



AGENDA

Blackduck City Council - Public Hearing Meeting

6:00 PM - Monday, September 14, 2020
City Hall, 8 Summit Drive, Blackduck MN

	Page
1. CALL TO ORDER	
2. PUBLIC HEARING AGENDA	
a. Capital Improvement Plan in connection with the New Public Works/Public Safety Building - City of Blackduck, MN Blackduck CIP Plan DRAFT.3 (002)	2 - 14
b. Estimated Cost for Project	
c. General Questions & Answers from Public	
d. Approval Needed - Resolution 2020-28 - Resolution giving preliminary approval for the issuance of general obligation capital improvement plan bonds in an amount not to exceed \$1,100,000 and adopting the City of Blackduck, MN, Capital Improvement Plan under Minnesota Statutes, Section 475.521 2020-28 Resolution giving preliminary approval for the issuance of general obligation capital improvement plan bonds in an amount not to exceed	15 - 16
3. ADJOURNMENT	



September 14, 2020

Capital Improvement Plan in connection with the New Public Works/Public Safety Building City of Blackduck, Minnesota



Prepared by:
City Staff
and
Ehlers

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VP/Senior Municipal Advisor

Shelly Eldridge, CIPMA
VP/Senior Municipal Advisor

And

Chris Mickelson, CIPMA
Municipal Advisor

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Appendix C. Resolutions/Notice of Public Hearing	

SECTION 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 the usual referendum requirement (except for the so-called “reverse referendum” described in Section III). The CIP Act applies to capital improvements consisting of 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 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 and are not governed by this plan.

SECTION II: Purpose

A capital improvement 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, which has a useful life of five 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 city or town hall, or land for those facilities. A Capital Improvement Plan (“CIP”) 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 municipality considers the benefits, costs, alternatives and impact on operating expenditures.

The City of Blackduck, 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 assets and sound fiscal management. In these financially difficult times good planning is essential for the wise use of limited financial resources.

The Capital Improvement Plan 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.

SECTION III: The Capital Improvement Planning Process

The process begins with analysis of the City’s five-year capital improvement needs and funding sources. The City may solicit input from citizens and other governmental units at an early stage, if desired.

The City Council then directs staff or consultants to prepare a plan that sets forth the estimated schedule, timing and details of specific capital improvements by year, together with the estimated cost, the need for the improvement, and the sources of revenue for the improvement. The City Council then holds a public hearing on the CIP, with notice published not more than 30 days and not less than seven days for the hearing (except as described below). The Council may either approve the CIP immediately after the hearing or based on input may make revisions and approve the CIP at a later meeting.

If the CIP calls for general obligation bonds to finance certain improvements, the City Council must follow an additional set of procedures. The Council must hold a public hearing regarding issuance of the bonds. 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 public hearings on the CIP and the bonds may be combined into a single hearing, in which case the notice requirements for bonds must be followed.)

The Council must approve the sale of CIP bonds by a 3/5ths vote of its membership. However, the bonds are subject to a so-called “reverse referendum”. If a petition signed by voters equal to at least five percent of the votes cast in the City in last general election is filed with the City Clerk within 30 days after the public hearing regarding the bonds, the bonds may not be issued unless approved by the voters (by a majority of those voting on the question). Further, the maximum debt service in any year on all outstanding CIP Bonds is .16% of the estimated market value of property in the City, using the estimated market value for the taxes-payable year in which the bonds are issued.

After the CIP has been approved and bonds have been authorized, the City works with its financial 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, the expenditures for specified capital improvements can be made.

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

SECTION IV: Project Summary

The only capital improvements contemplated in the five-year period of this plan (2020 through 2024) is the construction of a new structure to house the public works and police departments for the City (the “Public Works/Public Safety Building”), through issuance of general obligation capital improvement plan bonds (referred to as the “CIP Bonds”).

The City proposes to finance the construction of the Public Works/Public Safety Building through issuance of CIP Bonds under the CIP Act and this CIP. The proposed CIP Bonds would be issued in 2020 or 2021, in a principal amount not to exceed \$1,100,000.

The CIP Act requires the City Council to consider eight factors in preparing the CIP:

1. Condition of the City’s existing infrastructure, including 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 City.
6. Relative benefits and costs of alternative uses of funds.
7. Operating costs of the proposed improvements.
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 construction of the Public Works/Public Safety Building through issuance of the CIP Bonds. The findings are as follows:

- Approximately \$1,500,000 for the construction of a new public works and public safety building located at 197 Industrial Lane Northwest in the City and will be funded in 2020 or 2021 by approximately \$1,085,000 of CIP Bonds and \$465,000 of Utility Revenue Bonds. The portion of the public works facility financed by the Utility Revenue Bonds will be used exclusively by the water and sewer utility systems.

These expenditures are anticipated due to:

- Increased demand for services.
- Increased awareness of needs by the public.
- Functionality of building.
- Lack of security.

Other than such construction, the City does not anticipate any other projects to be financed under this CIP in the 2020 through 2024 period.

Conditions of City Infrastructure and Need for the Project

Due to the increase in demand for services, additional space will be needed for a building to accommodate staff, equipment and materials to better serve our growing community. The project will be built to meet these and future needs of the City.

Demand for Project

Due to increasing public awareness, a new building is required to meet the demands of population growth to better serve the City’s growing needs. Also, a general lack of technology, functionality, and security/safety with limited space for the public works and police departments in the existing buildings, adds to demand for the project.

Estimated Cost of the Project

The Blackduck Public Works/Public Safety Building is estimated to cost \$1,500,000 (bond issue in an amount not to exceed \$1,600,000). Grants and state bonding monies will be sought but are not guaranteed. The amount of bonds to be issued will be reduced to the extent the City receives financial assistance from the State of Minnesota.

Availability of Public Resources

The CIP Bonds for construction of the Blackduck Public Works/Public Safety Building would be paid with ad valorem taxes and possibly reserves. However, the CIP Bonds will be additionally secured by the City’s full faith and credit, which is expected to produce lower interest rates on the CIP Bonds compared to the limited other options available to finance this type of project.

The bond proceeds are proposed to be paid for in part by shifting retiring debt levy dollars toward a portion of the new debt.

Level of Overlapping Debt

The City has no outstanding CIP debt. Below is a chart with the debt of other taxing jurisdictions in the City.

Taxing District ¹	2019/2020 Taxable Net Tax Capacity	% In City	Total G.O. Debt	City's Proportionat e Share
Beltrami County	\$39,034,785	0.7735%	\$4,635,000	\$35,850
I.S.D. No. 32 (Blackduck)	3,493,539	8.6422%	4,130,000	356,922
City's Share of Total Overlapping Debt				<u>\$392,772</u>

¹ Only those taxing jurisdictions with general obligation debt outstanding are included in this section. Does not include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

Relative Costs and Benefits of Alternative Uses of the Funds

The space limitations with the current facilities and need for major renovation and maintenance make this project necessary for the City. There are no significant alternatives for funds designated for this project. This is a high priority due to the limited space available currently. The condition of the current buildings makes this project necessary for the City. The cost of renting extra space for this type of facility makes it impractical. There are no significant alternatives for funds designated for this project.

Operating Costs of the Proposed Improvement

All public works operation costs will increase as demand for these services increases over time. A new larger facility will realistically require higher maintenance expenditures, but these additional maintenance costs will be mitigated to some extent by replacing an older facility with newer more efficient systems and the possible sale or reuse of the old facility. In other respects, no changes to operating costs are expected under this CIP.

Alternatives for Shared Facilities with Other Cities or Local Government

Sharing the Blackduck Public Works/Public Safety Building with another community is not an option. Provision of public safety relies on immediate response times in emergencies and having a shared facility outside of the community would seriously jeopardize response times and public safety.

SECTION V: Financing the Capital Improvement Plan

The total principal amount of requested expenditures under this Capital Improvement Plan is \$1,500,000 less any upfront cash contribution plus any costs of debt issuance and any capitalized interest. This amount represents the maximum principal amount of CIP Bonds that may be issued to \$1,100,000. Principal and interest on the CIP Bonds will be paid through a tax levy over the term of the CIP Bonds and/or other monies, further shown in Appendix A.

In the financing of the Capital Improvement Plan, two significant statutory limitations apply.

1. Under Chapter 475, with few exceptions, municipalities cannot incur debt in excess of 3% of the assessor's estimated market value for the municipality. In the City, the estimated market value is \$30,253,400. Therefore, the total amount of outstanding debt cannot exceed \$907,602 (These values are for 2019/20 tax year). However, because the City has a population of under 2,500 the CIP Bonds are exempt from the overall statutory debt limit for the City.
2. A separate limitation under the CIP Act is that, without referendum, the total amount of principal and interest in any one year 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 \$48,405 for the 2019/20 tax year ($\$30,253,400 \times .0016$). The maximum principal and interest payments on the CIP Bonds proposed to be issued under this CIP is estimated to be approximately \$45,702. As such, debt service on the CIP Bonds will be within the annual limits under the CIP Act.

Details regarding the proposed terms of the CIP Bonds under this CIP are shown in Appendix A. The City is contemplating two bonding options (i.e., 3-year competitive temporary bond sale and a 40-year USDA loan to take-out the temporary bond after project completion). Both bond amounts will not exceed the maximum principal amount of CIP Bonds referred to above. A schedule of events for approval of the CIP and issuance of the CIP Bonds is shown in Appendix B; and the resolution calling the public hearing, form of the public hearing notice, and resolution approving the CIP are shown in Appendix C.

Continuation of the Capital Improvement Plan

This Capital Improvement Plan should be reviewed as needed 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.

Appendix A

Proposed CIP Bond Issue

City of Blackduck, Minnesota

\$1,550,000 General Obligation Temporary Bonds, Series 2020A

Issue Summary - Public Works & Public Safety - CIP

Assumes Current Market BQ A+ Rates

Total Issue Sources And Uses

Dated 08/15/2020 | Delivered 08/15/2020

	CIP	Utility Revenue (444)	Issue Summary
Sources Of Funds			
Par Amount of Bonds	\$1,085,000.00	\$465,000.00	\$1,550,000.00
Total Sources	\$1,085,000.00	\$465,000.00	\$1,550,000.00
Uses Of Funds			
Total Underwriter's Discount (1.200%)	13,020.00	5,580.00	18,600.00
Costs of Issuance	21,000.00	9,000.00	30,000.00
Deposit to Project Construction Fund	1,050,000.00	450,000.00	1,500,000.00
Rounding Amount	980.00	420.00	1,400.00
Total Uses	\$1,085,000.00	\$465,000.00	\$1,550,000.00

City of Blackduck, Minnesota

\$1,085,000 General Obligation Temporary Bonds, Series 2020A

CIP

Assumes Current Market BQ A+ Rates

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
08/15/2020	-	-	-	-	-
08/01/2021	-	-	15,642.08	15,642.08	-
02/01/2022	-	-	8,137.50	8,137.50	23,779.58
08/01/2022	-	-	8,137.50	8,137.50	-
02/01/2023	1,085,000.00	1.500%	8,137.50	1,093,137.50	1,101,275.00
Total	\$1,085,000.00	-	\$40,054.58	\$1,125,054.58	-

Yield Statistics

Bond Year Dollars	\$2,670.31
Average Life	2.461 Years
Average Coupon	1.4999999%
Net Interest Cost (NIC)	1.9875845%
True Interest Cost (TIC)	1.9993845%
Bond Yield for Arbitrage Purposes	1.4979616%
All Inclusive Cost (AIC)	2.8238975%

IRS Form 8038

Net Interest Cost	1.4999999%
Weighted Average Maturity	2.461 Years

City of Blackduck, Minnesota

\$1,550,000 General Obligation Bonds, Series 2020A

Issue Summary

(USDA Loan - 40 Years)

Total Issue Sources And Uses

Dated 08/15/2023 | Delivered 08/15/2023

	CIP	Utility Revenue (444)	Issue Summary
Sources Of Funds			
Par Amount of Bonds	\$1,085,000.00	\$465,000.00	\$1,550,000.00
Total Sources	\$1,085,000.00	\$465,000.00	\$1,550,000.00
Uses Of Funds			
Deposit to Project Construction Fund	1,085,000.00	465,000.00	1,550,000.00
Total Uses	\$1,085,000.00	\$465,000.00	\$1,550,000.00

City of Blackduck, Minnesota

\$1,085,000 General Obligation Bonds, Series 2020A

CIP

(USDA Loan - 40 Years)

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
01/01/2024	-	-	11,362.77	11,362.77
01/01/2025	15,865.48	2.750%	29,837.50	45,702.98
01/01/2026	16,301.78	2.750%	29,401.20	45,702.98
01/01/2027	16,750.07	2.750%	28,952.90	45,702.97
01/01/2028	17,210.70	2.750%	28,492.27	45,702.97
01/01/2029	17,684.00	2.750%	28,018.98	45,702.98
01/01/2030	18,170.31	2.750%	27,532.67	45,702.98
01/01/2031	18,669.99	2.750%	27,032.99	45,702.98
01/01/2032	19,183.41	2.750%	26,519.56	45,702.97
01/01/2033	19,710.96	2.750%	25,992.02	45,702.98
01/01/2034	20,253.01	2.750%	25,449.97	45,702.98
01/01/2035	20,809.97	2.750%	24,893.01	45,702.98
01/01/2036	21,382.24	2.750%	24,320.73	45,702.97
01/01/2037	21,970.25	2.750%	23,732.72	45,702.97
01/01/2038	22,574.43	2.750%	23,128.54	45,702.97
01/01/2039	23,195.23	2.750%	22,507.74	45,702.97
01/01/2040	23,833.10	2.750%	21,869.87	45,702.97
01/01/2041	24,488.51	2.750%	21,214.46	45,702.97
01/01/2042	25,161.94	2.750%	20,541.03	45,702.97
01/01/2043	25,853.90	2.750%	19,849.08	45,702.98
01/01/2044	26,564.88	2.750%	19,138.09	45,702.97
01/01/2045	27,295.41	2.750%	18,407.56	45,702.97
01/01/2046	28,046.04	2.750%	17,656.94	45,702.98
01/01/2047	28,817.30	2.750%	16,885.67	45,702.97
01/01/2048	29,609.78	2.750%	16,093.19	45,702.97
01/01/2049	30,424.05	2.750%	15,278.93	45,702.98
01/01/2050	31,260.71	2.750%	14,442.26	45,702.97
01/01/2051	32,120.38	2.750%	13,582.60	45,702.98
01/01/2052	33,003.69	2.750%	12,699.28	45,702.97
01/01/2053	33,911.29	2.750%	11,791.68	45,702.97
01/01/2054	34,843.85	2.750%	10,859.12	45,702.97
01/01/2055	35,802.06	2.750%	9,900.92	45,702.98
01/01/2056	36,786.62	2.750%	8,916.36	45,702.98
01/01/2057	37,798.25	2.750%	7,904.73	45,702.98
01/01/2058	38,837.70	2.750%	6,865.28	45,702.98
01/01/2059	39,905.74	2.750%	5,797.24	45,702.98
01/01/2060	41,003.14	2.750%	4,699.83	45,702.97
01/01/2061	42,130.73	2.750%	3,572.25	45,702.98
01/01/2062	43,289.32	2.750%	2,413.65	45,702.97
01/01/2063	44,479.78	2.750%	1,223.19	45,702.97
Total	\$1,085,000.00	-	\$708,778.78	\$1,793,778.78

Appendix B

Pre-Sale Schedule dated July 30, 2020 For the Sale of G.O. Capital Improvement Plan Bonds

The City Council must take the following actions before Bonds can be issued:

- City Council directs preparation of a 5-Year Capital Improvement Plan.
- City Council conducts a Public Hearing on issuance of Bonds and Capital Improvement Plan.
- City Council approves Bonds and Capital Improvement Plan by at least a 3/5ths vote of the governing body membership.

The table below lists the steps in the issuing process:

8/10	City Council adopts Resolution calling for Public Hearing on issuance of Bonds and on Capital Improvement Plan.
8/26 @ 12p	Close date to get Notice of Public Hearing on issuance of Bonds and on Capital Improvement Plan to official newspaper for publication.
8/29	Publish Notice of Public Hearing on issuance of Bonds and on Capital Improvement Plan (publication no more than 28 days and no less than 14 days prior to hearing date).
9/14 @ 6:00p	City Council holds Public Hearing on Bonds and on Capital Improvement Plan and adopts Resolution giving preliminary approval for their issuance and approving Capital Improvement Plan by at least a 3/5ths vote of the governing body membership.
TBD	City Council provides for sale of Bonds.
Week of TBD	Ehlers distributes official statement.
Week of TBD	Conference call with Standard & Poor’s for bond rating.
10/14	Reverse referendum period ends (within 30 days of the public hearing).
TBD	City Council accepts offer for Bonds and adopts Resolution-Approving sale of Bonds.
TBD	Tentative closing/receipt of funds.

Net Debt Limit - EXEMPT		Annual Levy Limit	
Assessor's Estimated Market Value	30,253,400	Assessor's Estimated Market Value	30,253,400
Multiply by 3%	0.03	Multiply by .16%	0.0016
Statutory Debt Limit	907,602	Statutory Levy Limit	48,405
Less: Debt Paid Solely from Taxes	NA	Less: Annual Levy under CIP	(45,702)
Unused Debt Limit	907,602	Unused Levy Limit	2,703

*These values are for Pay 2019/2020



CITY OF BLACKDUCK

RESOLUTION NO: 2020-28

RESOLUTION GIVING PRELIMINARY APPROVAL FOR THE ISSUANCE OF GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS IN AN AMOUNT NOT TO EXCEED \$1,100,000 AND ADOPTING THE CITY OF BLACKDUCK, MINNESOTA, CAPITAL IMPROVEMENT PLAN UNDER MINNESOTA STATUTES, SECTION 475.521

WHEREAS, the City Council of the City of Blackduck, Minnesota (the "City") proposes to adopt the City of Blackduck, Minnesota, Capital Improvement Plan (the "Plan") and to issue its general obligation capital improvement plan bonds (the "Bonds") described in the Plan; and

WHEREAS, the City has caused notice of the public hearing on the intention to issue the Bonds and on the proposed adoption of the Plan to be published pursuant to and in accordance with Minnesota Statutes, Section 475.521; and

WHEREAS, a public hearing on the intention to issue the Bonds and on the proposed Plan has been held on this date, following published notice of the public hearing as required by law; and

WHEREAS, in approving the Plan, the City Council considered for each project and for the overall Plan:

1. The condition of the City's existing infrastructure, including the projected need for repair and replacement;
2. The likely demand for the improvement;
3. The estimated cost of the improvement;
4. The available public resources;
5. The level of overlapping debt in the City;
6. The relative benefits and costs of alternative uses of the funds;
7. Operating costs of the proposed improvements; and
8. Alternatives for providing services more efficiently through shared facilities with other local governmental units; and

WHEREAS, the City Council has determined that the issuance of the Bonds is the best way to finance the capital improvements described in the Plan as authorized under Minnesota Statutes, Section 475.521.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Blackduck, Minnesota, as follows:

1. The Plan is hereby in all respects approved.
2. The staff and consultants of the City are hereby authorized to do all other things and take all other actions as may be necessary or appropriate to carry out the Plan in accordance with any applicable laws and regulations.



CITY OF BLACKDUCK RESOLUTION NO: 2020-28

3. The City gives preliminary approval to issuance of the Bonds in the maximum principal amount of \$1,100,000, provided that if a petition requesting a vote on issuance of the Bonds, signed by voters equal to five percent of the votes cast in the last general election, is filed with City Administrator by October 14, 2020, the City may issue the Bonds only after obtaining approval of a majority of voters voting on the question at an election.

The motion for the adoption of the foregoing resolution was duly seconded by Member _____ and, after full discussion thereof and upon a vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

Adopted by the City Council of the City of Blackduck on September 14, 2020.

Approved:

Maxwell Gullette, Mayor

Christina Regas – City Administrator