.0%	5.1%	43.7%	1.4%
<u>ENERGY ALLOCATION FACTORS</u>						
Annual Energy Requirements (kWh)	34,697,528	14,188,849	2,624,217	1,714,823	15,702,343	467,296
Percentage - E	100%	40.9%	7.6%	4.9%	45.3%	1.3%
<u>CUSTOMER FACILITIES ALLOCATION FACOTRS</u>						
Average number of customers	2,317	1,517	204	59	62	475
Weighting factor		1.0	1.5	4.0	20.0	0.1
Weighted number of customers	3,347	1,517	306	236	1,240	48
Percentage - CF	100%	45.3%	9.1%	7.1%	37.1%	1.4%
<u>CUSTOMER SERVICE ALLOCATION FACTORS</u>						
Average number of customers	2,317	1,517	204	59	62	475
Weighting factor		1.0	1.0	1.0	2.0	0.0
Weighted number of customers	1,909	1,517	204	59	124	5
Percentage - CS	100%	79.5%	10.7%	3.1%	6.5%	0.2%
<u>METERING SERVIC ALLOCATION FACTORS</u>						
Average number of customers	2,317	1,517	204	59	62	475
Weighting factor		1.0	1.0	1.0	2.0	0.0
Weighted number of customers	1,909	1,517	204	59	124	5
Percentage - MR	100%	79.5%	10.7%	3.1%	6.5%	0.2%

Benson Municipal Utilities Allocation of Revenue Requirements

Exhibit 3-C

<u>Classification</u>	<u>Total</u>	Residential	Commercial Single-phase	Commercial Three-phase	Large Power	Street Lighting
Coincident Peak Demand	\$ 962,900	\$ 412,737	\$ 83,537	\$ 52,749	\$ 411,249	\$ 2,628
Energy	565,149	231,106	42,743	27,931	255,758	7,611
Non-Coincident Peak Demand	666,044	278,020	53,562	33,694	291,230	9,538
Customer Facilities	467,231	211,800	42,723	32,950	173,126	6,632
Customer Service	181,798	144,486	19,430	5,619	11,810	452
Metering	91,477	72,702	9,777	2,828	5,943	228
Street Lighting (Direct Allocation)	58,513	-	-	-	-	58,513
Revenue Requirements	<u>\$ 2,993,111</u>	<u>\$ 1,350,852</u>	<u>\$ 251,771</u>	<u>\$ 155,771</u>	<u>\$ 1,149,115</u>	<u>\$ 85,602</u>

SECTION 4 – PROPOSED RATES

Several factors were considered in determining the proposed rates:

- Current rates
- Projected net income and cash reserves (Section 2)
- Costs to serve each customer class (Section 3)
- Rate comparisons (Section 5)
- Benson policies and objectives

RATE DESIGN

A rate increase will be necessary to recover rising operating expenses and to fund planned capital expenditures while maintaining cash reserves. Rates were last changed in 2010.

Based on the analysis outlined in this report, the rate study recommends an overall 3% increase in 2018. The proposed rates are discussed below and are shown on page 4-3. Further adjustments may be necessary during the study period if wholesale power costs, operating transfers, system characteristics, or the financial needs of the utility change drastically.

Proposed Electric Rate Recommendations

1. Increase the monthly customer charges in all customer classes. The customer charge, which does not include any kWh usage, recovers the costs of serving customers in areas such as meter installation and maintenance and customer billing, along with a portion of facilities costs. The Commercial class would continue to have separate customer charges for single-phase and three-phase service.

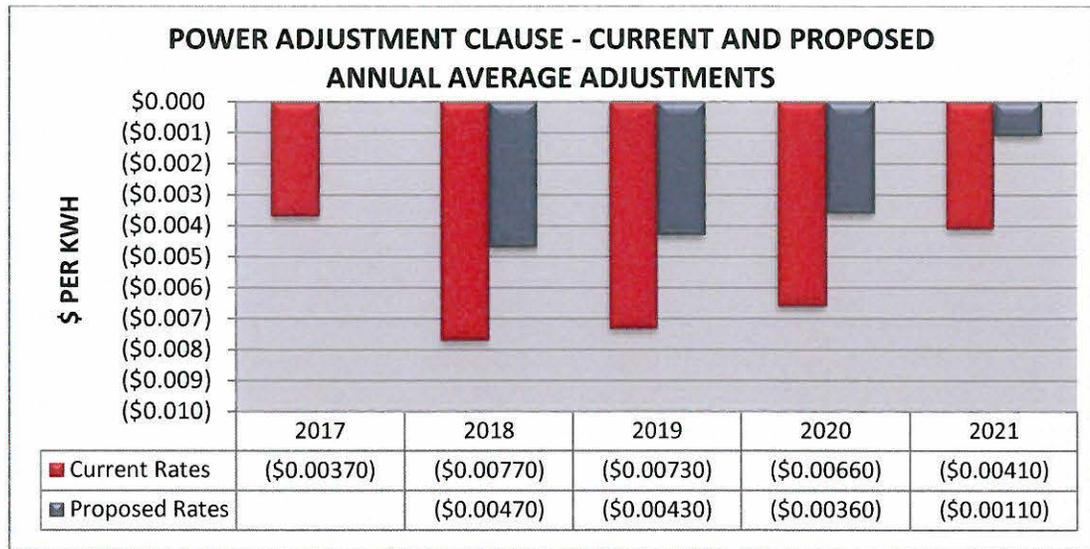
Higher customer charges (along with increased demand charges) also help to prepare the utility for the possibility of customers adding distributed energy resources such as solar panels in the future. Many MRES members have been steadily increasing their customer and demand charges in recent years. Based on a review of MRES member residential customer charges, the average charge is around \$12.50 per month in 2017.

2. Maintain the current rate provisions for the Large Power class:
 - This rate class is available to any non-residential customer where the monthly peak demand is equal to or exceeds 25 kW in any two or more monthly billing periods during the prior twelve months.
 - The billing demand shall be adjusted, at the option of the utility, to reflect the average power factor differing from 90 percent lagging. The billing demand shall be computed by multiplying the maximum kW demand by 90 percent and dividing the result by the customer's actual average power factor for the month.

Proposed Electric Rate Recommendations (continued)

3. Reduce the power adjustment clause (PAC) base to better reflect current power costs. The current PAC base was established in 2010 after the last rate study. At the time, MRES had two additional charges for Minnesota customers in MISO that were later eliminated, which resulted in lower power costs than expected and frequent PAC credits. Additionally, in 2017, WAPA reduced rates by 15% and is expecting to reduce rates by an additional 15% in 2018.

MRES recommends reducing the PAC base from 5.3 cents to 5.0 cents to better align with the power cost projections. The utility is still expected to have a PAC credit, on average, through 2021 as shown on the graph below, although there will be a few PAC charges in certain months.



4. Increase the Street Lighting energy rate. Street lights are unique because the utility not only provides the power to serve them but also incurs additional costs to maintain, repair, and replace the street lights and poles as necessary.

Current and Proposed Rates				
Customer Class	Rate Components	Current Rates	Proposed Rates - 2018	2018 % Change
Overall Increase				3.0%
Power Adjustment Clause (PAC) Base	Energy Charge – per kWh	\$0.053	\$0.050	
Average Adjustment	Energy Charge – per kWh	(0.0037)	(0.0047)	
Residential	Customer Charge	10.00	12.50	3.5%
	Energy Charge – per kWh	0.0890	0.0900	
	Energy Charge plus PAC	0.0853	0.0853	
	Controlled Water Heater Credit	(4.00)	(4.00)	
Commercial	Customer Charge			
	Single Phase	14.00	16.50	2.6%
	Three Phase	20.00	24.00	1.9%
	Energy Charge – per kWh	0.0910	0.0920	
	Energy Charge plus PAC	0.0873	0.0873	
Large Power – Over 25 kW	Customer Charge	40.00	45.00	2.5%
	Demand Charge – per kW	12.50	14.00	
	Energy Charge – per kWh	0.0410	0.0390	
	Energy Charge plus PAC	0.0373	0.0343	
Interruptible	Energy Charge – per kWh	0.045	0.047	2.0%
	Energy Charge plus PAC	0.0413	0.0423	
Street Lighting	Energy Charge – per kWh	0.1500	0.1580	4.8%
	Energy Charge plus PAC	0.1463	0.1533	
Security Lighting	100 Watt HPS	6.00	6.25	4.0%
	150 Watt HPS	7.50	7.75	3.2%
	250 Watt HPS	12.00	12.40	3.2%
	400 Watt HPS	15.00	15.50	3.2%
	1,000 Watt HPS	28.00	29.00	3.4%

RETAIL RATE RECOMMENDATION RESULTS

As a result of the proposed rates, all Residential customers would see a monthly increase of \$2.50. At the average residential usage level of around 750 kWh, the percentage change would be 3.4%. Customers at different average usage levels will see varying impacts. Most Commercial and Large Power customers would see an increase ranging from 0.5% to 4.5%.

CUSTOMER BILLS AND AVERAGE REVENUE PER KWH GRAPHS

Exhibits 4-B through 4-E at the end of this section contain graphs of customer bills for the Residential and Commercial (single-phase and three-phase service) classes, and average revenue per kWh for the Large Power class. All of these graphs are calculated under current and proposed rates.

The averages on 4-E can be used to calculate the bills under both current and proposed rates by knowing the load factor for the Large Power customers. The rates per kWh for this exhibit are calculated using the monthly consumption of 15,000 kWh and load factors ranging from 20% to 75%.

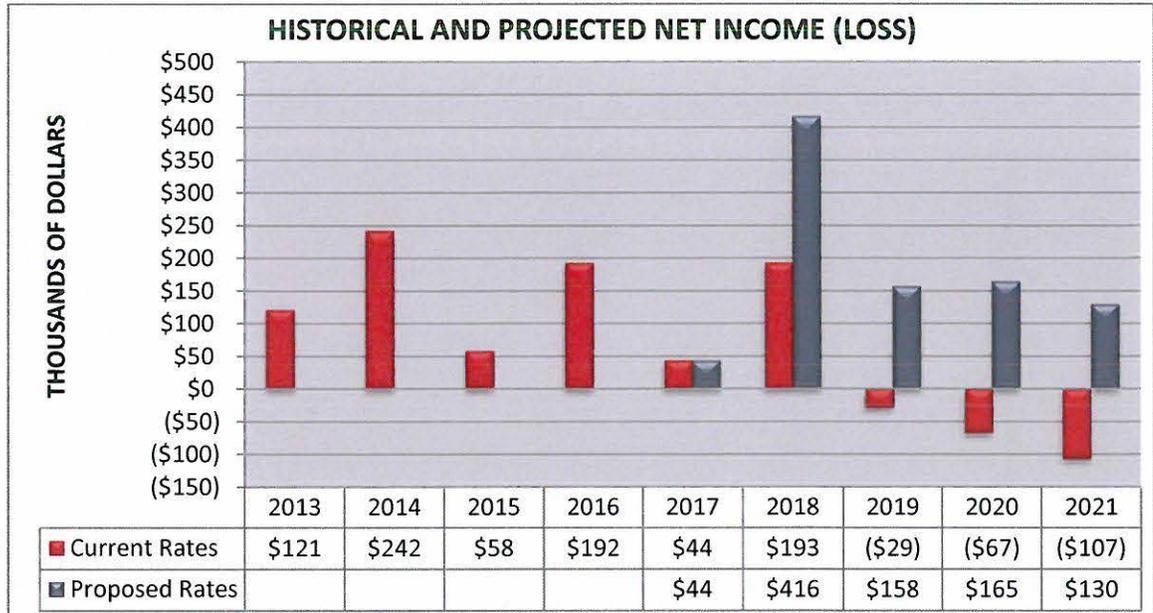
Finally, Exhibit 4-F shows a cost per kWh comparison between the Commercial Three-Phase and Large Power classes with load factors from 20% to 75% based on a customer with demand of 25 kW. This show that most customers with a load factor greater than 36% would pay a lower cost per kWh in the Large Power class.

All of these graphs are calculated under current and proposed rates. Under current rates, the tables include an average PAC credit of \$0.0037 per kWh based on the 2017 projection, and under proposed rates, the tables include an average PAC credit of \$0.0047 per kWh based on the 2018 projection.

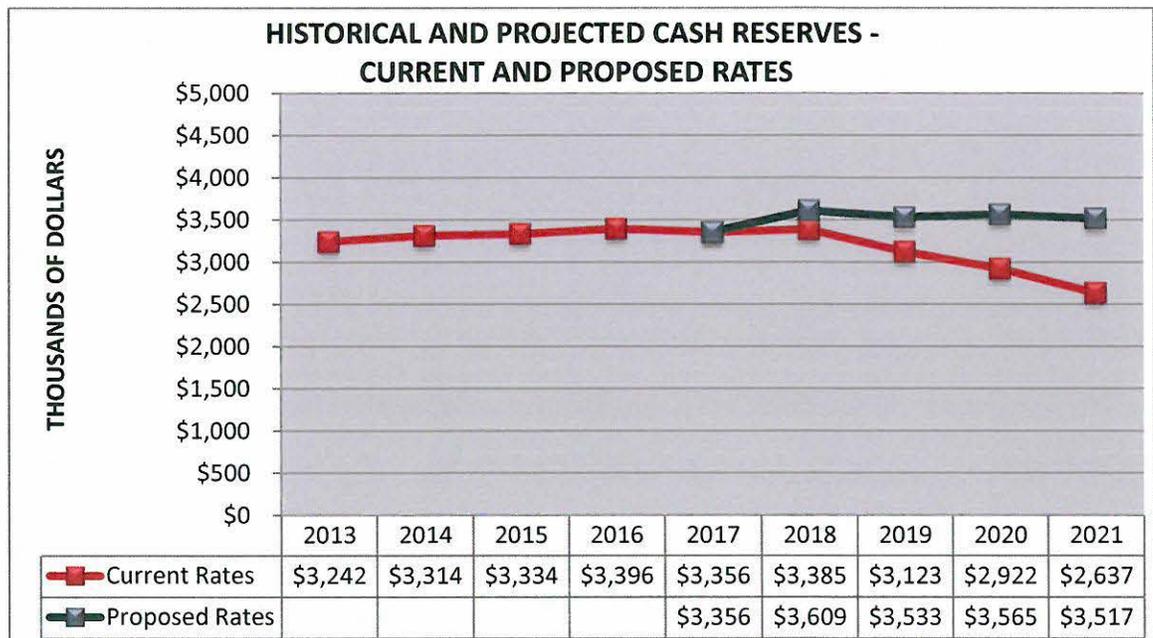
HISTORICAL AND PROJECTED OPERATING RESULTS AT PROPOSED RATES

The graph on the top of the next page shows the historical and projected operating results with current and proposed rates. Depending on any changes to the key assumptions primarily discussed in Sections 1 and 2, other rate adjustments may be necessary during the study period. The projected operating results are shown in more detail on Exhibit 4-A. Under the proposed rates, the electric utility is projected to show net income through 2021.

HISTORICAL AND PROJECTED OPERATING RESULTS AT PROPOSED RATES (Continued)



The next graph shows the projected cash reserves under current and proposed rates. Under proposed rates, reserves would increase to around \$3.6 million by 2018 before dropping slightly to just over \$3.5 million by 2021.



Importance of Cash Reserves

Maintaining adequate reserve levels is always important, especially in the electric utility industry, because it is very capital intensive. In a study of 72 area municipal electric utility financial statements, MRES found that the median level of cash reserves as a percentage of operating revenues was 54% for these utilities. Over 40% of those utilities have cash reserves exceeding 60% of operating revenues. Under proposed rates, the Benson cash reserves are projected at 90% of operating revenues in 2021, the last year of the study period.

Cash reserves would provide for unanticipated expenses or contingencies that may arise such as winter or summer storm damage. Also, Benson could have additional costs if a large customer is added in the future.

BENEFITS OF A PUBLIC POWER SYSTEM

The City of Benson, its residents, and businesses receive many benefits by being served by a public power system. One of the many benefits is that the Benson City Council has local control of the electric rates and the utility's policies and objectives. Other advantages of having a public power system in Benson are local customer service and the ability to issue tax-exempt financing for improvements, which is typically at a lower cost of financing. Lastly, shared billing services and equipment with other city utilities helps keep the total operating costs lower for all of these services.

**Benson Municipal Utilities
Electric Utility Operating Results**

Exhibit 4-A

(Proposed Rates and Projected Power Adjustment Clause Amounts)

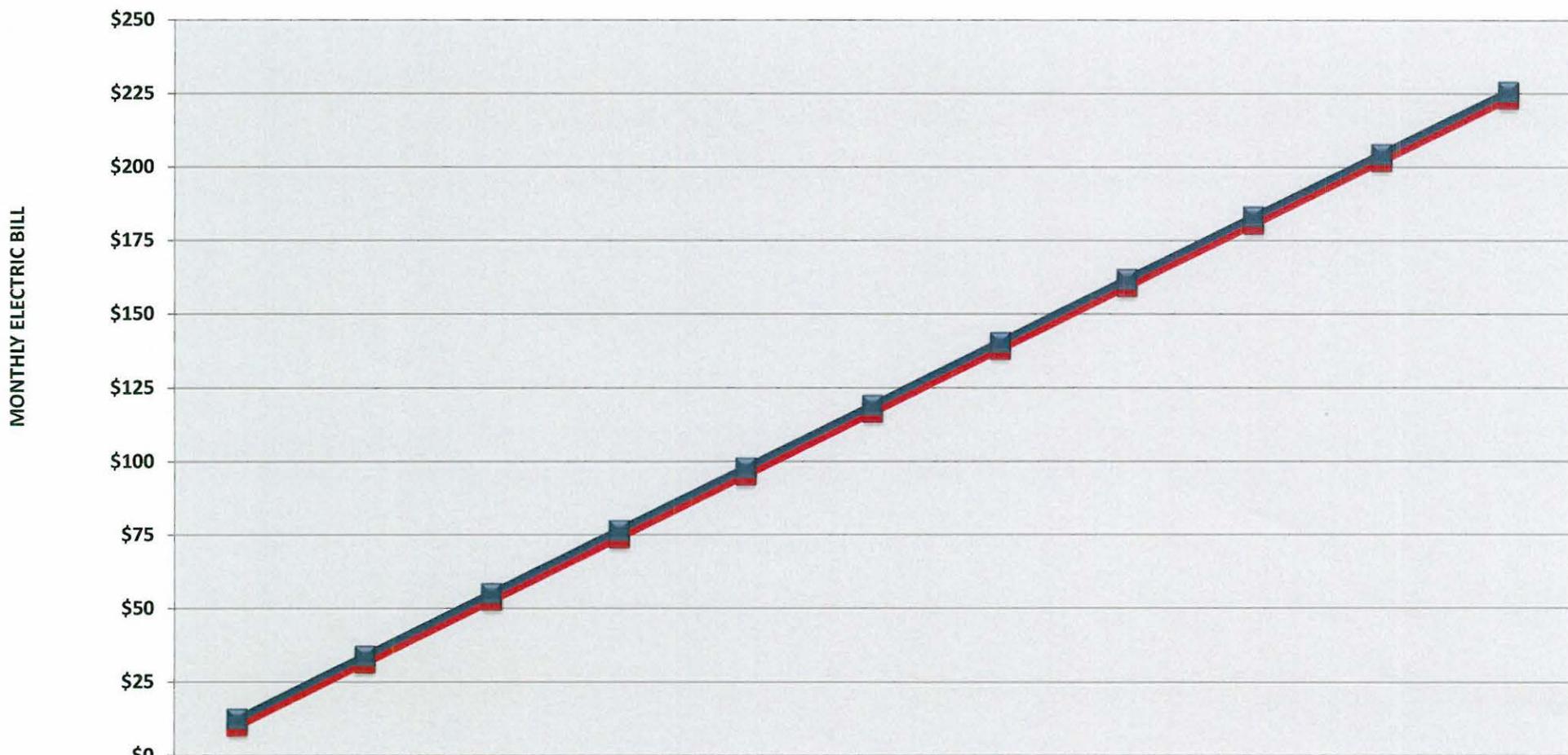
	Estimated				
	2017	2018	2019	2020	2021
Total system retail kWh sales	33,420,399	34,153,009	34,426,234	34,701,643	34,979,257
kWh Growth		2.2%	0.8%	0.8%	0.8%
OPERATING REVENUES					
Charges for Service	\$ 2,913,528	\$ 3,057,741	\$ 3,091,612	\$ 3,139,463	\$ 3,248,017
Other Operating Revenue	979,467	935,062	609,107	612,603	616,189
Interdepartmental Charges	33,735	33,735	34,072	34,413	34,757
Total Operating Revenue	<u>3,926,731</u>	<u>4,026,538</u>	<u>3,734,791</u>	<u>3,786,479</u>	<u>3,898,963</u>
OPERATING EXPENSES					
Purchased Power	1,625,738	1,526,451	1,550,756	1,588,749	1,687,520
Backup Power Costs	227,265	212,475	62,880	62,880	62,880
Power Production	197,240	148,406	152,558	156,835	161,240
Transmission	20,540	20,906	21,533	22,179	22,845
Distribution Expense	642,130	647,217	666,634	686,633	707,231
Demand Side Management	53,500	48,260	49,708	51,199	52,735
Customer Accounts & Service	230,037	231,800	238,754	245,917	253,294
Administration	209,978	210,440	216,753	223,256	229,953
Depreciation Expense	521,000	535,000	551,050	567,582	584,609
Total Operating Expense	<u>3,727,428</u>	<u>3,580,955</u>	<u>3,510,626</u>	<u>3,605,228</u>	<u>3,762,307</u>
NET OPERATING INCOME	<u>199,302</u>	<u>445,583</u>	<u>224,165</u>	<u>181,251</u>	<u>136,656</u>
NON-OPERATING REVENUE (EXPENSE)					
Investment Income	60,000	58,314	54,137	52,996	53,472
Interest Expense	(201,157)	(87,613)	(78,086)	(69,115)	(59,946)
Total Non-Operating Revenue	<u>(141,157)</u>	<u>(29,299)</u>	<u>(23,949)</u>	<u>(16,119)</u>	<u>(6,474)</u>
INCOME BEFORE OPER TRANSFERS	<u>58,145</u>	<u>416,284</u>	<u>200,217</u>	<u>165,132</u>	<u>130,182</u>
Transfers to Other Funds	(14,447)	-	(42,337)	-	-
NET INCOME	<u>\$ 43,698</u>	<u>\$ 416,284</u>	<u>\$ 157,879</u>	<u>\$ 165,132</u>	<u>\$ 130,182</u>
Net Income as a % of Oper Rev	1.1%	10.3%	4.2%	4.4%	3.3%

Electric Utility Cash Reserves

	Estimated				
	2017	2018	2019	2020	2021
NET INCOME	\$ 43,698	\$ 416,284	\$ 157,879	\$ 165,132	\$ 130,182
LESS: Capital Expenditures	(225,000)	(263,000)	(390,000)	(301,000)	(358,000)
LESS: 2007 Bond Principal Payments	(325,000)	(380,000)	(340,000)	(345,000)	(350,000)
LESS: 2012 Bond Principal Payments	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)
ADD: Depreciation	521,000	535,000	551,050	567,582	584,609
INCREASE / DECREASE IN UNRESTRICTED RESERVES	<u>\$ (40,302)</u>	<u>\$ 253,284</u>	<u>\$ (76,071)</u>	<u>\$ 31,714</u>	<u>\$ (48,209)</u>
Beginning of Year Unrestricted Reserves	\$ 3,396,151	\$ 3,355,849	\$ 3,609,133	\$ 3,533,062	\$ 3,564,776
Decrease in Cash Reserves	(40,302)	253,284	(76,071)	31,714	(48,209)
End of Year Unrestricted Reserves	<u>\$ 3,355,849</u>	<u>\$ 3,609,133</u>	<u>\$ 3,533,062</u>	<u>\$ 3,564,776</u>	<u>\$ 3,516,567</u>
Reserves as a % of Operating Revenues	85%	90%	95%	94%	90%

**Monthly
Bills**

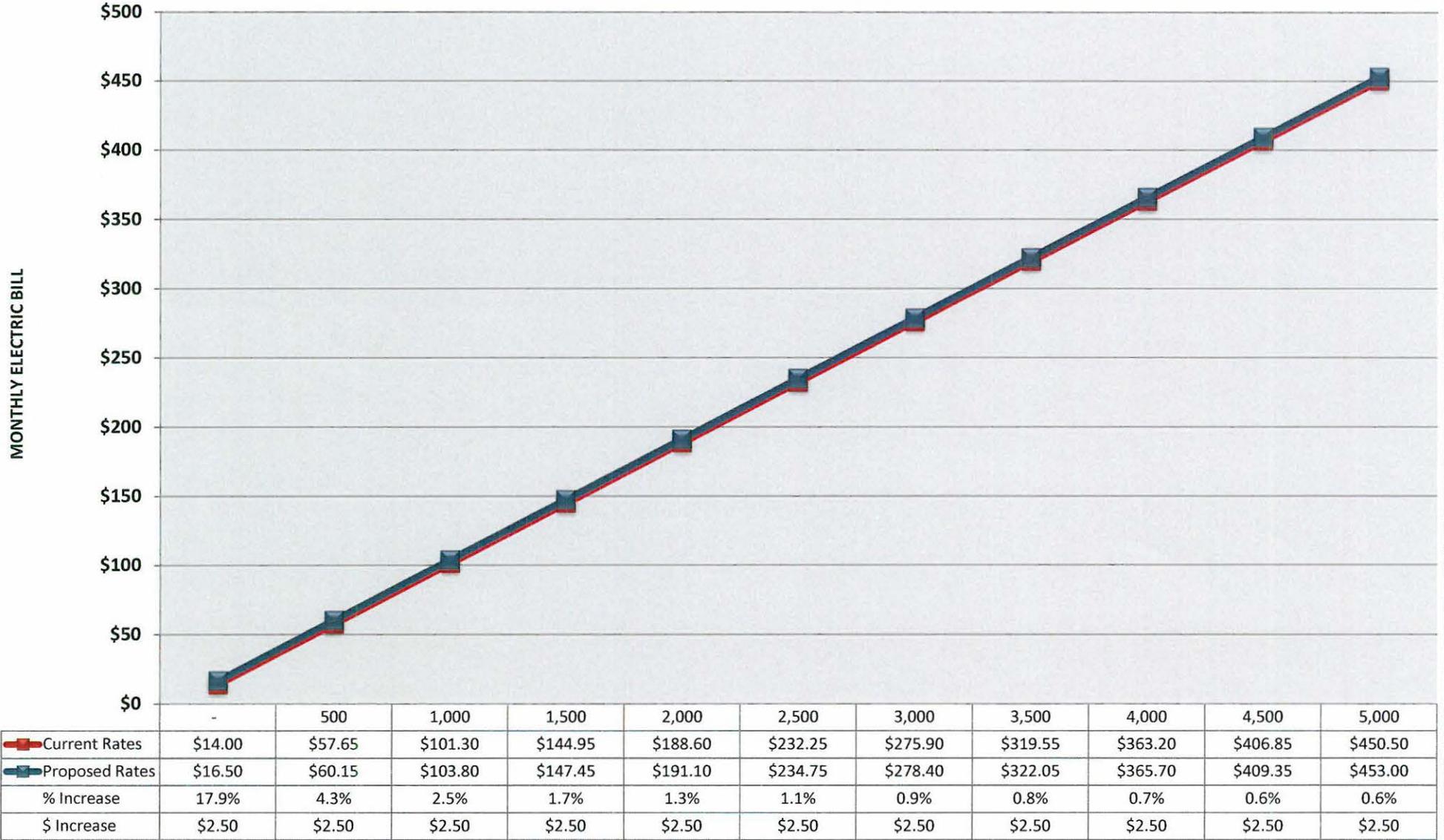
RESIDENTIAL - CURRENT AND PROPOSED MONTHLY BILLS



	-	250	500	750	1,000	1,250	1,500	1,750	2,000	2,250	2,500
Current Rates	\$10.00	\$31.33	\$52.65	\$73.98	\$95.30	\$116.63	\$137.95	\$159.28	\$180.60	\$201.93	\$223.25
Proposed Rates	\$12.50	\$33.83	\$55.15	\$76.48	\$97.80	\$119.13	\$140.45	\$161.78	\$183.10	\$204.43	\$225.75
% Increase	25.0%	8.0%	4.7%	3.4%	2.6%	2.1%	1.8%	1.6%	1.4%	1.2%	1.1%
\$ Increase	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50

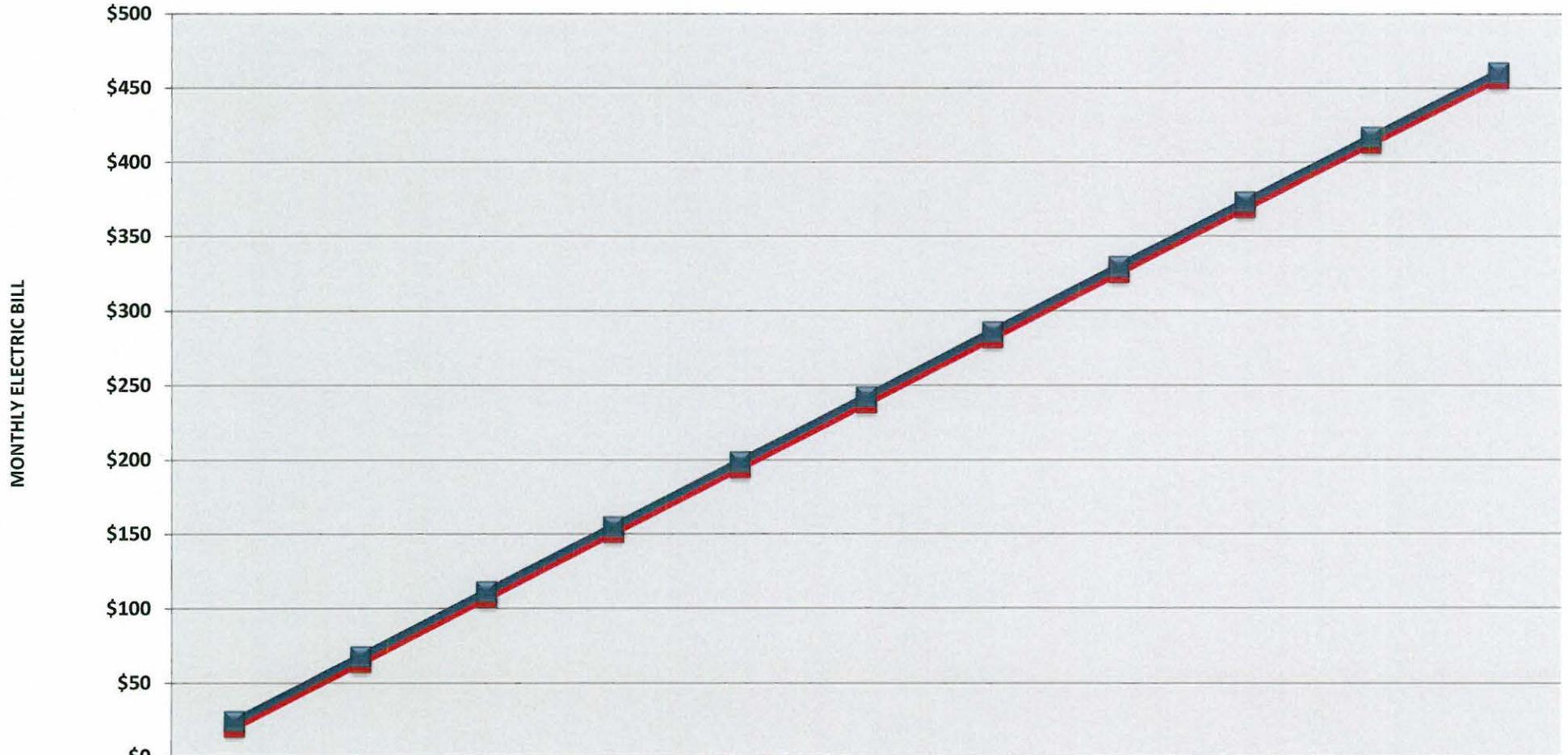
KWH

COMMERCIAL SINGLE-PHASE - CURRENT AND PROPOSED MONTHLY BILLS



KWH

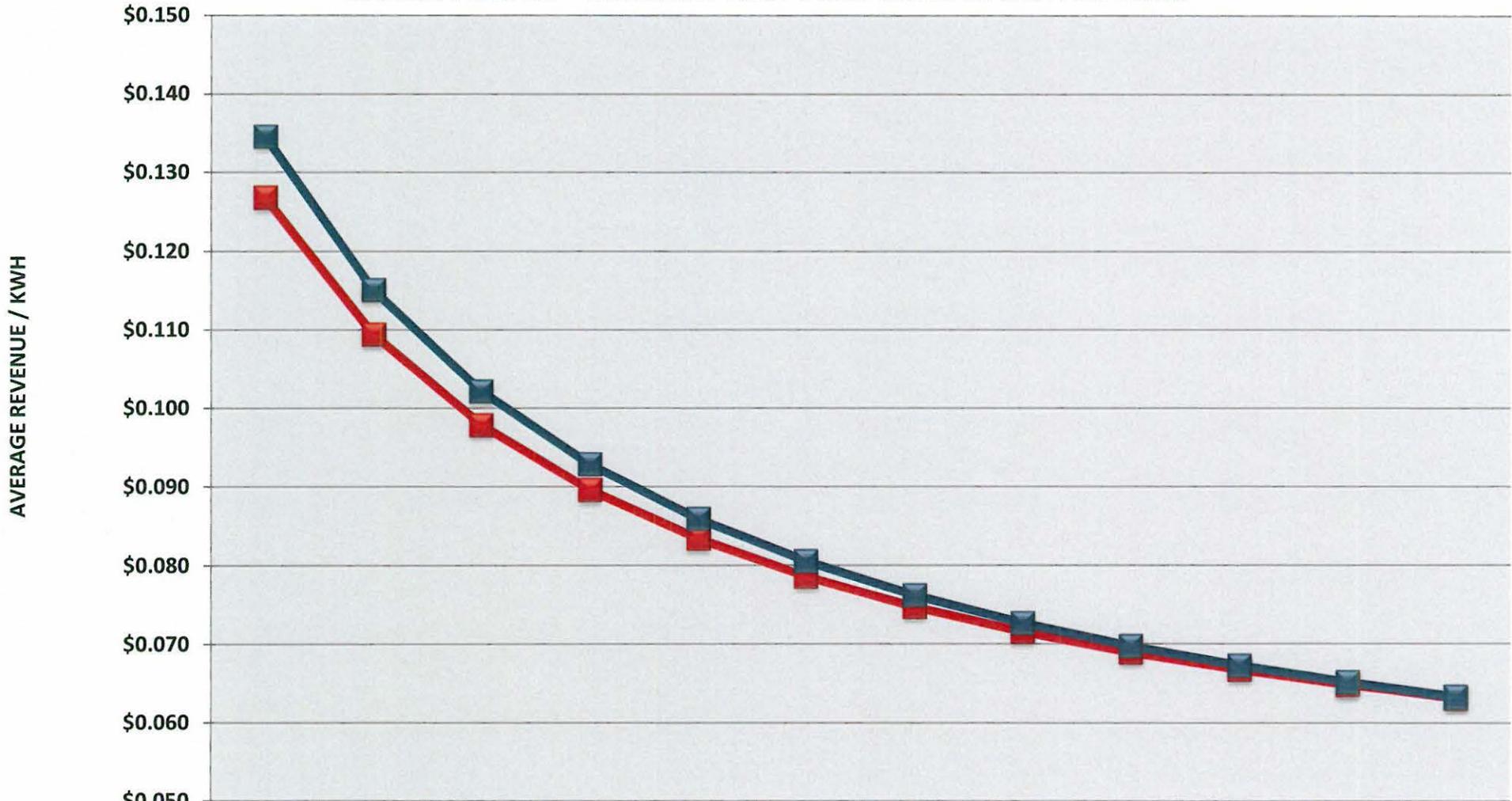
COMMERCIAL THREE-PHASE - CURRENT AND PROPOSED MONTHLY BILLS



	-	500	1,000	1,500	2,000	2,500	3,000	3,500	4,000	4,500	5,000
Current Rates	\$20.00	\$63.65	\$107.30	\$150.95	\$194.60	\$238.25	\$281.90	\$325.55	\$369.20	\$412.85	\$456.50
Proposed Rates	\$24.00	\$67.65	\$111.30	\$154.95	\$198.60	\$242.25	\$285.90	\$329.55	\$373.20	\$416.85	\$460.50
% Increase	20.0%	6.3%	3.7%	2.6%	2.1%	1.7%	1.4%	1.2%	1.1%	1.0%	0.9%
\$ Increase	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00

KWH

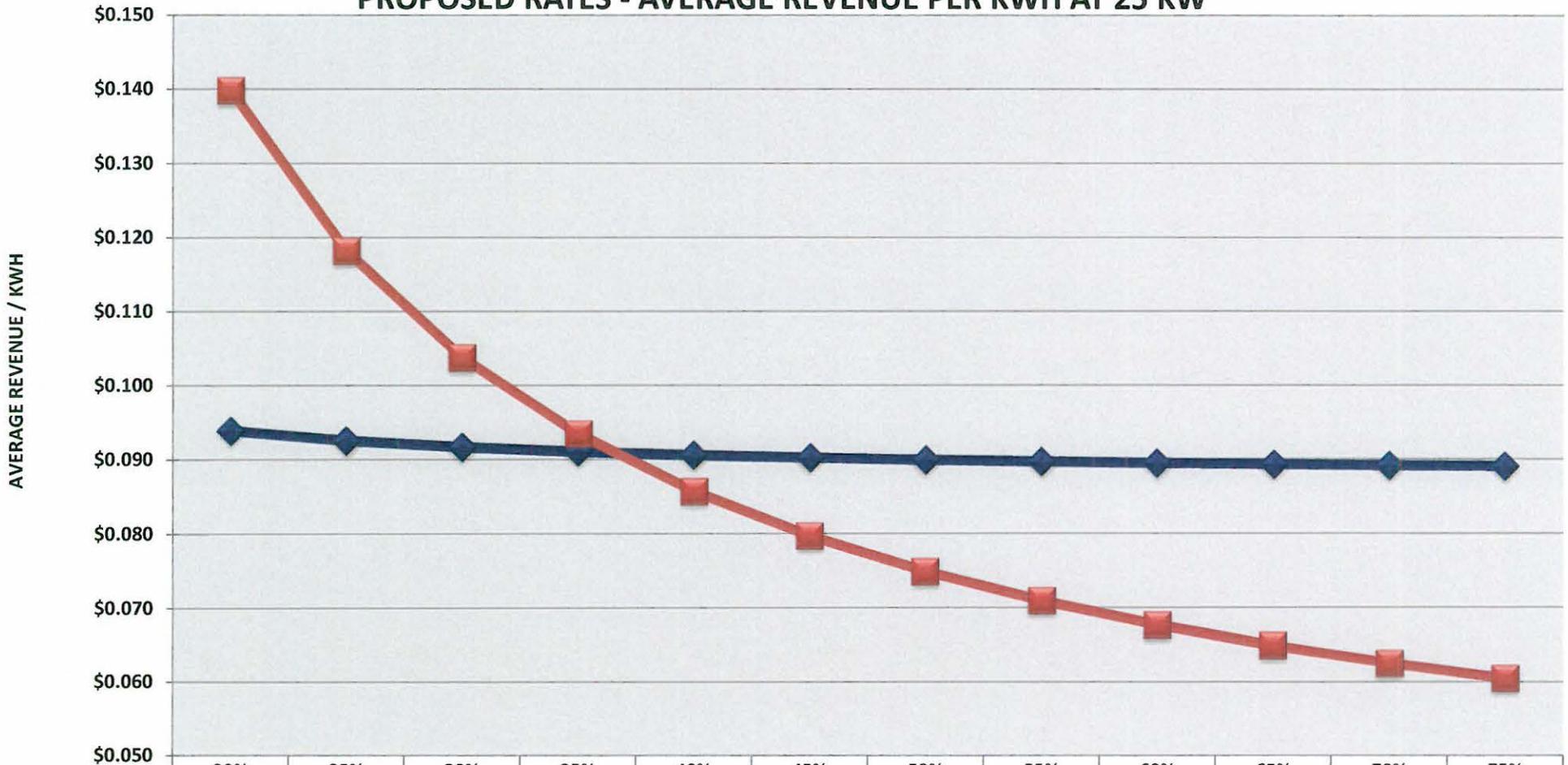
LARGE POWER - CURRENT AND PROPOSED MONTHLY BILLS



	20%	25%	30%	35%	40%	45%	50%	55%	60%	65%	70%	75%
Current Rates	\$0.127	\$0.109	\$0.098	\$0.090	\$0.083	\$0.079	\$0.075	\$0.072	\$0.069	\$0.067	\$0.065	\$0.063
Proposed Rates	\$0.135	\$0.115	\$0.102	\$0.093	\$0.086	\$0.081	\$0.076	\$0.073	\$0.070	\$0.067	\$0.065	\$0.063
% Change	6.1%	5.2%	4.4%	3.7%	3.0%	2.5%	2.0%	1.6%	1.2%	0.8%	0.5%	0.2%
\$ / kWh Change	\$0.008	\$0.006	\$0.004	\$0.003	\$0.003	\$0.002	\$0.002	\$0.001	\$0.001	\$0.001	\$0.000	\$0.000

LOAD FACTOR

COMMERCIAL THREE PHASE VERSUS LARGE POWER PROPOSED RATES - AVERAGE REVENUE PER KWH AT 25 KW



	20%	25%	30%	35%	40%	45%	50%	55%	60%	65%	70%	75%
Commercial	0.094	0.093	0.092	0.091	0.091	0.090	0.090	0.090	0.089	0.089	0.089	0.089
Large Power	0.140	0.118	0.104	0.093	0.086	0.080	0.075	0.071	0.068	0.065	0.063	0.060
% Difference	48.9%	27.7%	13.2%	2.6%	-5.4%	-11.7%	-16.7%	-20.9%	-24.4%	-27.3%	-29.9%	-32.1%

LOAD FACTOR

SECTION 5 – RATE COMPARISONS WITH OTHER ELECTRIC UTILITIES

Historically, in a non-competitive environment where utility franchise territories were protected, a utility could reasonably set rates on a cost-of-service plus margin basis, or the utility could diverge from the cost study and set rates according to local policy objectives. However, some portions of the country have now been opened to retail competition. Although retail competition may be many years away in this area, it is still important to understand the competitive position of the utility for other reasons such as economic development. The information in this section is also useful in examining the various methods used by the utilities to recover costs from the different classes.

DIFFERENCE OF RATES AMONG MEMBER UTILITIES

Electric rates vary from utility to utility due to several factors. Some of the differences may be explained by the following factors:

- The percentage of power purchased from the WAPA in comparison to the power purchased from MRES
- The cost of transmission services
- The equitability of the rates across the various customer classes
- The blend of retail customers, such as the percentage of Commercial & Large Power energy sales to the percentage of Residential sales
- The percentage of revenues that is transferred to other non-electric funds
- The amount of expenses that may be subsidized by other utilities, for example, the electric utility paying for other city utilities' labor and/or other expenses
- The amount of funds spent in recent years on capital improvement projects, which correlates to the condition and reliability of the distribution system
- The amount of annual debt service, along with the covenants and restricted reserves
- The level of cash reserves and the governing board's philosophy towards reserves

RATE CLASSES INCLUDED IN THE COMPARISONS

To compare Benson with other utilities, MRES chose rates that would be charged to customers in the Residential, Commercial, and Large Power rate classes. The rates chosen were the basic rates offered by the utilities that would be applicable to the majority of the customers in the classes. These rates are not representative of all the different types of rates that are available.

SUMMARY OF UTILITY COMPARISON RESULTS

Exhibits 5-A through 5-E at the end of this section contain comparisons between Benson and the regional utilities whose rates are shown in Exhibits 5-F through 5-H. For utilities with seasonal rates, the bills are the weighted average of all 12 months. For Benson, the proposed rates from Section 4 were used in these comparisons. The comparisons are based on the following usage levels per month:

- Residential – Average usage of 750 kWh
- Commercial Single-phase – Average usage of 1,500 kWh
- Commercial Three-phase – Average usage of 2,500 kWh
- Large Power – 88,000 kWh and demand of 321 kW (38% LF)
- Large Power – 124,250 kWh and demand of 316 kW (54% LF)

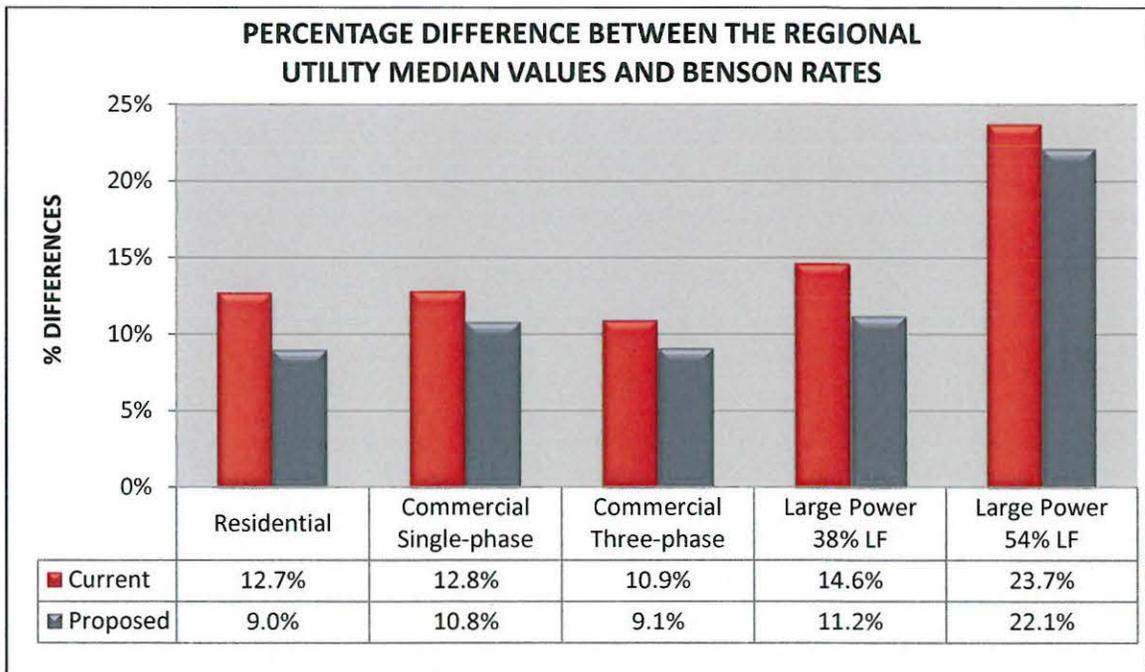
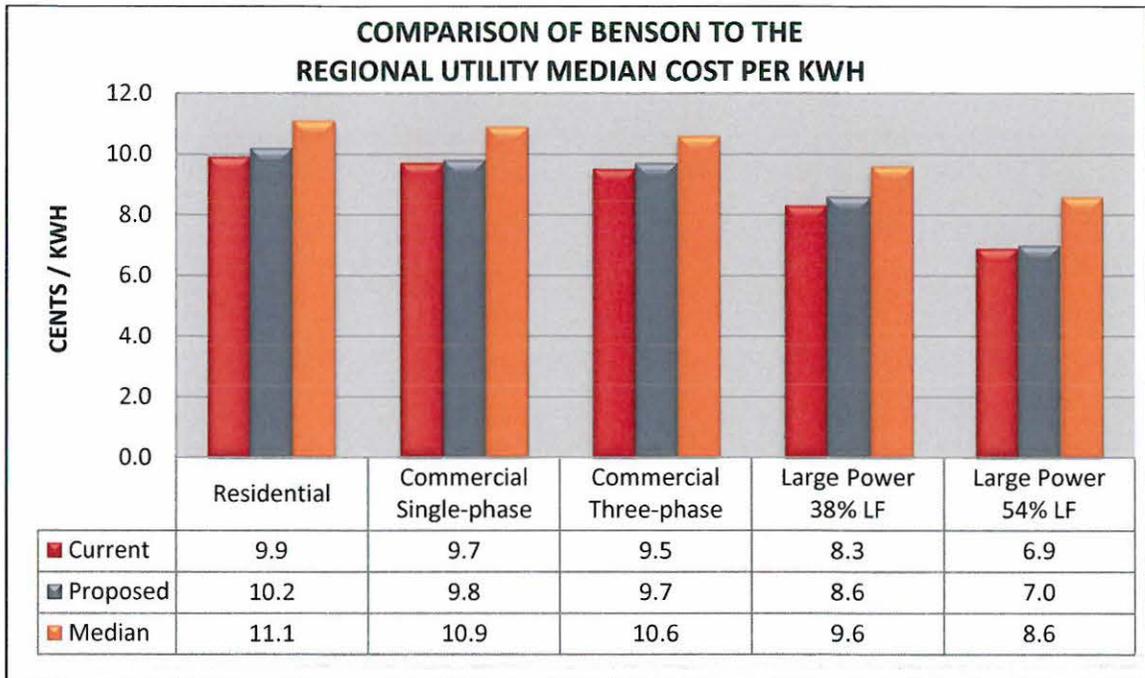
The top portion of each exhibit shows bills calculated using the various utilities' rates, and the bottom portion shows the percentage differences between other utilities and the current Benson rates.

The two graphs on the following page summarize the rate comparison information. The first graph compares cents per kWh for each class using the calculated bills and three sets of values: current Benson rates, proposed rates, and the median bill of 10 regional utilities.

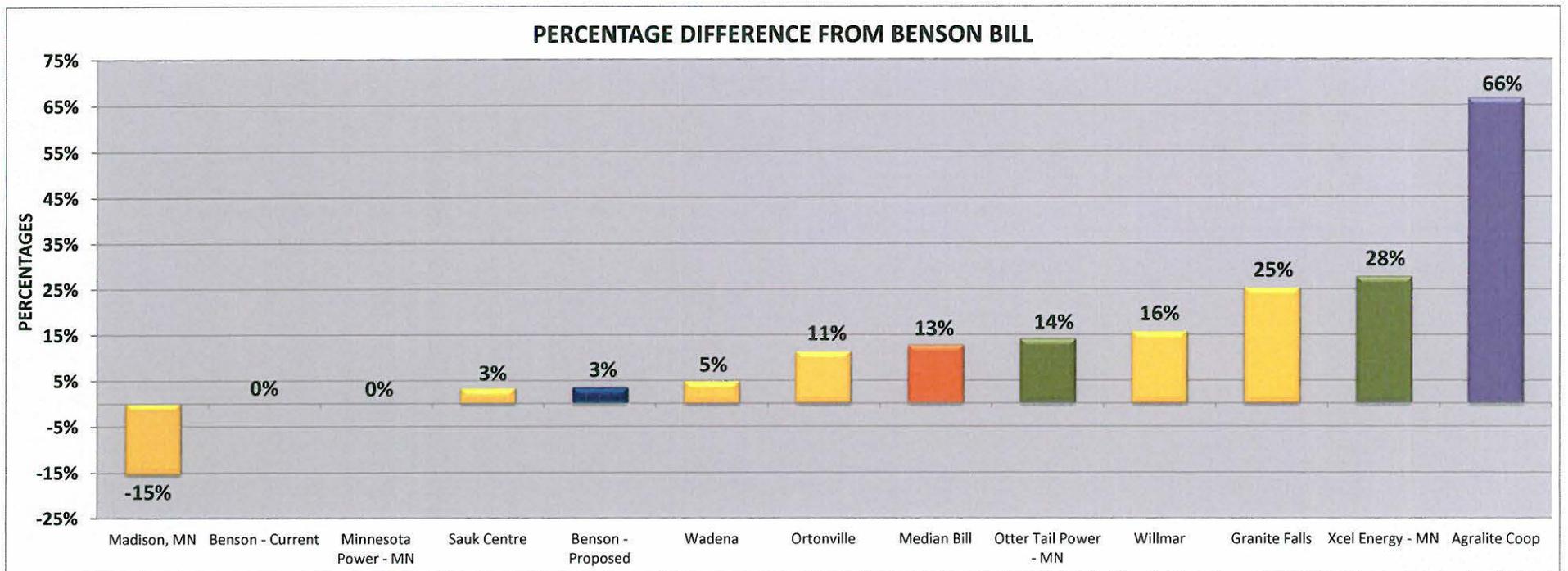
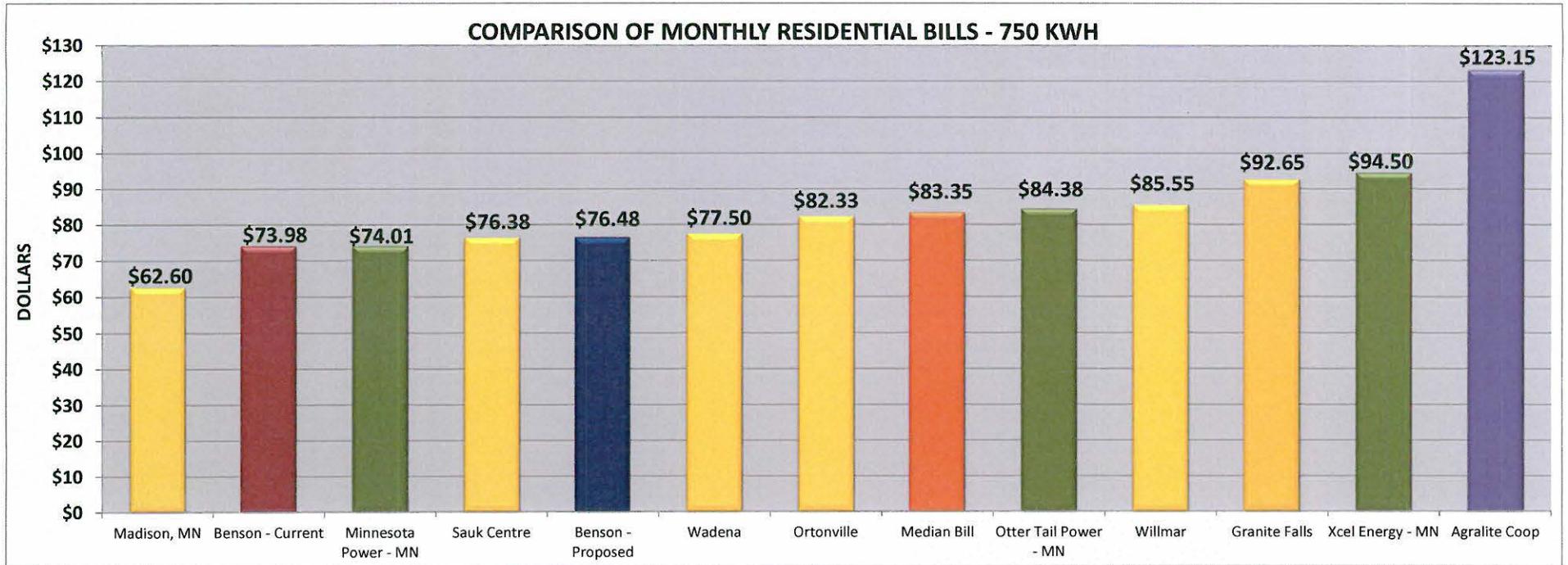
The second graph shows the percentage differences between both the Benson current and proposed rates and the median bill of the 10 utilities. This graph indicates that under current rates, the median bills are 11% to 13% higher than the Benson bills for Residential and Commercial customers and between 15% and 24% higher for the Large Power customers.

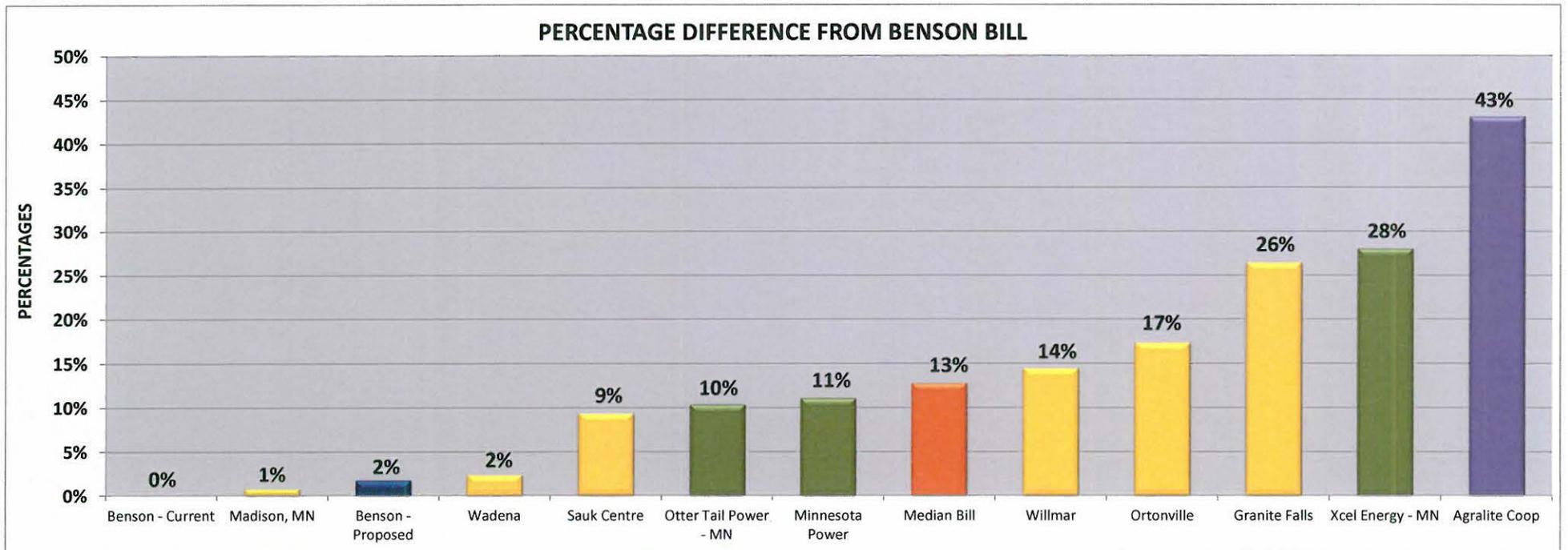
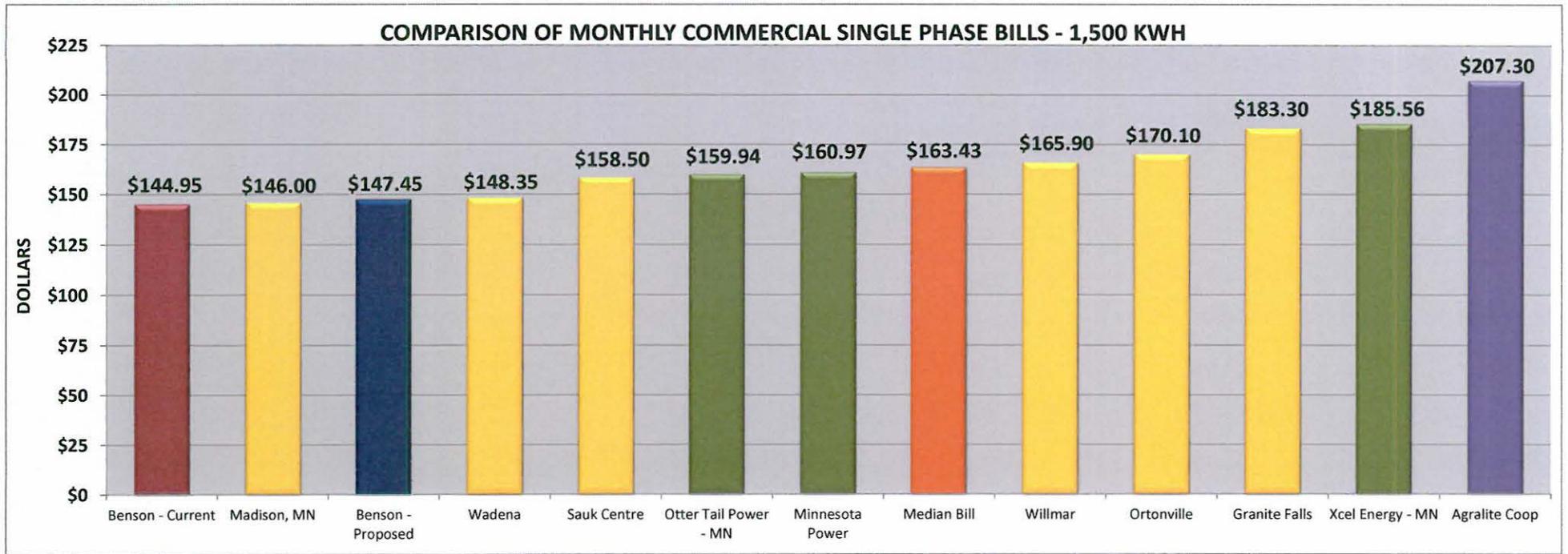
Other utilities, especially the investor-owned utilities, are experiencing cost pressures due to several reasons including no or minimal load growth, increasing operating expenses, and the high cost of replacing and repairing aging infrastructure among other reasons. Xcel Energy in Minnesota increased its rates on October 1, 2017 by 10.6% and has received approval by the Minnesota Public Utilities Commission to increase rates by 1.9% in January 2019. Xcel also has a monthly power cost adjustment to recover power supply costs as they are incurred.

SUMMARY OF UTILITY COMPARISON RESULTS (Continued)

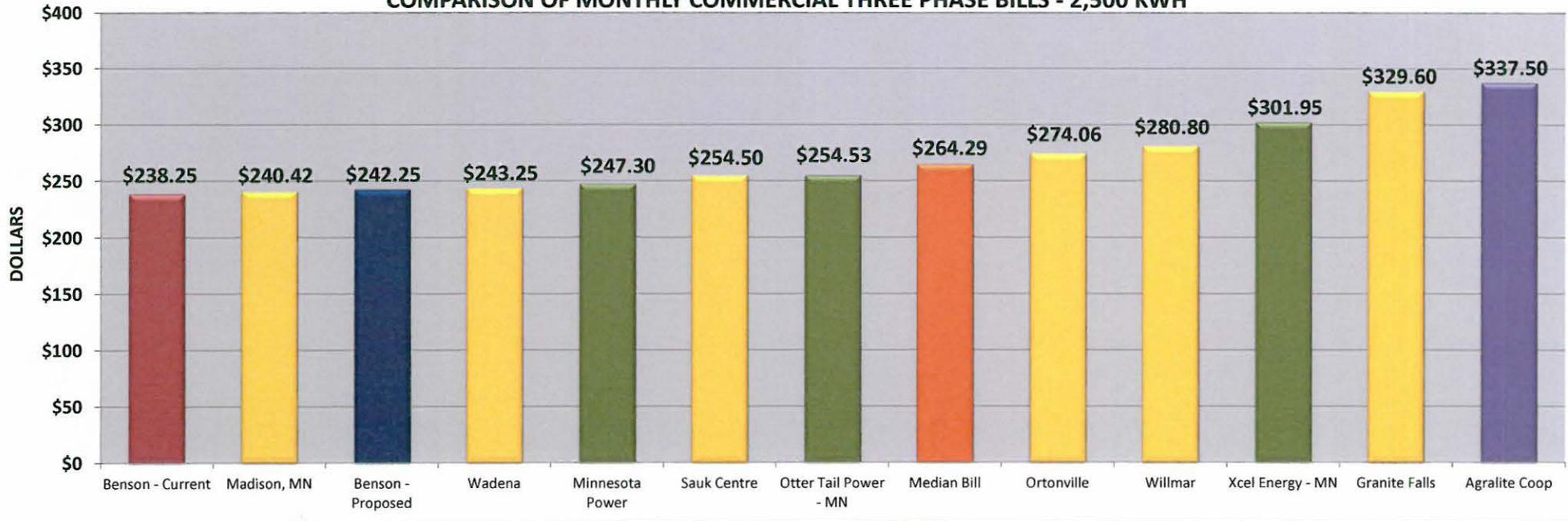


Comparison Graphs

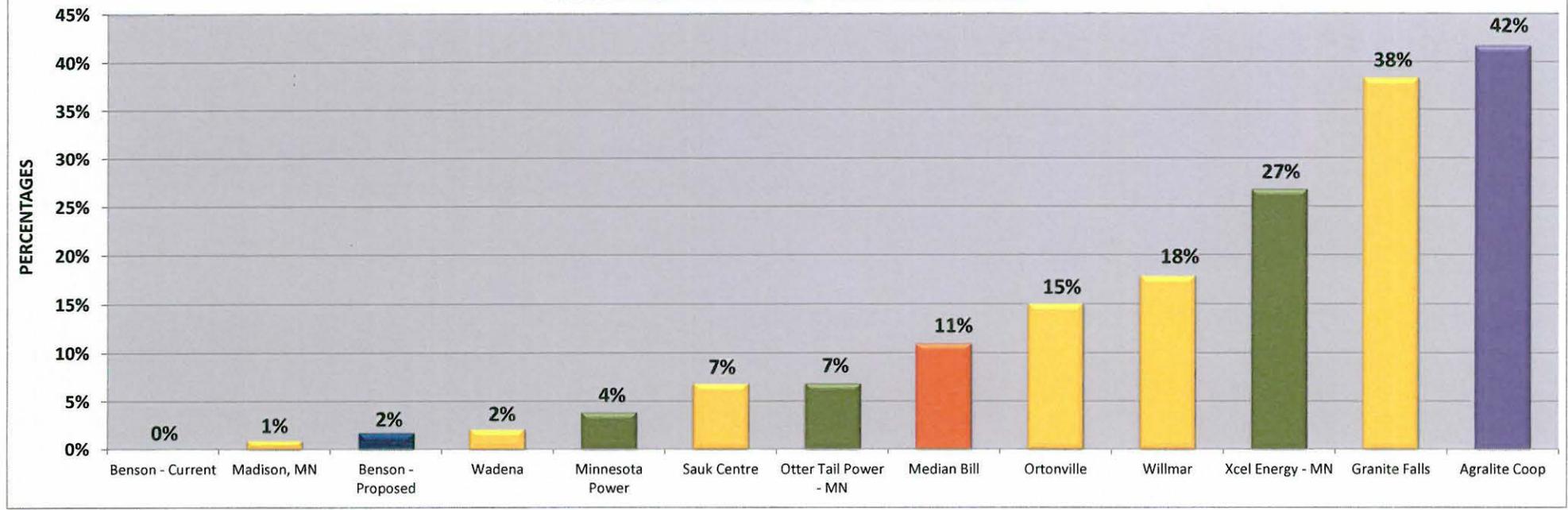




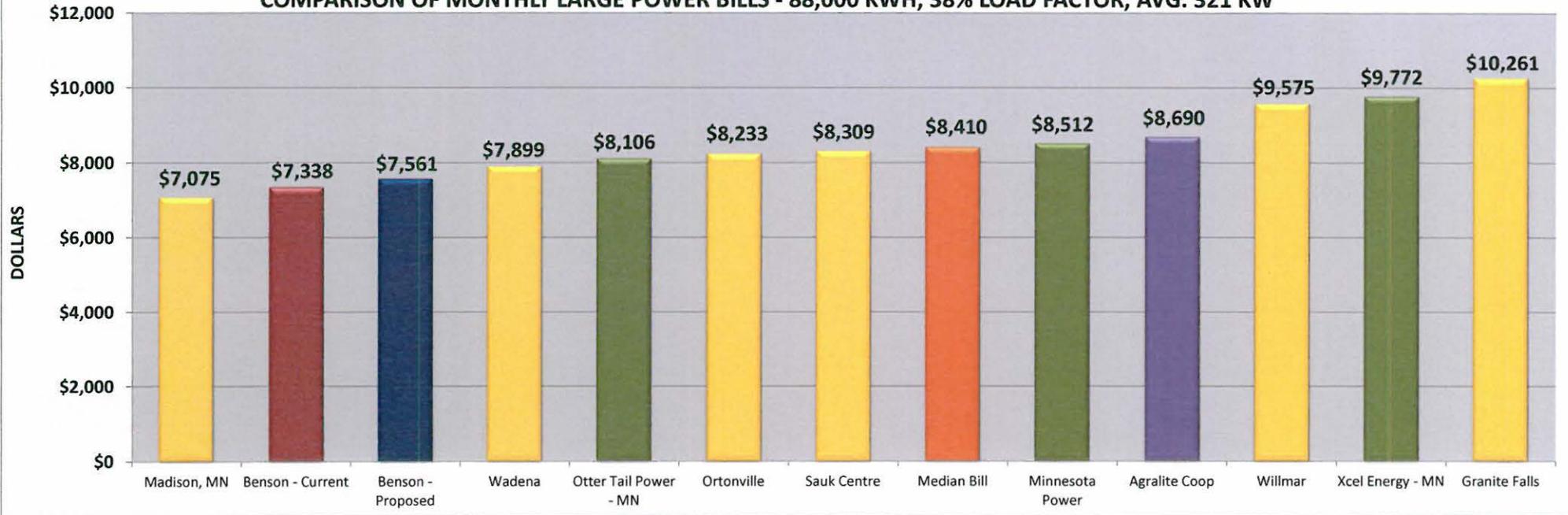
COMPARISON OF MONTHLY COMMERCIAL THREE PHASE BILLS - 2,500 KWH



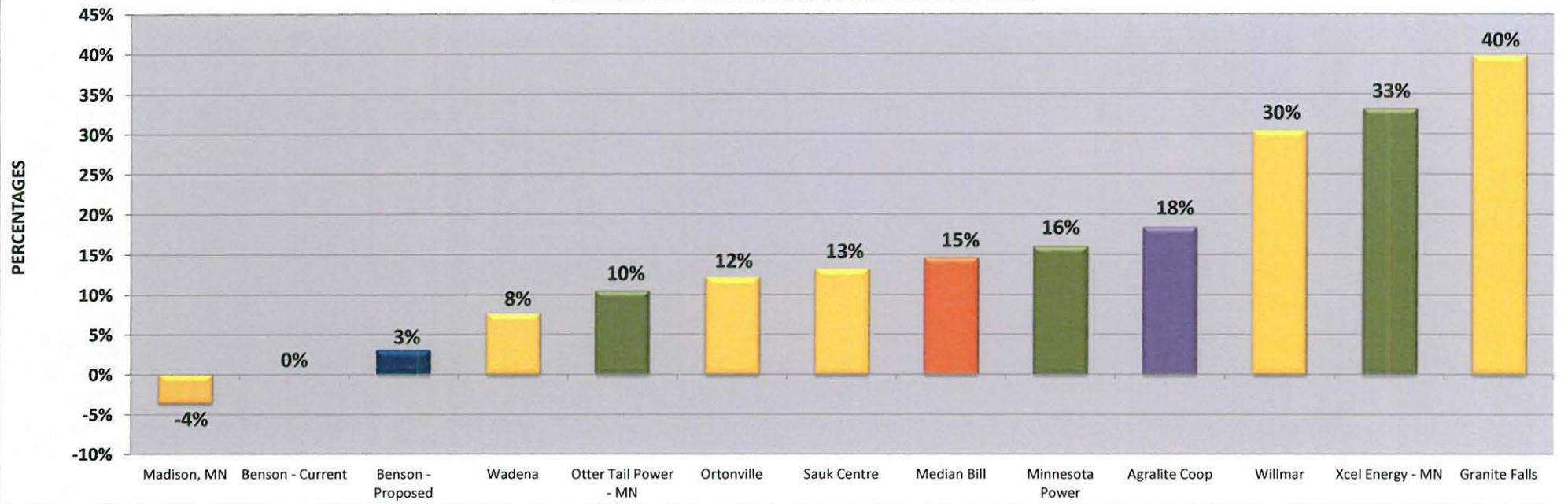
PERCENTAGE DIFFERENCE FROM BENSON BILL



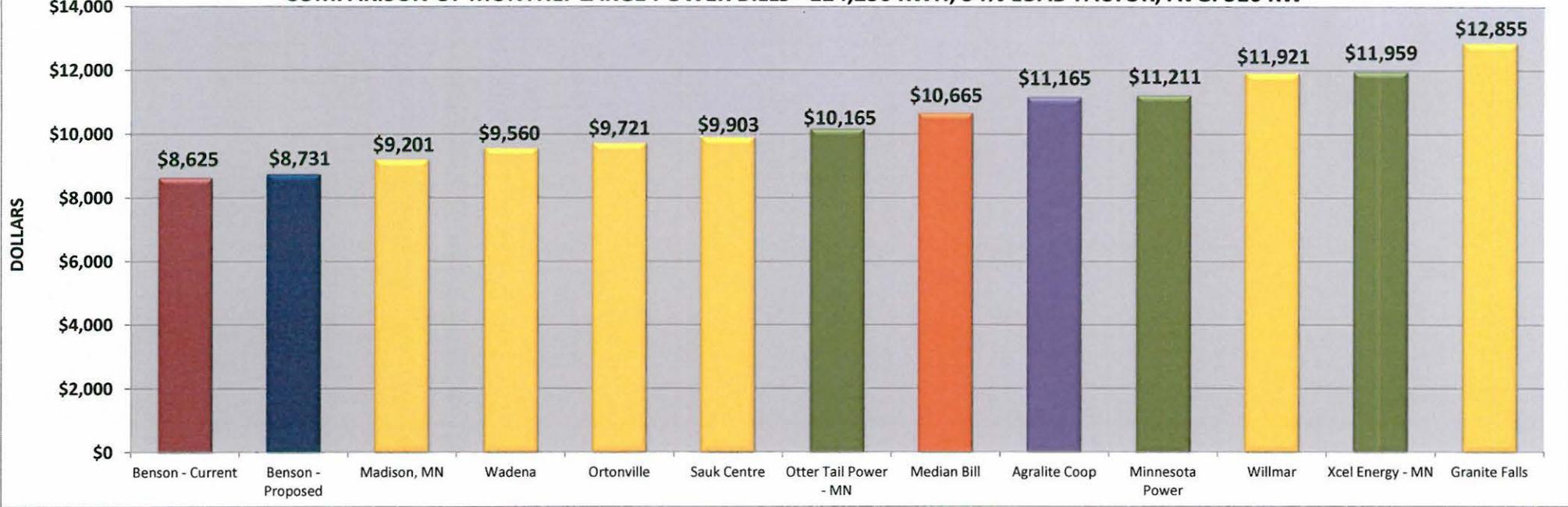
COMPARISON OF MONTHLY LARGE POWER BILLS - 88,000 KWH, 38% LOAD FACTOR, AVG. 321 KW



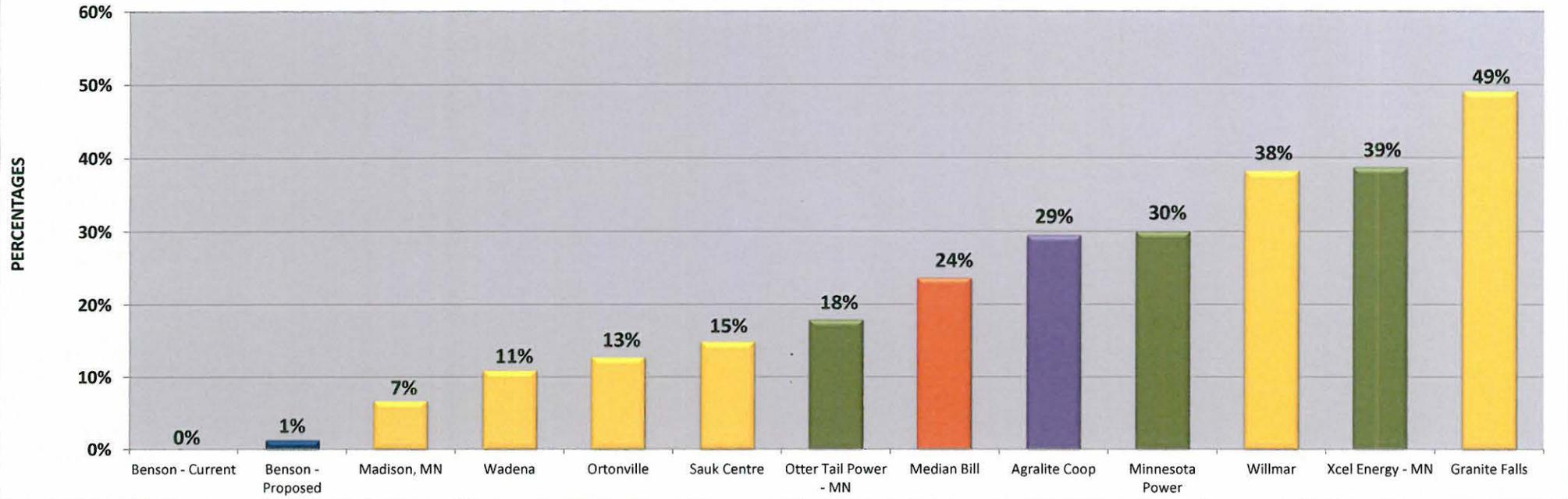
PERCENTAGE DIFFERENCE FROM BENSON BILL



COMPARISON OF MONTHLY LARGE POWER BILLS - 124,250 KWH, 54% LOAD FACTOR, AVG. 316 KW



PERCENTAGE DIFFERENCE FROM BENSON BILL



Residential Rates

Utility	Monthly Service Charge	Energy Charge (per kWh)	Energy Block (kWh)	Energy Adjustment (per kWh)
Benson	\$10.00	\$0.08900	All	(\$0.00370)
Minnesota Power – MN	8.00	0.05098	0-300	0.00972
Affordability Surcharge	0.51	0.06735	301-500	
		0.08168	501-750	
		0.08445	751-1,000	
		0.08937	Over 1,000	
		0.01204	Other Adjustments: per kWh	
Otter Tail Power – MN	8.50	0.08124	All (June-Sept.)	(0.00222)
		0.08340	All (Oct.-May)	
		0.00521	Other Adjustments: per kWh	
		6.927%	Environmental Cost (% of bill)	
		9.56%	Interim Increase (% of bill)	
Xcel Energy – MN				0.02500
Standard Service	10.00	0.10582	All (June – Sept.)	
Electric Space Heating	12.00	0.09032	All (Oct. – May)	
Affordability Surcharge	0.74	0.06082	Space Heating: All (Oct. – May)	
		0.00576	Other Adjustments: per kWh	
Granite Falls, MN	8.50	0.09600	All	0.01620
Madison, MN	8.00	0.07280	All	-
Ortonville, MN				-
City Limits	15.50	0.08800	All	
Out of City Limits	21.50			
Sauk Centre, MN	11.50	0.09200	All (June – Aug)	-
		0.08200	All (Sept.-May)	
		0.00200	Franchise Fee (per kWh)	
Wadena, MN	11.50	0.09400	All (June – Aug.)	0.00240
		0.08600	0-1,000 (Sept. – May)	
		0.06900	Over 1,000 (Sept. – May)	
Willmar, MN	10.35	0.10940	All (June – Sept.)	-
		0.09570	All (Oct. – May)	
Agralite Electric Cooperative	39.00	0.11960	All (June – Sept.)	0.00570
		0.10550	All (Oct. – May)	

Commercial Rates

Utility	Monthly Service Charge	Energy Charge (per kWh)	Energy Block (kWh)	Energy Adjustment (per kWh)
Benson Single-phase Three-phase	\$14.00 20.00	\$0.09100	All	(\$0.00370)
Minnesota Power – MN Customer Charge Affordability Surcharge	10.50 0.67	0.07836 0.01204	All Other Adjustments per kWh	0.00946
Otter Tail Power – MN	15.50	0.07727 0.07932 0.00521 6.927% 9.56%	All (June-Sept.) All (Oct.-May) Other Adjustments per kWh Environmental Costs (% of bill) Interim Increase (% of bill)	(0.00222)
Xcel Energy – MN Customer Charge Affordability Surcharge	10.00 0.97	0.09514 0.07965 0.00600	All (June-Sept.) All (Oct.-May) Other Adjustments per kWh	0.02558
Granite Falls, MN	12.00	0.09800	All	0.01620
Madison, MN	11.00	0.09000 0.07700	First 2,000 Over 2,000	-
Ortonville, MN Single-phase Three-phase	24.50 31.50	0.09600	All	-
Sauk Centre, MN Single-phase Three-phase	22.00 27.00	0.09800 0.08600 0.00200	All (June – Aug.) All (Sept. – May) Franchise Fee (per kWh)	-
Wadena, MN Single-phase Three-phase	18.00 26.00	0.09200 0.08200	All (June – Aug.) All (Sept. – May)	0.00240
Willmar, MN Single-phase Three-phase	16.05 31.05	0.10910 0.09530 0.10910 0.09530	All (June-Sept.) All (Oct. – May) All (June-Sept.) All (Oct. – May)	-
Agralite Electric Cooperative Single-phase Three-phase	39.00 57.00	0.11960 0.10550	All (June – Sept.) All (Sep. – May)	0.00570

Large Power Rates

Utility	Monthly Service Charge	Demand Charge (per kW)	Demand Block (kW-mos.)	Energy Charge (per kWh)	Energy Block (kWh)	Energy Adjustment (per kWh)
Benson	\$40.00	\$12.50	All	\$0.04100	All	(\$0.00370)
Minnesota Power – MN Less than 10 MW Affordability Surcharge	10.50 0.67	5.86	All	0.05288 0.01351	All Other Adjustments	0.00884
Otter Tail Power – MN 20 kW-80 kW	19.00	1.22 1.02 0.60	June-Sept. Oct.-May Facility Chg.	0.06939 0.07501 0.00930 6.927% 9.56%	All (June-Sept.) All (Oct.-May) Other Adjustments Envir. Cost (% of bill) Interim Increase (% of bill)	(0.00222)
Over 80 kW	40.00 (Min. 350.00)	7.22 6.07 0.33 0.937	June-Sept. Oct.-May Facility Chg. Other Adj.	0.04766 0.05148 0.00275 6.927% 9.56%	All (June-Sept.) All (Oct.-May) Other Adjustments Envir. Cost (% of bill) Interim Increase (% of bill)	(0.00222)
Xcel Energy – MN Customer Charge Affordability Surch.	25.64 2.79	15.25 10.71 1.017	June-Sept. Oct.-May 50% Ratchet Other Adj.	0.03498 (0.01588) 0.00291	All Over 400 kWh per kW Other Adjustments	0.02445
Granite Falls, MN	46.00	11.75	All	0.05700	All	0.01620
Madison, MN	14.00	5.62	All	0.07430 0.05940	First 2,000 Over 2,000	-
Ortonville, MN	48.00	13.70	All	0.04300	All	-
Sauk Centre, MN	48.00	16.95 13.15	June – Aug. Sept. - May	0.04100 0.00200	All Franchise Fee (per kWh)	-
Wadena, MN	43.00	14.20 11.45	June – Aug. Sept. - May	0.04300	All	0.00240
Willmar, MN 25 kW to 500 kW	34.35	14.05 12.40	June - Sept. Oct. – May	0.06630 0.05940	June - Sept. Oct. – May	-
Over 500 kW	34.35	14.05 12.40	June - Sept. Oct. – May	0.06410 0.05720	June - Sept. Oct. - May	-
Agralite Electric Cooperative	80.00	9.75	June – Sept. Oct. - May	0.07200 0.05750	All	0.00570

Rob Wolfington

From: Shelly Eldridge <SEldridge@ehlers-inc.com>
Sent: Tuesday, October 24, 2017 4:33 PM
To: Rob Wolfington
Cc: Todd Hagen; James Lehnhoff
Subject: Assisted Living financing guarantee

Rob,

Per our discussions it is my understanding that the City is requesting an estimated fee from Ehlers with respect to our involvement with Bremer Banks requirement for the City's guarantee on a portion of the loan for the proposed Assisted Living facility.

Prior to the City entering into a commitment of public funds, we suggest that a gap analysis be completed for the proposed independent living project. This analysis would identify some of the basic financial elements of the project by determining the following:

1. Is the project viable in the long term
2. Is there a gap in the financing, if so
 - a. What is the level of gap
 - b. What is the term of the gap
3. Reasonableness of proforma assumptions given the current market

It has been identified, by Briggs and Morgan, the City's Bond Counsel, that there are two options that would require Municipal Advisory input. The first is the guarantee would be backed by a property tax abatement and the second is under the HRA/EDA authority, which requires the establishment of a project area and plan. Both options would require basic documents and a public hearing.

Following is an estimate of the fees that Ehlers would charge for each of the above outlined service:

- | | |
|---------------------------------------|---------|
| 1. Gap analysis | \$2,500 |
| 2. Abatement Documents | 3,000 |
| OR | |
| 3. HRA/EDA Project Area Establishment | 3,000 |

These estimates do not include any time estimates for attending meetings at the City. If needed, those would be billed on an hourly basis, including 1 way travel. We generally would bill at the hourly rates for only the time spent on each of the activities. So, if it took less time than estimated, then the costs would be less. If for some reason there were extenuating circumstances that required more time, we would discuss the issues and get prior authorization if the fees looked to be more than the estimate.

These estimates are for Ehlers consulting only. Briggs and Morgan's time to review documents and drafting of ancillary documents, would be in addition to the estimates provided above.

Let me know if you have questions or need clarification. We appreciate the opportunity to work with the City on this project.

Shelly



October 20, 2017

Hello,

Enclosed you will find the 2018 contract for services. Please review the contract and sign both copies and make changes as you see fit. Then, if you will, send one copy back to me at...

Countryside Public Health
201 13th St S
Benson, MN 56215

If you have any questions, please contact Elizabeth Auch, Administrator, or myself at 320.843.4546.

Thank you,

Julie Motzko
Acct Tech/HR

www.countrysidepublichealth.org

BIG STONE
342 2nd Street NW
ORTONVILLE, MN 56278
(320) 839-6135 V/TTY
866-277-5587

CHIPPEWA
719 No. 7th St. • Suite 308
MONTEVIDEO, MN 56265
(320) 269-2174 V/TTY
800-894-0192

LAC QUI PARLE
422 5th Avenue • Suite 305
MADISON, MN 56256
(320) 598-7313 V/TTY
800-255-0736

SWIFT
201 13th St. S.
BENSON, MN 56215
(320) 843-4546 V/TTY
800-657-3294

YELLOW MEDICINE
415 9th Avenue, Suite 106
GRANITE FALLS, MN 56241
(320) 564-3010 V/TTY
800-407-3628

AN EQUAL OPPORTUNITY EMPLOYER

AGREEMENT

THIS AGREEMENT is effective **January 1, 2018** between **City of Benson**, hereinafter called City, and Countryside Public Health, hereinafter called Countryside.

WITNESSETH:

WHEREAS, City has a youth anti-tobacco ordinance which requires yearly, mandatory compliance checks of tobacco retailers in City, and

WHEREAS, these mandatory compliance checks are to be conducted in order to ensure that City retail establishments are not selling tobacco products to minors, and

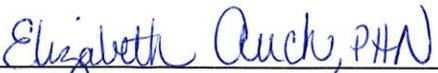
WHEREAS, Countryside is in the business of providing compliance check services to Counties,

NOW, THEREFORE, In consideration thereof, the parties hereto agree as follows:

1. City agrees to retain Countryside for the purpose of assisting the County Sheriff's Office with compliance checks.
2. Countryside will conduct compliance checks and administer all services necessary to successfully implement the compliance checks program including but not limited to: i) recruitment and training of youth compliance checkers, and ii) follow-up activities surrounding the compliance checks. City will pay Countryside One Hundred and twenty-five dollars (\$125.00) per retail establishment licensed to sell tobacco products in the City. This One Hundred and twenty-five dollars (\$125.00) payment will cover an unlimited number of compliance checks in a licensed retail establishment, but a compliance check must be completed at least once yearly for each licensed retail establishment in the City. The One Hundred and twenty-five dollars (\$125.00) payment for each retail establishment will come due after completion of at least one compliance check in a respective establishment and under no circumstance shall City be required to pay Countryside prior to any services rendered. If a retail establishment has been issued a license for less than a full year's term, Countryside shall charge City a prorated fee.
3. Countryside agrees to itemize all bills for services sent to City.
4. This agreement shall be effective through **December 31, 2018**.

IN WITNESS WHEREOF. The parties have executed this agreement the day and year first above written.

Authorizing Representative



Elizabeth Auch, Administrator/DON
Countryside Public Health



Minnesota Municipal Utilities Association Safety & Compliance Management Program

Scope of Safety Services

Thursday, October 26, 2017

Rob Wolfington – City Manager
City of Benson, MN

Scope of Service

It is MMUA's goal to work with the City of Benson to facilitate their safety and compliance goals in a timely manner.

MMUA safety staff will visit the City of Benson every month for approximately 8 hours in a one-day period unless circumstances lend a different location approved City of Benson management staff. This time will be shared with MRES/Benson utilities as appropriate.

The first phase of this program and number one goal will be focused on compliance training, review and development. After your program, has matured we will be able to explore the rest of the headings proposed in the description of services below.

Compliance Review – all departments

- Create an effective monthly employee training program which meets the OSHA mandated training requirements for each department.
- Develop a training grid showing employee training needs and identify recommended and/or required training needs by law.
- Audit and inspection of city's safety records and physical facilities. Mock OSHA inspections.
- Supply a written report of findings of (Mock OSHA) inspections and recommendations for the company's review.
- Standardize mandated safety policies and/or development of programs. This work includes AWAIR, Hearing Conservation, and Respirator programs.
- Work with company-wide safety committee with their needs and goal setting.
- Prepare monthly agenda in conjunction with the company-wide safety committee staff.
- Provide appropriate training for all departments using the training grid system

Compliance Review – all departments

- Provide safety expert information and consultation as needed. (24-7)
- Provide accident investigation and review as needed. (24-7)
- Help management with recordkeeping and filing of safety records.

Supplemental Training – all departments

- MMUA offers many different supplemental training topics, which include but not limited to winter driving, ladder safety, and back safety.

Seasonal Employee Training – all departments

- MMUA will work with your management staff to train your seasonal employees, as time permits.
- If there are timing problems MMUA will train your management staff to be competent to offer this training for your seasonal employees. (Train the Trainer).

Safety Grants – all departments

- MMUA will lead your management team in the application for OSHA safety grants. This project is a team effort, and we will need department and management help and cooperation during the planning and application, as time permits.

Records

- MMUA will organize and help maintain safety records to achieve compliance with OSHA regulations that pertain to all city departments.
- Assist with organization of company-wide MSDS information.

General

- Assist with general safety questions. (24-7)
- Assist city in case of an OSHA Inspection or Catastrophic Accident. (24-7)

City of Benson, MN

Cost of Service per year: \$8,800

Please contact:

Mike Willetts, Director of Job Training and Safety
3025 Harbor Lane North, Suite 400
Plymouth, MN 55447-5142

Phone: 800-422-0119
Fax: 763-551-045

POS :1

Ticket :6

Cashier :15

Store :6

STORE CHARGE

ACCOUNT: 158

GOLF CLUB BENSON

Prev. Bal : \$ 3 1 . 2 6

Amount : \$ 2 9 4 2 . 7 8

New Bal : \$ 2 9 7 4 . 0 4

PLEASE KEEP FOR YOUR RECORDS

CASHIER NAME: DAROLD

C0015 #0006 14:36:00 6SEP2017

S00006 R001

XX

MEAT

MEAT \$2472.22 F

MEAT

104 @ \$2.89 \$300.56 F

PRODUCE

PRODUCE *Potatoes* (\$170.00 F)

BALANCE DUE \$2942.78

STORE CHARGE \$2942.78 ✓

[K] 158

CHANGE \$0.00

P.O. SLIP #0000600010006

CASHIER NAME: DAROLD

C0015 #0006 14:36:00 6SEP2017

S00006 R001

XX

Customer Signature 1 :

[Handwritten Signature]

Ribbest

**Benson Tourism Board
2016 activity**

	Prior Year Balance	January	February	March	April	May	June	July	August	September	October	November	December	Total
Lodging Tax Receipts		23.03	1,405.54	1,217.81	1,693.47	1,871.71	71.00	5,069.41	2,314.52	2,337.70	3,139.60	2,702.00	4,053.68	25,899.47
5% Management Fees		<u>1.15</u>	<u>70.28</u>	<u>60.89</u>	<u>84.67</u>	<u>93.59</u>	<u>3.55</u>	<u>253.47</u>	<u>115.73</u>	<u>116.89</u>	<u>156.98</u>	<u>135.10</u>	<u>202.68</u>	<u>1,294.97</u>
Net Receipts		21.88	1,335.26	1,156.92	1,608.80	1,778.12	67.45	4,815.94	2,198.79	2,220.82	2,982.62	2,566.90	3,851.00	24,604.50
Expenditures		<u>0.00</u>	<u>1,274.13</u>	<u>108.00</u>	<u>624.00</u>	<u>94.00</u>	<u>6,327.48</u>	<u>12,370.55</u>	<u>49.00</u>	<u>2,995.42</u>	<u>0.00</u>	<u>227.40</u>	<u>0.00</u>	<u>24,069.98</u>
Monthly Increase (Decrease)		21.88	61.13	1,048.92	984.80	1,684.12	(6,260.03)	(7,554.61)	2,149.79	(774.61)	2,982.62	2,339.50	3,851.00	534.52
Account Balance	17,808.72	17,830.60	17,891.73	18,940.65	19,925.44	21,609.57	15,349.54	7,794.93	9,944.72	9,170.12	12,152.74	14,492.24	18,343.23	

**Benson Tourism Board
2017 activity**

	Prior Year Balance	January	February	March	April	May	June	July	August	September	October	November	December	Total
Lodging Tax Receipts		41.22	1,893.41	1,053.98	1,368.25	1,465.30	2,611.71	2,943.16	3,388.28	2,154.89				16,920.20
5% Management Fees		<u>2.06</u>	<u>94.67</u>	<u>52.70</u>	<u>68.41</u>	<u>73.27</u>	<u>130.59</u>	<u>147.16</u>	<u>169.41</u>	<u>107.74</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>846.01</u>
Net Receipts		39.16	1,798.74	1,001.28	1,299.84	1,392.04	2,481.12	2,796.00	3,218.87	2,047.15	0.00	0.00	0.00	16,074.19
Expenditures		<u>55.00</u>	<u>0.00</u>	<u>600.00</u>	<u>1,075.97</u>	<u>3,598.00</u>	<u>4,436.16</u>	<u>10,857.51</u>	<u>0.00</u>	<u>24.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>20,646.64</u>
Monthly Increase (Decrease)		(15.84)	1,798.74	401.28	223.87	(2,205.97)	(1,955.04)	(8,061.51)	3,218.87	2,023.15	0.00	0.00	0.00	(4,572.45)
Account Balance	18,343.23	18,327.39	20,126.13	20,527.41	20,751.28	18,545.32	16,590.28	8,528.77	11,747.64	13,770.78	13,770.78	13,770.78	13,770.78	

10/13/17

TOURISM REPORT
CITY OF BENSON
MONTH ENDED 30 Sep 2017

Page 1

	2014 Year End	2015 Year End	2016 Year End	2016 Year to Date	2017 Year to Date	2017 Budget	Percent
Lodging Tax Receipts	29,302.47	25,074.29	25,899.47	16,004.19	16,920.20	25,000.00	68
Lodging Tax Expenditures	22,970.84	28,865.04	24,069.98	23,842.58	20,646.64	31,750.00	65
Balance	<u>6,331.63</u>	<u>(3,790.75)</u>	<u>1,829.49</u>	<u>(7,838.39)</u>	<u>(3,726.44)</u>	<u>(6,750.00)</u>	55

SRC/JE/ID	DIRCTY VEN/CUS/EXPL	DATE	REFER	INVOICE	AMOUNT	DETAIL DESCR
	101		GENERAL	FUND		
	101.31410		LODGING	TAX		
R-090117-701	WESEMAN/MARY	083117	71285		1.00	AUG 31- SEPT 1 2018
R-090117-701	OGDAHL/TONYA	080117	71399		0.00	SEPT #13
R-090117-701	KYLLON/JOE	080517	71304		0.00	CAMPING #13
R-090117-701	MOGARD/GARY	080517	71305		0.00	AUG #1 OVERFLOW
R-090117-701	MOGARD/ROD	080517	71306		0.00	AUG #1 OVERFLOW
R-090117-701	ROUSSANG/CHRISTINA	080517	71309		0.00	SEPT #1 OVERFLOW
R-090117-701	THEISEN/CHRIS	080517	71307		0.00	SEPT #1 OVERFLOW
R-090817-711	ABNER/DON	091117	71345		0.00	SEPT #1 OVERFLOW
R-090817-711	DANIELSON/BRAD	091117	71343		0.00	SEPT #1 OVERFLOW
R-090817-711	WALSH/SEAN	091117	71344		0.00	SEPT #1 OVERFLOW
R-090817-711	WOLD/PAULINA	091217	71359		0.00	SEPT #1 OVERFLOW
R-091217-714	GETZ/SCOTT	091317	71386		0.00	SEPT #1 OVERFLOW
R-091517-715	VANDERLINDE/SHEILA	091817	71404		0.00	SEPT #1 OVERFLOW
R-091817-716	DAVIES/DWIGHT	092017	71403		0.00	SEPT #1 OVERFLOW
R-091817-716	GETZ/SCOTT	092017	71403		0.00	SEPT #1 OVERFLOW
R-092217-717	COUNTRY INN BENSON	092217	71411		2,123.64	AUGUST LODGING TAX
R-092217-717	PATRON	092217	71427		0.00	SEPT #1 OVERFLOW
R-092217-717	PONCE/JOSUE	092217	71424		0.00	SEPT #1 OVERFLOW
R-092217-717	SMITH/BENJAMIN	092217	71426		0.00	SEPT #1 OVERFLOW
R-092217-717	WOETZEL/ROBERT	092217	71425		0.00	SEPT #1 OVERFLOW
R-092217-717	PETERSON/FRED	092217	71436		6.74	SEPT #1 OVERFLOW
R-092217-717	FOSLIEN/BARB	092217	71442		1.34	CANCEL #11 FOSLIEN
.....	101.31410		LODGING	TAX	2,154.89	*TOTAL.....
.....	101		GENERAL	FUND	2,154.89	*TOTAL.....

Account Activity by Trans Date
 SORTING BY TRANS DATE.....

SRC/JE/ID	DIRCTY VEN/CUS/EXPL	DATE	REFER	INVOICE	AMOUNT	DETAIL	DESCR
	101			GENERAL FUND			
	101.46500			TOURISM			
	101.46500.343			LODGING TAX EXPENDITURES			
D-093017-718 4491	BACKSTREET PRINTING	093017	49179		24.00		KID DAY BUTTONS
.....	101.46500.343			LODGING TAX EXPENDITURES	24.00		*TOTAL.....
.....	101.46500			TOURISM	24.00		*TOTAL.....
.....	101			GENERAL FUND	24.00		*TOTAL.....

**CITY OF BENSON RESOLUTION AUTHORIZING THE LOCAL ROAD IMPROVEMENT
PROGRAM GRANT APPLICATION
(RESOLUTION 2017-XX)**

WHEREAS, the City of Benson has conducted the 2015 Railroad Crossing Study and the 2007 East Pacific Avenue Improvements Study both related to the railroad crossings located within the central business district and the problem with trains blocking those crossings; and

WHEREAS, the City of Benson has identified a project because of both studies to reconstruct Pacific Ave. to a 10-ton road from 9th St. S to 20th Ave. SE in to provide a connection between 14th St. S and 20th Ave. SE for passenger cars, freight vehicles and emergency services vehicles to use as an alternate route to cross the BNSF railroad when the central business district crossings are blocked; and

WHEREAS, the Minnesota Department of Transportation is currently accepting grant applications for Regionally Significant local roadway improvements through the Local Road Improvement Program; and

WHEREAS, the Local Road Improvement Program can fund up to the full construction cost of a project, up to the maximum amount of \$750,000 for non-state aid cities, or be leveraged with other funding sources on a project; and

WHEREAS, Pacific Avenue meets the criteria of a Regionally Significant roadway as it is a connection between 14th Street (which is also designated as US Highway 12 and Minnesota Highway 29) and 20th Avenue SE (which is also designated as CR 57); and

WHEREAS, the reconstruction of Pacific Ave. will benefit the City of Benson and The Minnesota Department of Transportation by improving the ability for passenger vehicles, freight vehicles and emergency service vehicles to travel within the City of Benson and through the City of Benson with reduced delay due to blocked railroad crossings; and

NOW THEREFORE, BE IT RESOLVED that the City of Benson intends to submit a funding application for the reconstruction of Pacific Ave. through the Minnesota Department of Transportation Local Road Improvement Program.

BE IT FURTHER RESOLVED that upon approval of its application by the Minnesota Department of Transportation, the City of Benson may enter into an agreement with the State of Minnesota for the approved project, and that the City of Benson certifies that it will comply with all applicable laws and regulations as stated in all contract agreements.

BE IT FURTHER RESOLVED that Swift County has agreed to be the project sponsor and will be responsible to administer the federal funds while the City of Benson will provide additional local funds and other costs associated with the project implementation that are not covered by the grant.

City of Benson, MN

Municipal Naming Policy

POLICY STATEMENT:

The City of Benson is committed to providing a fair, consistent and efficient process while respecting the important need for public consultation and legislative approvals with respect to naming, renaming or dedication of Municipal Assets such as streets, parks, and facilities, as well as the major elements of such municipal assets. On occasion, Benson City Council may wish to acknowledge the activities and significant contributions of a person, persons or family to the community through the naming of a municipal asset:

Guidelines & Conditions:

1. The individual, family, group or organization sponsoring a dedication/memorial must provide sufficient or a significant portion of the funds to the City to purchase, install, and maintain any memorial plaque or dedication object (e.g. bench, picnic table, play equipment, living trees, rocks, gardens, flagpoles, sculptures, etc.) associated with the recognition.
2. Plaques and markers located on City park property must be in accordance with acceptable standards.
 - a) The location, size and writing on plaques require approval by the designated Park Board and Public Works staff.
 - b) Designed to blend with the compliment of the existing park.
 - c) Plaque or marker must be made of bronze or any other pre-approved material by the City.
 - d) Each plaque, marker or memorial object request will be reviewed and by the Park Board and approved by the City Council.
 - e) Selection (with input from the petitioner), purchasing and installation of markers and objects will be coordinated by City.
3. If the dedication includes the gift of an object (e.g. bench, picnic table, play equipment, living trees, rocks, gardens, flagpoles, sculptures, etc.), the City will provide its regular standard of care and maintenance for the object.
4. If the object is damaged due to vandalism, becomes unusable due to age, wear, and tear, or is stolen, the City is not obligated to replace or repair the object.
5. If necessary, due to repair of surrounding areas, construction or redesign of a facility, the plaque or dedication object may be relocated. If the plaque or other dedication object cannot continue to be reasonably maintained, it may be removed by the City.
6. If the dedication includes the gift or a tree or other plant, the City will provide its regular standard of landscape care for the tree. If the tree does not survive, the City is not obligated to provide a replacement.
7. The city will not be responsible for upkeep, repair or replacement of any dedication or memorial plaque whose placement was not sponsored by the City. Dedication or memorial plaques may not be placed in or on City facilities without written City approval.

8. The Park Board will, on behalf of the City Council, oversee the provisions of this policy. The City Council will refer naming or dedication in a public park, recreation and open space areas and facilities to the Park Board for recommendation. The Park Board will initiate the naming of new facilities and their features. The City Council will be advised of dedications covered by the policy and asked to confirm facility names.
9. When naming a park or recreational facility for an outstanding individual, is allowed posthumously (at least 3 years since date of passing), and where that person's significance and good reputation have been accepted in the Cities, Counties, States and/or National history.
10. When considering the naming of a park, recreational facility, trail or natural area after a person, consideration will be given when:
 - a) The person was exceptionally dedicated or demonstrated excellence in service in ways that made a significant contribution to the land, community, Benson Parks & Recreation the City of Benson, State of Minnesota or the United States.
 - b) The person volunteered and gave extraordinary help or care to individuals, families, or groups or support to the community.
 - c) The person risked his or her life to save or protect others.
11. A guideline, the threshold for considering the naming of a park asset may include the following:
 - a. Land for the majority of the park was deeded to the City by the donor.
 - b. Contribution of a minimum of 50% of the capital construction costs associated with developing the park/recreational facility.
12. Any individual, family, group or organization can apply for a dedication of memorials and objects in a Benson City park in honor of individuals, groups or organizations that has contributed to the facility or community.
13. Dedications are encouraged to be in the form of facility improvements or enhancements. The approval, placement, and identification of these dedications will be at the discretion of the Parks Board and the City Council.
14. Requests must be done so in writing (see Process). Approval is subject to the following guidelines and conditions.

The Process and Procedures

1. All requests to the dedication of memorials in a Benson park must be submitted in writing to the office of the City Manager.
2. Application for a dedication/memorial will be reviewed by the Park Board at a regularly scheduled meeting.
3. The City Manager will notify the petitioner of the date for Park Board consideration.
4. After action has been taken on the request by the Park Board, the recommendation will be sent to the City Clerk to be placed on the City Council agenda.
5. The clerk will notify the petitioner of the date for Council approval.

AGREEMENT

THIS AGREEMENT, made as of October 18, 2017, by and between the City of Benson, Minnesota, a municipal corporation (The City) and the Case, LLC, a Minnesota Limited Liability Company (Case)

WHEREAS, Case and the City have a Lease Agreement dated August 29, 2003 a by which Case leases from the city a section of the Benson Civic Center consisting of North One hundred thirty-four (134) feet (13,800 square feet, more or less) of the Benson Civic Center Building located at West Highway 12, Benson, MN, and legally described as the West (W) One hundred sixty Feet (160') of Lot Four (4), Block One (1), Benson Industrial Park, City of Benson, County of Swift, State of Minnesota, including the fenced outside storage area lying north of and adjacent to the building.

WHEREAS, the City and Case have mutually agreed to terminate this Lease

NOW THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

1. Lease Termination. The Lease is hereby terminated.
2. Vacation of Premises. Case agrees to vacate the premises by no later than November 31, 2017.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth above.

CITY OF BENSON, MINNESOTA

CASE, LLC

By: _____
Its: _____

By: Jason Hausauer
Jason Hausauer
Plant Manager

By: _____
Its: _____

LEASE

THIS LEASE is made this 16 day of October, 2017, by and between the City of Benson, Minnesota, a municipal corporation ("Lessor"), and Independent School District No. 777, a Minnesota public corporation ("Lessee").

SECTION ONE SUBJECT AND USE

Lessor, in consideration of the rents and covenants hereinafter mentioned, does hereby lease to Lessee, and Lessee does hereby hire and take from Lessor, the premises shown cross-hatched on Exhibit A attached hereto, consisting of: the North One hundred thirty-four (134) feet (13,800 square feet, more or less) of the Benson Civic Center Building located at West Highway 12, Benson, MN, and legally described as the West (W) One hundred sixty Feet (160') of Lot Four (4), Block One (1), Benson Industrial Park, City of Benson, County of Swift, State of Minnesota, including the fenced outside storage area lying north of and adjacent to the building ("Leased Premises"). The remainder of the Benson Civic Center, including its parking lot, grounds, and the Leased Premises, will be referred to as the Property.

Lessee shall use the Leased Premises for school sponsored activities.

SECTION TWO TERM AND RENT

The term of this Lease shall be five (5) years commencing December 1, 2017, and ending November 30, 2022 ("Lease Term").

Lessee shall pay annual rent for the Leased Premises in the sum of Thirty-five Thousand and 00/100 Dollars (\$35,000.00), in advance, on the first day of November, 2017 and on the first day of each November thereafter continuing through November 1, 2021. Rent shall be paid in advance on or before the first day of each November to Lessor at 1410 Kansas Avenue, Benson, MN 56215. This Lease may be extended for an additional term of one (1) year from the termination date upon mutual agreement of the parties.

After Lessee pays the final installment of rent on or before November 1, 2021, and provided Lessee has not defaulted on the terms herein, Lessee shall have the option to purchase the Leased Premises for the sum of One and 00/100 Dollar (\$1.00). Lessee must exercise its option to purchase the Leased Premises on or before October 1, 2022. The period from November 1, 2021 through October 1, 2022 is the Option Period. If the Lessee elects to purchase during the Option Period, the parties shall close on the sale of the Leased premises on or before November 1, 2022.

**SECTION THREE
ALTERATIONS, ADDITIONS AND IMPROVEMENTS**

Lessee shall not make any improvements to the Leased Premises without the prior written consent of Lessor. Any improvements made on or in the Leased Premises during the Lease Term, shall become part of the Leased Premises and the sole property of Lessor except for moveable trade fixtures, equipment, and furnishings, which Lessee shall retain as its property, and further excepting any improvement made to the premises by Lessee which was not approved by Lessor and which Lessor directs Lessee to remove at the termination of this Lease.

**SECTION FOUR
UTILITIES**

Lessee shall be solely liable for all utility charges on the Leased Premises as they become due including those for sewer, water, electricity, gas, garbage removal, cable television and telephone service. Lessor agrees, at its sole cost and expense, to cause the Leased Premises to be separately metered. Lessee shall reimburse Lessor on a monthly basis for all said utility charges within ten (10) days of receipt by Lessee of an invoice therefor from Lessor.

**SECTION FIVE
REAL ESTATE TAXES**

Lessor shall pay all real estate taxes which are assessed during the term of the Lease including taxes assessed during the term but which may be payable after the expiration of the Lease. Lessor shall also pay any installments of special assessments payable during the term.

**SECTION SIX
REPAIRS AND MAINTENANCE**

Except as set forth herein, Lessee shall at all times during the term of this Lease and at its own expense, keep the Leased Premises in good repair. Lessee shall use all reasonable precautions to prevent waste, damage or injury to the Leased Premises.

Lessee shall repair, at its expense, any structural portions of the Leased Premises, including but not limited to, the walls, floors, roof, and windows, as well as the exterior and foundation of the Leased Premises unless such damage is caused by the negligence or willful act of Lessor or its employees, agents, or invitees, and except for damage for which the Lessor receives insurance proceeds under Section Seven or is responsible for under Section Ten,.

Lessor will maintain the grounds of the Property, including parking lot snow removal, grass cutting, and weed removal. Lessee shall be responsible for snow removal from pedestrian areas.

Lessor will remove the existing sign from the Property. Lessee may add signage as detailed in Section Eighteen, below.

Lessee shall coordinate scheduling, cleaning, and costs associated with shared facilities with the Civic Center board.

SECTION SEVEN INSURANCE

Lessor shall provide insurance for the Property as part of Lessor's blanket insurance policy, insuring the Benson Civic Center against loss or damage by fire, explosion or other insurable hazards. Lessee may, at its own expense, obtain a policy of insurance against liability for bodily injury to persons and damage to property that may result from Lessee's use of the Leased Premises. Lessor shall have no liability for any property of Lessee stored on the Leased Premises and Lessee shall bear any loss of or damage to said property unless such loss or damage is caused by the negligence or willful act of Lessor or its employees, agents or invitees.

SECTION EIGHT LIABILITY OF LESSOR AND LESSEE

To the extent allowed by law, each party agrees to indemnify and save harmless the other against and from any and all claims by and on behalf of any persons arising from the breach or default on the part of the indemnifying party in the performance of this Lease or from the conduct or management of, from any work or thing done by or on behalf of the indemnifying party in or about, or its activities upon or occupancy of the Leased Premises during the term of this Lease.

SECTION NINE UNLAWFUL, DANGEROUS, OR INCOMPATIBLE ACTIVITY

Lessee shall neither use nor occupy the Leased Premises or any part thereof for any unlawful or ultra-hazardous business purpose nor operate or conduct its business in a manner which materially and adversely interferes with the use and enjoyment of the remainder of the Benson Civic Center building.

SECTION TEN DESTRUCTION OF LEASED PREMISES

In the event of a partial destruction of the Leased Premises during the term of this Lease from any cause other than Lessee's negligence or willful act or that of its employee, agent or visitor, Lessor shall forthwith repair the same, and there shall be an abatement of rent corresponding with the time during which, and the extent to which, the Leased Premises are untenable.; In the event of destruction of the Leased Premises greater than 50% of its value, Lessor may elect not to rebuild or repair, in which case the term of this Lease shall end at, and the rent shall be prorated up to, the time of the damage. If Lessor elects to repair the premises but fails to do so within 60 days of the date of damage then the term of this Lease shall end and the rent shall be prorated up to the date of damage.

**SECTION ELEVEN
DEFAULT OR BREACH**

Each of the following events shall constitute a default or breach of this Lease by Lessee:

1. Failure by Lessee to pay any rent or additional rent when due and failure to make such payment within fifteen (15) days after written notice thereof by Lessor to Lessee.
2. Failure by Lessee to comply with any of the conditions of this Lease which failure continues for a period of thirty (30) days after written notice thereof by Lessor to Lessee, provided, however, Lessee shall not be deemed to be in default if Lessee shall have commenced corrective action within said thirty (30) days and is diligently prosecuting the curing of same.
3. Except for circumstances beyond Lessee's control (i.e., casualty, remodeling, strikes), if Lessee shall vacate or abandon the Leased Premises for a period of thirty (30) days or more, provided however, Lessee shall not be deemed to be in default under this paragraph if Lessee, during the period of such vacation or abandonment of the Leased Premises, continues to pay all rent or additional rent when due.
4. If Lessee or any successor or assignee of Lessee while in possession shall file a petition in bankruptcy or insolvency or for reorganization under any bankruptcy act, or shall voluntarily take advantage of any such act by answer or otherwise, or shall make an assignment for the benefit of creditors.
5. If involuntary proceedings under any bankruptcy law or insolvency act shall be instituted against Lessee, or if a receiver or trustee shall be appointed of all or substantially all of the property of Lessee, and such proceedings shall not be dismissed or the receivership or trusteeship vacated within ninety (90) days after the institution or appointment.

**SECTION TWELVE
EFFECT OF DEFAULT**

In the event of any default hereunder, as set forth in SECTION ELEVEN, Lessor may at its option cancel and annul this Lease at once and re-enter and take possession of the Leased Premises in the manner permitted by law and remove all persons and their property therefrom, and recover at once full and exclusive possession of all of the Leased Premises, whether in possession of Lessee or of third persons, or vacant; or Lessor may at its option at any time after such default re-enter and take possession of the Leased Premises without such re-entering working a forfeiture of the rents to be paid and the covenants to be kept by Lessee for Lease Term.

**SECTION THIRTEEN
SUBLEASES**

Lessee shall not sublet all or any part of the Leased Premises to any person or entity without the prior written consent of Lessor. In the event of a sublease, Lessee shall continue to remain liable and responsible for the performance of all the terms, covenants and conditions of this Lease.

**SECTION FOURTEEN
QUIET ENJOYMENT**

Lessor warrants that Lessee shall have peaceable and quiet enjoyment of the Leased Premises free from any eviction or interference by Lessor if Lessee pays the rent and otherwise fully and punctually performs the terms and conditions of this Lease. Lessor, however, reserves the right to enter the Leased Premises for the purpose of inspection at any time during normal business hours upon reasonable prior notice.

**SECTION FIFTEEN
WAIVERS**

The failure by Lessor to insist on a strict performance of any of the terms and conditions hereof shall be deemed a waiver of the rights or remedies that Lessor may have regarding that specific instance only, and shall not be deemed a waiver of any subsequent breach or default in any terms and conditions.

**SECTION SIXTEEN
NOTICE**

All notices required or permitted by the terms of this Lease shall be sent by certified mail, return receipt requested, postage prepaid, or by telecopy with an acknowledgement of receipt to the parties as follows:

To Lessor:
City of Benson
1410 Kansas Avenue
Benson, MN 56215
Telephone No. (320)843-4775
Fax No. (320)842-7151

To Lessee:
Independent School District No. 777
1400 Montana Ave
Benson, MN 56215
Telephone No. (320)843-2710
Fax No. (320)843-2262

**SECTION SEVENTEEN
SURRENDER OF POSSESSION**

Unless this Lease is extended or Lessee's option to purchase is exercised during the Lease Term as detailed in Section Two above, Lessee shall, on the last day of the Lease Term, or on earlier termination and forfeiture of the Lease, peaceably and quietly surrender and deliver the Leased Premises to Lessor including all buildings and improvements thereon except moveable trade fixtures, and furnishings which Lessor has agreed shall remain the property of Lessee, or improvements which Lessor has directed Lessee to remove, to Lessor free of subtenancies, clean and all in good condition and repair, ordinary wear and tear excepted.

**SECTION EIGHTEEN
SIGNAGE**

Lessee shall have the right, without the consent of Lessor, to install and maintain signs on the Leased Premises, as allowed by applicable codes and ordinances, provided said signs are mounted against the building wall.

**SECTION NINETEEN
COMMON AREAS**

During the Lease Term, Lessee shall have access to the bathrooms, locker rooms and concession area ("Common Facilities") operated by the Civic Center board. Lessee may enter into a separate agreement with the Civic Center board regarding the use and maintenance of these common areas, but in no event will reasonable access to the Common Facilities be denied.

**SECTION TWENTY
BINDING EFFECT**

This Lease contains the entire agreement between the parties and shall not be modified except by a written instrument executed by the parties and attached hereto. This Lease shall be binding on and inure to the benefit of the parties, their successors and assigns.

IN WITNESS WHEREOF, the parties have executed this Lease on the day and year set forth above.

LESSOR:

LESSEE:

CITY OF BENSON

**INDEPENDENT SCHOOL
DISTRICT NO. 777**

By: _____
Its _____

By: _____
Its _____

By: _____
Its _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2017,
by Dennis Laumeier, the Superintendent of Benson Public Schools, Independent School District No.
777, a public corporation existing under the laws of the State of Minnesota.

Notary Public

Val Alsaker

From: Laura Ostlie <laura@umvrdc.org>
Sent: Friday, October 20, 2017 2:29 PM
To: Rob Wolfington; Val Alsaker
Subject: SCDP Policies
Attachments: Anti-displacement & relocation Plan-Resolution.doc; Drug Free Workplace.doc; Income Reuse Plan.docx; Section 3 Plan.docx; Commercial Rehabilitation Procedural Guidelines.doc; Owner-Occupied Rehabilitation Procedures.doc

Happy Friday,

Attached you will find the policies and procedures that will need approval from city council. If you have any questions, please let me know. Otherwise, if you could please add these to the next council's agenda, sign, and scan back to me, I will get them back up to DEED. Thanks again!

Laura Ostlie

Economic Development Planner

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Upper Minnesota Valley
REGIONAL DEVELOPMENT COMMISSION
Helping Communities Prosper

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[Minnesota River Valley National Scenic Byway](#)

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**RESIDENTIAL ANTI-DISPLACEMENT
AND
RELOCATION ASSISTANCE PLAN**

The City of Benson is participating in the Small Cities Development Program. Through this participation, owner-occupied rehabilitation will occur. The consequence of the proposed activities is that the potential for displacement exists, although it is not anticipated. The purpose of the Residential Antidisplacement and Relocation Assistance Plan is to describe the steps the City of Benson shall take to mitigate the adverse effects of displacement on low and moderate income persons.

A. The City of Benson will replace all occupied and vacant occupiable low/moderate-income dwelling units demolished or converted to a use other than as low/moderate-income housing in connection with an activity assisted with funds provided under the Housing and Community Development Act of 1974, as amended, as described in 24 CFR, Part 570.606 and 24 CFR, Part 42. All replacement housing will be provided within three years after the commencement of the demolition or conversion. Before entering into a contract committing the City of Benson to provide funds for an activity that will directly result in such demolition or conversion, the City of Benson will make public and submit to the Minnesota Department of Employment and Economic Development the following information:

1. A description of the proposed assisted activity;
2. The location on a map and number of dwelling units by size (number of bedrooms) that will be demolished or converted to a use other than as low/moderate-income dwelling units as a direct result of the assisted activities;
3. A time schedule for the commencement and completion of the demolition or conversions;
4. The location on a map and the number of dwelling units by size (number of bedrooms) that will be provided as replacement dwelling units. If such data are not available at the time of the general submission, the City of Benson will identify the general location on an area map and the approximate number of dwelling units by size and provide information identifying the specific location and number of dwelling units by size shall be submitted and disclosed to the public as soon as possible.
5. The source of funding and a time schedule for the provision of replacement dwelling units;
6. The basis for concluding that each replacement dwelling unit will remain a low/moderate-income dwelling unit for at least 10 years from the date of initial occupancy.
7. Information demonstrating that any proposed replacement of dwelling units with smaller dwelling units (e.g., a 2-bedroom unit with two 1-bedroom units) is consistent with the housing needs of low and moderate-income households in the City of Benson

The City of Benson may request the Minnesota Department of Employment and Economic Development to recommend that the U.S. Department of Housing and Urban

Development approve an exception to required replacement housing if there is an adequate local supply of vacant low/moderate-income dwelling units in standard condition. Exceptions will be reviewed on a case-by-case basis as described in 24 CFR, Part 570.488(c)(1)(B).

- B. The City of Benson will provide relocation assistance, as described in 24 CFR, Part 570.488(c)(2), to any lower-income person displaced by the demolition of any dwelling unit or the conversion of a low/moderate-income dwelling unit to another use in connection with an assisted activity.
- C. Consistent with the goals and objectives of activities assisted under the Act, the City of Benson will take the following steps to minimize the displacement of persons from their homes:
1. Rehabilitation Project Activities shall be performed in a manner which will minimize Homeowner inconvenience. Utility shut-offs should occur during standard working hours (8:00 to 5:00), where the installation of fixtures can be concluded in a short period of 1 to 2 days.
 2. Should permanent or temporary displacement become necessary due to unforeseen circumstances, the following types of assistance will also be provided:
 1. Advisory, referral, and counseling services
 2. Moving Expenses (either actual or fixed payments).
 3. Rental Assistance Payments (pursuant to Uniform Act of 1970, as amended).
- D. Definitions for the purposes of this plan are as follows:

A "*low/moderate-income dwelling unit*" is a unit with a market rental, including utility costs, that does not exceed the applicable fair market rent for existing housing and moderate rehabilitation, as established under the Section 8 existing housing program.

A "*vacant occupiable dwelling unit*" is a vacant unit that is in standard condition; or in substandard condition, suitable for rehabilitation; or in dilapidated condition and occupied less than three months from the date of the grantee agreement.

An "*occupiable dwelling unit*" is a unit that is in standard condition or has been raised to a standard condition from a substandard condition, suitable for rehabilitation.

A "*standard condition*" dwelling unit is a well-built unit which meets HUD Section 8 Housing Quality Standards (HQS) with no major defects in the structure and only minor maintenance is required. Such a dwelling will have the following characteristics: reliable roofs; sound foundations; adequate and stable floors, walls and ceilings; surfaces and woodwork that are not seriously damaged nor have paint deterioration; sound windows and doors; adequate heating, plumbing, and electrical systems adequate installation; and adequate sewer systems, and not overcrowded (defined as more than one person per room).

A "*Substandard Condition*" dwelling unit is a unit if it does not meet HUD Section 8

Housing Quality Standards (HQS) which includes lacking the following: complete plumbing, complete kitchen facilities, efficient and environmentally sound sewage removal and water supply, and heating source. In addition, the dwelling may be overcrowded (defined as more than one person per room).

A "*Substandard but Suitable for Rehabilitation Condition*" dwelling unit, at a minimum, is a dwelling unit that does not meet Housing Quality Standards (HQS) with some of the features as a "substandard condition" dwelling unit. This unit is likely to have deferred maintenance and may have some structural damage such as a leaking roof, deteriorated interior surfaces, and inadequate installation. A "substandard but suitable" dwelling unit, however, has basic infrastructure (including systems for clean water and adequate waste disposal) that allows for economically and physically feasible improvements and upon completion of rehabilitation meets the definition of a "Standard" dwelling unit.

RESOLUTION NO. _____
CITY OF BENSON
COUNTY OF SWIFT
STATE OF MINNESOTA

**RESOLUTION APPROVING AND ADOPTING A RESIDENTIAL ANTI-
DISPLACEMENT AND RELOCATION ASSISTANCE PLAN**

WHEREAS, the City of Benson is participating in the Small Cities Development Program; and

WHEREAS, through this participation it is understood that owner-occupied rehabilitation will occur; and

WHEREAS, there exists the potential for displacement of home-owners as a result of the proposed rehabilitation activities, although this is not anticipated.

**NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF BESNON,
MINNESOTA:**

That, in preparation for any required mitigation of adverse effects of displacement on low to moderate income persons that may occur as a result of the City's participation, the attached "Residential Anti-Displacement and Relocation Assistance Plan" is hereby adopted as a guide to mitigation steps that should be taken.

Adopted by the City Council this ____ Day of _____ 2017

By: _____
Gary Landmark, Mayor

Attest: _____
Rob Wolfington, City Manager

Benson

Certification Regarding Drug Free Workplace Requirements

The Benson City Council certifies that it will or will continue to provide a drug free workplace by:

- (1) Notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the City's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
- (2) Informing employees about:
 - (a) The dangers of drug abuse in the workplace;
 - (b) Benson's policy of maintaining a drug free workplace;
 - (c) Any available drug counseling, rehabilitation, and employee assistance programs.
 - (d) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.
- (3) Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (1);
- (4) Notifying the employees in the statement required by paragraph (1) that, as a condition of the employment under the grant, the employees will:
 - (a) Abide by the terms of this statement; and
 - (b) Notify the employee in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five (5) calendar days after such conviction;
- (5) Notifying the agency in writing, within ten calendar days after receiving notice under subparagraph (4)(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position and title to the Director, Office of Federal Assistance, HCHB Room 6204, Washington D.C. 20230. Notice shall include the identification number(s) of each affected grant;
- (6) Taking one of the following actions, within thirty (30) calendar days of receiving notice under subparagraph (4)(b), with respect to any employee who is so convicted:
 - (a) Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or
 - (b) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;
- (7) Making a good faith effort to continue to maintain a drug free workplace through implementation of paragraphs (1), (2), (3), (4), (5) and (6).

Date: _____

By: _____
Gary Landmark, Mayor

By: _____
Rob Wolfington, City Manager

Policy Statement Drug Free Workplace Act

In compliance with Public Law 100-690, Title V, subdivision D, Benson, in order to combat the problems of drug abuse in America today and to establish certification in relation to the above state act, adopts the following policy statement.

Benson does not and will not tolerate the unlawful distribution, dispensing, possession or use of a controlled substance by any employee of Benson. Any employee of Benson will be subject to disciplinary action appropriate to the particular circumstances, including termination of his or her employ without notice for cases involving the above outlined misconduct. The method of actions available shall include, but not be limited to verbal reprimand, suspension, demotion, and dismissal.

Causes for action shall include the following acts:

1. Any violation of the above stated policy.
2. Being under the influence of intoxicating liquor or a controlled substance while on duty.
3. Conviction of a felonious offense.

Reviewed by the Benson Staff Members:

Name	Signature
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Pursuant to regulations of the FY'2017 Small Cities Development Grant Agreement, the City of Benson hereby adopts the "Program Income Plan" presented below.

Benson Program Income Plan

Small Cities Development Program (SCDP) grant will fund owner-occupied housing and rehabilitation and commercial building rehabilitation in the City of Benson. The SCDP rehabilitation Repayable Loans made available under the programs will generate income through monthly loan repayments. (Other repayment of rehabilitation Deferred Loans may also be triggered by various, less predictable circumstances.) Such income shall be handled in accordance with the following plan.

1. Definitions.
 - a. Program Income is defined as any income equal to or exceeding \$35,000 in a federal fiscal year (October 1-September 30) which is received by the City of Benson from the SCDP grant.
 - b. Any income received from a SCDP grant under \$35,000 in a federal fiscal year is not Program Income, but must be re-used for an approved purpose.
2. At the time bids are approved for a rehabilitation project, the Field Administrator will work with the rehab Applicant in order to determine an affordable monthly payment on Repayable Loans. This payment will be calculated in compliance with the rehab program's Guidelines and Policies.
3. Monthly Repayable Loan payment and occasional Deferred Loan payments will be received into an account which will separately track Program Income receipts and will constitute the programs' Revolving Fund.
4. Loan servicing responsibilities for the Revolving Funds shall be the responsibility of the Filed Administrator prior to the grant close-out. Following close-out, the responsibilities will be designated by the City. Tasks associated with loan servicing shall include:
 - a. Recording the depositing loan payments
 - b. Monitoring loans for late payment status
 - c. Communicating periodically with Applicants who may fall behind on loan payments.
 - d. Recommending whether action should be initiated with problem loans.
 - e. Seeing to the re-use of funds in the manner required and allowed by the SCDP grant program regulations
5. As long as the City has an open SCDP grant award and receives income (whether Program Income or not) from that SCDP grant, or previous SCDP grants that are now closed, the amount received must be used for grant activities prior to drawing awarded funds. Program income will be subtracted from the amount requested on the SCDP Disbursement Request Form.
6. Re-Use of Funds

- a. SCDP funds which are recaptured through repayment (whether Program Income or not) will be re-used only for an approved SCDP purpose and be consistent with the City's SCDP grant application.
- b. If such funds received by the City cannot be utilized by the City within a reasonable amount of time, such funds must be returned to the Minnesota Department of Employment & Economic Development (DEED).
- c. Recaptured funds can only be used for SCDP-eligible activities which address one of the Federal Objectives of the grant program and must follow other SCDP program compliance areas such as environmental and labor standards requirements. Typical eligible uses are listed as follows under the applicable Federal Objective.
 - i. Benefit to low and moderate income persons
 - 1. Owner-occupied housing rehabilitation
 - ii. Prevention or elimination of slum and blight conditions
 - 1. Commercial building rehabilitation
- d. If a City wishes to use funds for a purpose other than what is listed above, approval must be granted by DEED.

7. Reporting

- a. While the current SCDP grant is open, the receipt, use, and balance on hand of Program Income for the fiscal year October -September 30 will be reported on the SCDP Annual Report Forms, required to be submitted to DEED by October 15 of each year.
- b. Following grant close-out:
 - i. The City will report Program Income funds available at the beginning of the year, Program Income received, Program Income expended, and the Program Income funds balance at the end of the year.
 - ii. The City will report said information to DEED annually, even if there is no Program Income for the year. Annual Program Income reporting will be required as long as the City has Program Income or has outstanding loans for grant funds or Program Income Funds
 - iii. If the City receives income from a grant of less than \$35,000 in a federal fiscal year, it is not the Program Income and the report should report \$0 for Program Income

- c. If a City elects to have the Grant Administrator submit reports following grant close-out, the costs of doing so are an eligible expense to the Revolving Fund and shall be paid by the Revolving Fund.

Date: _____

By: _____
Gary Landmark, Mayor

By: _____
Rob Wolfington, City Manager

Section 3 Plan

Benson Small Cities Development Program

The City of Benson, in conjunction with Small Cities Development Program Grant #CDAP-16-0056-O-FY17, has the following plan to direct employment and other economic opportunities generated by HUD financial assistance for housing and community development programs, to the greatest extent feasible, toward low-and very low-income persons, particularly those who are recipients of government assistance for housing.

Section 3 is a HUD requirement that is intended to ensure that when employment or contracting opportunities are available on HUD funded projects, preference is given to low- and very low-income persons or businesses. Being a Section 3 Business is not required, however preference is given to those businesses.

Benson will attempt to recruit low-income residents through at least one of the following: local advertising media, signs prominently displayed at the project site, contracts with the community organizations and public or private agencies operating within Swift County, and the City of Benson in which the Section 3 covered program or project is located, or participate in the one of the HUD program or other program which promotes the training or employment of Section 3 residents, or will participate in a HUD program or other program which promotes the award of contracts to businesses which meet the definition of Section 3.

Benson will require all contractors to complete and submit the Section 3 Business Certification Form prior to awarding contracts. Benson will keep a list of Section 3 businesses. While being a Section 3 business is not required for the program, Benson will give preference to qualified, competitive Section 3 businesses.

Date: _____

By: _____
Gary Landmark, Mayor

By: _____
Rob Wolfington, City Manager

CITY OF BENSON
COMMERCIAL REHABILITATION POLICIES AND PROCEDURAL GUIDE

It is the policy of this Commercial Rehabilitation Program to work affirmatively to ensure that all persons regardless of race, color, creed, national origin, sex, religion, marital status, age, handicap, or reliance on public assistance, will be treated fairly and equally in their participation in the program.

The City of Benson will be responsible for the promotion of the Program at the local level and shall exercise care in avoiding promotion methods which may exclude potentially eligible applicants. Access to program information and materials will not be denied to any person for any reason including race, color, creed, national origin, sex, religion, marital status, age, handicap, or reliance on public assistance. Affirmative promotion shall include efforts to reach those persons who traditionally may not have participated in similar programs.

In order to develop or maintain an effective affirmative promotion effort, the City shall review its promotion methods from time to time during the course of the Program to determine how the methods used can be improved to increase the participation of persons who otherwise might not apply for assistance under the Program, such as single female heads of households, racial minorities, or persons with handicaps or disabilities.

Section I. ELIGIBILITY REQUIREMENTS:

A. Federal Objective:

The Benson Commercial Rehabilitation Program is designed to eliminate slum and blight conditions and to prevent further deterioration of downtown commercial buildings. The City intends to accomplish this goal by enacting the following measures

B. Location:

The property to be rehabilitated must be located within the target area, which includes the central downtown area: Kansas to Utah Ave and from 15th Street to 12th Street.

C. Income:

Property/business owner income shall have no direct bearing on the lending of SCDP funds except where inadequate cash flow or income exists to repay the principal and interest payments or matching fund requirements. Insufficient leverage will result in ineligibility of the applicant.

D. Conflict of Interest:

Federal regulations and Minnesota Statutes specify that elected officials, non-volunteer city employees, and administrators of the Small Cities Development Program have a conflict of interest. Those with a conflict may be able to secure an exception in order to participate in the program if they have no role in the approval of rehabilitation assistance and can meet with the approval of DEED.

E. Ownership Requirements:

The property owner must individually or in aggregate have a qualifying interest in the property consisting of at least:

- 1) A 1/3 interest in the fee title. Such interests must be subject to a mortgage, and must demonstrate the ability to secure the signatures of all remainder men and spouses with interest in the property, as loan guarantors;
- 1) A 1/3 interest as purchaser in a contract for deed. Such interests must secure the signatures of all parties and spouses that have interest in the property both as contractor vendor and contract vendee;

F. Leasehold Eligibility:

In order to be eligible to participate in this SCDP Commercial Rehabilitation Project a Commercial Tenant must meet the following requirements:

- 1) The property must be the Commercial Tenant's principal place of business;
- 2) The business must be active and ongoing;
- 3) The Owner of the Commercial Property must be a co-signatory to the mortgage and repayment agreement;

G. Occupancy Standards:

The property to be rehabilitated shall be an active commercial enterprise. Exceptions can be made for repairs to allow a bona fide start-up business to begin full time operation.

H. Property Insurance:

The property owner must carry current property insurance both at the time of the application and through the completion of rehabilitation.

I. Tax Delinquency:

Applicants receiving rehabilitation assistance must be current with property tax payments.

J. Flood Plain:

The Benson Target Area does not encompass any area located within a flood plain.

Section II. TERMS OF ASSISTANCE

A. Maximum/Minimum SCDP Contribution:

The average SCDP contribution on any rehabilitation project will be \$30,000, with a maximum of \$40,000 based on 80% of the total project costs.

B. Deferred Loans:

The Benson Commercial Rehabilitation Program will provide SCDP funding in the following proportions to eligible commercial property owners:

- 1) Seventy percent (70%) of the project cost will be loaned as 0% deferred loan and will be forgiven 1/7th per year. If the property is sold or transferred within the first seven (7) years of the term, the remaining principal will be due and payable.
- 4) Ten percent (10%) of the project cost will be loaned as a 1% loan that will be paid back to the city over seven (7) years.
- 5) Twenty percent, (20%) of the project cost will be through owner savings or leveraged money.

C. Leveraged funds:

Leverage funds shall be any funds used to provide for rehabilitation activities performed at an eligible building, other than the funds provided by the Small Cities Development Program. Leverage sources will be determined by income, owner debt and debt carrying capacity, owner credit worthiness and property eligibility. Loan proceeds will be held in escrow accounts from all sources excepting SCDP funds, except where prohibited by other lending sources, until the improvement has been completed to the satisfaction of the applicant and the project manager. The escrow will be held in a special account labeled as "leverage funds" and cannot be released until the applicant, contractor and Field Administrator has signed a completion certificate.

D. Private Lenders:

When an applicant secures funds from a lending institution, the Field Administrator will provide specifications, bidding documents, warranties or any other documentation as required by the lending institution before loan closing.

E. Assets

In some cases, property owners may wish to use liquid assets for leverage funds. When this occurs, property owners will be required to turn the funds over to the Field Administrator, before any proceed to work is sent to a contractor. These funds will be deposited in an escrow account established by Swift County HRA and will be released only after the property owner/business owner has signed a completion certificate. Documentation of escrow must be provided to the Field Administrator before a "Proceed to Work" is sent out.

F. Project Equity:

Applicants may only be allowed to perform the work on their business when they can provide written verification, by third party, that they currently are employed or are directly retired from employment from a construction trade in which they wish to work on their property (i.e., a Plumber may work on plumbing but not roofing).

If the applicant performs work on their business, they shall be given credit for their owner's match for only the materials they put into the property, however, they will not be given credit towards their owners' match for labor or tools purchased for the project. All owners' match credit for materials must include a bona fide receipt from the vendor.

If the applicant is employed by a contractor and the employer wishes to bid on the applicant's project, the contractor may do so. If the contracting company is owned only in part by another entity not related to the applicant, the contracting company may be reimbursed fully for its contract should it perform. The contracting company may not be owned in whole by the applicant and expect to be paid for any labor or tools purchased for the project.

Section III. DETERMINATION OF IMPROVEMENTS

A. General Conditions:

It is the goal of this Benson Commercial Rehabilitation Program to eliminate blighted conditions, remedy health and safety deficiencies, and preserve historic and architecturally significant buildings and to revitalize the downtown commercial district.

B. Priority Improvements

Shall be defined as improvements that are mandatory and must be completed before other types of repairs are considered. Applicants who own properties with priority improvements will be given priority over other applicants. Those repairs include, but are not limited to the following:

- 1) Minnesota State Building Code violations affecting health and safety.
- 6) Elimination or encapsulation of friable Asbestos that constitutes a health hazard.
- 7) Repairs affecting the structural integrity of the building.
- 8) Modifications to make the building accessible to handicapped persons (ADA).
- 9) If the structure has been determined historically significant by the Minnesota Historical Society, plans for exterior improvements to the structure must be reviewed by the Minnesota Historical Society. SHPO mandated repairs are priority.

C. Ineligible Commercial Rehabilitation Improvements:

Improvements that do not improve building or mechanical systems or address code violations are generally ineligible. Specifically, the following activities are ineligible:

- 1) Merchandising signs;
- 2) Installation of inappropriate aluminum, vinyl, or redwood siding;
- 3) Rehabilitation work which would destroy the unique qualities or character of a property;
- 4) New infill buildings, additions to existing buildings or landscaping;
- 5) SCDP funds cannot be used to finance inventory, equipment, accounts receivable, refinancing, or any other business costs other than those for rehabilitation.

- 6) SCDP funds shall not be used in whole or in part to finance or to satisfy an existing debt.
- 7) SCDP funds shall not be used for the payment, in whole or partly for the satisfaction of assessments for public improvements.

D. Historical Review:

1) SHPO Review:

All properties will be reviewed by the Minnesota Historical Society to determine if the structure is historically significant before any rehabilitation occurs.

2) Historic Procedure:

After the initial property inspection has been completed by the Field Inspector, the following will be submitted to the Minnesota Historical Society Officer (SHPO).

- a. A summary of the work to be done at the property;
- b. Photographs of the structure;
- c. Property description;
- d. Any other information request by the SHPO.
- e. Any changes in the scope of the project requested by the SHPO will be initiated.

Section IV. MARKETING/APPLICATION SELECTION AND APPROVAL

A. Outreach and Public Notices:

Swift County HRA, on behalf of the City of Benson, will conduct outreach in the target area and may solicit applications for the program in the following ways:

- 1) Notifying all applicants on the Benson Waiting List for compilation of an Applicant List
- 2) Conduct community meeting(s) to inform Benson residents of the availability of and application process for the Program.
- 3) Issue press releases advertising community meetings and/or information on SCDP grant application both to local newspapers and to local radio stations.
- 4) Make direct mailing of program information to the homeowners in the community if necessary to generate additional applicants.
- 5) Develop brochures and send them out in the billing statements of our local utility vendors.
- 6) Develop posters and post them in prominent areas in the communities as well as distributing brochures at commodity distribution sites, where applicable.

B. Application Intake:

Applications will be accepted on a first come first serve basis throughout the entire length of the program or until funds are expended.

After the preliminary screening, potential applicants will then receive an on-site visit by the Housing Inspector for an in-depth inspection.

C. Priority Consideration:

Applicants will be selected for participation of the Small Cities Development Program based upon:

- 1) lottery of completed and accepted applications in accordance with program guidelines by September 27th, 2017.
- 2) the class designation or health/safety repair priority determined by inspection

D. Procedural Guide:

A copy of the Procedural Guide will be given to applicants for review and discussion of content.

E. Notification:

Applicants with commercial properties that meet the definition of suitable for rehabilitation, and also meet the Eligibility Requirements outlined in Section 1 will be selected if sufficient funds are available.

Letters will be sent to those selected as recipients, and also to those not selected, notifying them of the status of their application (accepted, rejected, or held for further consideration).

F. Loan Limitation:

Any applicant (property owners) shall be limited to no more than three (3) commercial rehabilitation projects at any one time.

Section V. PROPERTY INSPECTIONS

A. Inspections:

Once an applicant has been determined eligible for a SCDP loan then an inspection of the property will be conducted by a Field Administrator. The Inspector will determine what work is necessary to bring the property into compliance with the Commercial Standards. The Inspector will determine the priority level of the necessary repairs. The Inspector will then prepare a Scope of Work (work write-up), which will rectify any violations to the Housing Standards, local codes and other eligible repairs. The Scope of Work shall be considered a binding contract between the applicant and the contractor performing work at the applicant's property.

B. Scope of Work:

Shall contain the following project and contractual documents:

- 1) Instructions to the bidder;
- 2) Bid Proposal;

- 3) Program Warranties;
- 4) General Conditions;
- 5) Special Conditions;
- 6) Specifications categorized by trade;
- 7) Diagrams and Lay-outs;
- 8) Davis Bacon Labor Standards

C. Davis Bacon Labor Standards

1) General Conditions:

All commercial rehabilitation projects with rehabilitation costs exceeding \$2,000 shall incorporate the Davis Bacon and Related Acts provisions.

2) Specifications:

Projects governed by Davis Bacon shall contain the prevailing wage rate within the work-write-up/specification. UNVRDC Labor Standards Officer will request a wage determination for the prevailing wage rate from the Labor Standards Officer at DEED prior to bidding. Prevailing wages are computed by the Department of Labor and are issued in the form of federal wage decisions for each classification of work. DEED will issue two copies of the most recent wage decision, including the HUD form 4010, Federal Labor Standards Provisions.

3) Copeland "Anti-kickback) Act:

The Act requires that workers be paid at least once a week without any deductions or rebates except permissible deductions which include taxes, deductions the worker authorizes and those required by court processes. The Act also requires that contractors maintain payroll records and submit weekly payrolls and statement of compliance to the contracting agency.

4) Contact Work Hours/Safety Standards Act:

The Act requires that workers receive overtime compensation at a rate of 1½ times their regular wage after they have worked 40 hours in one week.

5) Debarment:

Before contract issuance, UMVRDC shall verify that the selected contractor is not debarred or otherwise excluded from working of federally funded projects. Contractor clearance will be obtained from DEED. Documentation of Contractor Clearance will be kept in each individual project file.

6) Notice of Contract Awarded

The Field Administrator will notify the Labor Standards Officer of the pending contract award and Pre-Construction Conference date. The UMVRDC Labor Standards Officer will complete a "Notice of Contract Award" and send it to DEED.

7) Pre-Construction Conference:

A pre-construction conference shall be held with the General Contractor and all sub-contractors prior to the issuance of a Proceed To Work to discuss Labor Standards compliance and reporting procedures with the awarded bidder(s).

8) Reporting:

The Field Administrator shall be responsible to gather, maintain and provide weekly payroll reports and employee interviews to UMRDC. The Field Administrator will also ensure that the General Contractor completes HUD form Contractor/Subcontractor Certification and is submitted to UMRDC.

9) Compliance Monitoring:

Both the UMRDC and Swift County HRA are responsible for monitoring compliance with Labor Standards requirements. Monitoring will include weekly review of payroll reports, comparisons with wage decisions and employee interview. Interviews will be conducted with at least 10% of the contractor employees, with a representative sample of Trades and Classifications as defined by HUD Desk Guide LR-II. Compliance reviews will be dated and initialed by the individual conducting the review. The report will be sent to the UMRDC Labor Standards Officer for review and signature. Copies will be maintained in each project file.

10) Labor Standards Violations:

If labor standards violations are discovered, the contractor must be notified and corrective action taken immediately. All violations will immediately reported to the Labor Standards Officer.

11) Postings:

Applicable wage decisions and rates must be posted at the work site for the duration of the contract work. Contractors must post the "Notice To All Employees" and EEO posters at each job site for the duration of the job.

12) Final Labor Standards Compliance Report:

When the construction contract is complete, the Final Labor Standards Compliance Report must be completed by the Labor Standards Officer and sent to DEED.

Section VI. CONSTRUCTION AND CONTRACT PROCEDURES

A. Participating Contractors:

All contractors participating in the Small Cities Development Program must have on file at Swift County HRA office, a Contractor's Application. The contractors will be responsible for securing insurance of the amounts specified on the application form. The application must contain proof of insurance coverage via a Certification of Insurance Coverage, and the contractor's registration number.

B. Bid Solicitation:

The Contract is between the property owner (applicant) and the contractor. The applicant will be provided a list of the Field Administrator approved contractors, to choose contractors from, however, an applicant is free to choose any contractor who the applicant may want. In order for a contractor who is not approved to be awarded a bid, the contractor must furnish the Field Administrator with a Certificate of Insurance, and must complete a Contractor Application. Upon doing so, the contractor shall be awarded the bid.

C. Bid Awards:

- 1) The Contract shall be awarded to the lowest base bid, unless one of the following circumstances occurs:
- 2) The contractor has failed to follow the procedures as outlined in the Instructions to the Bidders;
- 3) The contractor fails to bid according to the specifications and it proves impossible to compare that contractor's bid with the other contractors;
- 4) The bid is determined to be unrealistically low by the field administrator and the contractor agrees to withdraw the bid;
- 5) The property owner does not want the low contractor to perform the work and agrees to pay the difference between the lowest bid and the preferred contractor's bid;
- 6) All bids in a trade category are determined to be unrealistically high or non-competitive, in which case all bids in the questionable trade category will be thrown out and different contractors solicited for bids.
- 7) The contractor did not bid using Federal Wage Rates.

D. Davis Bacon:

The project contractual agreements, wage scales and procedures, shall be guided solely by the Davis Bacon and Related Acts compliance if the project costs exceed \$2,000. Davis Bacon Labor Standards requirements and documentation must be included in the contractor bid packets.

E. Contractor Notification:

Once the package has been approved the Repayment Agreement, and Mortgage is drawn up by the Field Administer and returned to the Field Administrator for closing. Upon closing, the Field Administrator issues a notification to attend the pre-construction conference, where the requirements of the Davis Bacon and Related Acts will be detailed. At the meeting, a Notice to Proceed will be given to the accepted contractors. That notice will allow the contractor 90 days in which to complete the awarded contract. Ninety days will be the allotted amount of time except under the following conditions:

- 1) The work is weather dependent and weather conditions have not allowed the completion of the work;
- 2) The Notice to Proceed is issued too late in the building season to allow weather dependent work to be completed on time;
- 3) The property owner/agent's preferred contractor is too heavily committed to perform the work within the allotted time and informs the property owner and the field administrator that he is too heavily committed and a work schedule is established and is acceptable to the tenants, the field administrator, and the contractor;
- 4) Unforeseen difficulties develop with the approved work and force a delay.

F. Truth in Lending:

A signed statement shall be secured from the owner(s) before the Proceed to Work Order is issued. The statement should be completed for installment (if applicable) and deferred loans as well, emphasizing that re-payment will be necessary if the period for forgiveness has not elapsed.

G. Contractor Contract:

Each selected contractor will enter into a contract with the Property Owner. The contract will outline the terms for completion of the rehabilitation and will include the following:

- 1) Project Start Date
- 2) Project Completion Date
- 3) General Conditions
- 4) Special Conditions
- 5) Project Warranties
- 6) Change Order Procedures
- 7) Payment Terms
- 8) Termination Procedures

H. Failure to start/complete project:

Upon receipt of the Proceed to Work a contractor will have 90 calendar days in which to complete the contracted work. Failure to begin work within the first 60 days will be grounds to terminate the contract. The 90-day time period shall not be exceeded except through the issuance of a change order. In the absence of a change order, a contractor who violates the time period shall be in violation of their contracts and shall constitute grounds for removal.

I. Interim Inspections:

After work begins, interim inspections will be scheduled by the field administrator to monitor work progress and work quality. If a dispute arises between a property owner and a contractor the field administrator will attempt to find a means of resolving the conflict. If a solution cannot be found then the Appeals process will be initiated.

J. Payment Procedures:

All contractors will agree to the payment schedule contained within the Contractor's Application which is as follows:

- 1) No pre-payments are allowable for any reason;
- 2) Lien Waivers are required for all sub-contractors before payment will be made;
- 3) Partial payments are not allowable for any work that is not completed. Payments are limited to a maximum of 85% of the total due on the completed portions of the projects
- 4) Any and all payments will be made only after the work is completed according to the specifications contained within the Scope of Work and when the work meets with the approval of both the Applicant and the Inspector. In order for the contractor to be paid, a signed Completion Certificate must be presented at the time

of payment. Both the Applicant(s) and the Field Administrator must sign the Completion Certificate;

- 5) Final payment for all work completed, including any retainage amounts, will be made after all work by a contractor is completed, the final inspection has been conducted and the field administrator, property owner and contractor have signed off on the work.
- 6) Payments will be made only upon presentation of the following documents;
 - a. Billing Statement
 - b. Lien Waiver
 - c. Sworn Contractors Statement
 - d. Completion Certificate

K. Change orders:

Change orders to the contract require the signature of the property owner or designated agent, the contractor, the Field Administrator, and the Housing Coordinator. Change orders will be allowed only for the following reasons:

- 1) To rectify hidden deficiencies that are discovered once the work has begun;
- 2) To change a specification due to unforeseen difficulties arising after work has begun;
- 3) To address a deficiency that was inadvertently dropped from the project during project packaging.
- 4) To change completion dates.

L. Termination of Contract:

- 1) A contractor's contract can be terminated under the following procedures:
 - a. Poor work performance on the job site and the demonstrated inability to rectify the poor workmanship. The cost of repairing poor workmanship and the higher costs of awarding the bid to the next lowest bidder shall be deducted from any amount owed to the initial contractor for work completed. In all cases the contractor shall be given the opportunity to rectify the problem before removal procedures are instituted. The Field Administrator shall institute the following procedures when negotiating a workmanship problem;
 - b. Shall set up a meeting at the job site with the contractor and property owner/agent to attempt to come to a consensus;
 - c. Shall contact the contractor the second time by certified mail notifying the contractor that the workmanship is still poor and specifying the areas that need to be addressed to satisfy the contract, giving the contractor a fifteen (15) day time limit in which to make the required repairs.
- 2) Causing undue damages to an owner's property and the inability or unwillingness to correct the damages. The cost of repairing damages will be deducted from any money owed to the contractor for work already completed. If the amount owed is

insufficient to cover the costs of the damages, then the Field Administrator will assist the property owner, if necessary, to reclaim damages by legal means;

- 3) Lack of sufficient insurance coverage;
- 4) The inability of the contractor to perform the work within the allotted time;
- 5) Irreconcilable and irresolvable differences between the contractor and the property owner/agent;
- 6) The contractor requests to be removed from the contract. There will be no penalty associated with this request as long as the request is made within thirty days of receiving the Notice to Proceed;
- 7) Contractors who are removed from a contract shall be removed from the Approved Contractors List and shall be prohibited from being awarded any contract with the Field Administrator.

M. Loan Packages:

The Field Administrator, shall maintain files on each property owner throughout the duration of the program. Each property owner's file shall include the following:

- 1) Work Progression Chart:
This form allows easy monitoring of the file and enables those working with it to see at a glance, just what stage the project is at. This form will be attached to the inside cover of the file;
- 2) SCDP Loan Application; This form will provide information pertinent lending data as required by the lenders and UMVRDC/Swift County HRA. Proof of property ownership (Warranty Deed, Torrens, Recorded Contract for Deed, recorded Life Estate, etc.) and current property owner's insurance must also accompany the application.
- 3) Property Inspection Form; the Inspection Report shall be prepared by the Field Administrator. The Inspection Report is designed to include a specific account of the condition of the property and all corrective actions necessary;
- 4) SHPO Response; A letter from SHPO indicates their approval or requirements for the project;
- 5) Scope of Work; the Scope of Work is the contract between the property owner and contractor and specifies the exact work which will be performed at the eligible property;
- 6) Mortgage and Repayment Agreement; this form is the legal mechanism by which a Lien is placed against the improved property until the loan is repaid or forgiven and establishes and records the City's loan to the property owner in conjunction with the reduced loan portion of the SCDP project.
- 7) Closeout Packet; A letter is sent to the property owner informing them of completion and contains copies of the Repayment Agreement, and Completion Certificates.
- 8) Davis Bacon Documentation: Copies of all Davis Bacon Labor Standards documentation, monitoring reports, and correspondence must be in each project file.

Section VII. GENERAL CONDITIONS

A. Data Privacy

Your name, address and the amount of assistance you receive are considered public data under the Minnesota Data Practices Act. Other information that you provide to the housing rehabilitation program about you and your household is considered private data.

Private data will only be used when it is required for administration and management of the program. Persons or agencies with whom this information may be shared include:

- 1) Staff and other persons involved in program administration.
- 2) Auditors who perform required audits of this program.
- 3) Authorized personnel from the Minnesota Dept. of Employment and Economic Development, the U. S. Dept. of Housing and Urban Development or other local, state and federal agencies providing funding assistance for your loan.
- 4) Those persons who authorized to see it by the applicant.
- 5) Law enforcement personnel in the case of suspected fraud or other enforcement authorities as required.
- 6) Members of the local governing board for the purpose of addressing/resolving applicant complaints

B. Loan Repayment & Program Income

1) Repayment Procedures:

The City of Benson Small Cities Commercial Rehabilitation Program consists of a mixture of deferred loans and low interest loans at the following proportions: 70% of the total rehabilitation cost as 0% deferred loans seven (7) year term, that are forgiven 1/7th per year; 20% of the total rehabilitation costs will be owner investment, along with 10% . The following procedures apply:

- a. **SCDP Deferred Loans**; the deferred loans shall be forgiven 1/7th per year. When a property ceases to be the applicant's property, the remaining loan principal is due in full. The repayment will be repaid directly to City of Benson which will place the funds in a special account. The loan funds will be repaid in full from the purchase funds when an improved property is sold.

2) Generated Income:

Generated Income is any income received by the City of Benson or a sub recipient as a result of the activities supported by State of Minnesota Small Cities Development Program (SCDP) funds. Generated Income must adhere to the following conditions.

- a. All Generated Income, income and repayments, received SCDP loans will be used for further rehabilitation activities and will be consistent with the application for funds and the Contract Agreement.
- b. All Generated Income earned on the activities when the grant is open must be used on grant activities, by subtracting the amount earned from the next disbursement.
- c. The City of Benson agrees to have a plan on file for use of Generated Income earned after grant closeout.
- d. After closeout, any Generated Income and interest earned must be tracked and reported by year received on a form provided by DEED.

C. Section VIII. SUMMARY OF STAFF AND RESPONSIBILITIES

The City of Benson has contracted with the Upper Minnesota Valley Regional Development Commission to administer the Project. SCDP funds will be requested through the City of Benson. The City of Benson will be responsible for the submission of Post Closeout Program Income reports and will consult with the Upper Minnesota Valley Regional Development Commission if necessary in order to complete the reports.

1) General Administration

The City of Benson is contracting with Upper Minnesota Valley Regional Development Commission; UMRDC is responsible for all phases of the administration of this Small Cities Development Program. UMRDC will be the Fiscal Agent and will be responsible for all financial and progress reports. UMRDC will have principle responsibility for completion of the Environmental Assessment and the development/submission of all required policies and procedures prior to commencement of program delivery.

2) Field Administration

The UMRDC is contracting with Swift County HRA for Commercial Construction Management. Swift County HRA is responsible for program delivery including, determination of eligibility, assist with packaging of project financing, inspections, work write-ups, contract awards, interim inspections, change orders, final inspections, contractor payments and project close-outs.

3) Federal Compliances:

The City, UMRDC and Swift County HRA will share responsibility to comply with Federal Regulations regarding the administration and implementation of this Small Cities Development Commercial Rehabilitation Project.

Section VIII. APPLICATION APPROVAL/APPEALS PROCESS

A. Approval Process:

Upon acceptance of the bid by the business owner and the Inspector, the Inspector will package the project according to the eligibility of the owner to the various leverage sources and the Small Cities Development Program. The package is then reviewed to ensure completeness and accuracy. Once the package is approved, the repayment agreement will be drawn up by Swift County HRA and returned to the Inspector for closing with the Applicant.

B. Appeal Procedures:

1) Applicant Denial Procedure:

If a property owner's application is denied for any reason, a letter of denial will be sent to the business within 10 working days. The denial letter will clearly outline the reason for denial and inform the applicant that an appeals procedure is available.

2) Applicant Appeal Process:

If a property owner is dissatisfied with the level of assistance they have received, and where an applicant complaint cannot be resolved with the conduct of the administration, UMVRDC will notify the applicant in writing that a written procedure for appeal is available. The appeals procedure is as follows:

- a. The applicant who wishes to make an appeal must submit such an appeal **in writing** to the City of Benson. The appeal must specifically state the complaint and how the applicant wishes the complaint to be resolved. The applicant will need to notify the City in writing within 30 days of the date of their notification of denial of financing.

The complaint will be presented to the City Council at a regularly scheduled meeting within 30 days of the receipt of the written complaint.

- b. The City Council will review the complaint and will make a determination concerning the complaint. The UMVRDC will notify the applicant of the City Council's decision regarding the appeal. Notification will be in writing and must be made within 10 working days of the decision.
- c. After an appeal action has been initiated, UMVRDC will send the following information to DEED, and the City of Benson.:
 - i. A copy of the written complaint and request for satisfaction under the appeals process.
 - ii. A copy of all correspondence between UMVRDC and the appealing client concerning the appeal disposition.
 - iii. The final appeal dispositions.

AMENDMENTS, DIRECTIVES

These procedural guidelines may be amended or supplemented by UMVRDC in coordination with the City of Benson.

ADOPTION

These procedural guidelines governing the administration of the Benson Commercial Rehabilitation Program have been adopted by action of the Benson City Council on

Date: _____

Attest: _____

Witnessed: _____

**CITY OF BENSON
SMALL CITIES DEVELOPMENT PROGRAM
OWNER-OCCUPIED REHABILITATION POLICIES AND PROCEDURAL GUIDE**

It is the policy of this Housing Rehabilitation Program to work affirmatively to ensure that all persons regardless of race, color, creed, national origin, sex, religion, marital status, age, handicap, or reliance on public assistance, will be treated fairly and equally in their participation in the program.

The City of Benson will be responsible for the promotion of the Program at the local level and shall exercise care in avoiding promotion methods which may exclude potentially eligible applicants. Access to program information and materials will not be denied to any person for any reason including race, color, creed, national origin, sex, religion, marital status, age, handicap, or reliance on public assistance. Affirmative promotion shall include efforts to reach those persons who traditionally may not have participated in similar programs.

In order to develop or maintain an effective affirmative promotion effort, the City shall review its promotion methods from time to time during the course of the Program to determine how the methods used can be improved to increase the participation of persons who otherwise might not apply for assistance under the Program, such as single female heads of households, racial minorities, or persons with handicaps or disabilities.

Section I. ELIGIBILITY REQUIREMENTS:

A. Location:

Residence must be in the Neighborhood Target Area as defined in the application for SCDP funds and shown on the attached map. The boundaries are Denfield Drive and Oregon Ave to the north, 9th Street to the east, Wisconsin Ave to the south, and 21st Street south to golf road to the west. Homes located along these roads are eligible.

B. Conflict of Interest:

Federal regulations and Minnesota Statutes specify that elected officials, non-volunteer city employees, and administrators of the Small Cities Development Program have a conflict of interest. Those with a conflict may be able to secure an exception in order to participate in the program if they have no role in the approval of rehabilitation assistance and can meet with the approval of DEED.

C. Residency:

To receive SCDP funds applicants will be required to have year round residency in the housing unit. Recipients must occupy, or intend to occupy the selected property as their primary place of residence.

D. Ownership/Ineligible Types of Housing:

The applicant must have an ownership interest in the property to be rehabilitated such as: a title owner, a mortgagor, a contract for deed vendee, or as holder of a life estate. All contracts-for-deed shall be recorded. Contract vendors must sign repayment agreements along with contract vendee. Remaindermen must sign mortgages as required on a life estate deed. No descending forgiveness of a deferred loan (if applicable) will be allowed for rehabilitation liens with life estates. SCDP policy is that no portion of the loan will be forgiven until after the full term has expired.

Single-wide mobile homes, even if the home is attached to a foundation or if it has additions, are not eligible for rehabilitation with SCDP funds. Homes in a 100 year floodplain are not eligible unless they will soon be removed from the flood plain due to re-mapping. Evidence of the pending flood-plain change must be provided.

MURL homes are not eligible for SCDP assistance.

E. Taxes/Insurance/Assessments/Liens:

All property taxes must be paid in full prior to application approval and property owners will be expected to carry insurance that, at a minimum, covers the costs of the rehabilitation work over the life of the SCDP loan. There should be no tax liens or past-due assessments or judgments on the property.

F. Asset Limitation:

There is no asset limit. However, income earned from assets must be counted as income.

G. Income:

The total income of the household must not exceed the most recent HUD Section 8 Moderate Income Limits at the time of the application. See attached limits. (*attach limits for effective year*) Income verification will follow HUD regulations and includes all of the following:

- Salaries; including tips, bonuses, commissions, overtime pay, pensions and annuities
- Public Assistance; including MFIP, SSI, MSA, Unemployment Compensation
- Social Security or Disability and Workers Compensation
- Estate/trust income, rental income, gain from the sale of property or securities, contracts for deed
- Interest earned
- Business profit

H. Substandard Housing:

The structure to be rehabilitated must be deficient in at least one of the following areas: structural soundness, living space or accessibility, water supply or sewage disposal, energy efficiency, heating system, plumbing or electrical system.

I. Nuisance Standard: The property where the house resides must conform to all local nuisance standards (weeds, junk, etc.). The exception would be items proposed for rehabilitation being alleviated through the program.

J. Homeowner Expectations: The property owner will read, understand and sign the "What Can a Homeowner Expect," the "Homeowner Responsibilities and Expectations," and "Walk Away Policy" forms as a condition of project approval.

Section II. TERMS OF ASSISTANCE

A. Maximum/Minimum SCDP Contribution

The average SCDP contribution on any rehabilitation project will be \$ \$18,750, with a maximum of \$25,000 based on 75% of the total project costs.

B. Deferred Loans:

Assistance provided with SCDP funds will be in the form of deferred payment loans up to 75% of the project costs. In order for this program to be as cost-effective as possible, applicants may be required to help finance a portion of their rehabilitation work. Other funding is available, usually in the form of reduced interest loans, to assist households to finance the remainder of their project. Households that qualify for 100% deferred payment loans through this program will also be expected to explore other funding options that may be available. The purpose of SCDP funds is to supplement other funding sources. Swift County HRA will assist households in exploring other possible funding sources. An applicant may be eligible for SCDP funds if funding through other sources, including local financial institutions, has been denied. MHFA Rehabilitation Program loans, Greater Minnesota Housing Fund loans, Rural Development grants and loans, Weatherization Assistance, and other public/private sector funds may be used to help applicants finance rehabilitation. All LMI households unable to secure other resources may be assisted with SCDP funds not to exceed the maximum contribution. The most recent HUD Section 8 Income Limits by household size is shown in the following table:

HUD Section 8 Income Guideline FY 2017	
Household Size	Low Income
1 Person	\$37,800
2 Persons	\$43,200
3 Persons	\$48,600
4 Persons	\$54,000
5 Persons	\$58,350
6 Persons	\$62,650
7 Persons	\$67,000
8 Persons	\$71,300

C. **Previous SCDP Assistance:** If a home received prior SCDP assistance, all SCDP loans must have expired for the home to be eligible.

Section III. DETERMINATION OF IMPROVEMENTS

A. **Suitable for Rehabilitation:**

The property must be determined feasible both structurally and financially after all eligible assistance is calculated. The work required to correct any lead-based paint hazards will be considered in the suitable for rehabilitation determination. The suitability will be determined by the Housing Inspector and/or the Project Director.

B. **Basic and Necessary Repairs:**

Each improvement must be a permanent general improvement. Only those repairs that are needed to bring the home up to the Program's Housing Quality Standards (HQS), which are based on HUD's Section 8 Housing Quality Standards, will be included in the rehabilitation project. Additionally, reasonable repairs that improve the structural integrity, livability and safety of the home could be included in the project at the discretion of the rehabilitation inspector. These could include weatherization measures, if vitally needed and weatherization

sources of funds are not available. The priority of use of SCDP funds will be to correct deficiencies that affect the health, safety and welfare of the occupants, and to improve the energy efficiency of the units.

C. Housing Quality Standards:

Each improvement must be made in compliance with all applicable, health, fire prevention, building, housing and energy codes and standards. The property **must** comply with local nuisance standards and meet HQS after completion of the rehabilitation work. If funding sources will be inadequate for the home to meet HQS, the home will be deemed unsuitable for rehabilitation.

D. Ineligible Housing Rehabilitation Improvements

The following improvements are not eligible for financing with SCDP funds:

- 1) Detached garages, garage door openers, or any out-buildings (unless elements of the structure have been identified as a hazard in a lead-based paint risk assessment).
- 2) Fireplaces, central air-conditioning units, water softeners, or wood stoves.
- 3) Decks, patios, fencing, or landscaping beyond that which is necessary in connection with foundation and basement work. Reasonable work on decks might be allowed, if the deck also serves as an entrance to the house.
- 4) Driveways and sidewalks, unless health and safety dangers are present.
- 5) Kitchen appliances, plush carpeting, decorative work, or other improvements determined by the Housing Inspector to be "luxuries" or "frills" in nature.
- 6) 200 amp services, unless needed and justifiable.
- 7) Room additions. Exceptions to this rule may be granted by the Grant Administrator only under extraordinary circumstances and with approval of DEED. Where such an exemption is granted, room additions shall only be allowed: (1) to accommodate the installation of a bathroom or kitchen if ones do not exist and current space will not allow, or (2) case by case situations discussed with DEED.
- 8) The use of materials that are deemed by Swift County HRA to be beyond standard and beyond cost-effective for the program.
- 9) Tree trimming may be allowed under circumstances where tree limbs present an immediate hazard to the home.

E. Ineligible Improvements Allowable With Other Funds

The applicant may use bank loans, his/her own funds on hand, and other funds in order to finance those improvements which are not eligible for financing with SCDP funds. Such improvements shall be allowable as part of the "other source" participation and shall be separately identified on work write-ups and bid forms.

F. No funds for Assessments

SCDP funds shall not be used for the payment, wholly or in part of assessments for public improvements: provided, however, that such funds may be used for that portion of improvements located on the property which will bring an individual water supply system or sewage disposal system into compliance with local, state or federal environmental and sanitary standards.

G. No Funds for Refinancing Existing Debt

No SCDP funds shall be used in whole or in part for the purpose of refinancing or paying off existing indebtedness. All such funds must be used to finance improvements begun after application for such funds.

H. Historical Review

If the structure has been determined historically significant, plans for exterior improvements to the structure must be reviewed and commented on by the Minnesota Historical Society.

I. Lead Paint Policy: The City of Benson will follow the current policy outlined by the MN Department of Employment and Economic Development. As participation in the owner-occupied housing rehabilitation is a voluntary decision, the program will not pay for any temporary relocation that maybe necessary due to interim controls related to lead-based paint.

J. Repayment Schedule for Deferred Payment Loans

All SCDP funds will be secured with a lien against the property to be rehabilitated. Households will be required to repay in the event the improved property is sold, transferred, conveyed or ceased to be the borrower's principal place of residence.

The percentage of the loan amount that must be repaid is gradually forgiven over the appropriate lien term according to the following schedule:

The loan is forgiven over a period of seven (7) years with one-seventh (1/7) of the total loan forgiven per year.

Section IV. MARKETING/APPLICATION SELECTION AND APPROVAL

Housing program staff will review and fund eligible applications. The following process will be utilized to promote the program to eligible applicants, and for applicant selection:

A. Outreach and Public Notices:

Swift County HRA, on behalf of the City of Benson, will conduct outreach in the target area and may solicit applications for the program in the following ways:

1. Notifying all applicants on the Benson Waiting List for compilation of an Applicant List.
2. Conduct community meeting(s) to inform Benson residents of the availability of and application process for the Program.
3. Issue press releases advertising community meetings and/or information on SCDP grant application both to local newspapers and to local radio stations.
4. Make direct mailing of program information to the homeowners in the community if necessary to generate additional applicants.
5. Develop brochures and send them out in the billing statements of our local utility vendors.
6. Develop posters and post them in prominent areas in the communities as well as distributing brochures at commodity distribution sites, where applicable.

B. Application Intake:

Applications will be accepted on a first come first serve basis throughout the entire length of the program or until funds are expended.

After the preliminary screening, potential applicants will then receive an on-site visit by the Housing Inspector for an in-depth inspection. If the home was built prior to 1978, a Certified Lead Risk Assessor will also visit the property to conduct a lead risk assessment.

C. Priority Consideration

Applicants will be selected for participation of the Small Cities Development Program based upon:

1. lottery of completed and accepted applications in accordance with program guidelines by September 27th, 2017.
2. the class designation or health/safety repair priority determined by inspection

D. Procedural Guide:

A copy of the Procedural Guide will be given to applicants for review and discussion of content.

E. Notification:

Applicants with verified LMI incomes, houses that meet the definition of suitable for rehabilitation, and also meet the Eligibility Requirements outlined in Section 1 will be selected if sufficient funds are available.

Letters will be sent to those selected as recipients, and also to those not selected, notifying them of the status of their application (accepted, rejected, or held for further consideration).

Section V. PROPERTY INSPECTIONS

A. Inspections

Program staff will be responsible for carrying out a minimum of three inspections, an initial inspection to determine scope of work, an interim inspection to monitor work and a final inspection. The initial inspection will be done to determine that:

1. all necessary improvements are listed, including those required to eliminate lead-based paint hazards, and;
2. The structure upon completion of rehabilitation will meet, at a minimum; the Program's Housing Quality Standards and will be livable, safe, and energy efficient.

Work Write-Ups: Upon completion of the initial inspection, the Housing Inspector shall prepare a work write-up indicating the scope of work necessary to bring the property into compliance with the Program's HQS. Any improvements deemed necessary by the Housing Inspector for the property to conform to the Program's HQS and the general program eligible improvements requested by the property owner shall be included as part of the work write-up. The Housing Inspector shall specify improvements that qualify for SCDP funding.

Work items where lead based paint hazards are present will be called-out in the work write up in a way that makes them stand out. A notation on those items that qualified contractor(s) are necessary to conduct the work will also be made. Ineligible improvements paid for with leveraged funds will be identified.

1. Owners need to know how much the job will cost and make decisions about what they can afford.

2. Program administrators need to know if a project is feasible given available resources.
3. Owners need to understand the relationship between deficiencies they have identified and deficiencies that the program can correct with SCDP funds.

B. Risk Assessment for Lead

A Risk Assessment for Lead will be performed on homes built before 1978 prior to the work write-up. Lead Clearance will be performed at completion. The property owner will sign a repayment agreement for the rehabilitation work prior to the assessment being done, which will include the costs for the risk assessment. The cost of the assessment can only be waived if contractor bids do not allow for a cost-effective rehabilitation occur.

C. Interim Inspections

Interim inspections will be done before partial payments are made to assure that specified improvements are completed. Interim inspections will be scheduled by the Housing Inspector to monitor work progress. Program staff reserves the right to inspect the property at any time upon reasonable request to applicant.

D. Final Inspection

Upon completion of work, an inspection will be made to determine that all work has been completed in a satisfactory manner and that the unit meets the Program's Housing Quality Standards. The final inspection shall certify that all lead based paint hazards have been properly eliminated or treated. In the event of a dispute between the owner and the contractor concerning the completion of rehabilitation, the Housing Inspector shall work with both parties to negotiate a satisfactory solution. If such a solution cannot be found, the Benson City building official shall be the final authority on when the job has been satisfactorily completed. All disputes will be resolved by binding alternative dispute resolution.

Section VI. CONSTRUCTION AND CONTRACT PROCEDURES

A. Contractor List

A list of contractors will be established by advertising in area newspapers and radio. Women and minority contractors and business owners will be urged to bid.

B. General Contractors

All rehabilitation work must be performed by a fully licensed and insured general contractor. Contractors performing specified lead-based paint eradication must be certified in accordance with DEED lead policy.

C. Contractor Eligibility and Performance

Contractors shall not be debarred and shall have been determined capable based on past performance and ability to perform successfully. If applicable, contractors will carry at least the minimum amounts of liability insurance established by the State of Minnesota.

D. Bids/Cost Estimate (if applicable)

An attempt will be made to secure competitive bids from at least three general contractors, or two in areas of low contractor supply. If the project does not involve any general contractor work and it is more feasible to solicit bids from a specific trade, an attempt will be made to secure competitive bids from at least three contractors within that trade(s), or two in areas of low

supply. In the event that only one bid is received after bid solicitation, a cost estimate shall be prepared to justify the reasonableness of the sole bid.

E. Work Write-Up and Change Orders

All bids shall relate only to improvements designated by staff in the work write-up. Any changes made in the scope of work by the homeowner after the inspection and work write-up by the Housing Inspector on the scope of work will be **prohibited** and **ineligible for SCDP program funds**. **ALL CHANGE ORDERS NEED TO BE APPROVED BY THE Housing Inspector and, if applicable, Project Director.** The homeowner will be responsible for all costs associated with any extra work done by the contractor that is not in the scope of work.

F. Bid Awards

Contract will, generally, be awarded to the lowest responsible bidder complying with specifications. Owner may contract with non-low bidder when willing to pay the difference between selected contractor and lowest bidder.

G. Contractor Homeowner Warranty

ALL CONTRACT AGREEMENTS WILL BE BETWEEN CONTRACTOR AND OWNER. All contracts covering all or any portion of an improvement must contain an approval warranty of workmanship/materials as per a Contractor/Owner Warranty form.

H. Repayment Agreement:

A repayment agreement shall be signed by the property owner(s) before the Proceed to Work Order is issued. The repayment agreement will be filed/recorded either after the project costs are known to be at the SCDP maximum, or after the project is completed to account for any possible change orders that may occur.

I. Truth in Lending:

A signed truth in lending statement shall be secured from the homeowner(s) before the Proceed to Work Order is issued. The statement should be completed for installment (if applicable) and deferred loans as well, emphasizing that re-payment will be necessary if the period for forgiveness has not elapsed.

J. Right of Rescission:

A signed right of rescission form shall be secured from the homeowner(s) before the Proceed to Work Order is issued.

K. Limit for Housing Projects

Contractors will be limited to requesting draws on no more than three SCDP housing projects at any given time.

L. Contractor Requirements

Contractor shall be notified of requirements to comply with applicable federal/state laws. Building permit fees and any state inspection fees should be included in the contractor's bid.

M. Proceed To Work Order

Proceed to work orders will be issued after package approval and **must** be issued before work begins. A pre-construction conference shall be conducted between the homeowner, contractor

and rehab specialist prior to issuance of a notice to proceed with the work. The contractor must provide a copy of the building permit before work can proceed.

N. Inspections

Interim and final inspections shall be made by the Housing Inspector. Prior to the disbursement of funds, work shall be satisfactorily completed.

O. Release of Funds

Funds are released (partial funds may be released as partial work is completed) in issued checks as completed work is verified and payment is requested by invoice from the contractor.

P. Contractor Payments

Contractors will be required to provide a draw request for each partial payment. The draw request must be signed by the homeowner, unless the homeowner has concerns that the Field Administrator and General Administrator have deemed as being unreasonable. Consultation with DEED as to what is unreasonable can occur. Upon completion of the rehabilitation construction, lien waivers and completion certificates will be executed by the homeowner, contractor, and Field Administrator if necessary. On the homes that require lead reduction activities, final payment will not be made until after the Lead Clearance Test has been passed.

Q. Progress Payments

Progress payments shall be limited to two and may be subject to 10% retainage under terms specified in homeowner/contractor agreement.

R. Change Orders

Unforeseen construction problems will require a change order and all change orders will require signatures of both owner and contractor with approval by Program staff. Costs of changes must be included in change order. **Any work that is done and is not on the work write-up will not be paid for with SCDP funds. Any changes made by the homeowner after the inspection and work write-up by the Housing Inspector on the scope of work will be prohibited and ineligible for SCDP funds. ALL CHANGE ORDERS MUST BE APPROVED BY THE Field Administrator and General Administrator.**

S. Time For Completion

1. A maximum of 90 calendar days will be allowed for completion of contracted work on a house beginning as of the date of the Notice to Proceed. Failure to begin work by the completion date shall be grounds for termination of the contract.
2. This time period shall not be exceeded except by written Change Order, which shall outline the circumstances that require an extension of time and shall specify a revised completion date. In the absence of such a Change Order, failure to complete work on time shall be grounds for termination of the contract.
3. A waiver of this time period may be granted upon the homeowner's request to the Housing Inspector and/or Financial Analyst.

T. Termination of Contract

Rehabilitation contracts may be terminated for convenience or for cause. The provisions contained in Section XII. P. shall be a basis for termination for cause.

U. Termination of Rehabilitation

Swift County HRA can stop the rehabilitation process if the Homeowner Expectations in Section 1, item J are not met by the applicant/property owner.

V. Selection of Materials and Colors

Homeowner selects colors, style and pattern of any materials used in home improvements. These selections will fit the neighborhood and any judgment calls about what fits the neighborhood will be made collectively among the city, grant administrator and the homeowner. Costs and types will be deemed reasonable by the rehabilitation inspector and program administrator. Products come in three types, "economy", "standard" and "deluxe". We specify the "standard" items. Swift County HRA will be the final decision maker as to whether or not a product is "standard."

Section VII. GENERAL CONDITIONS

A. Leveraged Funds

Each selected applicant will be evaluated on an individual basis to ascertain the most appropriate and effective source and method of funding available to leverage with SCDP funds. SCDP funds will be combined with Weatherization, MHFA Rehabilitation and Home Improvement loans, Rural Development Loans and Grants, Greater Minnesota Housing Fund loans, and other public/private funds to accomplish as much rehabilitation as possible within affordable costs.

B. Appliance Credit

Each selected applicant has the ability to earn 75% of the total SCDP grant award up to \$750 per household, in the form of a credit/rebate to replace inefficient refrigerators or electric water heaters. The old appliance is required to be recycled and taken out of commission while new Energy Star appliances would need to be purchased within the City of Benson to receive the incentive.

C. Repayment Proceeds

Any proceeds received from the repayment of deferred loans originated with SCDP funds will be utilized by the City of Benson in accordance with DEED approved policies for the use of program income.

D. Data Privacy

Your name, address and the amount of assistance you receive are considered public data under the Minnesota Data Practices Act. Other information that you provide to the housing rehabilitation program about you and your household is considered private data.

Private data will only be used when it is required for administration and management of the program. Persons or agencies with whom this information may be shared include:

- Staff and other persons involved in program administration.
- Auditors who perform required audits of this program.
- Authorized personnel from the Minnesota Dept. of Employment and Economic Development, the U. S. Dept. of Housing and Urban Development or other local, state and federal agencies providing funding assistance for your loan.
- Those persons who authorized to see it by the applicant.
- Law enforcement personnel in the case of suspected fraud or other enforcement authorities as required.

- Members of the local governing board for the purpose of addressing/resolving applicant complaints

Section VIII. SUMMARY OF STAFF AND RESPONSIBILITIES

The City of Benson has contracted with the Upper Minnesota Valley Regional Development Commission to administer the Project. SCDP funds will be requested through the City of Benson. The City of Benson will be responsible for the submission of Post Closeout Program Income reports and will consult with the Upper Minnesota Valley Regional Development Commission if necessary in order to complete the reports.

A. General Administration

The City of Benson is contracting with Upper Minnesota Valley Regional Development Commission; UMRDC is responsible for all phases of the administration of this Small Cities Development Program. UMRDC will be the Fiscal Agent and will be responsible for all financial and progress reports. UMRDC will have principle responsibility for completion of the Environmental Assessment and the development/submission of all required policies and procedures prior to commencement of program delivery.

B. Field Administration

The UMRDC is contracting with Swift County HRA for housing rehabilitation field administration services. Swift County HRA is responsible for program delivery including; marketing, determination of household eligibility, application completion and approval, assist with packaging of project financing, housing inspections and suitability of housing rehabilitation, work write-ups, contract awards, interim inspections, change orders, final inspections, contractor payments and project close-outs. Swift County HRA will provide the UMRDC with regular financial and progress reports.

Section VIII. APPLICATION APPROVAL/APPEALS PROCESS

A. Application Approval Process

All applications for assistance must be approved provided all eligibility criteria are met and resources are available. Applications are approved based upon the type of improvements and cost of rehabilitation being requested for the project.

B. Complaints and Disputes

Any person with a complaint concerning their project eligibility, terms of assistance or actual rehabilitation work will first take the complaint to the General Administrator. Complaints shall be submitted in writing and shall be addressed to the General Administrator. All complaints will receive a written response within thirty (30) days stating action taken regarding complaint.

If further action is required to resolve complaint, an appeal may be made in writing to the Benson City Administrator, as final resolution rests with the City.

Section IX. AFTER THE LOAN

A. Reverse Mortgages – SCDP loan agreements must be repaid if homeowner takes out a reverse mortgage on the property.

- B. Other Refinancing** – Homeowners can refinance to secure a lower interest rate on a mortgage during the life of the SCDP loan, but if any cash is taken out the SCDP loan must be repaid.

Section XII. OUTLINE OF HOUSING REHABILITATION PROCESS

- 1. Interact With Interested Homeowner**
 - A. Fill out application for assistance.
 - B. Discuss data privacy, get Privacy Warning release signed.
 - C. Discuss lead based paint poisoning notification (Renovate Right Brochure).
 - D. Discuss fair housing pamphlet.
 - E. Obtain authorization to take pictures of house.
 - F. Secure conflict-screening form. If conflict, need to secure exception from the SCDP.
 - G. If contract for deed, obtain consent from contract holder.
 - H. Get authorization signed by homeowner to verify income, assets and credit (latter if applicable for other leverage programs).
 - I. Secure homeowner signatures on “What Can a Homeowner Expect,” the “Homeowner Responsibilities,” and “Walk Away Policy” forms.

- 2. Verification of Eligibility**
 - A. Verify income with employer or other documentation.
 - B. Verify interest earned or other income.
 - C. Check assets at the bank.
 - D. Verify that home is not a single-wide mobile home.
 - E. Recorder’s Office- verify title and check for liens.
 - F. Review Treasurer’s Office- verify that current taxes are paid.
 - G. Review Auditor’s Office- verify that all back taxes are paid.
 - H. Clearance with State Historical Preservation Officer and home not in 100 year flood plain.
 - I. Verify home in city limits or target area (if applicable).
 - J. Verify home not a duplex (eligible under SCDP rental rehabilitation)

- 3. Inspection, Bids, Loan, Authority to Start**
 - A. Inspector determines project to be feasible or not feasible.
 - B. Inspector determines that property is compliant with local nuisance standards (junk, weeds, etc.)
 - C. Homeowner notified of lead risk assessment.
 - D. Risk assessment for lead hazards completed. Summary Notice completed, copy provided to homeowner and signed copy in file.
 - E. Inspection completed and detailed specification prepared.
 - F. Homeowner notified of eligibility or ineligibility, and if eligible the terms of assistance to be provided.
 - G. Homeowner approves specifications.
 - H. Homeowner chooses contractors to bid on the rehabilitation project, two if low contractor supply in area.
 - I. Bid package is provided to the selected contractors. If any of the contractors are not interested in bidding, the homeowner may select a replacement.
 - J. Bids opened at pre-selected date. Homeowner chooses contractor to undertake the project. SCDP program funds their percentage of the lowest bid received.

- K. Applicants and projects must be determined as eligible before a commitment of SCDP funds is made.
- L. Homeowner is notified about approval of the scope of work associated with their project.
- M. If required, homeowner deposits "other" financing into rehabilitation escrow account.
- N. Homeowner signs repayment agreement as security for the city.
- O. Homeowner is presented with Right of Rescission form.
- P. Relocation Screening Sheet for Occupant Protection With Lead Hazard Reduction Activities completed and placed in file.
- Q. Notice to Proceed is issued to the contractor.
- R.

4. **Rehabilitation Project**

- A. Project change orders processed, if necessary.
- B. Mortgage amount filled in and is filed with County Recorder.
- C. Partial payments made if required after inspections are completed.
- D. Project completion certificate signed by contractor, homeowner, and Program staff representative.
- E. Lead Clearance completed.
- F. Lien Waivers obtained from contractor, subcontractors, and material suppliers.
- G. Final payment is made after lien waivers and Lead Clearance received.

5. **Rehabilitation Project File Maintained**

- A. A rehabilitation project file will be maintained on each application for funding, and will include all of the appropriate photos, documentation and forms relating to the project.

AMENDMENTS, DIRECTIVES

These procedural guidelines may be amended or supplemented by UMVRDC in coordination with the City of Benson.

ADOPTION

These procedural guidelines governing the administration of the Benson Commercial Rehabilitation Program have been adopted by action of the Benson City Council on

Date: _____

Attest: _____

Witnessed: _____