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FIVE - YEAR CAPITAL IMPROVEMENT PLAN FOR
ISSUANCE OF GENERAL OBLIGATION CIP BONDS:

City of Ramsey, MN

2020 - 2024



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I. INTRODUCTION

In 2003, the Minnesota State Legislature adopted a statute (Section 475.521, referred to herein as the “CIP Act”) that allows cities to issue municipal bonds under a capital improvement plan without a referendum requirement (except for the so-called “reverse referendum” described below). The CIP Act applies to specific capital improvements for the purposes of city halls, public works, and public safety facilities. The 2005 Legislature added towns to the meaning of a municipality, as well as libraries and town halls to the meaning of a capital improvement under the CIP Act.

Throughout this plan, the term “Capital Improvement” refers only to those improvements identified in the CIP Act, as summarized above. Capital expenditures for other public improvements in the City will be financed through other means identified in the City’s annual budgeting process and are not governed by this plan.

II. PURPOSE

A Capital Improvement as defined in the CIP Act is a major expenditure of municipal funds for the acquisition or betterment to public lands, buildings, or other improvements used as a city hall, town hall, library, public safety, or public works facility, any of which have a useful life of 5 years or more. For the purposes of the CIP Act, Capital Improvements do not include light rail transit or related activities, parks, road/bridges, administrative buildings other than a city or town hall, or land for those facilities. A Capital Improvement Plan (“CIP”), as identified by the CIP Act is a document designed to anticipate Capital Improvement expenditures over at least a five-year period so that they may be acquired, constructed and/or installed in a cost-effective and efficient manner. The CIP must set forth the estimated schedule, timing, and details of specific Capital Improvements by year, together with the estimated cost, need for improvement, and sources of revenue to pay for the improvement.

The City of Ramsey, Minnesota (the “City”) believes the capital improvement process is an important element of responsible fiscal management and engages in adoption of an updated 5-year plan for city-wide capital expenditures annually as part of its budgeting process. Major capital expenditures can be anticipated and coordinated so as to minimize potentially adverse financial impacts caused by the timing and magnitude of capital outlays. As potential expenditures are reviewed, the municipality considers the benefits, costs, alternatives and impact on operating expenditures. This coordination of capital expenditures is important to the City in achieving its goals of adequate physical assets and sound fiscal management. To offset financially difficult times, good planning is essential for the wise use of limited financial resources.

III. PLANNING PROCESS

The City Council annually reviews its capital expenditures according to their priority, fiscal impact, and available funding as part of its budgeting process. The City assembles the specific capital expenditures to be undertaken within the next five years. The City Council prepares a plan based on the available funding sources. From this information, a preliminary plan is prepared for public discussion from citizens and other governmental units. Changes are made based on that input, and a final plan is established.

Over the life of the plan, once the funding becomes available the specific capital expenditures can be made as part of individual project approvals. In subsequent years, the process is repeated as expenditures are completed and new needs arise.

If the plan calls for general obligation bonds to finance certain Capital Improvements (referred to herein as “CIP Bonds”), the City Council must follow an additional set of procedures. The City may adopt a CIP specifically for those Capital Improvements and address various factors identified within the CIP Act. This CIP is designed to supplement the City’s established process. The Council must hold a public hearing regarding issuance of the CIP Bonds to obtain public comment on the matter. Notice of such hearing must be published in the official newspaper of the municipality at least 14, but not more than 28 days prior to the date of the public hearing. In addition, the notice may be posted on the City’s official web site.

The Council must approve the sale of CIP Bonds by a 3/5ths vote of its membership. However, issuance of CIP Bonds is also subject to reverse referendum: if a petition is signed by voters equal to at least five percent of the votes cast in the City in last general election and is filed with the City Clerk within 30 days after the public hearing regarding the CIP Bonds, the CIP Bonds may not be issued unless approved by a majority of voters voting on the question of issuing the obligations. Further, the maximum debt service in any year on all outstanding CIP Bonds is 0.16% of the estimated market value of property in the city, using the market value for the taxes-payable year in which the bonds are issued.

After the CIP has been approved and general obligation bonds have been authorized, the City works with its municipal advisor to prepare a bond sale and repayment schedule. Assuming no petition for a referendum is filed, the bonds are sold, and when proceeds from the sale of the bonds (and any other identified revenue sources) become available, prior qualifying expenditures for specified Capital Improvements can be reimbursed and new expenditures made.

IV. PROJECT SUMMARY

The expenditures to be undertaken with this CIP for the years 2020 to 2024 are limited to those listed in Appendix A. All other foreseeable capital expenditures within the City will come through other means as identified within the City's annual budgeting process.

CIP Factors

The CIP Act requires the City Council to consider eight factors in preparing the CIP and authorizing general obligation bonds:

1. Condition of the City's existing infrastructure, including projected need for repair or replacement.
2. Likely demand for the improvement(s).
3. Estimated cost of the improvement(s).
4. Available public resources.
5. Level of overlapping debt in the City.
6. Relative benefits and costs of alternative uses of funds.
7. Operating costs of the proposed improvement(s).

8. Alternatives for providing services most efficiently through shared facilities with other cities or local governments.

The City has considered the eight points as they relate to the projects identified in Appendix A and more thoroughly defined below through the issuance of CIP Bonds. The findings are as follows:

Conditions of City Infrastructure and Need for the Project

The existing Public Works facility is housed in three (3) separate buildings and a temporary construction trailer for office space. The existing buildings are over 40 years old, are not energy efficient, do not provide for a safe working environment for staff, are inefficient and do not provide adequate vehicle storage space.

The space limitations and a desire for increased operational efficiencies drive the need for this project in the City. Renovation and/or expansion on the existing site doesn't make sense due to the need for more space.

Demand for the Project

A new facility is needed to provide a safe work environment, better layout for more efficient workflow and indoor storage to maintain fleet quality and reduce maintenance expenses on vehicles.

Estimated Cost of the Project

The project is preliminarily estimated to cost up to \$20,000,000 inclusive of construction and soft costs. Construction contracts were awarded on September 8, 2020 for the first bid package and the 2nd bid package is anticipated to be awarded on November 10, 2020. The final bonding amount, not to exceed \$10,000,000, will be subject to City Council approval of contracts for the project.

Availability of Public Resources

The City has identified a portion of the project is to be funded by general obligation bond proceeds and supplemented by other available capital resources on hand. Given the size of the project, debt is necessary to provide for the costs and preserve necessary operating resources for the City.

Level of Overlapping Debt

Taxing District	Taxable Net Tax Capacity	% in City	Total G.O. Debt	City's Share
Anoka County	\$428,393,476	7.35%	\$59,945,000	\$4,408,475
I.S.D. No. 11 (Anoka - Hennepin)	285,890,418	9.88%	258,745,000	25,565,558
I.S.D. No. 728 (Elk River)	93,894,622	3.47%	303,850,000	10,540,557
Metropolitan Council	4,576,187,142	0.69%	230,225,000	1,585,099
City's Total Share of Overlapping Debt				\$42,099,689

Relative Costs and Benefits of Alternative Uses of the Funds

There are no significant alternatives for funds designated for this project. The City purchased the new site for the public works facility in 2008 in anticipation of having a larger site that could accommodate a new facility, along with required storage for vehicles and other operational needs. The City is also dedicated other City funds to the project (approximately \$10 million), to reduce the need for issuing bonds.

Operating Costs of the Proposed Improvements

The City doesn't anticipate any operational cost savings from the new facility as it will be larger than the existing buildings combined but expects efficiencies in operations from having all staff housed in one facility and having room on site for equipment and storage.

Moving forward with a full-scale replacement facility will provide the space and functionality necessary to sustain public works operations for the next 30 to 50 years. Significant repairs to the new structure would not be necessary for several decades. In addition, new shelter for essential vehicles and equipment will reduce repair and replacement costs. The replacement facility will be a safer and healthier place for staff to work, with a thoughtful design that reduces exposures to toxins.

Options for Shared Facilities with Other Cities or Local Government

Sharing a Public Works Facility with another community is not an option since they would not have adequate facility space to accommodate the City's fleet of vehicles or staff.

V. FINANCING

The total amount of requested expenditures under this CIP is up to \$20,000,000. If these expenditures are to be funded, that amount of money is anticipated to be generated through a combination of capital funds and the sale of general obligation capital improvement plan bonds within the identified five-year period. The anticipated bond sizing is based upon funding the estimated construction and soft costs identified for the project, plus estimated issuance costs and contingency. Principal and interest on the CIP Bonds will be paid through a tax levy and current estimates of size and repayment of the CIP Bonds under consideration is shown in Appendix B.

In financing the CIP, two significant statutory limitations apply:

1. Under Chapter 475, with few exceptions, cities cannot incur debt in excess of 3% of the assessor's estimated market value (EMV) for the city. As noted in the table below, the City's debt subject to this requirement, including the proposed CIP Bonds, is within the required threshold:

Net Debt Limit	
Assessor's Estimated Market Value	1,650,987,200
Multiply by 3%	0.03
Statutory Debt Limit	49,529,616
Less: Debt Paid Solely from Taxes	(16,200,000)
Less: Proposed Bond Issue(s)	(9,935,000)
Unused Debt Limit	23,394,616

2. A separate limitation under the CIP Act is that, without referendum, the total amount of principal and interest in any single year payable on all CIP Bonds issued by the City cannot exceed 0.16% of the total estimated market value in the municipality. In the City, that maximum annual debt service amount is \$2,641,580 for the 2019/20 tax year (\$1,650,987,200 x

.0016). The highest annual principal and interest payments on the City’s existing CIP Bonds plus those proposed to be issued under this CIP are estimated to be approximately \$1,136,865. As such, debt service on the CIP Bonds will be within the annual limits under the CIP Act.

CIP Bonds Debt Service Limit	
Assessor's Estimated Market Value	1,650,987,200
Multiply by .16%	0.0016
CIP Act Debt Service Limit	2,641,580
Less: Existing Debt Service Subject to the Limit	(270,850)
Less: Proposed CIP Bond Issue	(866,015)
Unused Debt Service Limit	1,504,715

VI. PLAN CONTINUATION

This CIP should be reviewed as needed by the City Council using the process outlined in this document. Through annual amendment, the City Council reviews proposed expenditures, makes priority decisions, and seeks funding for those expenditures it deems necessary for the City. If deemed appropriate, the Council should prepare an update to this CIP for future CIP Bond issuance.

APPENDIX A

Plan Project Costs:

The plan includes capital expenditures of approximately \$20,000,000 for a new public works facility which is to be funded with up to \$10,000,000 in bond proceeds. The following projects are currently identified within the 2020 to 2024 timeframe.

Project Costs		
Year	Project	Amount
2020	Public Works Facility	\$ 20,000,000
2021	None Anticipated	\$ -
2022	None Anticipated	\$ -
2023	None Anticipated	\$ -
2024	None Anticipated	\$ -
TOTAL		\$ 20,000,000

Proposed CIP Bond Issues:

Proposed CIP Bond Issues		
Year		Amount
2020	\$	10,000,000
2021	\$	-
2022	\$	-
2023	\$	-
2024	\$	-
TOTAL	\$	10,000,000

APPENDIX B

Proposed 2020 CIP Bond Issue:

Sources & Uses

Dated 12/30/2020 | Delivered 12/30/2020

Sources Of Funds

Par Amount of Bonds	\$9,935,000.00
Total Sources	\$9,935,000.00

Uses Of Funds

Total Underwriter's Discount (1.000%)	99,350.00
Costs of Issuance	76,000.00
Deposit to Project Construction Fund	9,759,537.00
Rounding Amount	113.00
Total Uses	\$9,935,000.00

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	105% Overlevy
12/15/2021	-	-	170,386.88	170,386.88	178,906.22
12/15/2022	-	-	177,795.00	177,795.00	186,684.75
12/15/2023	-	-	177,795.00	177,795.00	186,684.75
12/15/2024	-	-	177,795.00	177,795.00	186,684.75
12/15/2025	-	-	177,795.00	177,795.00	186,684.75
12/15/2026	-	-	177,795.00	177,795.00	186,684.75
12/15/2027	-	-	177,795.00	177,795.00	186,684.75
12/15/2028	-	-	177,795.00	177,795.00	186,684.75
12/15/2029	-	-	177,795.00	177,795.00	186,684.75
12/15/2030	-	-	177,795.00	177,795.00	186,684.75
12/15/2031	-	-	177,795.00	177,795.00	186,684.75
12/15/2032	920,000.00	1.450%	177,795.00	1,097,795.00	1,152,684.75
12/15/2033	935,000.00	1.550%	164,455.00	1,099,455.00	1,154,427.75
12/15/2034	950,000.00	1.600%	149,962.50	1,099,962.50	1,154,960.63
12/15/2035	965,000.00	1.700%	134,762.50	1,099,762.50	1,154,750.63
12/15/2036	980,000.00	1.750%	118,357.50	1,098,357.50	1,153,275.38
12/15/2037	1,000,000.00	1.850%	101,207.50	1,101,207.50	1,156,267.88
12/15/2038	1,015,000.00	1.900%	82,707.50	1,097,707.50	1,152,592.88
12/15/2039	1,035,000.00	1.950%	63,422.50	1,098,422.50	1,153,343.63
12/15/2040	1,055,000.00	2.000%	43,240.00	1,098,240.00	1,153,152.00
12/15/2041	1,080,000.00	2.050%	22,140.00	1,102,140.00	1,157,247.00
Total	\$9,935,000.00	-	\$3,006,386.88	\$12,941,386.88	\$13,588,456.22