



Mayor Ardeall F. Brede  
201 4th Street SE – Room 281  
Rochester, MN 55904-3782  
Phone: (507) 328-2700 Fax: (507) 328-2727  
FIRST CLASS CITY • FIRST CLASS SERVICE



February 12, 2016

The Honorable Patricia Torres Ray  
Chair, State and Local Government  
Committee  
Minnesota State Senate  
3225 Minnesota Senate Building  
95 University Ave W  
St. Paul, MN 55155

The Honorable Dan Hall  
State and Local Government Committee  
Minnesota State Senate  
103 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, MN 55155-1206

The Honorable David Tomassoni  
Chair, Environment, Economic Development  
and Agriculture Budget Division  
Minnesota State Senate  
3401 Minnesota Senate Building  
95 University Ave W  
St. Paul, MN 55155

The Honorable Bill Ingebrigtsen  
Environment, Economic Development and  
Agriculture Budget Division  
Minnesota State Senate  
143 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, MN 55155-1206

The Honorable Richard Cohen  
Chair, Finance Committee  
Minnesota State Senate  
3235 Minnesota Senate Building  
95 University Ave W  
St. Paul, MN 55155

The Honorable Tim Sanders  
Chair, Government Operations and Elections  
Policy Committee  
Minnesota House of Representatives  
553 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, MN 55155-1206

The Honorable Michael Nelson  
Government Operations and Elections Policy  
Committee  
Minnesota House of Representatives  
351 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, MN 55155-1206

The Honorable Patrick Garofalo  
Chair, Job Growth and Energy Affordability  
Policy and Finance Committee  
Minnesota House of Representatives  
485 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, MN 55155-1206

The Honorable Tim Mahoney  
Job Growth and Energy Affordability Policy  
and Finance Committee  
Minnesota House of Representatives  
345 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, MN 55155-1206

The Honorable Jim Knoblach  
Chair, Ways and Means Committee  
Minnesota House of Representatives  
453 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, MN 55155-1206

The Honorable Michelle Fischbach  
Finance Committee  
Minnesota State Senate  
15 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, MN 55155-1206

The Honorable Rod Skoe  
Chair, Taxes Committee  
Minnesota State Senate  
3211 Minnesota Senate Building  
95 University Ave W  
St. Paul, MN 55155

The Honorable Julianne Ortman  
Taxes Committee  
Minnesota State Senate  
119 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, MN 55155-1206

Commissioner Cynthia Bauerly  
Minnesota Department of Revenue  
600 North Robert Street  
St. Paul, MN 55101

The Honorable Stephanie Podulke  
Chair, Olmsted County  
Board of Commissioners  
151 4th St SE  
Rochester, MN 55904

The Honorable Lyndon Carlson Sr.  
Ways and Means Committee  
Minnesota House of Representatives  
283 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, MN 55155-1206

The Honorable Greg Davids  
Chair, Taxes Committee  
Minnesota House of Representatives  
585 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, MN 55155-1206

The Honorable Paul Marquart  
Taxes Committee  
Minnesota House of Representatives  
261 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, MN 55155-1206

Commissioner Katie Clark Sieben  
Minnesota Department of Employment and  
Economic Development  
1<sup>st</sup> National Bank Building  
332 Minnesota Street, Suite E200  
St. Paul, MN 55101-1351

Re: Destination Medical Center  
February 15, 2016 Report

Dear Senators, Representatives, Commissioners and Chairs:

Pursuant to 2013 Minnesota Laws, Chapter 143, Article 10 (the "Act"), the Destination Medical Center Corporation (the "DMCC") and the City of Rochester (the "City") must jointly submit a report by February 15 of each year with respect to the status of the Destination Medical Center initiative.

On behalf of the DMCC and the City, we are pleased to submit this report, setting forth the progress that has been made since the last report, dated February 14, 2015.



I. Destination Medical Center Activities to Date.

A. Development Plan Approval.

One of the primary goals of the Act is the adoption of a Development Plan. In September 2013, the DMCC established specific goals and objectives for the Development Plan: to create a comprehensive strategic plan, and over the life of the project, to leverage \$585 million in eligible public funds in order to attract \$5 billion in private investment, create 35,000-45,000 new jobs, generate \$7.5 billion to \$8.5 billion in net new tax revenue, and achieve the highest quality patient, visitor and resident experience.

The Development Plan is the strategic framework for the Destination Medical Center initiative, establishing a comprehensive business and economic development strategy. As described in the Act, the Development Plan must address several items, including land use, transportation and infrastructure planning, market research, funding priorities, business and economic development and market strategies.

As required by the Act, the DMCC engaged the Destination Medical Center Economic Development Agency (the "EDA") to assist the DMCC in preparing the Development Plan. Most of 2014 was focused on the planning, analysis and research necessary to draft the document. The EDA submitted the draft Development Plan to the DMCC on December 17, 2014, and it was posted and available on the DMCC website for public review and comment.

The DMCC formally submitted the proposed Development Plan to the City on January 29, 2015. The City acted on the proposed Development Plan within the statutory sixty days following its submission by the DMCC, on March 23, 2015. The DMCC held a public hearing on April 23, 2015. Upon making the findings set forth in the Act, including finding that the City had approved the Development Plan, the DMCC then adopted the Development Plan on April 23, 2015. The Development Plan is posted on the DMCC website: [www.dmc.mn](http://www.dmc.mn).

B. Website.

The DMCC has established a new and comprehensive website in conjunction with the EDA: [www.dmc.mn](http://www.dmc.mn). The website contains the regular meeting schedule, meeting agendas, minutes and other information on DMCC activities and EDA activities. The City's website, [www.rochestermn.gov](http://www.rochestermn.gov), also has a link to the DMCC website.

C. DEED Agreement, Transit Aid Agreement.

In order to qualify for general State infrastructure aid, the Act required that the City and the Commissioner of Department of Employment and Economic Development ("DEED") enter into an agreement that will govern the State funding. The DEED Agreement, entitled "General State Infrastructure and Aid Agreement between the City of Rochester and the Minnesota Department of Employment and Economic Development," dated June 16, 2015, is attached as Exhibit A. The City and Olmsted County also finalized an agreement concerning transit and transportation funds for Destination Medical Center. The "Agreement Between the City of Rochester and Olmsted County Concerning Transit and Transportation Funds for Destination Medical Center," dated September 14, 2015, is attached as Exhibit B.

II. Specific Elements Required to Be Included in the Report.

The Act requires that certain elements be included in this annual report. Some of what is presented here has been referenced above.

A. "The Development Plan and any proposed changes to the Development Plan."

The Development Plan was adopted on April 23, 2015. It can be found at the DMCC website: [www.dmc.mn](http://www.dmc.mn).

B. "Progress of projects identified in the Development Plan."

According to the Act, a project must be approved by the DMCC before it is proposed to the City. The DMCC must review the project proposal for consistency with the adopted Development Plan. Since the adoption of the Development Plan on April 23, 2015, two projects have been approved by the DMCC.

The first project involves the historic Chateau Theatre Building, located in the development district boundaries and in the "Heart of the City" district as described in the Development Plan. The DMCC approved the acquisition of the Chateau Theatre Building by the City in the purchase price amount of \$6,000,000, of which Mayo Clinic contributed \$500,000. The acquisition of this historically-designated landmark is considered key to the planning and enhancement of the Heart of the City district. The City, DMCC and Mayo Clinic have agreed to work cooperatively to determine the best use of this building.

The second project approved by the DMCC is the Broadway at Center project, located within the development district boundaries and in the "Downtown Waterfront" district as described in the Development Plan. This mixed-use project contains a 264-room hotel, restaurants, housing, a skyway, and a five level parking ramp with 630 spaces. The project is expected to generate \$140 million in private investment and create 200-250 jobs.

In addition to the approved projects noted above, the DMCC and the City have approved a Capital Improvement Plan ("CIP") for 2016. Projects identified in the 2016 CIP are as follows:

1. 3<sup>rd</sup> Street SW Reconstruct/Design
2. Broadway at Center Development
3. SS1 12<sup>th</sup> Avenue Sewer Capacity
4. SS2 Cooke Park Sewer Capacity
5. Broadway at Center Ramp
6. Shared Parking Study
7. City Loop Plan
8. Transit/Transportation/Infrastructure Management
9. Transit Circulator Study



C. "Actual costs and financing sources, including the amount paid under Minnesota Statutes Section 469.47, and required local contributions of projects completed in the previous two years by the DMCC, City, Olmsted County and Mayo."

1. Through December 31, 2015, no State Infrastructure Aid or State Transit Aid has been received.
2. Actual costs paid by the City from commencement through December 31, 2015 have totaled \$9,609,856, based on year end unaudited costs. The funding source has been City internal borrowing, which will be repaid with bonds backed by the City DMC 0.25% sales tax.
3. There have been no out of pocket costs incurred by Olmsted County through December 31, 2015.
4. All operating costs for the DMCC through December 31, 2015 have been funded by the City of Rochester.
5. The 2016 operating and capital improvements budget for the DMCC totals \$21,959,812. Of this amount \$1,564,000 is to be provided by Olmsted County from its 0.25% DMC sales tax, \$500,000 provided by Mayo Clinic as a contribution towards the Chateau Theatre project, and the remaining \$19,895,812 to be provided by the City of Rochester from a variety of City funding sources. The City may be issuing some bonds in 2016 for these costs.
6. Mayo Clinic has provided \$500,000 in 2016 for the Chateau Theatre project described in Section II B.
7. Additionally, Mayo Clinic has supported the DMC EDA both financially and with in-kind contributions. In 2015 Mayo Clinic's support to the DMC EDA exceeded the \$585,000 that they pledged for the year.

With respect to private projects, the Act requires that DEED must certify that Two Hundred Million Dollars of private investment has been made before any state funding may be paid. Mayo Clinic certified \$39,254,146 in qualified expenditures for the Destination Medical Center initiative in 2014. When added to Mayo Clinic's qualified expenditures in 2013 in the amount of \$6,956,469, the total Mayo Clinic qualified expenditures to date equal \$46,210,615. In addition, there has been significant third party interest from developers and other entities considering investment opportunities in Rochester. The Act requires that an annual certification of private investment by Mayo Clinic or other private investors be made to DEED by April 1 of each year. It is expected that additional private (non-Mayo Clinic) expenditures and additional Mayo Clinic expenditures will be submitted in connection with the April 1, 2016 filing. Attached is the annual certification of private investment that was submitted to DEED on March 31, 2015 (Exhibit C), as well as the DEED certification, dated May 29, 2015 (Exhibit D).

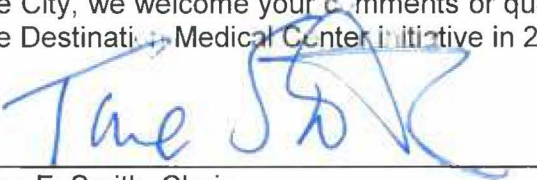
D. "Estimated costs and financing sources for projects to be started in the next two years by the DMCC, City, Olmsted County and Mayo."

The Development Plan sets forth a framework and examples of projects that may be considered for funding in the next several years. Each project will be approved on an individual basis. See also the response to "B" and "C," above.

E. "Debt service schedules for all outstanding obligations of the City for debt issued for projects identified in the plan."

The City has provided the funding required for approved projects thus far, and no debt has been issued as yet.

Thank you for your consideration of this annual report. On behalf of both the DMCC and the City, we welcome your comments or questions. We look forward to substantial progress on the Destination Medical Center initiative in 2016.

  
Tina F. Smith, Chair  
Destination Medical Center Corporation  
Ardele F. Brede, Mayor  
City of Rochester

Enclosures

cc: Legislative Reference Library



# Exhibit A

6/16/15

**GENERAL STATE INFRASTRUCTURE AID AGREEMENT BETWEEN THE CITY OF  
ROCHESTER AND THE MINNESOTA DEPARTMENT OF EMPLOYMENT AND  
ECONOMIC DEVELOPMENT**

This General State Infrastructure Aid Agreement ("Agreement") is between the City of Rochester ("City") and the State of Minnesota by and through its Department of Employment and Economic Development ("DEED"), individually referred to as a "Party" or collectively as the "Parties".

**Recitals**

WHEREAS, the Minnesota Legislature enacted Laws 2013, Chapter 143, Article 10 which established the Destination Medical Center ("DMC") codified as Minnesota Statutes Sections 469.40 through 469.47, as it may be amended from time to time ("DMC Act"); and

WHEREAS, the DMC Act provides, in part, for General State Infrastructure Aid ("GSIA") to be provided to the City for improvements and other costs related to public infrastructure projects and the manner in which such aid is distributed to the City; and

WHEREAS, Minn. Stat. § 469.47, subd. 4 authorizes and directs the City to enter into a written agreement with DEED regarding the required qualifying local matching contribution to be paid by the City in order to obtain the GSIA; and

WHEREAS, the DMC Act provides for certain powers and duties of a medical business entity, which entity as of the date of enactment of the DMC Act is Mayo Clinic, a Minnesota nonprofit corporation.

WHEREAS, the Parties enter into this Agreement to fulfill the above-referenced requirements of the DMC Act.

NOW, THEREFORE, the City and DEED agree as follows:

**Agreement**

**1. DEFINITIONS**

- 1.1 Generally. All capitalized terms used but not defined in this Agreement shall have the meanings set forth in the DMC Act.
- 1.2 Expenditures. The term "expenditures" means expenditures made by Mayo Clinic or by an individual or private entity on private or public infrastructure projects as defined in Minn. Stat. § 469.40, subd. 11 as



set forth in Minn. Stat. § 469.47, subd. 1(d). Expenditures shall not be calculated based solely on the "valuation of work" set forth in the applicable building permits as such amount is exclusive of land and other permitted expenditures, but shall be calculated on the total actual cost of each project if information on such other costs is available and provided.

## 2. GENERAL STATE INFRASTRUCTURE AID

- 2.1 GSIA Calculation. In accordance with Minn. Stat. § 469.47, subd. 3, the amount of GSIA for a year equals the qualified expenditures for the year, as certified by the Commissioner of DEED ("Commissioner"), multiplied by 2.75 percent.
- 2.2 Maximum Amount of Annual GSIA. In accordance with Minn. Stat. § 469.47, subd.3, the maximum amount of GSIA payable in any year is limited to no more than \$30,000,000.
- 2.3 Maximum Amount of GSIA. In accordance with Minn. Stat. § 469.47, subd. 3(c), the Commissioner, in consultation with the Commissioner of Management and Budget ("MMB") and representatives of the City and the Destination Medical Center Corporation ("DMCC"), will establish a total limit on the amount of GSIA payable under that subdivision that will be adequate to finance, in combination with the amount of qualifying local matching Contributions (as defined below in Section 3.1) made by the City, \$455,000,000 of general public infrastructure projects. In accordance with Minn. Stat. § 469.47, subd. 4, the City must provide a qualifying local matching Contribution of \$128,000,000 in order to receive the maximum amount of GSIA, which is \$327,000,000.
- 2.4 Use of GSIA. In accordance with Minn. Stat. § 469.47, subd. 3 (b), the City shall use the GSIA it receives for improvements and other capital costs related to Public Infrastructure Projects approved or adopted by the DMCC, including on-going financing costs related to such projects, other than transit costs for which transit aid is sought under Minn. Stat. § 469.47, subd. 5.

## 3. DUTIES AND RESPONSIBILITIES OF THE CITY

- 3.1 Qualifying Local Matching Contributions. In accordance with Minn. Stat. § 469.47, subd. 4, the City agrees to make qualifying local matching contributions ("Contributions") to pay \$128,000,000 (the "Maximum Match") of the cost of Public Infrastructure Projects approved by the DMCC.

3.2 Certification of Contributions. By April 1 of each year, the City will certify to the Commissioner the City's unaudited Contributions made in the previous calendar year on a Commissioner approved form. The City may revise this certification based on audit adjustments prior to June 1 of each year.

3.3 Report. In accordance with Minn. Stat. § 469.43, subd. 8, by February 15 of each year, the City and DMCC must jointly submit a report to the appropriate legislative committees, the Commissioner, the Commissioner of Revenue and the County. The report must include:

(1) the Development Plan and any proposed changes to the Development Plan;

(2) progress of projects identified in the Development Plan;

(3) actual costs and financing sources, including the amount paid with state aid under Minn. Stat. § 469.47, and required local contributions of projects completed in the previous two years by the DMCC, City, County, and Mayo Clinic;

(4) estimated costs and financing sources for projects to be started in the next two years by the DMCC, City, County, and Mayo Clinic; and

(5) debt service schedules for all outstanding obligations of the City for debt issued for projects identified in the Development Plan.

3.4 Timing and Amount of Contributions. Contributions shall be counted in the year actually paid by the City from either bond proceeds, City reserves, or current year revenues. Developer project costs funded through tax increment notes to developer or tax abatement notes to developer (pay-as-you-go financing) shall be counted only in the year and in the amount of repayment on said notes are made by the City to developer.

Subject to the carry-forward provisions set forth in Section 3.6 below, the Parties agree that because the DMC Act permits the City to fund Contributions from tax and other sources described in Section 3.4 that can extend through December 31, 2049, the City may make payments on Contributions through fiscal year 2049 (or until the Maximum Match is met) from time to time as determined by the City, provided that the City is not required to fund the Contributions at a rate greater than \$1.00 for each \$2.55 received



from the State as GSIA (the "Contribution Ratio"). On or before October 1 each year, the City shall provide the Commissioner with an estimate of the City's Contribution for the calendar year, and its impact on subsequent GSIA payments, based on the DMCC's budget and shall update such estimate by December 31. The Parties anticipate that because of the practical difficulties of forecasting GSIA amounts, revisions to the estimate provided by the City are likely to be necessary, and the Parties will cooperate in good faith to accomplish such revisions.

3.5 Contributions and GSIA Carry Forward.

3.5.1 Entitlement Exceeds Maximum Annual Limit. If the GSIA entitlement for a year exceeds the Maximum Annual Limit, the excess is a GSIA carryover to later years. The carryover GSIA must be paid in the first year in which the aid entitlement for the current year is less than the Maximum Annual Limit, but only to the extent the carryover, when added to the current year aid, is less than the maximum annual limit.

3.5.2 Contributions Which Exceed Contribution Ratio. Contributions made by the City which are in excess of the Contribution Ratio in any year shall carry forward and will be credited toward the Maximum Match in the subsequent year's Contributions.

3.5.3 Contributions Made Prior to \$200,000,000 Threshold. Contributions made by the City or County before the \$200,000,000 threshold described in Minn. Stat. § 469.47, subdivision 1(e) is met shall carry forward and will be credited toward the Maximum Match in the year such threshold is met.

3.5.4 GSIA Carry Forward. If the GSIA entitlement calculation in a year (Qualified Expenditures for the year multiplied by 2.75%) exceeds amounts earned by the City under the Contribution Ratio, the amount earned shall be paid by the Commissioner to the City for such year and the remaining GSIA entitlement which is not paid shall be credited towards the Maximum Match in subsequent years in accordance with the Contribution Ratio.

3.6 Payments Credited as City Contributions. All of the following City expenditures shall be treated as Contributions and the Commissioner shall credit the same to the City against its

Maximum Match:

- 3.6.1 All expenditures incurred or paid by the City toward operating and administrative costs of the DMCC and EDA, including without limitation office space and staff or consultant services for administrative, clerical, accounting, finance, development and legal services provided or contracted by the City as well as any costs incurred in providing services, goods, or other support to the DMCC and EDA, but not exceeding the maximum amount agreed to by the DMCC and the City as provided by Minn. Stat. §469.47, subd. 4.
- 3.6.2 All expenditures incurred or paid by the City to support Public Infrastructure Projects included in a Development Plan ultimately adopted by the DMCC and approved by the City under Minn. Stat. §469.43, including:
- (a) Funds the City provides to assist a developer in undertaking a Project, including but not limited to funding from the use of tax increment financing, tax abatement, or parking funds, provided that the DMCC has approved the Project;
  - (b) Funds the City expends to directly undertake, acquire and construct Projects, including funds for any City staff and consulting services relating to those Projects, in accordance with the Development Plan, provided the DMCC has approved the Project;
  - (c) Funds the City provides to the DMCC for Public Infrastructure Projects and for improvements and other capital costs related to Public Infrastructure Projects, including those for DMCC's payments to and contracts with the Nonprofit Economic Development Agency, and for City payments to and contracts with such Nonprofit Economic Development Agency;
  - (d) Interest, reserve funds, and financing costs incurred by the City for Public Infrastructure Projects including without limitation, costs of issuance, and other transaction costs, but excluding ongoing interest payments on debt.



- (e) All consultant services retained by the DMCC or the City, including but not limited to financial, legal, engineering, planning, design, project management, and other similar services to prepare, undertake, implement and modify the Development Plan and the Projects approved by the DMCC; and
- (f) Payments or other contributions made by the County, for expenditures to support Public Infrastructure Projects to the extent the City and County allocate such amounts to the City Contributions.

3.7 Contributions Made Prior to DMC Plan Adoption. Pursuant to Minn. Stat. § 469.47, subd. 4, City expenditures related to Public Infrastructure Projects started or funded after enactment of the DMC Act but before the DMCC adopts a Development Plan, shall be treated as Contributions and credited against its Maximum Match, provided such expenditures are ultimately approved by the DMCC.

3.8 Double Counting Prohibited. City tax assistance or City or County expenditures shall not count more than once towards the required Maximum Match but the City and the County may allocate and certify to the Commissioner those County payments or other contributions which the Commissioner shall count as Contributions credited to the City against the Maximum Match and those which shall be allocated to the threshold for payment of state Transit Aid as set forth in Minn. Stat. §469.47, subd. 6. For the avoidance of doubt, expenditures by the City or County counted towards the Maximum Match shall not also be counted towards the State Transit Aid matching requirement under Minn. Stat. § 469.47, subd. 5.

3.9 Ongoing Costs. Interest expense, operating and administrative costs described in Section 3.6.1, and other ongoing costs of infrastructure projects or the financing thereof (including without limitation trustee fees, accounting, monitoring and reporting costs, arbitrage rebate, and legal and financial consulting costs) may be paid by the City out of any revenue source, including GSIA, but such costs will not be considered Contributions by the City which are counted towards the Maximum Match, except as otherwise provided in Section 3.6.1.

- 3.10 City Accounting. The City shall establish and shall continue to maintain, as long as any bonds are outstanding, which are payable in whole or in part, from the City Contributions, GSIA, the Transit Aid local matching contributions, or the Transit Aid (collectively the "DMC Funding Sources"), a separate City fund ("the DMC Funding Fund") into which all of the DMC Funding Sources are and shall continue to be deposited and segregated from all other City funds. The City will keep complete and accurate books and records showing receipts and disbursements of DMC Funding Sources in the DMC Funding Fund.

#### 4. DUTIES AND RESPONSIBILITIES OF DEED

- 4.1 DEED will provide a form for use by the City to certify its Contributions to the Commissioner.
- 4.2 Provided that the City makes the certification described in Section 3.2 of this Agreement and the Mayo Clinic and DMCC have certified the Expenditures made in the preceding year as required under Minn. Stat. § 469.47, subd. 2, the Commissioner shall determine the amount of GSIA to which the City is entitled by August 1 of each year using the formula set forth in Minn. Stat. § 469.47, subd. 3 (i.e. Qualified Expenditures for the year multiplied by 2.75%). The Commissioner shall make the GSIA payment to the City by September 1 of each year.
- 4.3 The Commissioner shall count the expenditures described in Section 3.7 as Contributions credited against the City's Maximum Match.
- 4.4 In the event that the Parties are not able to meet the deadlines specified herein for the payment process, the Parties will work in good faith to resolve any issues such that payment is made as soon as practicable following September 1 for any given year.
- 4.5 The Commissioner and the Commissioner of Management and Budget shall cooperate with and assist the City as needed in the City's issuance of bonds that may pledge the GSIA and Transit Aid as one source, but not the sole source, of revenue for bond repayments, provided that other revenue sources of the City or County are also pledged to secure repayment of the bonds.

#### 5. TERM AND TERMINATION

- 5.1 This Agreement is effective on the date it is signed by both Parties and remains in effect until terminated as provided in this Section 5.

- 5.2 This Agreement may be terminated at any time by mutual agreement of the Parties.
- 5.3 Either Party may terminate this Agreement in the event of material breach of this Agreement by the other Party and that Party has not cured the breach within 30 days after receiving written notice of the breach. Material breach shall include, but is not limited to, failure of the State to pay the GSIA in the amounts and on the schedule required by the terms of the DMC Act.
- 5.4 This Agreement may be terminated by either Party in the event the Legislature fails to appropriate funds necessary for payment of the GSIA or if the Legislature amends or repeals the DMC Act in such a manner that the GSIA is no longer available.
- 5.5 Unless terminated sooner, this Agreement terminates upon the earlier of the end of the State's 2049 fiscal year or when the City receives the maximum amount of GSIA.

## 6. REPRESENTATIVES AND NOTICES

- 6.1 The City's and DEED's authorized representatives for the purposes of administration of this Agreement are as follows:

Attn: City Administrator  
City of Rochester  
201 4th St. SE.  
Rochester, Minnesota 55904  
507-328-2000

---

- 6.2 All notices and correspondence, which may be necessary or proper for either Party to accomplish the purposes of this Agreement, shall be addressed to the authorized representatives listed above or their successors.

## 7. MISCELLANEOUS PROVISIONS

- 7.1 The Parties must comply with the Minnesota Government Data Practices Act, Minnesota Statutes Chapter 13, as it applies to all data, created, collected, received, stored, used, maintained, or disseminated in accordance with this Agreement. This Section 7.1 survives termination of this Agreement.



- 7.2 This Agreement may be amended at any time in light of new information or other appropriate factors. No amendment to this Agreement shall be effective unless it is in writing and executed by both Parties.
- 7.3 This Agreement will be governed by and construed in accordance with the domestic laws of the State of Minnesota without giving effect to any choice or conflict of law provision or rule (whether of the State of Minnesota or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Minnesota.
- 7.4 Any term or provision of this Agreement that is held invalid or unenforceable will not affect the validity or enforceability of the remaining terms and provisions of this Agreement
- 7.5 This Agreement constitutes the entire agreement between the Parties as to the matters contained herein, and supersedes any prior agreements between the Parties relative to such matters.
- 7.6 This Agreement may be executed in one or more counterparts and transmitted by facsimile, e-mail or other electronic transmission, each of which will be deemed an original and all of which together will constitute one and the same instrument.
- 7.7 The City shall maintain or cause to be maintained books, records, documents and other evidence pertaining to requirements of the City or DMCC under this Agreement and upon request shall allow or cause the entity possessing such items to allow the Commissioner, auditors for the Commissioner, the Legislative Auditor for the State of Minnesota, or the State Auditor for the State of Minnesota, to inspect, audit, copy, or abstract, all such books, records, papers, or other documents relevant to this Agreement. The City shall retain or cause to be retained all such books, records, documents and other evidence for a period of 6 years from the date of termination of this Agreement. This Section 7.7 survives termination of this Agreement.

Attn: City Administrator  
City of Rochester  
201 4th St. SE.  
Rochester, Minnesota 55904  
507-328-2000

- 7.8 It is the intent of the Parties that the terms and conditions of this Agreement are in accordance with the requirements of the DMC

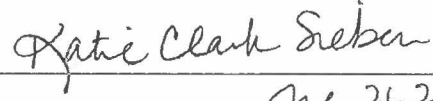
Act and in the event that any term or condition in this Agreement is inconsistent or in conflict with the DMC Act, the provisions of the DMC Act shall prevail.

IN WITNESSETH WHEREOF, the Parties have caused this Agreement to be duly executed this 15 day of July, 2014.5

CITY OF ROCHESTER

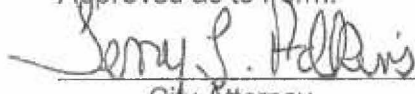
DEPARTMENT OF EMPLOYMENT AND  
ECONOMIC DEVELOPMENT

By   
Its Mayor

By   
July 21, 2015

Attest   
Its City Clerk

Approved as to Form:

  
City Attorney

# Exhibit B



**AGREEMENT BETWEEN CITY OF ROCHESTER AND OLMSTED COUNTY  
CONCERNING TRANSIT AND TRANSPORTATION FUNDS  
FOR DESTINATION MEDICAL CENTER**

THIS AGREEMENT is between the CITY OF ROCHESTER, a Minnesota municipal corporation ("City"), and OLMSTED COUNTY, ("County"). The purpose of this Agreement is to describe how the City and County will cooperate in collecting transit and transportation funds authorized under the Destination Medical Center Law ("DMC Law"), as defined below, to pay the cost for transportation and transit projects that will assist in securing the City's status as the world's premier destination medical center to attract and retain patients, visitors, employees, residents, and businesses within the region and throughout the State of Minnesota.

WHEREAS, the 2013 Minnesota Legislature enacted Laws 2013, Chapter 143, Article 10 (codified at Minnesota Statutes, Sections 469.40 to 469.47) which established the Destination Medical Center ("DMC Law") in order to secure the City's status as the world's premiere destination medical center to attract and retain patients, visitors, employees, residents, and businesses within the region and throughout the State of Minnesota; and,

WHEREAS, the DMC Law seeks to leverage the public investment in order to attract more than \$5 billion in private investment to the City and region; and,

WHEREAS, the DMC Law will create approximately 35,000 to 45,000 new jobs with workforce development strategies that support that growth; and,

WHEREAS, the DMC Law will result in the generation of approximately \$7.5 billion to \$8.0 billion in new tax revenue over 35 years; and,

WHEREAS, Minn. Stat. §469.46(a) authorizes the County to levy a transit tax of up to one quarter of one percent on retail sales and uses; and,

WHEREAS, Minn. Stat. §469.46(d) ends the County's sales tax authority as of December 31, 2049; and,

WHEREAS, Minn. Stat. 469.46 (b) authorizes the County to levy a wheelage tax, and

WHEREAS, Minn. Stat. §469.47, subd. 5 states that the City qualifies for State Transit Aid if the County provides the local matching contribution as specified in Minn. Stat. §469.47, subd. 6

and further states that the funding that may be available to the City and the Destination Medical Center Corporation for transit projects from the combined State Transit Aid and County local matching contribution is \$116,000,000 plus interest costs if the projects require bonding, depending upon the amount of actual private investment that is generated; and,

WHEREAS, Minn. Stat. §469.46(c) states that the transit tax proceeds must be used by the County to meet its local matching contributions under section 469.47, subd. 6, for financing transit infrastructure related to the public infrastructure projects contained in the Destination Medical Community development plan; and

WHEREAS, the County is authorized to utilize transit tax revenues that exceed the DMC Law local transit contribution obligation for other County transportation purposes; and,

WHEREAS, on July 23, 2013, the County levied the transit tax authorized by Minn. Stat. §469.46(a) and the wheelage tax authorized by Minn. Stat. 469.46 (b); and,

WHEREAS, Minn. Stat. §469.44, subd. 3 authorizes the City to issue general obligation bonds, revenue bonds, or other obligations, if needed, or to otherwise pay the costs required for public infrastructure projects as part of the Destination Medical Center development plan; and,

WHEREAS, the City cannot commit to pay the cost of the public infrastructure transit projects or to issue any bonds or other obligations without having in place the needed sources of revenue to satisfy those obligations; and,

WHEREAS, one of the sources of revenue which the City will rely upon is the County's transit tax revenue pursuant to 469.46 (c ); and,

WHEREAS, the parties enter into this Agreement in order to establish the County's transit tax revenue as a reliable and dependable source of revenue to help pay the City's financial obligations to pay for and finance public infrastructure projects as part of the Destination Medical Center development plan as required by the DMC Law.

NOW, THEREFORE, THE CITY AND COUNTY AGREE AS FOLLOWS:

- A. The County will provide the local matching contribution for State Transit Aid that will be adequate to pay for and finance the local contribution share for up to \$116,000,000 of transit costs.
- B. At such time as the City qualifies for State Transit Aid pursuant to Minn. Stat. 469.47 Subd. 2, the County's required annual local matching contribution shall be deposited with the City prior to September 1 of each year and shall equal the lesser of:
  - 1. Forty percent of the State Transit Aid under Minn. Stat. §469.47, subd. 5; or



2. An amount equal to the revenue generated by a 0.15 percent sales tax imposed by the County in the prior year.
- C. The City must use the transit tax funds as required by Minn. Stat. §469.47, subd. 1(f) and in compliance with the Development Plan.
- D. The County, at the sole discretion of its Board of Commissioners, may provide funds in advance of the time at which the City qualifies for State Transit Aid to assist the City and Destination Medical Center Corporation with transit costs. Funds provided by the County for transit costs before the minimum threshold for private investment for State Transit Aid is reached and funds provided by the County which might exceed that required in any given year for the local matching contribution for the State Transit Aid shall, in accordance with the City's agreement with Commissioner of Employment and Economic Development, carry forward and be credited as a County local matching contribution for future State Transit Aid payments.
- E. At the sole discretion of the County's Board of Commissioners the County may obligate itself to assist the City in the City's bonding for multi-year or large transit projects requiring multi-year local matching contributions with a County multi-year commitment and pledge of local matching contributions for Transit Aid but only for the amounts of contributions required under Minn. Stat. 469.47 Subd. 6. and not extending past the end of the County's authority to collect the sales tax on December 31, 2049.
- F. The City shall provide the County with an annual budget estimate and a proposed schedule for transit costs for which a County local matching contribution will be needed by October 31 of each year, which will be finalized by the City annual budget adoption in December of each year, for the following calendar year.
- G. The amounts deposited or pledged to be deposited with the City in accordance with Section B hereof and any advance transit funding provided by the County pursuant to Section D hereof or any other transit funds that have been provided by the County in excess of the required matching local contribution will be credited as a County local matching contribution in accordance with Section 469.47, subd. 6 of the DMC Law.
- H. This Agreement may be terminated by mutual agreement of the Parties hereto.
- I. MISCELLANEOUS PROVISIONS:
  1. The definitions found in the DMC Law apply to this Agreement except to the extent they may conflict with any definitions contained herein.



2. This Agreement constitutes the entire agreement between the parties as to those matters contained therein, and supersedes any prior agreements between the parties relative to the matters contained herein. No waiver consent, modification or change of terms of this Agreement shall bind either party unless in writing and signed by both parties. Such waiver, consent, modification or change, if made, shall be effective only in the specific instance and for the specific purpose given. There are no understandings, agreements or representations, oral or written, not specified herein regarding this Agreement.

IN WITNESSETH WHEREOF, the parties have caused this Agreement to be duly executed this 14 day of September, 2015.

CITY OF ROCHESTER

By *Andrew F. Biale*  
Its Mayor

Attest *Ann S. R...*  
Its City Clerk

COUNTY OF OLMSTED

By *David G. W...*  
Its Board Chair

Attest *[Signature]*  
Its Administrator

Approved as to Form:

*Serena S. Adams*  
City Attorney

Final City/County revisions 8/12/15

# Exhibit C





200 First Street SW  
Rochester, Minnesota 55905  
507-284-2511

March 31, 2015

Katie Clark Sieben  
Commissioner  
Minnesota Department of Employment and Economic Development  
1st National Bank Building  
332 Minnesota Street, Suite E-200  
Saint Paul, MN, 55101-1351

Dear Commissioner Sieben:

Attached with this letter is Mayo Clinic's certification of qualified expenditures of the medical business entity for the Destination Medical Center (DMC) initiative for the period starting January 1, 2014 and ending December 31, 2014. The amount of qualified investment for this report is approximately \$39 million.

Overall, Mayo Clinic expended more than \$230 million on capital projects and equipment in Rochester in calendar year 2014. Major projects contributing to it include: Saint Marys Mary Brigh East Bed Tower and addition to Superior Drive Support Center. Mayo Clinic is taking a conservative approach when counting eligible investments and expenditures for purposes of meeting the DMC investment thresholds.

We look forward to working with the State of Minnesota, City of Rochester, Olmsted County and other stakeholders to strengthen our economy and further strengthen Minnesota's position as the world's premiere destination medical center.

Thank you.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jeffrey W. Bolton".

Jeffrey W. Bolton  
Mayo Clinic  
Vice President, Administration

cc: Kevin McKinnon, Deputy Commissioner Economic Development,  
Minnesota Department of Employment and Economic Development

## Certification of Expenditures Destination Medical Center

For Calendar Year 2014

Due to Commissioner of Employment and Economic Development (DEED) by April 1

Pursuant to Minnesota Statutes, Section 469.47, the Medical Business Entity and the Destination Medical Center Corporation (DMCC) Board of Directors (assisted by the City of Rochester) respectively submit to the Department of Employment and Economic Development (DEED) the following expenditures that relate to the Destination Medical Center (DMC) Development for the calendar year 2014, and the information required to support the approved methodology provided in the City of Rochester/Commissioner of Employment and Economic Development State Infrastructure Aid Agreement (State Infrastructure Aid Agreement).

### Expenditures Reported This Year

Total Expenditure Reported This Year by Medical Business Entity<sup>1</sup>

\$39,254,146

Total Expenditure Reported This Year for individuals and other private entities<sup>1,2</sup>

\$0

TOTAL Expenditures This Year

\$39,254,146

### Cumulative Expenditures

Cumulative Previous Expenditures

\$6,956,469

Previous Qualified Expenditures (minus \$200,000,000 Required Initial Investment)

(\$193,043,531)

TOTAL Expenditures This Year (from above)

\$39,254,146

Cumulative Qualified Expenditures as of 12/31/14

(\$153,789,385)

**State Aid Qualified for this Year** (local government match also required)

General State Infrastructure Aid Qualified for (Cum. Qual. Exp. multiplied by .0275)

State Transit Aid Qualified for (multiplied by .0075)

By providing my signature below, I certify that the information state herein, to the best of my knowledge, is accurate, true, and complies with the provisions of Minnesota Statutes, Section 469.47 and the approved methodology as outlined in the State Infrastructure Aid Agreement.

**For Expenditures by the Medical Business Entity:**

Kedrick D. Adkins Jr.

Mayo Clinic Chief Financial Officer

3/31/2015

Date

**For all other Expenditures:**

[Signature]

DMCC Treasurer

3/27/2015

Date

<sup>1</sup> Expenditures need to be after June 30, 2013

<sup>2</sup> Other Private Entities' certification of expenses may be certified retroactively in 2015 after the DMC District and plan are adopted.

# Exhibit D



May 29, 2015

Tina Smith, Chair  
Destination Medical Center Corporation  
4720 West Lake Harriet Parkway  
Minneapolis, MN 55410

Jeff Bolton, Chief Administrative Officer  
Mayo Clinic  
200 First Street SW  
Rochester, MN 55905

Dear Ms. Smith and Mr. Bolton:

Thank you for submitting the 2014 Certification of Expenditures for Destination Medical Center (DMC). We are excited to assist with this initiative to make the Mayo Clinic, Rochester, and Minnesota a premier medical destination.

Your Certification listed \$39,254,146 in DMC qualified expenditures made by the Mayo Clinic in 2014. The Mayo Clinic provided DEED with organized, detailed, and expansive information on all invoices and payments to account for the certification amount. You also provided an independent third party report from McGladrey LLP stating the law and procedures for certifying expenditures which are being followed properly. Additionally, DEED staff reviewed invoices and payments in your certification. We selected 50 of your listed expenditures totaling more than \$2.5 million. We selected at least one expenditure for each of the 31 projects listed. All invoices for the selected expenditures were on file and payments were made in a timely fashion. DEED staff also confirmed that all 31 projects had building permits after June 30, 2013. DEED acknowledges the expenses and payments met guidelines and the internal accounting and auditing system the Mayo Clinic has in place is sufficient.

As required by law, I have determined that the amount of 2014 Destination Medical Center expenditures is \$39,254,146 as you certified. The DMC \$200 million cumulative expenditure threshold has not been met and the state will not be investing funds for public infrastructure or transit this year. The 2014 expenditures will be credited towards future years for this purpose.

Thank you again for your efforts on this groundbreaking economic development effort.

Sincerely,

A handwritten signature in black ink, appearing to read "Cathy Polasky". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Cathy Polasky  
Chief Deputy Commissioner

C: Patricia Simmons, Chair of Economic Development Agency Board of Directors  
Lisa Clarke, Economic Development Agency Executive Director  
Gary Newman, City of Rochester

**Business and Community Development Division**

1st National Bank Building ■ 332 Minnesota Street, Suite E200 ■ Saint Paul, MN 55101-1351 USA ■ [www.mn.gov/deed](http://www.mn.gov/deed)

Toll Free: 800-657-3858 ■ Phone: 651-259-7114 ■ Fax: 651-296-5287 ■ TTY: 651-296-3900

AN EQUAL OPPORTUNITY EMPLOYER AND SERVICE PROVIDER