

August 9, 2021

The Honorable Dan Tosel  
Mayor, City of Appleton  
323 W. Schlieman Ave  
Appleton, MN 56208

Dear Mayor Tosel:

I am pleased to inform you that your application for the 2021 Minnesota Community Development Block Grant COVID-19 (CDBG-CV) has been approved for funding in the amount of \$3,699,000.00 from the Department of Housing and Urban Development (HUD).

DEED staff will provide implementation training on a one to one basis. It is very important that those responsible for the grant administration and reporting reach out their respective DEED representative.

Zachary Klehr is the DEED representative assigned to your grant. For additional information, please contact Zachary at [zachary.klehr@state.mn.us](mailto:zachary.klehr@state.mn.us) or (651) 259-7460.

Congratulations on this grant award to help enhance your community development efforts.

Regards,



Steve Grove  
Commissioner

cc: State Senator Andrew Lang  
State Representative Tim Miller  
Bernice Robinson, Grant Management Specialist, Upper Minnesota Valley Regional Development Commission

Minnesota Department of Employment and Economic Development  
Business & Community Development Division

1st National Bank Building, 332 Minnesota Street, Suite E200, Saint Paul, Minnesota 55101-1351

Phone 651-259-7114 or 800-657-3858

[mn.gov/deed](http://mn.gov/deed)



# City of Appleton

OFFICE OF THE CITY ADMINISTRATOR

323 W Schlieman Ave | Appleton, MN 56208

[cityadministrator@appletonmn.org](mailto:cityadministrator@appletonmn.org) | 320-289-1363

August 13<sup>th</sup>, 2021

Honorable Mayor Tosel and Members of the City Council,

**RE:** Broadband Award - Next Steps

Mayor and Council,

My office has had its first meeting with our region's representative from the Minnesota Department of Employment and Economic Development (DEED), Mr. Zachary Klehr. Mr. Klehr communicated to me that a number of policies and actions need to take place before the project is funded. This City Council is very experienced with the policies required by DEED as said policies have been adopted per the acceptance process of the City's SCDP grant.

What the City Council is not as familiar with, are the environmental study requirements which the City Council will have the RDC perform and the advanced request for proposal process (RFP) process for a provider when funding is provided by both a State and Federal agency. This project is made possible in large part due to the Appleton EDA's authority to issue Lease Revenue Bonds (LRB) which are a funding mechanism new to both the City Council and the EDA.

My office and the City Attorney will be engrossed in the RFP work necessary to procure out this project competitively. In our City's case my office has successfully procured for broadband providers for four other municipalities and as such we are in possession of a template that will need updating to match the State of Minnesota's laws and the specifications needed by the City of Appleton.

The RFP process is codified within [Minnesota Statutes 471.345](#) and [16C.28](#) under Best Value procurement/contracting. An RFP allows for both priced and non-priced characteristics to be held in consideration for contract awarding. An RFP process is the only lawful procurement instrument in which the lower priced proposal, quote, or bid is not necessarily awarded. An RFP allows for tiers of advantageous considerations (needs, non-priced requirements, best value alternatives) to serve as selection justification instead of price alone determining contract awards. Therefore, the construction of an RFP and in particular the components that make up the non-priced tiers of advantageousness often require specific expertise, in this case broadband engineering.

[Minnesota Statutes 471.345](#) are silent on whether or not engineering services must be procured, however because this award is being administered by DEED on behalf of the Office of Housing and Urban Development (HUD), Federal procurement guidelines are triggered. For this RFP process, one of the tiers of advantageousness will necessarily be to provide weighted consideration of providers whose proposals include broadband engineering design services. My office will need close guidance from the City Attorney to provide an opinion for DEED, if necessary to communicate the City of Appleton's position about whether or not a separate procurement for broadband engineering services should be conducted in conjunction with the RFP process for selecting a broadband provider.

The EDA is a political subdivision with the authority to issue debt for economic development purposes with the permission of the City Council. The City of Appleton was awarded \$3,699,000.00 on the condition that some funding, in this instance about \$700,000.00 could be accessed independently. The LRB process was the only available option because other finance mechanisms such as tax abatement bonds are already in use promoting the City of Appleton's many economic development goals.

Minnesota Statutes do not provide any specific funding mechanism for securing capital to build out broadband infrastructure. In cases where specific authority to fund an economic development project does not exist, the LRB process may be used. Lease revenue bonds are a unique structure in the municipal bonds market where a trust (EDA), not the municipality, issues bonds and generates revenues to pay the bonds back by leasing the "facility" to the municipality. Where more commonplace debt issuances have investors relying on the taxing authority of a municipality, LRB investor's rely on revenues from the lease (City Paying Debt Service). In the case of LRB's the debt service does not need to be raised on the tax levy, instead investors would rely on the City of Appleton allocating (budgeting) the debt service annually. To investors this arrangement poses a higher degree of risk and as such interest rates for LRB's are typically higher that of General Obligation bond issuances.

It is important to note that while the City of Appleton is not required to levy for the LRB debt service, if the City of Appleton fails to allocate lease revenue debt service through its budget process, the impact would be significantly adverse and likely prevent the City from issuing debt in the future. My office will be involved bringing consistent alignment between the City Council and the EDA to ensure that the use of LRB resources is successful.

This is an exciting time for our City, together we have achieved a significant portion of the outcomes necessary to bring broadband to our community. That said, as I have shared herein there is much work to be done before the project is funded.

Respectfully Submitted,



Willie Morales, M.P.P  
Appleton City Administrator