AGENDA
CITY COUNCIL
WORK SESSION
CITY OF WYOMING, MINNESOTA
APRIL 21, 2026
5:00 PM

CALL TO ORDER:

CALL OF ROLL:

DETERMINATION OF A QUORUM:

NEW BUSINESS:

1. Liberty Ponds HOA Community Septic Discussion

ADJOURN

Request for Council Action

Date: April 17, 2026

Presented to: Mayor Iverson and City Council Members
Presented by: Robb Linwood, City Administrator
Department: Administration
Reference: Work Session – Liberty Ponds Requests
Method: Consent Agenda

Background Information:

At the request of Liberty Ponds residents, the City Council will hold a work session to review and discuss several items related to the community septic system and potential funding or infrastructure options. Residents have asked the City to consider participation in the Minnesota Pollution Control Agency's Clean Water Partnership program, as well as explore the concept of a Subordinate Service District and potential future infrastructure connections.

The City Attorney has provided a legal overview of the Clean Water Partnership program, including the City's role as a potential loan sponsor and associated risks, as well as general considerations related to a Subordinate Service District. The City Engineer will be present at the work session to discuss questions related to infrastructure, including considerations associated with potential connections in the Highway 8 corridor. Staff will be prepared to respond to questions and provide additional information on these topics during the work session.

We have attached a letter from the Liberty Ponds HOA dated December 16, 2025, a letter from their legal representation, Mia Thibodeaux, outlining their requests, and the memo from the City's legal counsel, Mr. Loonan.

MIA E. THIBODEAU
Duluth Office
mthibodeau@fryberger.com
218.725.6873

April 3, 2026

VIA EMAIL ONLY tloonan@eckberglammers.com
Tom Loonan
City Attorney
City of Wyoming
Eckberg Lammers, P.C
430 2nd Street
Hudson, WI 54016

Dear Mr. Loonan:

This letter is to describe the options the City of Wyoming (the "City") has available to assist the Liberty Ponds Association, Inc. (the "Association") in financing the replacement of its subsurface sewage treatment system (the "System"). As you know, the System was poorly constructed, has failed, and the MPCA is requiring replacement of the System.

The Association is still exploring all possible options to most effectively provide sewer/septic service to the Association, including connection to an existing municipal system (instead of new construction of a replacement System), or installation by the Association or a municipality of a new System.

Option #1: Connection to Existing Municipal Treatment System (Preferred Option)
The most cost-effective option is the connection to an existing municipal system (either that of the City of Forest Lake or the City of Wyoming/the Chisago Lakes Joint Sewage Treatment Commission). Notably, connection to the City of Forest Lake would be the most cost-effective as the connection point is closer to the Association property. However, even connecting to the City of Wyoming would be considerably cheaper than constructing an entirely new treatment system. Therefore, this remains the Association's *preferred option*.

If the Association is NOT permitted to connect to an existing treatment system, and instead needs to replace its System, the cost to the Association will be greatly increased. Therefore, the Association is requesting the City's assistance because the cost to finance the replacement of the System is prohibitive and with the City's help, the cost could be greatly reduced since additional grants and low-interest loans are available to a municipal entity such as the City.

Most funding options would require the City to have an ownership interest in the System (whether by conveyance, easement or ground lease)[1], and the Association is generally willing to structure any such required ownership interest in a manner that provides the most liability protection to the City However, certain options exist to provide financial assistance without requiring the City to have an ownership interest in the System.

Option #2—Funding Options with Ownership of System

If the City obtains an ownership interest in the System, the City would have a multitude of funding options available to provide financing for the System. The main concern with this option is structuring such ownership interest to ensure the City is protected from costs associated with the System.

Option #2A: City Owns System and Establishes Subordinate Service District

The City may decide to own the System and establish a subordinate service district with the Association properties comprising the defined area within the City in which special services are to be provided. The City may "borrow" the power to establish a subordinate service district granted to townships. Under Minnesota Statutes, Section 415.01, subd. 1, cities are allowed to use the township powers in chapters 365 to 368, within the city limits. Therefore, the City may utilize the authority found in Chapter 365A to establish a subordinate service district, if it chooses.

The statutory authority in 365A which the City would borrow, allows the City to impose "a property tax levied only on property of the users of the service within the boundaries of the district or a levy of a "service charge" against the users of the service within the district, or [a combination thereof]" to pay for the operation of the district and associated debt service costs. The service charges or

---

[1] The general rule is that for an expenditure by a governmental entity to be lawful, it must have:

- a public purpose;
- express or implied authority; and
- have governing body approval.

Based on the above, normally, public funds cannot be spent to improve private property (i.e., the Association's System). However, there are certain exceptions, including the Clean Water Partnership Law loan program under Minnesota Statutes Section 103F, or a loan program established by a municipality under Minnesota Statutes, Section 115.57. Both of these programs allow municipalities to expend funds to improve qualified projects, even if they are privately owned. Additionally, these programs allow a municipality to issue obligations to fund such projects (without being required to have an ownership interest in the project); although typically the private party benefitting from the funds will be required to assume all costs and liabilities related to the funding of the project.

levy are certified to the property taxes of the property within the district. This would allow the City to ensure it is able to assess all costs of the System (including any debt service, operating or maintenance costs) to the residents of the Association.

The process for establishing a subordinate service district requires a public hearing, adoption of a resolution by the respective governing body, and publication of the resolution with a reverse referendum period (among other steps specified by statute). The process can be initiated by the governing body or a petition of landowners.

The authority in 365A allows the City to issue obligations "in an amount it deems necessary to defray in whole or in part the expense incurred and estimated to be incurred in making capital improvements necessary to operate the subordinate service district and provide the special services in the district, <u>including **every item of cost** from inception to completion and all fees and expenses incurred in connection with the capital improvements or the financing.</u>"

In this case, the Association would convey the property on which the System is built to the City and the improvements thereon in exchange for the establishment of the subordinate service district to own, operate, maintain and finance the System. All costs of the City for the System would be assessed to the district/Association as "service charges" or a levy on property within the district/Association.

<u>Option #2B Ownership Pursuant to Agreement</u>

Ownership of the System could also be established pursuant to long-term easement, or other conveyance document, which could address ownership, operation, maintenance, indemnification, and term of such agreement. Notably, this type of ownership interest may preclude the City's ability to borrow on a tax-exempt basis, but would likely allow for application to state and federal funding sources with low interest cost such as the Minnesota Public Facilities Authority or the Minnesota Pollution Control Agency, including the following programs:

- Small Community—Construction up to $2,000,000 1% 20 years
  - Could receive grant depending on affordability tests.
- Small Community—Technical Assistance (up to $60,000 in grant to design system)
- Clean Water Revolving Fund (if connection to public wastewater system)

<u>Option #3: Funding Options without Ownership of System</u>

Based on the foregoing, normally, public funds cannot be spent to improve private property (i.e., the Association's System). However, there are certain exceptions, including the Clean Water Partnership Loan program under Minnesota Statutes Section 103F, <u>or</u> a loan program established by the City under Minnesota Statutes, Section 115.57. Both of these programs would allow the City to expend funds to improve qualified projects, even if they are privately owned. Additionally, these programs allow the City to issue obligations to fund such projects (without being required to have an ownership interest in the project); although typically the private party benefitting from the funds will be required to assume all costs and liabilities related to the funding of the project.

Option #3A Establishment of Loan Program under 115.57

The City may, by ordinance, establish a loan program to provide loans to property owners for design and construction of septic systems. As stated above, the City may also issue obligations (which do not require an election and do not count towards the City's general limit on net debt) to finance the loan program; however, since the loan will benefit a private entity such debt obligations may need to be issued on a taxable basis. Notably, in 115.57, subdivision 6, the City is given authority to assess and place a lien against the property of each homeowner benefited by the improvement, which would provide the City very good security for the loan. Further, typically any such loan would be made pursuant to a Loan Agreement form developed as part of a loan program established by a City which would provide for thorough protection against liability of the City and would include provisions addressing indemnification, operation and maintenance of the benefitted system.

Option #3B Clean Water Partnership Loan

As has been previously communicated to the City, the MPCA's Clean Water Partnership loan program is also available to the City and does not require the City to own the improvements. The Loan Agreement can be tailored to ensure that all costs and risks are borne by the Association. Notably, the Association's declaration (governing document for the development) allows for annual assessments to the members (i.e., to make payments to the City if needed for any loan repayments for the System construction). While there is some risk if a member has a mortgage that is foreclosed upon since past due association fees are eliminated in a foreclosure, except for the last 6 months of prior assessments. However, clearly not all homeowners will be foreclosed upon, and the Association would covenant in the loan agreement to impose sufficient annual assessments sufficient to pay the City the loan repayments due under the Clean Water Partnership loan. If the Association needs to obtain additional financing in the form of a bank loan to complete construction of the new System, the pledge will likely be the revenues of the Association from assessments pursuant to the Declaration (and any cash on hand) and, potentially, a mortgage on the common elements of the Association (although as a practical matter it is unlikely that a lender would want to possess only common elements in an Association). If the Association does not impose sufficient annual assessments to cover any Clean Water Partnership loan repayments to the City and any amount owed to another lender, either the City or the other lender could bring an action to require the Association board to impose sufficient rates.

The Association is hopeful that the City is willing to participate in ensuring adequate sewer/septic service is provided to the Association residents and believes assistance by the City would be consistent with the City's current Comprehensive Plan. Please let us know which options the City is willing to consider. Again, the Association's preferred option is connection to an existing municipal system.

Sincerely,

Mia E Thib

Mia E. Thibodeau

25506\000000\1EP3397.DOCX

Liberty Ponds and City of Wyoming Working Session

December 16, 2025

5:30 PM

Over the past 15 months, the Liberty Ponds Association has spent hundreds of hours researching why our community septic system failed 30+ years prematurely. In this process, we have engaged with many government entities and other resources as we looked for support to address the problem(s).

Below is a high-level statement of the facts that have been discovered:

1) The septic system failed prematurely due to poor design, poor soil conditions, poor construction and sitting dormant for an extended period of time
2) The original developer filed for bankruptcy
3) The company that designed the septic system is no longer in business
4) The construction company that built the septic is no longer in business
5) For all practical purposes, the septic system has never been compliant. Data shows the septic has been non-compliant 85% of the time
6) The second developer (Schwieter's) had data that showed the septic system was out of compliance.
    a. This material data was not shared with the company conducting the reserve study. The reserve study in 2018 indicated the septic was in good working order and viable for at least 30 more years.
    b. The Liberty Ponds HOA reserves are aligned with the recommendations of the reserve study.
    c. This material data was not shared with Liberty Ponds when the HOA was turned over to the homeowners.
7) The MPCA issued a Notice of Violation to Schweiter's in 2016. Schwieter's advised the MPCA that they fixed the issues, so the NOV was closed out, even though nothing was provided to the MPCA on what was done to fix the system. The data we now have does not support the septic being fixed.

Liberty Ponds is now under a Notice of Violation with the MPCA and we are the only group being held accountable to address the septic issues. Since we are a simple HOA, that does not have the expertise to manage a Municipal Waste Water Treatment Facility, we are continuing to engage with as many resources as possible.

To date, we have engaged the following:

Congressman Pete Stauber

Senator Amy Klobuchar

Senator Tina Smith

Senator Mark Koran

Representative Max Rymer

City of Wyoming- Robb Linwood

Chisago County Administrator - Chase Burnham

Chisago County Environmental Service Director - Kurt Schneider

Chisago City Administrator - John Pechman

Minnesota Attorney General's Office – Laura Sayles and Parker Maertz

Reserve Advisors – Keary Wass

SBSA Inc – Edward Fronapfel

Shorewood Community in Rush City – Rich Storck

Midwest Assistance Program - Chris Zeigler

Shores of Eagle Lake – Art Plante

Wild Mountain – Brad Larsen

Benton Utilities – Jeff Hanson

Whispering Ridge – Matt McCarty

Christ our Light Church – David Badger

Minnesota Pump Works – Scott Swenson

MPCA – Many Individuals

After a lot of discussion with the various groups, the universal input we have received is how critical it is for the City to provide support. We have had some level of support from the City, but it's clear we need more involvement in order to take advantage of the various government programs that are available. These programs are structured to be managed by a government unit, which for Liberty Ponds, is the City of Wyoming.

While our ask is simple on the surface, we understand there is complexity and effort will be needed to manage any grants or loans. That is why we have committed to pay the City for incremental expenses associated with these programs. In addition, Liberty Ponds is also committing our resources to take on as much of the work as we can in relation to the CWP loan and grants to remove as much burden as possible from the City.

To be clear, we are NOT asking the City to:

1) Take over ownership of Liberty Ponds septic system(s)
2) Pay for Liberty Ponds septic system(s)

We are here tonight to ask the City to:

1) Apply and administer a CWP Loan through the MPCA, with an initial amount of $750,000
2) Apply and administer grants.
3) Explore the potential to connect to sewer with the Highway 8 Improvement project. Initial cost estimate from Minnesota Pump Works was $1.2 million, but more work is needed. We have gone as far as we can for now. We need support from the City to work through the details.

Cost Picture with City's support:

(High Level Estimate) New Septic $3,000,000

CWP Loan - $750,000 (With Interest $790,532) - (1.5% loan for 7 years)

Grants - $1,500,000

HOA Loan - $750,000 (With Interest $950,838) – (7% loan for 7 years)

Total Cost to HOA with Interest $1,741,370

Connecting to sewer as part of Hwy 8 improvement project:

(High Level Estimate) Running Sewer from Liberty Ponds to HWY 23 - $1,200,000

CWP Loan - $750,000 (With Interest $790,532) – (1.5% loan for 7 years)

Grants - $500,000

Total Cost to HOA with Interest $790,532

Cost Picture with current support from City:

(High Level Estimate) New Septic $3,000,000

HOA Loan - $3,000,000 (With Interest $5,582,152 (7% Interest 20 Years)

HOA Loan – $3,000,000 (With Interest $7,185,266 (7% Interest 30 Years)

We listened to the recent City Council meeting. One of the items was the City purchasing a new truck for the fire department. The City took advantage of a state program allowing them to purchase the truck at the lowest possible cost. Liberty Ponds is essentially looking for the exact same thing. We want to use the available state and federal programs, which will allow us to build a new septic with the lowest total cost to our community. We need the support from the City to take advantage of these programs.

If the current support we are getting from the City doesn't change, it will cost the Liberty Ponds Homeowners up to 9 times more for a new septic. Obviously, this is a dire concern for the homeowners.

Thank You for allowing us the opportunity to share this summary and we respectfully ask for the City's support with the CWP loan and Grants.

ECKBERG LAMMERS
MEMO

To:	City of Wyoming
From:	Eckberg Lammers, City Attorney
Date:	4/16/2026
Re:	Wyoming Participation in MPCA CWP Loan & Risks

Question Presented

Liberty Ponds Homeowners Association ("Liberty Ponds" or the "Association") has requested that the City of Wyoming ("City") participate in the Minnesota Pollution Control Agency's ("MPCA") Clean Water Partnership Loan Program ("CWP") to access $1.25 million in funding to replace the Association's septic system or alternatively establish a subordinate service district to help fund the project. The total estimated cost provided by the Association is approximately $3 Million, meaning additional private financing will be required to cover the remaining balance of $1.75 million. This memo analyzes (1) the process for the City to participate in the CWP program; (2) the legal mechanisms for securing repayment for the City through special assessments; and (3) the risks to the City and possible recommendations to protect the City against being left to bear the financial burden of repayment; and (4) the steps the City should take if it decides to move forward as a loan sponsor. In addition this memo presents an analysis of another option requested by the Association establishing a subordinate service district and what that may entail if the City chooses that option.

Short Answer

The CWP program is a state-funded low-interest loan program designed to finance water quality improvements, including the replacement of subsurface sewage treatment systems ("SSTS"). The City of Wyoming, as a Minnesota municipality, is eligible to serve as a "loan sponsor" for this type of project. The City's primary risk is that it must pledge its full faith and credit to guarantee repayment to the MPCA. To protect itself, the City should secure special assessments and waivers from every property owner in Liberty Ponds *before* executing any loan documents. Special assessments create a paramount lien on the benefited properties under Minnesota law, ensuring that the City is first in line for repayment. Additionally, because the CWP loan covers only a portion of the total cost, the City should require proof that Liberty Ponds has obtained binding commitments for the remaining $1.75 million in private financing *before* the City submits its loan application. The City should also require a nonrefundable escrow deposit from Liberty Ponds to cover the City's legal and administrative costs regardless of whether the loan is approved.

The subordinate service district is permissible under the authority provided to cities under Section 415.01 of the Minnesota Statute allowing the City to borrow the authority granted to towns in order to establish the district. Establishment of a subordinate service district would require the

City to take ownership of the system and be responsible for all maintenance. Upon establishing the subordinate service district the City could levy a property tax against or service charge against all system users located within the district to fund the project and pay for operations.

CWP Discussion

I. The Clean Water Partnership Loan Program

The CWP loan program is funded through the Clean Water State Revolving Fund. Loans may cover up to 100% of eligible projects. The current interest rate for loans to local governmental units ("LGUs") is 1.5%, and the loan award is $750,000 with the potential to amend up to an additional $500,000. Eligible loan sponsors include counties, municipalities and other LGUs. The City of Wyoming, as a Minnesota municipality, is eligible to serve as a loan sponsor. The loan sponsor must pledge its full faith and credit to ensure the repayment of the loan over its term.

II. Eligibility of the Proposed Project

The upgrade or replacement of a subsurface sewage treatment system ("SSTS") is an eligible project under the CWP program. SSTS projects are evaluated on a pass/fail basis rather than a scoring system which is used for other projects. The CWP program operates on a reimbursement basis in which the MPCA disburses loan funds to the loan sponsor only as costs are incurred. Loan repayment begins after the project has been completed on a semi-annual basis. The loan term may not exceed 20 years. According to the previous project the firm did with the City of Scandia and the Tii Gavo homeowners association, the DNR in that case said that payments would be reimbursed within 3-5 business days.

III. Securing Repayment Through Special Assessments

The core protection for the City is the special assessment lien placed on the individual homeowners properties. Under Minn. Stat. chapter 429, a municipality may levy special assessments against properties that benefit from a local improvement. Section 429.061, Subd. 2 provides that a special assessment "shall be a lien upon all private and public property included therein, from the date of the resolution adopting the assessment, concurrent with general taxes." Special assessments are a "paramount lien" according to Minn Stat. § 272.32 and as such takes priority over private liens including mortgages:

> "All assessments upon real property for local improvements made or levied by the proper authorities of any city in the state shall be a paramount lien upon the land upon which they are imposed from the date of the warrant issued for the collection thereof, or from such other date as by the charter of any such city such assessments become a lien upon the land, and of equal rank with the lien of the state for taxes which have been or may be levied upon the property under the general laws of the state."

Given this, so long as the City implements its repayment in the form of a special assessment, it will take priority over all other private loans, liens, and encumbrances against the property. Minn. Stat. 429.061 goes over all the procedures required to levy a special assessment. Given that we are looking to have the members of Liberty Ponds sign an assessment waiver, we will have to look at the versions of the assessment waivers from the City of Scandia matter and model ours off of those so that we know which of the required procedures for the special assessment can be waived.

IV. Risks To The City

The following are the principal risks the City of Wyoming should be aware of before authorizing to move forward with the project.

a. Full Faith and Credit Obligation

As the loan sponsor, the City must pledge its full faith and credit to guarantee repayment of the loan. This means that if Liberty Ponds fails to reimburse the City, the City would be liable for the remaining loan balance.

b. Partial Funding Gap

The CWP loan will cover a maximum of $1.25 million of the estimated $3 million of the total project cost. The remaining $1.75 million must come from private financing secured by Liberty Ponds. This creates a risk that the project could stall if private financing falls through, potentially leaving partially completed work. To prevent this, the City should require Liberty Ponds to provide evidence of binding financing commitments for the full $1.75 million balance before the City submits any loan application to the MPCA.

c. Legal and Administrative Costs

The city will incur legal, administrative, and title-review costs in connection with the loan application and assessment waiver process. The MPCA's approval is not guaranteed. To protect the City, the cooperation agreement should require Liberty Ponds to deposit a nonrefundable escrow covering all anticipated legal and administrative costs before the City commences any work on the application. In the prior matter with the City of Scandia, the Tii Gavo HOA deposited $55,500 at $1,500 per property for the 37 properties into escrow.

d. Assessment Waiver Compliance

The City's ability to guarantee repayment depends entirely on obtaining a signed assessment waiver from every property owner in Liberty Ponds. If even one owner refuses to sign, the City faces a gap in its repayment and should refuse to move forward with the application process. The only exception to this would be if the property owner who refuses to sign the assessment waiver agrees to pay the full cost of the assessment associated with their property upfront.

e. No City of Wyoming Ownership or Liability

The cooperation agreement should make clear that the City has no ownership interest in Liberty Ponds' septic system and assumes no responsibility for the project's construction, ongoing maintenance, or regulatory compliance. The City's sole role is as a loan sponsor. An example of this can be found in the agreement between Scandia and Tii Gavo under section "VI. Indemnification."

V. Step-By-Step Process

The following outlines a recommended sequence of actions for the City of Wyoming to follow, modeled on the process used successfully by the City of Scandia for the Tii Gavo SSTS project. A key difference here is that the CWP loan covers only $1.25 million of the $3 million total cost of the project, requiring additional private financing to meet the total cost.

Step 1: City Council Authorization

- The City Council should hold an informational meeting with Liberty Ponds residents to explain: (a) how the CWP loan program works; (b) that the City will serve as a loan sponsor only; (c) that every property owner must sign an assessment waiver; (d) that Liberty Ponds must provide a nonrefundable escrow deposit; (e) and evidence of private financing for the remaining $1.75 million.

Step 2: Execute the Cooperation Agreement

- The City and Liberty Ponds should enter into a cooperation agreement governing the parties' obligations. This agreement should be modeled after the Scandi-Tii Gavo Agreement and should include the following terms:
  - A nonrefundable escrow deposit from Liberty Ponds to cover all legal, administrative, and title-review costs.
  - A requirement that Liberty Ponds provide written evidence of a binding financial commitment for the remaining $1.75 million before the City submits the CWP application.
  - A requirement that all property owners execute assessment waivers before the City executes any loan agreement with the MPCA.
  - An indemnification provision requiring Liberty Ponds to indemnify and hold the City harmless from any possible claims arising form the project.

Step 3: Verify Private Financing

- Before proceeding with the CWP application, the City should require Liberty Ponds to provide documentation demonstrating that they have secured financing commitments for the remaining $1.75 million not covered by the CWP loan.

Step 4: Title Review and Preparation of Assessment Waivers

- Before the City submits any application materials, a title review would need to be done for each property within the Association, and assessment waivers would need to be prepared for each property owner. Each owner's waiver would specify the pro rata share of the total assessment, including the loan principal, recording fees, and any remaining City administrative costs not covered by the escrow. This would be similar to what the City of Scandia outlined in its draft agreement and assessment waivers with Tii Gavo.

Step 5: Obtain All Signed Assessment Waivers

- Liberty Ponds must collect executed assessment waivers from every property owner in the HOA. If any property owner refuses to sign, the City should not proceed.

Step 6: Prepare and Submit the CWP Loan Application

- Once all assessment waivers are in hand and private financing has been confirmed, the City should prepare and submit the CWP loan application to the MPCA.

Step 7: MPCA Review

- The MPCA will review the application for eligibility. For SSTS projects, they fall under a pass/fail review by the MPCA. If the MPCA approves the loan, the City must execute the loan agreement within 90 days of the being approved. Before any loan funds are disbursed, the City must provide to the MPCA:
    - (a) a signed loan agreement;
    - (b) a general obligation promissory note, including certified copies of all resolutions and an opinion from recognized bond counsel;
    - (c) a finalized CWP project workplan and budget that has been approved by the MPCA project manager; and
    - (d) for SSTS replacement projects, a completed Categorical Exclusion from Environmental Review checklist and evidence of public posting.

Step 8: Project Implementation

- After the loan agreement is executed and the workplan is approved, Liberty Ponds may then begin the project. The City will facilitate payment by submitting reimbursement requests to the MPCA as Liberty Ponds incurs costs.

Step 9: Reporting and Repayment

- The City must submit semi-annual reports to the MPCA for the duration of the loan agreement. Reports are due on August 1st (covering January 1st – June 30th) and February 1st (covering July 1st – December 31st), with a final report due 30 days after the loan agreement's end date. The City would collect assessment payments from Liberty Ponds property owners and use those funds to repay the MPCA.

VI. Required MPCA Forms

The following forms are available on the MPCA's CWP loan website and are required for the loan application. Because this is an SSTS project, the City should use the SSTS-specific workplan and budget form rather than the general proposal forms.

Form	Document Number	When Required
SSTS/LSTS-Only Proposal Work Plan and Budget	wq-cwp7-35g-fy23	With initial application submission
Project Sponsor Resolution Form	wq-cwp7-35k	With initial application submission
Categorical Exclusion from Environmental Review Checklist	(Provided by MPCA)	Before loan funds are disbursed (SSTS replacement projects only)

Subordinate Service District

I. Establishment of a Subordinate Service District

The City may establish a subordinate service district via holding a public hearing and then adopting an authorizing resolution followed by publication of the resolution and a reverse referendum period. Upon establishing the district, the Association would convey the property with all improvements on which the system is built to the City to own, operate, maintain and finance the system.

II. Risks and Responsibilities

The primary risk in establishing a special service district is that the City will take all ownership and responsibility for the system. The financial risk is mitigated because the City is able to levy all costs from the property owners who use the system which can be assessed as a service charge or a levy on the property. However, the City will still be responsible to operate and maintain the system. Council must first determine if it wishes to take ownership of the system before proceeding with establishment of a special services district.

<u>Conclusion</u>

Assuming the City does not want to take ownership of the septic system, the CWP loan program is the most feasible and best option for Liberty Ponds. Participation in the program will allow the Association to replace its septic system at the 1.5% interest rate, which is a far better rate than what they would recievie in the private market. The City of Wyoming is eligible to participate as a loan sponsor, and SSTS replacement is a qualifying activity evaluated on a pass/fail basis. However, the City's participation carries risks, principally the full faith and credit pledge and the fact that the CWP loan covers only a portion of the total project cost. These risks can be substantially mitigated through a cooperation agreement with Liberty Ponds, nonrefundable escrow, verification of private financing, and the use of special assessment and waivers on all the properties that benefit.