

2020 Through 2024
Five-year Capital Improvement Plan
Stevens County, Minnesota

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2020 THROUGH 2024
FIVE-YEAR CAPITAL IMPROVEMENT PLAN
STEVENS COUNTY, MINNESOTA

I. INTRODUCTION

In 1988, the Minnesota State Legislature enacted Minnesota Statutes, Section 373.40, which generally exempts bonds issued by a county to finance capital improvements under an approved capital improvement plan from the election requirements applicable to certain bonding projects.

Under Minnesota Statutes, Section 373.40, as amended (the “Act”), Stevens County, Minnesota (the “County” or “Stevens County”) may issue general obligation capital improvement bonds to finance certain capital improvements under an approved five-year capital improvement plan if the maximum amount of principal and interest to become due in any year on all outstanding bonds issued pursuant to the Act (including the bonds to be issued) will not equal or exceed 0.12% of the estimated market value (“EMV”) of property in the County. For taxes payable in 2019, the EMV of property in Stevens County is \$2,380,342,500. This EMV results in a total annual principal and interest capacity of \$2,856,411. Stevens County has one existing bond issued under the Act, the \$6,190,000 General Obligation Capital Improvement Plan Refunding Bonds, Series 2016A (the “Series 2016A Bonds”). The maximum amount of principal and interest due in any year on the Series 2016A Bonds is \$540,840. Therefore, the statutory maximum amount allowable for annual debt service on the County’s capital improvement bonds under this *2020 Through 2024 Five-Year Capital Improvement Plan* (the “Capital Improvement Plan” or “CIP”) is less than \$2,315,571 per year.

With concern related to the current condition of the County’s Public Works Facility and ongoing and ever-increasing maintenance and repair costs, in addition to addressing current inadequacies related to space needs, the County Board feels that 2019 is an opportune year to initiate a Capital Improvement Program and take advantage of the financing mechanisms it offers.

II. PURPOSE

A capital improvement is the acquisition or betterment of public lands, buildings, or other improvements within a county for the purpose of a county courthouse, administrative building, health or social service facility, correctional facility, jail, law

enforcement center, hospital, morgue, library, park, qualified indoor ice arena, roads and bridges, public works facilities, fairground buildings, and records and data storage facilities, and the acquisition of development rights in the form of conservation easements under Minnesota Statutes, Chapter 84C. A capital improvement must have an expected useful life of five (5) years or more. A capital improvement plan is a long-term capital budgeting plan designed to anticipate capital improvement projects or equipment and schedule them over a five-year period so that they may be purchased in the most efficient and cost-effective method possible. A capital improvement plan allows the matching of costs with anticipated income. As potential projects are reviewed, the county considers the benefits, costs, alternatives and impact of operating costs.

Stevens County believes the capital improvement process is an important element of responsible fiscal management. Major capital expenses can be anticipated and coordinated so as to minimize potentially adverse financial impacts caused by the timing and magnitude of capital outlays. This coordination of capital projects is important to the County in achieving its goals of an adequate physical plant, equipment and sound fiscal management. In these financially difficult times, good planning is essential for the wise use of limited funding.

The CIP is designed to be updated on an annual basis. In this manner, it becomes an ongoing fiscal planning tool that continually anticipates future costs and funding sources.

III. THE CAPITAL IMPROVEMENT PLANNING PROCESS

The capital improvement planning process is as follows: the county board authorizes the preparation of a capital improvement plan. The county Auditor/Treasurer is instructed to assemble the capital expenditures to be undertaken within the next five years. The county board then reviews the expenditures according to their priority, fiscal impact, and available funding. From this information, a preliminary capital improvement plan is prepared. A public hearing is held to solicit input from citizens and other governmental units. Changes are made based on that input and a final project list is established.

The county board then finalizes the capital improvement plan based on the available funding sources. If general obligation capital improvement plan bonding is necessary, the county works with its financial consultant to prepare a bond sale and repayment schedule. Over the life of the capital improvement plan, once the funding, including proceeds from the bond sales becomes available, capital expenditures can be made.

In subsequent years, the process is repeated as expenditures are completed and new needs arise. Capital improvement planning looks five years into the future.

For a county to use its authority to finance expenditures under the Act, it must meet the Act's requirements. Specifically, the county board must approve the sale of general obligation capital improvement bonds by a vote of at least three-fifths of the members of the county board, or by a vote of at least two-thirds of the members of the county board in the case of a metropolitan county. A metropolitan county includes a county located in the seven-county metropolitan area as defined in Minnesota Statutes, Section 473.121 (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott or Washington) or a county with a population of 90,000 or more. In addition, it must hold a public hearing to obtain public comment concerning the approval of a five-year capital improvement plan and its intent to issue general obligation capital improvement bonds thereunder. Notice of such hearing must be published in the official newspaper of the county or in a newspaper of general circulation in the county at least fourteen (14), but not more than twenty-eight (28) days prior to the date of the public hearing. The County Board then may approve the capital improvement plan and the issuance of bonds following the public hearing.

Although a referendum is not required, a reverse referendum is applicable. If a petition bearing the signatures of at least five percent (5%) of the votes cast in the last county general election requesting a vote on the issuance of general obligation capital improvement bonds is received by the Auditor/Treasurer within thirty (30) days after the public hearing, a referendum vote on the issuance of the bonds shall be called or the County Board may elect to not issue bonds and any action on the specific request is stayed for one year

IV. FIVE-YEAR CAPITALIMPROVEMENT PLAN

As required by the Act, the County has considered the following eight points in preparing this CIP:

1. Condition of the County's existing infrastructure, including the projected need for repair or replacement;
2. Likely demand for the improvement;
3. Estimated cost of the improvement;
4. Available public resources;
5. Level of overlapping debt in the County;
6. Relative benefits and costs of alternative uses of the funds;
7. Operating costs of the proposed improvements; and
8. Alternatives for providing services most efficiently through shared facilities with other counties or local government units.

The CIP as proposed will allow the County to construct a new Public Works Facility. The County has analyzed the eight points listed above both individually and as a whole.

V. PROJECTS TO BE BOND FINANCED

The expenditures to be financed with general obligation bonds under this CIP are limited to those listed below. All other foreseeable capital expenditures within the County government will be undertaken through other means. The following expenditures are proposed to be bond-financed:

During plan year 2020, the County proposes to construct a Public Works Facility (the “Project” or the “Public Works Facility Project”). The issuance of the capital improvement bonds to finance the Project is expected to occur during the time period associated with this Capital Improvement Plan (2020 – 2024).

The County has analyzed the eight points listed above in Section IV both individually and as a whole. Its findings are as follows:

A) **PROJECT: Stevens County Public Works Facility Project.**

1. Conditions of the County’s Infrastructure, Including the Projected Need for Repair or Replacement

The existing Stevens County Public Works Facility was originally constructed in 1963 with major remodel in 1996/1997, with roof membrane being repaired in 2017. The older portions of the facility’s infrastructure (furnace, cooling, etc.) are beyond their useful lifespans and are no longer able to be properly maintained or serviced. Replacement of the obsolete equipment and components, repairs to serviceable equipment and components, system back-up, and an overall control system is an integral part of the construction project which in turn will improve the ability of the Public Works Department to operate efficiently, reliably, and serve the County into the future.

The current facility has a failing sewer system as well. Many costly repairs have had to be made, however, there would need to be a complete system overhaul to maintain safe and health of our workers.

The current facility is not ADA compliant which causes accessibility issues to the public.

The electrical system and wiring is original to the facility, and is two wire throughout with no grounding wire. This has caused electrical shorts and minor fires in the past.

Air quality is also a concern when performing maintenance duties by mechanics. There is lack of adequate ventilation, and with a new facility, upgraded systems could be installed to handle the venting.

There is also a demand for increased services since the existing facility was constructed. This includes space to improve the County's ability to provide services in a cost effective and efficient manner. In the current facility, the new large equipment cannot access the mechanic bay with all the attachments. Sometimes, equipment needs to be broken down to effectively work on and repair systems.

Limitations of the current building present significant circulation, security, accessibility, and technological challenges. Moving department functions to a new building best addresses these issues.

2. Likely Demand for the Improvement

The Public Works Facility Project has been discussed and planned for since 2014 (and previously discussed in 2009 and 2010) and has continuously placed on hold due to budgetary concerns. The County has been diligently saving money in the Road and Bridge fund to help offset the cost of bonding for the Project. A new Public Works Facility would allow the Highway Department to better invest dollars that are available in a new facility with lower cost of maintenance. The current facility has a large amount of deferred maintenance that is very costly. The county believes investment of funds in a new facility would give 60+ years of life to the facility, where a remodel would only gain approximately 20 years of life.

3. Estimated Cost of the Improvement

The Project is estimated to cost approximately \$2,750,000. The County intends to finance the Project through the issuance General Obligation Capital Improvement Plan Bonds (the "Bonds"). The County may contribute up to \$500,000 of existing County funds to reduce the borrowing need.

4. Available Public Resources

The County will finance the bond principal and interest payments through a debt service tax levy (ad valorem). Additionally, the County may consider utilizing a portion of its State Aid allocation to support the debt payment, thereby reducing the total amount to be levied.

5. Level of Overlapping Debt in the County

Indirect Debt⁽¹⁾

<i>Issuer</i>	<i>Percentage Applicable in County</i>	<i>Outstanding General Obligation Debt⁽²⁾</i>	<i>Taxpayers' Share of Debt</i>
City of Morris	100.00%	\$8,790,000	\$ 8,790,000
City of Hancock	100.00	341,000	341,000
City of Chokio	100.00	237,000	237,000
City of Alberta	100.00	191,000	191,000
City of Donnelly	100.00	215,000	215,000
ISD No. 768, Hancock	70.00	5,675,000	3,972,500
ISD No. 2769, Morris	90.00	39,146,000	<u>35,231,400</u>
<i>Total Indirect Debt:</i>			<u>\$48,671,000</u>

6. Relative Benefits and Costs of Alternative Uses of the Funds

The County will gain benefits from the proposed improvement through the efficiencies the new space will provide. The new office space will provide adequate offices for needed staff. It will also allow for onsite IT infrastructure which will be an enhancement to the current point to point system we currently maintain. The upgraded facility will allow for new cabling and VOIP phone system. It will allow for integrated building controls for lighting, HVAC, and physical building security.

The tentative plans include adequate space and allocation of areas for male and female locker room areas, engineering materials testing area, adequate and clean break room, and a large meeting room that can be accessed during or after business hours for county or public business.

Additional security features will be added to assist in the protection of staff. This includes better lifts and overhead crane system, large working space to allow for current equipment

(1) As of December 31, 2018 unless noted otherwise.

to access work bays, drive in drive out doors, a better oil distribution and collection system. Updated HVAC systems will be installed reducing existing energy costs of the existing structure.

7. Operating Costs of the Proposed Improvements

The proposed facility will be approximately 6,900 square feet of office space and 11,500 square feet of shop space that will need to be maintained and operated. Additional maintenance of the facilities will be integrated with the Courthouse building controls system and schedule. The efficiencies created with an updated HVAC system and energy efficient fixtures will keep the operational costs to a minimum. Operating Costs of the Proposed Improvements are estimated as follows:

Staff: The County does not anticipate any increase to staff.

Utilities are estimate at \$15, 000 annually. This is approximately what we budget for now. We are anticipating with increase energy efficiency we will be able to maintain a large space at a lesser cost. This is based on realized savings at the Courthouse, post expansion (roughly double in size), utilities remained the same. They are targeted to decrease in fiscal year 2019 due to a recent LED upgrade.

Repairs/Maintenance will become a part of the operations annual budget and repairs and maintenance should work into the existing budget.

8. Alternatives for Providing Services Most Efficiently Through Shared Facilities with Other Municipalities or Local Government Units

Neighboring counties include Grant, Douglas, Pope, Swift and Big Stone. Each of the neighboring counties owns and operates separate Public Works facilities. The location of the facilities do not provide opportunities to share facilities efficiently.

Stevens County will continue to evaluate shared service opportunities that may arise with neighboring Counties.

Stevens County actively met for a year with the City of Morris to evaluate a shared facility. The only need that resulted from discussions was the potential for a shared wash bay facility.

V. FINANCING THE CAPITAL IMPROVEMENT PLAN

The total amount of requested expenditures under the CIP is \$2,750,000 which is the not to exceed principal amount of the proposed general obligation capital improvement plan bond issue.

In the financing of the CIP, two statutory limitations apply. Under Minnesota Statutes, Chapter 475, with few exceptions, the County cannot incur debt in excess of three percent (3%) of the assessor's EMV for taxable property in the County. The 2019 EMV of taxable property in the County is \$2,380,342,500. Three percent (3%) of the EMV = \$71,410,275. As of May 1, 2019, the County has \$5,415,000 outstanding applicable to the legal debt limit.

Another limitation on bonding under the Act is that without referendum, the total amount that can be used for principal and interest in any one year for CIP debt cannot equal or exceed 0.12% of the EMV of property in the County. The maximum annual principal and interest for the County is less than \$2,856,411 ($\$2,380,342,500 \times .0012$).

Under this CIP the County intends to issue new General Obligation Capital Improvement Plan Bonds in an amount not to exceed \$2,750,000 million to finance the Project. The Bonds are structured with a not-to-exceed 20 year term. Principal payments will begin on December 15, 2021. The principal and interest payments for the proposed Bonds are estimated to be approximately \$190,000 in calendar years 2021 through 2040 (this amount takes into account the 105% debt service coverage requirement required by law).

Annual Review of the Capital Improvement Plan

The County Board, using the process outlined in this CIP, intends to review this CIP annually, taking into account proposed expenditures, making priority decisions and seeking funding for those expenditures it deems necessary for the County. If deemed appropriate, the County Board will prepare an update to this CIP.

EXHIBIT A
STEVENS COUNTY FIVE-YEAR CAPITAL IMPROVEMENT PLAN

<u>Year</u>	<u>Planned Improvements</u>
2020	Public Works/Highway Facility
2021	No planned improvements
2022	No planned improvements
2023	No planned improvements
2024	No planned improvements