



**DDA**

**David Drown Associates, Inc.  
Public Finance Advisors**

Cologne Office:  
10555 Orchard Road  
Cologne, MN 55322  
(952) 356-2992  
shannon@daviddrown.com

April 2, 2021

City of Cosmos  
Attn: John Douville, City Administrator  
P.O. Box 614  
Cosmos, MN 56228

**RE: Street & Utility Reconstruction Project Financing**

Honorable Mayor, Council Members, and Administrator Douville:

The purpose of this letter is to provide information regarding financing for the Street and Utility Reconstruction Project that is presently under consideration. The USDA Letter of Conditions dated April 5, 2021 outlines total funding sources which include the following:

**WATER/SANITARY/STOM:**

SOURCE:	AMOUNT:	AVAILABILITY:
Federal Loan (RD)	\$4,547,000	Upon project completion
Federal Grant (RD)	863,000	Drawn as eligible costs incurred after loans
PFA Grant (State)	1,599,000	Drawn as eligible costs incurred
DEED Grant (State)	600,000	Drawn as eligible costs incurred
Federal Loan (CF)*	1,258,100	Upon project completion (street costs)
<b>TOTAL:</b>	<b>\$8,867,100</b>	

\*It is assumed that street costs will be funded by a Community Facilities Loan from Rural Development.

As the long-term USDA loans cannot be accessed until the project is substantially completed, temporary financing will be needed for construction which will likely include three separate notes. Ultimately those temporary notes will be paid off by the long-term USDA-Rural Development Loans that the City will close on at the completion of construction.

Recognize that to achieve affordability goals, part of the Rural Development financing will be used to pay off three of the existing state loans that the City has incurred for past water projects (2008, 2010, 2013 PFA Loans). Essentially those are being refinanced over a 40-year term to reduce payment levels which will enable the City to take on additional USDA-Rural Development loans.

Based on the terms referenced in the USDA Letter of Conditions (40-year term, 1.375% interest rate) for the utility work, and assuming a term of 20 years at 2.5% interest for a USDA Community Facilities Loan that would fund the ineligible street work, annual debt payments would include the following: