



# GOODHUE COUNTY MINNESOTA

TO EFFECTIVELY PROMOTE THE SAFETY, HEALTH, AND WELL-BEING OF OUR RESIDENTS

**COMMITTEE OF THE WHOLE AGENDA**  
**GOODHUE COUNTY FAIRGROUNDS**  
**44279 COUNTY 6 BLVD**  
**ZUMBROTA, MN**

**AUGUST 8, 2019**  
**9:00 A.M.**

1. Treatment Court Update
2. Commercial Banking RFP

Documents:

[Commercial Banking RFP Recommendation.pdf](#)

3. 2019 First Half Investment Report & Outlook

Documents:

[2019 First Half Investment Program and Outlook.pdf](#)

4. BEVCOMM - Broadband Grant Loan Request

Documents:

[COW-2019.08.08-BEVCOMMLoanRequest.pdf](#)  
[Goodhue County - MN Border-to-Border Grant Request.pdf](#)



*Brian J. Anderson*  
Director of Finance and Tax Payer Services  
Goodhue County Finance & Taxpayer Services

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*Brian.anderson@co.goodhue.mn.us*  
509 W. Fifth St.  
Red Wing, MN 55066

**TO:** Goodhue County Board  
**FROM:** Brian J. Anderson, Finance Director  
**DATE:** August 8<sup>th</sup>, 2019  
**SUBJECT:** Commercial Banking RFP Recommendation

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## Background

Goodhue County embarked on an extensive Commercial Banking RFP process in an effort to receive a better yield on its checking accounts and explore new service options unknown to the County. Upon receiving six proposals and interviewing five local banks, staff would like to report that it's expectation have been met and is proposing to stay with Wells Fargo, which it has a 40 year history with.

## Discussion

County staff let the 13 page Commercial Banking RFP on May 8<sup>th</sup> and closed submittals on June 10<sup>th</sup>, allowing for local banks one month for which to submit their proposal. The County did receive six proposals, however, only five banks met the minimum requirement being one bank didn't have a branch in Goodhue County. After reviewing the proposals, staff scheduled interviews on July 9<sup>th</sup> and 10<sup>th</sup> with Alliance Bank, Associated Bank, Citizen Community Federal Bank, Merchants Bank, and Wells Fargo. After an hour and one-half presentation from each bank and then several follow-up emails, staff had two additional internal meetings to deliberate the findings and merits of each proposal and presentation and felt that Wells Fargo was the best choice to offer commercial banking services for the County.

From the proposal, the County will now be taking advantage of a sweep account that Wells Fargo offer whereby the County's funds will only be transferred over from a money market account as needed. The money market it currently at 2.25%, competitive to the MAGIC fund and 0.30% higher than the next proposal, which is considerably higher than our current earnings allowance rate and now allows us to actually earn money on the fund balance. This also allows staff to keep all its short-term (six month) funds in the money market and not have to worry about transferring the money on a weekly basis, which further allows the County to earn interest during those "holding" periods for the money to be taken out of the checking account. In addition, staff will now work with Wells Fargo on a Vendor Analysis program that is an effective way to migrate from paper to electronic payments and can reduce check printing and mailing efforts.

## Recommendation

After going through the lengthy Commercial Banking RFP process, I feel that staff was successful in "shaking the tree" and accomplished its goal of receiving a higher yield on its accounts along with finding additional banking services to be more efficient. Furthermore, I feel that all the banks appreciated the process and feel that it was fair and worthwhile. With that, staff is recommending to keep its commercial banking services with Wells Fargo while continuing to embark on investments through all community banks. Goodhue County didn't have a contract with Wells Fargo and is not recommending one at this time; therefore, there is nothing to approve. However, staff wanted to present the findings of the RFP to the Board for discussion purposes and to bring closure to the project.



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Goodhue County Finance & Taxpayer Services

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**TO:** Goodhue County Board  
**FROM:** Brian J. Anderson, Finance Director  
**DATE:** August 8<sup>th</sup>, 2019  
**SUBJECT:** 2019 First Half Investment Program Report and Outlook

Although the market has dipped since January 2019, the Goodhue County Investment Program has continued to improve its Fixed Income Investment Yield from 2.182% to 2.311% through active investing. Staff continues to find new ways to improve its earnings potential by “trading-up” certain CD’s with minimal or no penalty, investing through local banks, and reviewing potential interest earning checking accounts with local banks.

### Investment Program Strategy Updates

Some of the new strategies that have been implemented going into 2019 have secured the following benefits:

1. Since January I’ve had the opportunity to establish better relationships with the local banks and have been sending out emails to them inquiring about CD rates. Through this effort, I’ve invested approximately \$1.74m of additional funds through our local banks which has increased our local investment from \$3.5m to **\$5.24m** or from 11.6% to **17.47%** of our investment portfolio.
  - o In May we were able to work with Citizen Community Federal Bank and lock in \$490,000 at 2.59% rate, which is what the higher end rates were advertising.
  - o In June, when rates continued to slide, we were able to work with Merchants Bank and lock in \$1.5m at 2.90% when other national rates were at 2.60%.
  - o I was also able to “trade-up” one of our larger CD’s that we have with First Farmers and Merchants Bank from 1.5% to 1.75% for a \$2,083 net increase, which matures in December 2019.
2. Through our active involvement in the investment portfolio, the County was able to improve its portfolio’s Fixed Income Investment Yield from 2.182% to **2.311%** through June 2019. It’s hard to say where we will end up at the end of the year as it depends on the market, which continue to dip but the CDs that are coming due are lower than the current market yield rate.
3. The County’s interest income for the first half of 2019, through June, came in higher than expected at **\$425,939**. We were able to receive high interest earnings of **\$166,989** through our active investment in the MAGIC fund.
4. Staff had a chance to review five local banking proposals for the Commercial Banking RFP that we let on May 7<sup>th</sup>. We believe there is an opportunity to recommend a bank that will meet our banking needs and offer an interest bearing checking account with the opportunity for some additional earnings. This recommendation will be brought before the Board on August 8<sup>th</sup>.
5. For at least the last four bond issuances (since 2012), staff has retained the financial services from Springsted. Recently, Springsted has been acquired by Banker Tilley out of Chicago. I

believe this would provide us with the opportunity to perform a simple RFQ for financial services related to debt issuance and planning. With the Board's direction, I'd like to send this out to a number of firms that are known around the Twin Cities. This will ensure that the County is receiving a quality firm at a fair market rate.

6. Attached you can find the Local Optional Sales Tax that Goodhue County has received thus far in 2019 and how it has been invested in higher interest CD's that mature in two years. We were projecting to receive \$2m according to the Dept. of Rev. analysis but it appears that we may receive more than that in 2019.

## County's Current Position

1. **Cash and Investments Balance:** The County has a combined cash and investments balance of just over \$66 million partially due to tax collection dollars that we held until settlement on July 2<sup>nd</sup> in the amount of \$19.8m, leaving the County with a balance of **\$46,346,613**.
2. **Overall Yield Weighted Average:** The overall yield weighted average for all cash and investments rose over the past six months from 2.13% to **2.21%** with expectations of even higher rates with the potential of new interest rates in our checking account.
3. **Fixed Income Investment Total:** The overall investment amount of CD's and bonds fell \$1.406m from January to **\$29,681,000** as the County had to issue a payment to South Country Health Alliance in mid-March in the amount of \$1.935m.
4. **Fixed Income Yield Weighted Average:** The investment yield weighted average of CD's and bonds has risen in the past six months from 2.182% to **2.311%**. Being rates keep dropping, we are receiving higher rates on the seven day yield than most other long-term investments.
5. **Interest Earnings:** Because many of the new investments are at a higher yield than those maturing, along with the new investment strategies being implemented, interest earnings have risen considerably with earnings totaling **\$425,939** in 2019. Interest earnings in 2018 were approximately \$658,000 and 2017 were \$162,950.

## County's Investment Program Goals

1. Continue to improve the Overall Yield Weighted Average of 2.21% so it's always within 0.2% of MAGIC Fund rate of 2.33%. This ensures that all our cash is earning interest, at a favorable market rate, where it hasn't in the past. Entering into an interest earning checking account will help us achieve this; however, the banks fees must be calculated into this factor as well.
2. Continue to improve the Fixed Income Weighted Average of 2.311% so it's 0.3% higher than the MAGIC Fund rate of 2.33%. This ensures that we are entering the market and purchasing investments at the right time and essentially "beating the market."
3. Continue to take advantage of investment and market opportunities and increase our interest earnings.

**Goodhue County**  
**Summary of Investments (by type)**  
**As of June 30, 2019**

	Monthly Totals	Weighted Return
Deposit - Ckg, Savings, Money Markets, Change Fund	\$ 4,111,633.76	0.011%
Investment - Mutual Funds	31,312,526.41	1.103%
Investment - Certificates of Deposit	29,681,000.00	1.055%
Investment - Commercial Paper	-	
Investment - Agency Securities	-	
Investment - Bonds	1,049,748.75	0.041%
<b>Monthly Totals</b>	<b>\$ 66,154,908.92</b>	<b>2.209%</b>

**June 30, 2019 Bank Account Balances**

Account Type	Name of Bank	Interest Yield	Weighted Return	Balance 6/30/2019
Checking	Wells Fargo, Red Wing	0.00%	0.000%	\$ 3,701,776.91
Checking	Wells Fargo, Red Wing	0.00%	0.000%	\$ 51,345.14
Savings	Merchants Bank, Red Wing	0.10%	0.000%	\$ 50.00
Money Market	Security State Bank, Wanamingo	0.30%	0.000%	\$ 36,311.19
Money Market	Bank of Zumbrota, Missing Heirs	2.40%	0.001%	\$ 14,592.47
Govt Money Market	Wells Fargo, Minneapolis	2.28%	0.000%	\$ 7,237.63
Mutual Funds	Magic Fund, Cash Management Funds	2.33%	1.103%	\$ 31,312,526.41
Money Market	RBC Brokerage	2.15%	0.010%	\$ 300,320.42
CD	First Farmers and Merchants Bank	1.75%	0.013%	\$ 500,000.00
CD	First Farmers and Merchants Bank	1.75%	0.013%	\$ 500,000.00
CD	First Farmers and Merchants Bank	2.50%	0.009%	\$ 250,000.00
CD	Citizens Community Federal Bank	2.59%	0.019%	\$ 490,000.00
CD	Direct Purchase	3.36%	0.149%	\$ 2,940,000.00
CD	RBC Brokerage	2.15%	0.611%	\$ 18,812,000.00
CD	Wells Fargo, Minneapolis	1.98%	0.066%	\$ 2,205,000.00
CD	Merchants Bank	2.86%	0.162%	\$ 3,750,000.00
CD	Magic Fund, Cash Management Funds	3.15%	0.011%	\$ 234,000.00
Gov Agcy Bonds	Wells Fargo, Minneapolis	2.25%	0.017%	\$ 500,000.00
Gov Agcy Bonds	RBC Brokerage	2.61%	0.020%	\$ 500,000.00
Bonds	U.S. Government Agencies (SBA's)	5.46%	0.003%	\$ 34,723.75
Series EE Bonds	Goodhue County, County Owned	4.00%	0.000%	\$ 4,025.00
Series EE Bonds	Goodhue County, Missing Heirs	4.00%	0.001%	\$ 11,000.00
<b>GRAND TOTAL - ALL ACCOUNTS</b>			<b>2.209%</b>	<b>\$ 66,154,908.92</b>

**2019 Projected Year-End Balance (Interest)**

2019 Budget	350,000.00
Interest Received through 6/30/19	425,939.50
Estimated Interest	352,171.26
Revenues Over Budget (projected)	428,110.76

\*Please see attached Investment Maturity Summary Graph for additional investment positions.

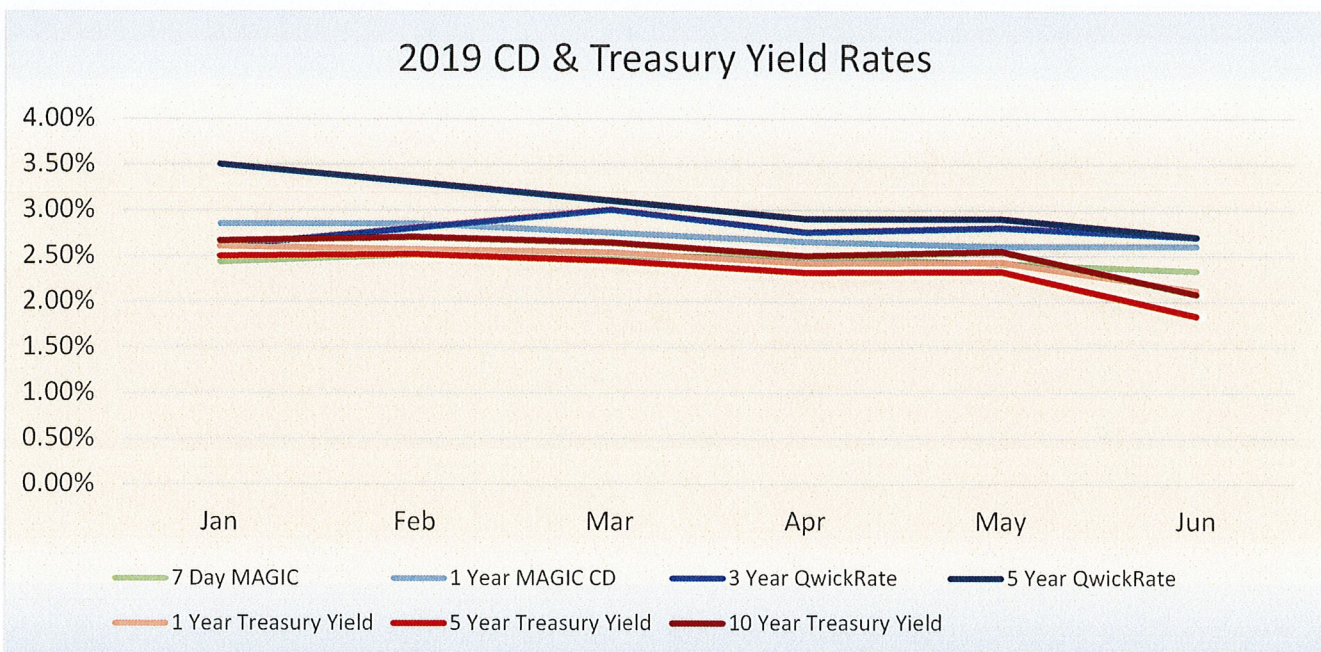
## Market Trends and Outlook

As some analysis at the federal level have stated, this is one of the most unusual markets to predict. The economy keeps moving along in a positive manner as many economic indicators indicate with little sign of inflation on the horizon – yet, the reality is long-term CD rates keep dropping as investors outlook continues to be somewhat bleak. It's believed that the factors impacting market sentiment are broad and determined to be the trade constraints with China and now Mexico (tariffs) along with additional global tensions throughout other parts of the world that continue to hinder the economy.

For the past few months the fixed-income market participants have witnessed intermediate and long-term yields across the globe collapse to lows not seen in a number of years. Benchmark U.S. Treasury yields at 10- and 30-years have fallen roughly 50 basis points since early April and nearly 100 basis points since their recent respective peaks in November 2018. Also, at the FOMC meeting on May 1<sup>st</sup> and then again on June 19<sup>th</sup> the Fed kept its benchmark rate – which influences many consumer and business loans – in a range of 2.25% to 2.50%, where it has been since December. Despite the pressure it's getting from the White House, this was done because the Federal Reserve is primarily interested in maintaining inflation and employment, both of which are looking good.

The following table shows the various Treasury yields along with the various CD rates (MAGIC & QwickRate), which trend slightly above the Treasury. For more market trends, please see the attached sheet by PFM Fund Dist.

Retail sales are slowing



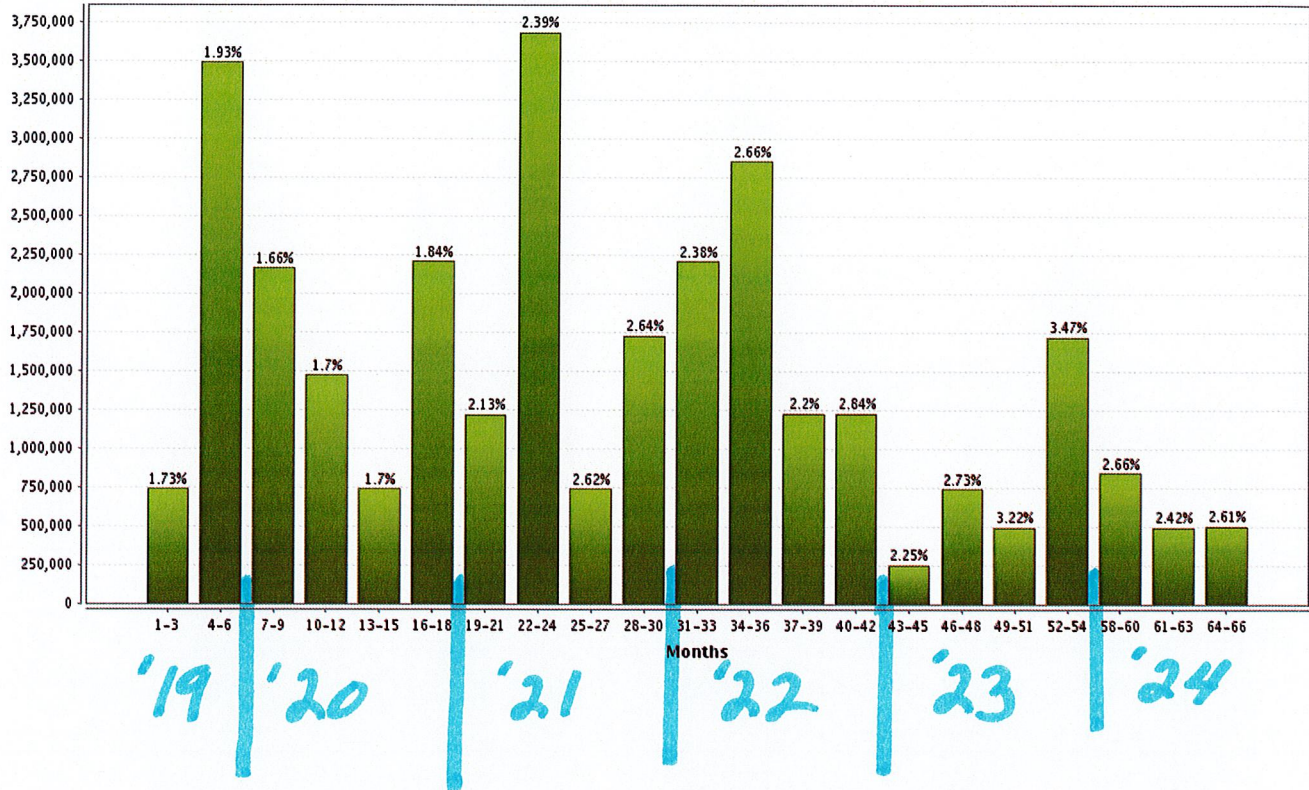
## Investment Maturity Summary Graph Goodhue County, MN



Investments Maturing Between 07/01/2019 and 12/31/2024

Portfolio: All

Report As Of: 07/01/2019



	Num of Investments	Avg Rem Term	Total Invested	Average Rate	Weighted Avg Rate
1-3 Months	3	77	735,000.00	1.7333	1.7333
4-6 Months	5	152	3,490,000.00	1.9300	2.0532
7-9 Months	9	238	2,160,000.00	1.6556	1.6536
10-12 Months	6	336	1,470,000.00	1.7000	1.7000
13-15 Months	3	430	735,000.00	1.7000	1.7000
16-18 Months	9	517	2,205,000.00	1.8389	1.8389
19-21 Months	5	610	1,214,000.00	2.1300	2.1208
22-24 Months	17	698	3,685,000.00	2.3929	2.3269
25-27 Months	3	776	735,000.00	2.6167	2.6167
28-30 Months	6	855	1,725,000.00	2.6417	2.5838
31-33 Months	9	962	2,205,000.00	2.3833	2.3833
34-36 Months	17	1077	2,852,000.00	2.6618	2.5476
37-39 Months	5	1161	1,225,000.00	2.2000	2.2000

## Investment Maturity Summary Graph

### Goodhue County, MN



Investments Maturing Between 07/01/2019 and 12/31/2024

**Portfolio:** All

**Report As Of:** 07/01/2019

<b>40-42 Months</b>	5	1239	1,225,000.00	2.8402	2.8402
<b>43-45 Months</b>	1	1291	245,000.00	2.2500	2.2500
<b>46-48 Months</b>	3	1427	735,000.00	2.7333	2.7333
<b>49-51 Months</b>	2	1485	490,000.00	3.2250	3.2250
<b>52-54 Months</b>	7	1585	1,715,000.00	3.4703	3.4703
<b>58-60 Months</b>	4	1800	840,000.00	2.6625	2.6982
<b>61-63 Months</b>	2	1883	490,000.00	2.4250	2.4250
<b>64-66 Months</b>	1	1928	500,000.00	2.6100	2.6100
<b>Grand Totals</b>	<b>122</b>	<b>860</b>	<b>30,676,000.00</b>	<b>2.3593</b>	<b>2.3110</b>



GOODHUE COUNTY  
SALES TAX RECEIPTS

2019 LOST Transaction Summary Sheet

Notification Date	2019 February	2019 March	2019 April	2019 May	2019 June	2019 July	Total Receipts	DOR Start-up Cost	DOR Misc. Add / Delete	Receipt Adjustments	OR Final Cos Deducted	Month Re: costs	DOR Net Transferred
3/5/2019	180,000						180,000						180,000
4/4/2019		175,000					175,000						175,000
4/9/2019	44,663						44,663	(23,429)			(4,336)	Feb	16,897
5/3/2019			235,600				235,600				(3,132)	Mar	235,600
5/9/2019		37,388		253,800			37,388				(3,260)	Apr	34,256
6/5/2019			28,628				28,628						25,368
6/7/2019					300,000		300,000						300,000
7/3/2019							-						-
							-						-
							-						-
							-						-
							-						-
							-						-
							-						-
<b>Total</b>	224,663	212,388	264,228	253,800	300,000	-	1,255,078	(23,429)	-	-	(10,728)		1,220,921

LOST Investment Summary Sheet

Invest. Date	Institution	Amount	Rate	Interest	Purchased	Purchased	Total
5/14/2019	CD at CCF	245,000	2.59%	12,691.00	5/14/2019	5/13/2021	245,000
5/14/2019	CD at CCF	245,000	2.59%	12,691.00	5/14/2019	5/13/2021	245,000
6/19/2019	CD at Merchar	250,000	2.90%	14,500.00	6/20/2019	6/17/2021	250,000
6/19/2019	CD at Merchar	250,000	2.90%	14,500.00	6/20/2019	6/17/2021	250,000
<b>Total</b>		\$ 990,000		\$ 54,382			\$ 990,000

Left in MAGIC from LOST



# Monthly Market Review

## Look beyond the rhetoric and...

Tough trade talk and tariffs could slow the economy. Trump's calls for easy money could move the Federal Reserve (Fed). Many investors see this as a win for bonds. Never mind if it calls into question how free the free market is.

## Economic Highlights

- Trade talk and tariff disputes ruled the day in May as a new front in the trade war emerged with Mexico on top of unresolved disputes with China. This has begun to take its toll on economic conditions, triggering a slowdown in manufacturing activity and sharp declines in measures of CEO optimism.
- Second quarter U.S. gross domestic product (GDP) growth estimates are now in the 1.5%-2% range, far below the first quarter which was revised in May to 3.1% (vs. initial estimate of 3.2%).
- The World Bank reduced its global growth forecasts for both 2019 and 2020. Global growth in real GDP is now expected to be 2.6% in 2019 and 2.7% for 2020. Downward revisions were especially noteworthy for the Euro area and Emerging Market economies.
- The latest Fed-speak turned more dovish, revealing a shift in the Fed's stance on monetary policy from "patient" to "appropriate." At a recent conference, Fed Chair Jerome Powell acknowledged the consequences of escalating trade tensions and affirmed that the Fed will "act as appropriate to sustain the expansion." The market's expectation is now for two to three rate cuts by year end.
- Inflation pressures remain low. The Consumer Price Index (CPI) indicates inflation at 2%, while the Fed's preferred inflation gauge, the Personal Consumption Expenditure (PCE) Price Index, has weakened over the last several months and is now well below the Fed's target of 2%.
- The U.S. jobs report for May was a huge disappointment as non-farm payrolls grew by only 75,000, well below expectations of 175,000. Monthly job gains have averaged just 164,000 this year, compared with average gains of 223,000 per month in 2018. Wage growth slowed, but the labor market remains tight with the unemployment rate holding at 3.6%.

## Bond Markets

- U.S. Treasury yields declined across the curve with the yield on longer maturities falling more than 30 basis points (bps) (0.30%) in May. Long maturity yields are now down more than 100 bps from their highs of last November.
- The yield curve reached its greatest level of inversion since 2007 as the spread between the 10-year and 3-month Treasuries reached -25 bps (-0.25%). The shorter-term Treasury Bill curve is also now inverted, reinforcing the market's expectation for a lower Fed rate policy in the near term.
- As a result of falling yields, bond returns were very strong in May, with Treasury benchmarks generating some of their best monthly

performance over the last five years. The increasing inversion also meant that longer duration indexes outperformed shorter ones. For example, the 2-year Treasury Index returned 0.77%, while the 10-year index returned 3.35% for the month.

- Investment grade corporate bonds, mortgage-backed securities (MBS) and asset-backed securities all under-performed comparable Treasury securities in May as the unsettled economic outlook and rising market volatility took a toll on these sectors.

## Equity Markets

- U.S. equities halted their strong advance year-to-date on the heels of possible disruptions in global trade. Over the month, the S&P 500 Index fell 6.6%, the Dow Jones Industrial Average retreated 6.7%, and the NASDAQ posted a loss of 7.9%. Global equities followed suit.
- After reaching a two-year high at the end of April, the U.S. Dollar Index (DXY), measured against a basket of international currencies, moved sideways in May.

## PFM Outlook

- Our asset allocation and duration recommendations are largely unchanged from April. We continue to construct and balance portfolios seeking to achieve superior income and reduce risk when compared with benchmarks.
- We believe neutral durations are appropriate due to the uncertainty with regard to the timing and magnitude of Fed actions to affect interest rates. While it may be obvious that the Fed will cut rates if the economy indeed weakened, the key questions of "when?" and "how much?" remain unanswered.
- The prospect of a weaker economy has pushed corporate bond spreads wider, and dragged performance vs. Treasuries, but the equity market strength and the modest widening do not signal an exit sign to us. We are maintaining a modest over-weight to credit, but we have a bias to higher quality issuers as a counter-weight to the slowing. Our emphasis will be on the debt of companies with strong balance sheets and lesser exposure to potential fall-out from tariffs and trade disputes.
- In an oft-repeated theme, spreads of federal agency securities and supranationals remained tight during the month amid little new issuance. The sectors offered only modest incremental income, but just enough to eke out positive excess returns.
- Rising volatility and the sharp rally in Treasuries had a negative impact on the returns of MBS. Recent underperformance, however, may provide an attractive entry point to increase allocations to MBS in portfolios. Our preference is for issues with less prepayment volatility risk, such as more seasoned issues and commercial MBS (CMBS).
- In the money market space much of the juice has evaporated from the high quality credit sector, but issue-specific opportunities remain.

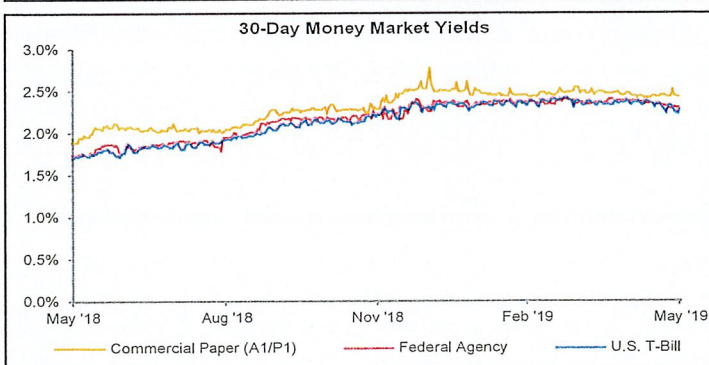
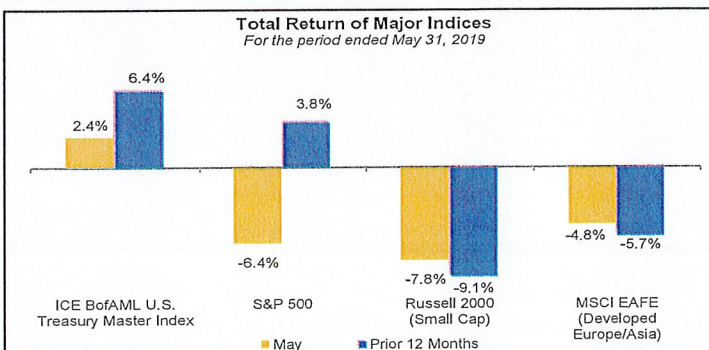
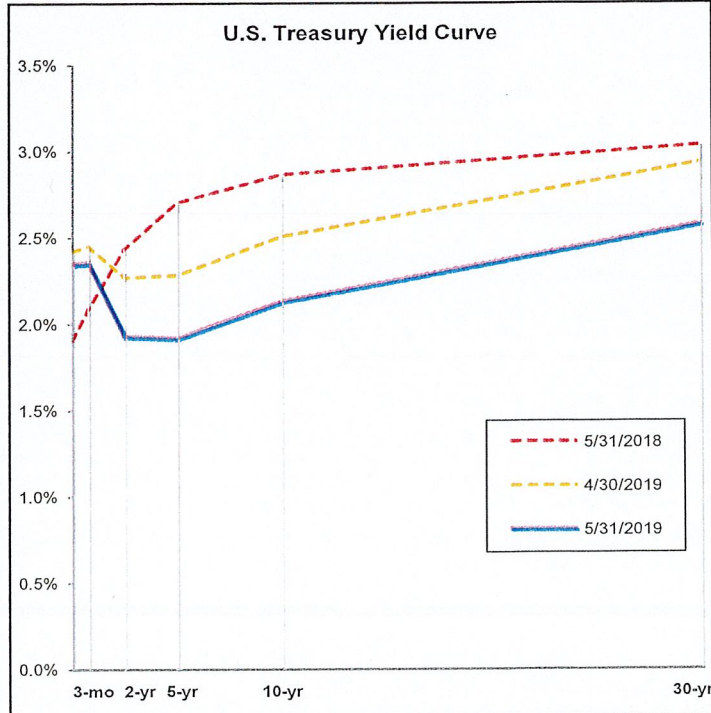
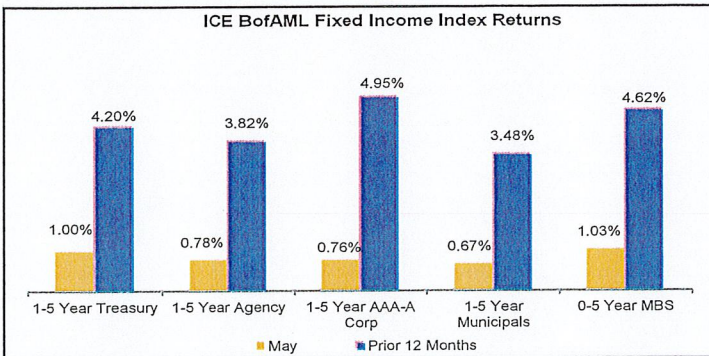
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U.S. Treasury Yields				
Duration	May 31, 2018	Apr 30, 2019	May 31, 2019	Monthly Change
3-Month	1.90%	2.42%	2.34%	-0.08%
6-Month	2.08%	2.45%	2.35%	-0.10%
2-Year	2.43%	2.27%	1.92%	-0.35%
5-Year	2.70%	2.28%	1.91%	-0.37%
10-Year	2.86%	2.50%	2.13%	-0.37%
30-Year	3.03%	2.93%	2.57%	-0.36%

Yields by Sector and Maturity as of March 31, 2019				
Maturity	U.S. Treasury	Federal Agency	Corporates-A Industrial	AAA Municipals
3-Month	2.34%	2.32%	2.34%	--
6-Month	2.35%	2.28%	2.36%	--
2-Year	1.92%	2.02%	2.43%	1.42%
5-Year	1.91%	2.03%	2.59%	1.53%
10-Year	2.13%	2.36%	3.02%	1.86%
30-Year	2.57%	2.76%	3.82%	2.49%

Spot Prices and Benchmark Rates				
Index	May 31, 2018	Apr 30, 2019	May 31, 2019	Monthly Change
1- Month LIBOR	2.00%	2.48%	2.43%	-0.05%
3- Month LIBOR	2.32%	2.58%	2.50%	-0.08%
Effective Fed Funds Rate	1.70%	2.45%	2.40%	-0.05%
Fed Funds Target Rate	1.75%	2.50%	2.50%	0.00%
Gold (\$/oz)	\$1,300	\$1,286	\$1,306	\$20
Crude Oil (\$/Barrel)	\$67.04	\$63.91	\$53.50	-\$10.41
U.S. Dollars per Euro	\$1.17	\$1.12	\$1.12	\$0.00

Economic Indicators				
Indicator	Release Date	Period	Actual	Survey (Median)
Retail Sales MoM	15-May	Apr	-0.2%	0.2%
New Home Sales MoM	23-May	Apr	-6.9%	-2.5%
Consumer Confidence	28-May	May	134.1	130
GDP Annualized QoQ	30-May	1Q S	3.1%	3.0%
ISM Manufacturing	3-Jun	May	52.1	53.0
Non-farm Payrolls	7-Jun	May	75k	175k
Unemployment Rate	7-Jun	May	3.6%	3.6%



Source: Bloomberg. Data as of May 31, 2019, unless otherwise noted. The views expressed constitute the perspective of PFM's asset management business at the time of distribution and are subject to change. The content is based on sources generally believed to be reliable and available to the public; however, PFM cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. PFM is the marketing name for a group of affiliated companies providing a range of services. All services are provided through separate agreements with each company. Investment advisory services are provided by PFM Asset Management LLC which is registered with the SEC under the Investment Advisers Act of 1940. For more information regarding PFM's services or entities, please visit [www.pfm.com](http://www.pfm.com).





**John M. Smith**  
*IT Director*  
*Goodhue County*

509 W. Fifth St.  
Red Wing, MN 55066  
Phone – (651) 385-3224  
Fax – (651) 385-2023

August 8, 2019

To: The Honorable County Commissioners

From: John M. Smith, IT Director

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## **REPORT SUMMARY**

Consideration of request from BEVCOMM for low-interest loan to assist with MN Border-to-Border Broadband Grant Application

## **BACKGROUND**

The Minnesota Department of Employment and Economic Development has updated the grant application for 2020 to award additional “points” to applications that include a financial commitment from local governments.

## **IMPACT**

Award of a 2020 broadband grant to BEVCOMM would allow them to complete their fiber-to-the-home buildout in the Pine Island area.

## **RECOMMENDATION**

The Goodhue County Board is asked to review the attached letter and map of affected area to determine the feasibility of providing the requested loan to BEVCOMM in support of their broadband grant application. Approval of the loan will be voted on at the next regularly scheduled Board of Commissioners meeting.



123 West 7th Street • Blue Earth, MN 56013  
507-526-5156 • 1-877-864-5156 • Fax: 507-526-4963  
www.bevcomm.net

July 25, 2019

Goodhue County Board of Commissioners  
509 West 5<sup>th</sup> Street  
Red Wing, MN 55066

Honorable Commissioners,

We are reaching out to inform you of our intentions at Pine Island Telephone Company dba BEVCOMM to apply for the most recent Minnesota Border-to-Border Broadband Development grant funding in effort to bring fiber optic technology to areas in Goodhue County. We are asking for your support as we endeavor to compile a strong application.

The most recent Minnesota Border-to-Border Broadband Development grant application includes a section that awards points towards applications where local government will provide some financial commitment to the proposed project. BEVCOMM has confirmed with DEED that a loan would satisfy criteria for this vital portion of the application.

We are proposing that, should we be awarded the grant, Goodhue County provide a loan, at market-rate, in the amount of \$15,000 to BEVCOMM. This loan would help to fund the engineering costs for the construction of a fiber optic network connecting an estimated 77 rural homes and businesses northeast of Pine Island within our serving area in Goodhue County (please see a map of the proposed area enclosed). The loan would be repaid in its entirety in three years or when the first customer has been hooked up to the network, whichever comes first. As security, BEVCOMM would purchase a three year CD for the full amount of the loan and pledge that as collateral to the county.

We acknowledge that this request is a bit unusual, however, we believe that the Minnesota Border-to-Border Broadband Development grant program will have many applications this year, due to the fact that the state did not have funding available last year. These applications will be competitive. The proposed commitment, as outlined above, would greatly support our application for grant funding.

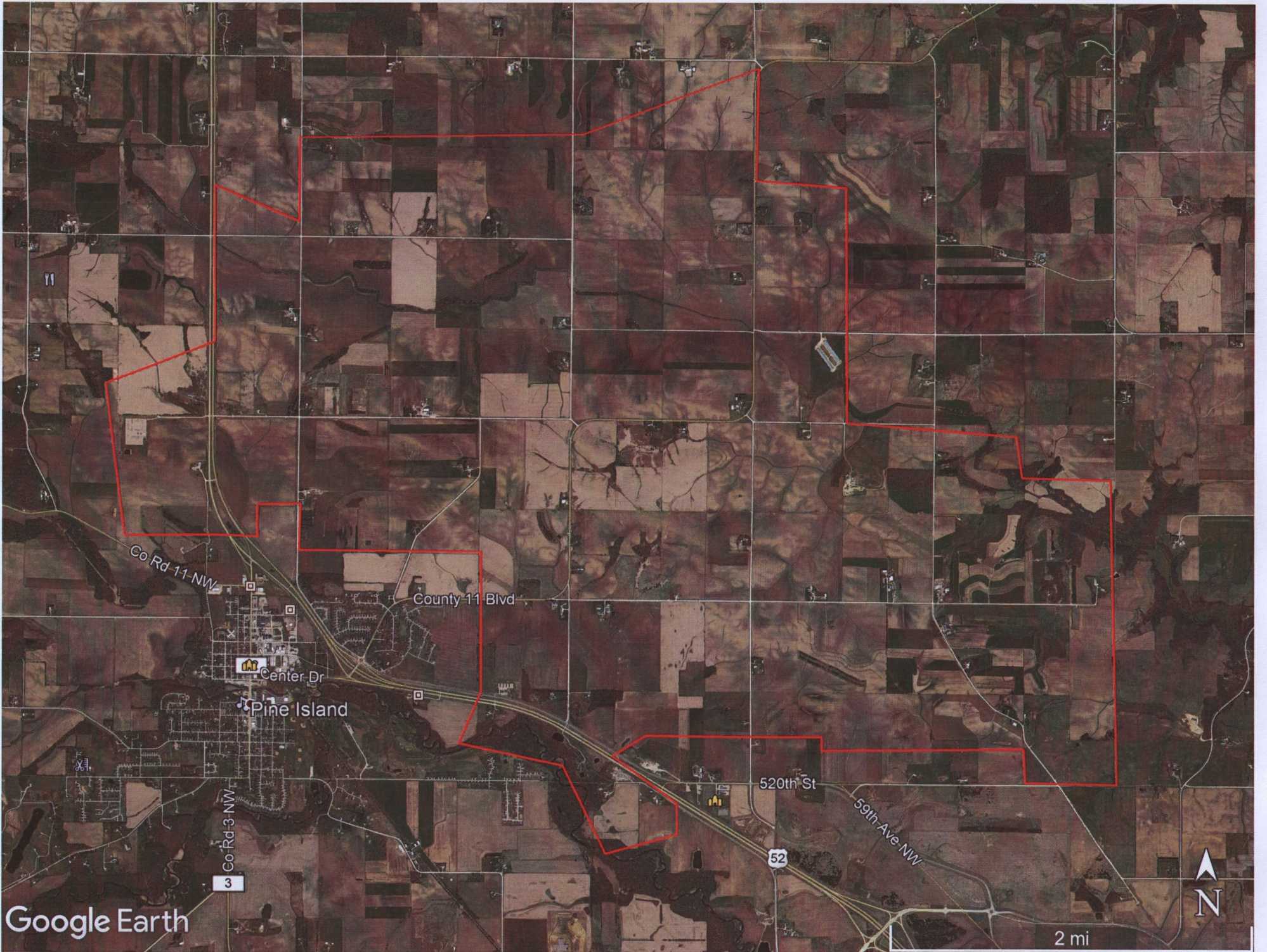
We appreciate your consideration and welcome any questions you may have.

Sincerely,

Bill Eckles, CEO  
BEVCOMM

Enclosures: 1 (Map)

*...your connection to the future!*



Google Earth

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