



2024 through 2028

Five-Year Capital Improvement Plan

City of Spring Lake Park, MN

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CITY OF SPRING LAKE PARK FIVE-YEAR CAPITAL IMPROVEMENT PLAN 2024-2028

Introduction

In 2003, the Minnesota State Legislature adopted a statute that generally exempts City and Town general obligation bonds issued under a capital improvement plan from the referendum requirements usually required for city halls, public works facilities, public safety facilities, and libraries. The statute on general obligation capital improvement plan bonds is M.S. § 475.521 (the “Act”).

Purpose

Under the Act, a capital improvement is a major expenditure of City 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, which has a useful life of five years or more.

Under the Act, capital improvements do not include light rail transit or related activities, parks, road/bridges, administrative buildings other than a city hall or town hall, or land for those facilities. A Capital Improvement Plan (“CIP” or “Plan”) is a document designed to anticipate capital improvement expenditures and schedule them over a five-year 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 income. As potential expenditures are reviewed, the City considers the benefits, costs, alternatives and impact on operating expenditures.

The City of Spring Lake Park, Minnesota (the “City”) believes the capital improvement process is an important element of responsible fiscal management. 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. This coordination of capital expenditures is important to the City in achieving its goals of adequate physical assets and sound fiscal management.

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 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 CIP. City staff is instructed to assemble 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 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 City Council then prepares the Plan based on the available funding sources. If general obligation capital improvement plan bonding is necessary, the City works with its financial consultant 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 new needs arise. Capital improvement planning looks five years into the future.

For a City to use its authority to finance expenditures under the Act, it must meet the Act's requirements. Specifically, the City Council must approve the sale of general obligation capital improvement bonds by a three-fifths majority of its membership. In addition, it must hold a public hearing for public input on its intent to issue general obligation capital improvement bonds and on the CIP. Notice of such hearing must be published in the official newspaper of the City at least fourteen, but not more than twenty-eight days prior to the date of the public hearing. The City Council approves the CIP 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 of the votes cast in the last general election requesting a vote on the issuance of general obligation capital improvement bonds is received by the municipal clerk within thirty days after the public hearing, a referendum vote on the issuance of the bonds must be held.

Project Summaries

The expenditures to be financed with general obligation bonds under this CIP are limited to those listed below. The following expenditures are proposed to be bond financed:

- Renovation and expansion of the existing City Hall/Police Department facility. The cost of the project is estimated not to exceed \$8,800,000. Project construction is anticipated to begin in February 2024 with an estimated completion date of November 2024. The issuance of bonds to finance the project is expected to occur during the time period associated with this CIP (2024-2028).

All other foreseeable capital expenditures within the City government will be undertaken through other means.

Statutory Criteria

M.S. § 475.521 outlines eight criteria that must be met prior to a city issuing bonds under this authority. Under these criteria, the City has considered the following eight points for each project:

Renovation and Expansion of Existing City Hall/Police Department Facility

1. Conditions of City Infrastructure, Including the Projected Need for Repair or Replacement and Need for the Project.

The original City Hall/Public Works Building was constructed in 1977 and is approximately 15,500 square feet. A stand-alone storage building, including a gun range, was constructed in 1987. In 1994, the City constructed a 3,600 square foot addition to the City Hall to house its Police Department. In 2013, the City purchased the 16,500 square foot former Cemstone warehouse property at 8502 Central Avenue and relocated the Public Works Department, due to lack of sufficient space at City Hall to store equipment indoors. As a result of this relocation, a large amount of square footage in the City Hall facility is underutilized.

The current facility is in need of accessibility improvements, updated HVAC systems, improved restroom facilities, safety improvements for City staff and the public, and more flexible public meeting spaces.

2. Likely Demand for the Improvement.

The City of Spring Lake Park conducted a space needs study on City Hall in 2017. The space needs study identified a number of deficiencies in the building, including, but not limited to, the following:

- The layout each department is not configured for adequate collaboration and sharing of resources as an administration.
- There is no existing automatic fire suppression system provided in the City Hall facility.
- The roof over the City Hall facility leaks and is in need of replacement.
- There is insufficient exterior wall insulation to meet current code requirements.
- There are inadequate restroom facilities in the building for employees and the public. Separate restroom facilities for staff and public are needed for privacy and security.
- Council Chambers needs an update for code compliance and accessibility. The lighting, technology and visibility does not meet current needs for meetings and other administrative functions.
- Lighting throughout the building is out of compliance with current Minnesota State Energy Code requirements.
- The current HVAC system, consisting of seven forced air furnaces, is 20 years old and is in need of replacement. The current system is inefficient and does not provide an acceptable or predictable level of occupant comfort.
- The City Hall lobby and circulation spaces are small, dark and less inviting to the entrance of the building. The current way finding and circulation between departments is confusing and does not provide a clear path for employees and the public.
- Electrical panels are beyond their 30-year service life and are at risk of improper operation during a fault or other overcurrent event. The quantity of receptacle locations is insufficient to support the building's current use.
- The water heater serving the building was installed in 1983 and is past its useful life.

- The Police Department is located down a long hallway off the main lobby and does not provide an inviting entry or waiting area.
- Police Department locker rooms and restrooms are not code compliant and do not meet the right-size standards for both genders.
- The Recreation Department lacks square footage for all office space and activity space for full time and seasonal employees.

The proposed renovation and expansion of the City Hall/Police Department Facility will address these building deficiencies.

3. Cost of the Improvement.

The estimated cost of construction is \$8,800,000.

4. Availability of Public Resources.

The City will finance the Bond principal and interest payments through a debt service tax levy. The City may also consider a contribution from existing reserve funds to reduce the principal amount of the bonds. In addition, the City may consider annual transfers from the water, sewer and storm water utilities to reduce the debt service tax levy.

5. Level of Overlapping Debt in the City

<i>Issuer</i>	<i>2022/2023 Tax Capacity Value</i>	<i>2022/2023 Tax Capacity Value in City</i>	<i>Percentage Applicable in City</i>	<i>Outstanding General Obligation Debt</i>	<i>Taxpayers' Share of Debt</i>
Anoka County	\$ 562,031,074	\$9,923,778	1.77%	\$33,990,000	\$ 601,623
Ramsey County	744,456,492	245,615	.03	180,735,000	54,221
ISD No. 16, Spring Lake Park	64,117,936	9,925,185	15.48	91,825,000	14,214,510
ISD No. 621, Mounds View	160,234,794	244,208	.15	214,850,000	322,275
Metropolitan Council	5,878,109,833	10,169,393	.17	4,535,000	7,710
Metro Transit	5,162,508,144	10,169,393	.20	213,985,000	<u>427,970</u>
				<i>Total Indirect Debt:</i>	<u>\$ 15,628,309</u>

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

The primary benefits of the project is to address the building deficiencies outlined in the 2017 Space Needs Study, to make the building more energy efficient, to improve building security, to provide the Police Department with its own entrance from the parking lot, and to provide welcoming gathering spaces for members of the public. There are no significant alternatives for the funds designated for this project.

7. Operating Costs of the Proposed Improvements

The building will generate electrical and natural gas savings due to energy efficiencies provided by the installation of LED lighting, energy efficient HVAC systems, and improved R-value insulation.

Due to the increased size and greater anticipated use of the facility, it is anticipated that additional dollars will need to be budgeted for cleaning and maintenance of the City Hall facility. This will be addressed in future operating budgets.

8. Options for Shared Facilities with Other Cities or Local Governments

Nearby municipalities include the cities of Blaine, Fridley and Mounds View. Each of the nearby cities own and maintain their own city hall. The ISD 16 (Spring Lake Park Public Schools) Administrative Building is located in Spring Lake Park. The City Council has determined that there is not adequate space in those facilities to meet the City's administrative, police and recreation staff space needs.

Financing the Capital Improvement Plan

The total amount of requested bond financed expenditures under the CIP is \$8,800,000 which is the principal amount of the proposed general obligation capital improvement plan bond issue.

In the financing of the CIP, two statutory limitations apply. Under Chapter 475, with few exceptions, the City cannot incur debt in excess of 3% of the assessor's Estimated Market Value ("EMV") for the City. In the case of a City with a population of 2,500 or less, the Bonds are not subject to the net debt limits. The City's 2020 population was approximately 7,188. Therefore, the proposed Bonds would be subject to the debt limit.

The City's Pay 2023 EMV was \$852,359,700. Three percent of the EMV = \$25,570,791. As of December 18, 2023, the City has \$153,850 subject 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 exceed 0.16% of the EMV for the City. The maximum annual principal and interest for the City is \$1,363,775 (\$852,359,700 x .0016). As of December 18, 2023, the City has outstanding the Series 2013A Bonds issued through this statutory

authority. The maximum principal and interest payment on the Series 2013A Bonds is \$45,900 resulting in remaining capacity of \$1,317,875.

Under this CIP the City will issue up to \$8,800,000 in General Obligation Capital Improvement Plan Bonds in 2024. The City has considered a 20-year bond structure with principal maturities on February 1, 2025 – 2044. The City intends to contribute available City reserve funds to reduce the principal amount of the bonds. Appendix A is a bond issue sized at \$8,270,000. The City anticipates that this will be the approximate principal amount of the bonds.

The principal and interest payments for the proposed Bonds are estimated to be approximately \$664,340 in calendar years 2025 through 2044 (this amount takes into account the 105% debt service coverage requirement required by law).

Annual Review of the Capital Improvement Plan

The City Council, 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 City. If deemed appropriate, the City Council will prepare an update to this CIP.

Appendix A

Preliminary Bond Schedule – General Obligation Capital Improvement Plan Bonds, Series 2024A

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
03/01/2024	-	-	-	-	-
02/01/2025	-	-	322,210.63	322,210.63	322,210.63
08/01/2025	-	-	175,751.25	175,751.25	-
02/01/2026	280,000.00	3.800%	175,751.25	455,751.25	631,502.50
08/01/2026	-	-	170,431.25	170,431.25	-
02/01/2027	290,000.00	3.700%	170,431.25	460,431.25	630,862.50
08/01/2027	-	-	165,066.25	165,066.25	-
02/01/2028	300,000.00	3.700%	165,066.25	465,066.25	630,132.50
08/01/2028	-	-	159,516.25	159,516.25	-
02/01/2029	310,000.00	3.700%	159,516.25	469,516.25	629,032.50
08/01/2029	-	-	153,781.25	153,781.25	-
02/01/2030	325,000.00	3.750%	153,781.25	478,781.25	632,562.50
08/01/2030	-	-	147,687.50	147,687.50	-
02/01/2031	335,000.00	3.800%	147,687.50	482,687.50	630,375.00
08/01/2031	-	-	141,322.50	141,322.50	-
02/01/2032	345,000.00	3.850%	141,322.50	486,322.50	627,645.00
08/01/2032	-	-	134,681.25	134,681.25	-
02/01/2033	360,000.00	3.900%	134,681.25	494,681.25	629,362.50
08/01/2033	-	-	127,661.25	127,661.25	-
02/01/2034	375,000.00	3.950%	127,661.25	502,661.25	630,322.50
08/01/2034	-	-	120,255.00	120,255.00	-
02/01/2035	390,000.00	4.050%	120,255.00	510,255.00	630,510.00
08/01/2035	-	-	112,357.50	112,357.50	-
02/01/2036	405,000.00	4.200%	112,357.50	517,357.50	629,715.00
08/01/2036	-	-	103,852.50	103,852.50	-
02/01/2037	425,000.00	4.300%	103,852.50	528,852.50	632,705.00
08/01/2037	-	-	94,715.00	94,715.00	-
02/01/2038	440,000.00	4.400%	94,715.00	534,715.00	629,430.00
08/01/2038	-	-	85,035.00	85,035.00	-
02/01/2039	460,000.00	4.450%	85,035.00	545,035.00	630,070.00
08/01/2039	-	-	74,800.00	74,800.00	-
02/01/2040	480,000.00	4.500%	74,800.00	554,800.00	629,600.00
08/01/2040	-	-	64,000.00	64,000.00	-
02/01/2041	500,000.00	4.550%	64,000.00	564,000.00	628,000.00
08/01/2041	-	-	52,625.00	52,625.00	-
02/01/2042	525,000.00	4.600%	52,625.00	577,625.00	630,250.00
08/01/2042	-	-	40,550.00	40,550.00	-
02/01/2043	550,000.00	4.650%	40,550.00	590,550.00	631,100.00
08/01/2043	-	-	27,762.50	27,762.50	-
02/01/2044	575,000.00	4.700%	27,762.50	602,762.50	630,525.00
08/01/2044	-	-	14,250.00	14,250.00	-
02/01/2045	600,000.00	4.750%	14,250.00	614,250.00	628,500.00
Total	\$8,270,000.00	-	\$4,654,413.13	\$12,924,413.13	-

Yield Statistics

Bond Year Dollars	\$105,450.83
Average Life	12.751 Years
Average Coupon	4.4138230%
Net Interest Cost (NIC)	4.5196970%
True Interest Cost (TIC)	4.5262872%