
CITY OF MARSHALL

Facilities Capital Improvement Plan

2019 – 2023

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Introduction

In 2003, the Minnesota State Legislature adopted a statute that generally exempts municipal bonds issued under a capital improvement program from the referendum requirements usually required for city halls, public works, and public safety facilities. The 2005 Legislature added towns to the meaning of a municipality and town halls and libraries to the meaning of a capital improvement.

Purpose

A capital improvement is a major expenditure of municipal funds for the acquisition or betterment of public lands, buildings, or other improvements used as a city hall, town hall, library, public safety or public works facility, which has a useful life of 5 years or more. For the purposes of Minnesota Statutes, Section 475.521, as amended (the "CIP Act"), capital improvements do not include light rail transit or related activities, parks, road/bridges, administrative buildings other than city or town hall, or land for those facilities. However, this plan includes certain additional capital improvements beyond the scope of that statute. A capital improvement plan ("CIP" or "Capital Improvement Plan") is a document designed to anticipate capital improvement expenditures and schedule them over a period so that they may be purchased in the most efficient and cost-effective method possible. A CIP allows the matching of expenditures with anticipated revenue. As potential expenditures are reviewed, the municipality considers the benefits, costs, alternatives and impact on operating expenditures.

The City of Marshall, Minnesota (the "City") believes the capital improvement process is an important element of responsible fiscal management. Major capital expenditures can be anticipated and coordinated to minimize potentially adverse financial impacts caused by the timing and magnitude of capital outlays. This coordination of capital expenditures is important to the City in achieving its goals of adequate physical public assets, preservation of public assets and sound fiscal management.

The Capital Improvement Plan is designed to be amended annually. In this manner, it becomes an ongoing fiscal planning tool that continually anticipates future capital expenditures and funding sources.

The Capital Improvement Planning Process

The capital improvement planning process is as follows: the City Council authorizes the preparation of the Capital Improvement Plan. The City staff assembles the capital expenditures to be undertaken within the next five years. The City Council then reviews the expenditures according to their priority, fiscal impact, and available funding. From this information, a preliminary CIP is prepared and approved.

If general obligation bonding is necessary, the City works with its financial advisor and bond attorney to prepare a bond sale and repayment schedule. Over the life of the CIP, once the funding, including proceeds from the bond sales becomes available; the individual capital expenditures can be made.

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

For a municipality to use its authority to finance expenditures under the CIP Act, it must meet the requirements provided therein. Specifically, the governing body must approve the sale of capital improvement bonds by a three-fifths majority of a five-member governing body, or two-thirds majority of a governing body having more or less than five members. In addition, it must hold a public hearing for public input. 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 governing body approves the CIP following the public hearing.

Although a referendum is not required, a so-called reverse referendum is allowable. If a petition bearing the signatures of at least 5 percent of the votes cast in the last general election requesting a vote on the issuance of bonds is received by the municipal clerk within 30 days after the public hearing, a referendum vote on the issuance of the bonds shall be called (if a vote is taken and the referendum passes, the taxes would be levied on market value rather than tax capacity).

Project(s) Summary

The expenditures to be undertaken with this Capital Improvement Plan are limited to those listed below. All other foreseeable capital expenditures within the municipal government will come through other means. The following expenditures have been submitted for inclusion in this CIP (net of bond issuance and related costs):

2019 Expenditures

- City Hall; \$8,000,000

2020 Expenditures

- No Expenditures

2021 Expenditures

- No Expenditures

2022 Expenditures

- No Expenditures

The statute has established certain criteria that must be met. Under these criteria, the City has considered the following eight points:

1. Condition of the City's infrastructure and need for the project
2. Demand for the improvement
3. Cost of the improvement
4. Availability of public resources
5. Level of overlapping debt
6. Cost/benefits of alternative uses of funds
7. Operating costs of the proposed improvements
8. Options for shared facilities with other cities or local governments

The CIP is composed of projects that will preserve, develop and enhance land located within the City for parks, recreation, trails & greenways, provide safer roads, provide more space for the City's facilities, improve and maintain the City's facilities, and other uses. The City has analyzed the eight points required per statute for each project on an individual basis and as a whole. Findings are as follows:

Projects (CIP Bond Projects)

Conditions of City Infrastructure and Need for the Projects

Recommendations made herein regarding capital improvements to the Municipal Building "City Hall" located at 344 W Main Street, Marshall, MN (the "2019 CIP Project") resulted from a careful analysis of the statutory criteria and other factors including significant known deficiencies and the deterioration of publicly owned facilities.

In 2006 and 2014, City Hall Studies were performed and concluded the following statements;

1. The existing 1964 City Hall structure of masonry, reinforced concrete and steel assemblies, appears to be structurally sound, excluding the deterioration of the structural floor of the garage and the boiler room slab-on-grade.

2. The “business” of the City has changed substantially since the Municipal Building’s construction 55 year ago (1964).
3. The City operations have adapted to the spaces and their layout in the existing building. In regard to the space use, the challenges include:
 - a. Departments are separated into compartments within the rigid building layout. Accordingly, there’s limited opportunity for flexibility in use of space.
 - b. Most departments are currently short of functional space.
4. The main entrance on Main Street has an exterior ramp, but it does not comply with current Accessibility Code.
5. The existing elevator is undersized based on ADA requirements for interior clearance and features in the cab. Retrofit for accessibility compliance is not feasible. A new elevator with hoistway is the only means of compliance with ADA.
6. Existing restrooms do not comply with ADA.
7. Current first floor layout does not allow continual monitoring of movement in and throughout the building.
8. The existing windows are the original 1964 painted, steel framed units and glass. These windows are not equipped with thermal breaks and do not comply with current Energy Code. There has been a history of water leaks in and around windows.
9. The facility does not have any fire sprinklers or fire alarms.
10. The two 30-year-old electric boilers should be replaced.
11. The two hot water heating pumps should be replaced
12. A central air-cooled chiller with chilled water loop and pump should replace the existing four condensing units if a major remodel is proposed.
13. Multiple central air handler units should replace the existing four air handlers. This would require all new ductwork and VAV’s with hot water reheat for individual room control.

Demand for Projects

Improvements with respect to a city hall will assist in ensuring that the public’s investments in such are protected and that facility is available and able to serve their intended public purpose.

Availability of Public Resources

Bonded debt for the 2019 CIP Project. The availability of financing a portion of any of the project from funds on hand is limited.

Direct and Overlapping Debt

Overlapping governmental activities debt at July 31, 2019 is presented in the table on below:

Taxing Unit ^(a)	2018/19 Adjusted Taxable Net Tax Capacity	Est. G.O. Debt As of 7-31-19 ^(b)	Debt Applicable to Tax Capacity in City	
			Percent	Amount
City of Marshall	\$11,937,207	\$20,275,000	100.0%	\$20,275,000
Lyon County	\$39,522,388	\$13,900,000	30.2%	\$ 4,197,800
ISD No. 413 (Marshall)	\$18,717,620	\$49,448,000	63.8%	<u>\$31,547,824</u>
Total				\$56,020,624

(a) Only those units with outstanding general obligation debt are shown here.

(b) Excludes general obligation tax and aid anticipation certificates and revenue-supported debt.

	Scenario 1	Scenario 2	Scenario 3
Bond Par Amount:	\$7,000,000	\$6,000,000	\$8,000,000
Description:	Bonds Issued in 2019 at Current Rates Plus 20bps	Bonds Issued in 2019 at Current Rates Plus 20bps	Bonds Issued in 2019 at Current Rates Plus 20bps
Dated:	December 26, 2019	December 26, 2019	December 26, 2019
First Interest:	August 1, 2020	August 1, 2020	August 1, 2020
First Principal:	February 1, 2021	February 1, 2021	February 1, 2021
Final Maturity:	February 1, 2040	February 1, 2040	February 1, 2040
Term:	20 Year	20 Year	20 Year
Deposit to Project Fund:	\$6,872,850	\$5,884,850	\$7,862,850
COI:	\$127,150	\$115,150	\$137,150
Total Interest:	\$1,731,563	\$1,485,946	\$1,485,946
Average Annual Debt Payment:	\$436,578	\$374,297	\$499,067
True Interest Cost:	2.287%	2.287%	2.287%

Relative Costs and Benefits of Alternative Uses of the Funds

If the projects are not approved, debt will not be issued. If there were other financing sources, such as funds on hand, then alternative uses of the funds could be evaluated.

Operating Costs of the Proposed Improvements

Lower operating and maintenance costs are anticipated due to the proposed 2019 CIP Project because of reduced maintenance and more efficient equipment.

Options for Shared Facilities with Other Cities or Local Government

There are always opportunities to share or partner with other cities and local governments. Those discussions always remain open and pursuit would be

based on a mutual benefit, however would be limited since these are existing, not new, facilities.

Financing The Capital Improvement Plan

The total amount of requested expenditures under the 2019-2023 Capital Improvement Plan is \$8,000,000.

In the financing of the Capital Improvement Plan, two statutory limitations apply. Under Minnesota Statutes, Section 475.53, as amended, with few exceptions, municipalities cannot incur debt in excess of 3% of the assessor's taxable market value for the municipality. In the City the taxable market value is \$982,372,900 that yields a debt limit of \$29,471,187. The City currently has \$6,420,000 of existing debt (as of July of 2019) that counts against the statutory debt limitation; the amount available is \$23,051,187. Another limitation on bonding under the CIP Act is that the total amount of principal and interest to become due in any one year on all the outstanding bonds issued under the CIP Act cannot equal or exceed 0.16% of the estimated market value of property in the municipality. In the City, that amount is \$1,571,796.

The City proposes to issue general obligation capital improvement plan bonds (the "2019 CIP Bonds"). The table below shows three possible financing amounts for the 2019 CIP Bonds;

Continuation of the Capital Improvement Plan

This Capital Improvement Plan should be reviewed annually by the City Council using the process outlined in this Plan. It should review proposed expenditures, make priority decisions, and seek funding for those expenditures it deems necessary for the City. If deemed appropriate, the Council should prepare an update to this Plan.