

Memo

To: Denmark Township, Minnesota

From: Bruce Kimmel, Senior Municipal Advisor
Chris Mickelson, Municipal Advisor

Date: July 2, 2020

Subject: **Township Road Project Funding Analysis**

Thank you for allowing Ehlers to present this proposal to develop a financial analysis to help inform the Town's decision-making regarding its future road improvement projects. We understand that Focus Engineering has updated its Town road conditions inventory and cost estimates for improvements recommended to occur over the next 5-7 years.

Ehlers proposes develop a financial planning model that incorporates this information, the Town's 2019 financial results, its expected 2020 budget performance, and high-level operating projections for 2021 – 2030. We suggest forecasting the General and Road & Bridge Funds on the same page, in order to discern the Town's full fiscal capacity to undertake some or all of the recommended improvement projects, and with an eye on the years to follow (i.e. through 2030). And we will want to understand how much of the current road budget is needed for regular maintenance vs. available for capital projects, via cash funding (pay-as-you-go) and/or bond payments (pay-as-you-use).

Ehlers anticipates preparing three scenarios for the Town's consideration, reflecting different combinations of investment in road improvements and cash / bond funding of those projects. The two "bottom line" results of these scenarios will be estimated future Town fund balances and property tax levies – with the objective being to help the Town identify a road funding strategy that achieves needed projects while also maintaining adequate reserves and a manageable future trend line for tax levies and impacts. (The model will include estimated tax impacts for different property types and values, with a focus on the net new impact attributable to the road projects.)

Ehlers proposes to invoice its actual time spent on this analysis, with a not-to-exceed cap of \$3,000. This reflects up to 12 hours at an hourly rate of \$250, to be billed in ¼-hour increments and with a task description for each time entry. We expect to attend one Town Board meeting virtually or in person as part of this engagement.

Please contact Bruce at (651) 697-8572 or bkimmel@ehlers-inc.com with any questions about this memo, and thank you again for the opportunity to present this proposal to Denmark Township. This exact type of analysis comprises a large part of our financial advisory work for Minnesota townships, cities, and counties, and we are confident that you will find it useful in deciding how best to proceed with future road improvements.