

2017 through 2021  
Five-year Capital Improvement Plan for the  
City of Rice Lake, Minnesota

**AMENDMENT**

**Public Hearing Review July 5, 2017 and  
October 10, 2019 and November 9, 2020**

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**CITY OF RICE LAKE**  
**FIVE-YEAR CAPITAL IMPROVEMENT PLAN**  
**2017 THROUGH 2021**

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I. 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, public safety facilities and libraries. The statute on general obligation capital improvement plan bonds is Minnesota Statutes, Section 475.521 (the " Act").

II. 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 Rice Lake, 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.

III. 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.

#### IV. FIVE-YEAR CAPITAL IMPROVEMENT PLAN

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

1. Condition of the City's infrastructure, including the projected need for repair or replacement and need for the project.
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 the funds.
7. Operating costs of the proposed improvements.
8. Alternatives for providing services most efficiently through shared facilities with other municipalities or local government units.

The CIP will allow the City to renovate the existing City Hall. The City has analyzed the eight points listed above both individually and as a whole.

##### ***2019 Amendment***

*The 2019 CIP Amendment will allow the City to construct an addition to the City's Public Works Building. The City has analyzed the eight points listed above both individually and as a whole.*

##### ***2020 Amendment***

*The 2020 CIP Amendment will allow the City to construct an addition to the City Hall Building. The City 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 City government will be undertaken through other means. The following expenditures are proposed to be bond financed:

- a) Renovation of the existing City Hall for a not to exceed amount of \$250,000. This project is anticipated to begin and be completed in 2017. The issuance of the bonds to finance the project is expected to occur during the time period associated with this Capital Improvement Plan (2017 - 2021).

### ***2019 Amendment***

- b) *An addition to the City's Public Works Building for a not to exceed amount of \$600,000. This 2019 project is anticipated to begin in 2019 and be completed in 2020. The issuance of the bonds to finance the 2019 project is expected to occur in 2019.*

### ***2020 Amendment***

- c) *An addition to City Hall for a not to exceed amount of \$900,000. This 2020 project is anticipated to begin in 2020 and be completed in 2021. The issuance of the bond to finance the 2020 project is expected to occur in 2020.*

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

### **Project - Renovation of the existing City Hall**

Currently we are experiencing issues with sewer lines - sagging and pitted pipes and wye issues; furnace - bad valves, thermostats, constant repairs and inefficiencies; leaking concrete walls - need to core fill block and new top blocks; ceiling with lighting in hall - to prevent further roof leaks due to icing issues; windows - that leak and have heat loss.

### ***2019 Amendment***

### **2019 Project – Addition to Public Works Building**

*Since the City started plowing city roads, we have had to purchase additional trucks and equipment for the road department and with the expansion of our Utility System, the current Public Works Building was not large enough to house all the trucks, equipment, tools, and supplies needed to run the Road and Utility Departments. OSHA performed an inspection and noted we did not have enough floor clearance for employees to safely maneuver within the building.*

### ***2020 Amendment***

### **2020 Project – Addition to City Hall**

*City staff offices are small and spread out in several places throughout City Hall. Conducting business is difficult due to the small spaces and lack of privacy for discussions with residents and customers and there is a concern for safety of city staff. The addition would allow for additional*

*security as well as having all staff located in one area of the building. The addition will be more energy efficient with in floor heat, additional insulation, and new windows and doors.*

## **2. Likely Demand for the Improvement**

### **Project - Renovation of the Existing City Hall**

The City of Rice Lake is looking to address all the major repair issues we are currently experiencing at the City Hall. It is the City's goal to improve energy efficiencies as well as make building repairs.

#### ***2019 Amendment***

### **2019 Project – Addition to Public Works Building**

*The addition is necessary to be in compliance with OSHA regulations and to allow for the proper operation of the Road and Utility Departments. The new addition will be used for the Utility Department allowing the Road Department to use the full existing building and allowing the Utility Department room for expansion.*

#### ***2020 Amendment***

### **2020 Project – Addition to City Hall**

*The addition is necessary to allow for adequate room for all staff and a safe working environment for staff. The addition will also allow for better resident/customer service due to more efficient workspace.*

## **3. Estimated Cost of the Improvement**

### **Project - Renovation of the existing City Hall**

The estimated cost of the renovations to the existing City Hall is approximately \$250,000. The new bonds are anticipated to be issued during the time period of this capital improvement plan (2017 - 2021).

#### ***2019 Amendment***

### **2019 Project – Addition to Public Works Building**

*The estimated cost of the addition to the Public Works Building is approximately \$600,000. The bonds for the 2019 Project are anticipated to be issued in 2019.*

#### ***2020 Amendment***

### **2020 Project – Addition to City Hall**

*The estimated cost of the addition to the City Hall is approximately \$900,000. The bonds for the 2020 Project are anticipated to be issued in 2020.*

#### 4. Available Public Resources

##### **Project - Renovation of the existing City Hall**

The City will finance the Bond principal and interest payments through a debt service tax levy.

##### ***2019 Amendment***

##### **2019 Project – Addition to Public Works Building**

*The City will finance the 2019 Project with bond proceeds and cash reserves. The City will levy property taxes for payment of bond principal and interest payments.*

##### ***2020 Amendment***

##### **2020 Project – Addition to City Hall**

*The City will finance the 2020 Project with bond proceeds and cash reserves. The City will levy property taxes for payment of bond principal and interest payments.*

#### 5. Level of Overlapping Debt in the City

##### **Indirect Debt**

<u>Issuer</u>	<u>2016/2017 Tax Capacity Value<sup>(1)</sup></u>	<u>2016/2017 Tax Capacity Value<sup>(1)</sup></u>	<u>Percentage Applicable in City</u>	<u>Net Debt<sup>(2)</sup></u>	<u>Taxpayers' Share of Debt</u>
St. Louis County	\$ 184,184,016	\$2,953,713	1.60%	\$ 103,330,000	\$ 1,653,280
ISD No. 700, Hermantown	14,940,802	81,214	0.54	45,907,738	247,902
ISD No. 709, Duluth	75,902,236	2,872,499	3.78	47,200,000	<u>1,784,160</u>
				<i>Total Indirect Debt:</i>	<b><u>\$ 3,685,342</u></b>

(1) Tax capacity values are after tax increment and fiscal disparity contribution adjustments, but before fiscal disparity distribution.

(2) As of June 2, 2017.

##### ***2019 Amendment***

*As of January 1, 2019, the City has a total of \$487,843,163 of overlapping debt outstanding, consisting of St. Louis County (\$145,215,000), ISD #700 (\$48,097,738) and ISD #709 (\$294,530,425).*

##### ***2020 Amendment***

*As of January 1, 2020, the City has a total of \$4,426,846 of overlapping debt outstanding, consisting of St. Louis County (\$2,44-,555), ISD #700 (\$252,281) and ISD #709 (\$1,734,010).*

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

### **Project - Renovation of the Existing City Hall**

It is the City's goal to improve energy efficiencies of the building as well as eliminate annual major repair costs. There is no alternative uses of the funds unless hidden repairs are found during construction.

#### ***2019 Amendment***

### **2019 Project – Addition to Public Works Building**

*It is the City's goal to improve worker's safety and efficiency as well as prepare for future expansion of our Road and Utility Departments. There is no alternative uses of the funds.*

#### ***2020 Amendment***

### **2020 Project – Addition to City Hall**

*It is the City's goal to improve worker's safety and efficiency as well as prepare for future expansion of our Administration, Planning, and Zoning Departments. There is no alternative uses of the funds.*

## **7. Operating Costs of the Proposed Improvements**

### **Project - Renovation of the Existing City Hall**

The improvements to City Hall will result in a more energy efficient building. The cost of heating and cooling the building as compared to the existing City Hall will be lower.

#### ***2019 Amendment***

### **2019 Project – Addition to Public Works Building**

*The addition to the Public Works Building will result in a more efficient delivery of City services and use of City resources.*

#### ***2020 Amendment***

### **2020 Project – Addition to City Hall**

*The addition to the City Hall will result in a more efficient delivery of City services and use of City resources.*

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

### **Project - Renovation of the Existing City Hall**

Nearby municipalities include the cities of Duluth and Hermantown. Each of the nearby cities own and maintain separate city halls.

**2019 Amendment**

**2019 Project – Addition to Public Works Building**

*Each of the nearby cities own and maintain separate public works buildings. Use of these facilities would result in a less efficient delivery of City services and use of City resources.*

**2020 Amendment**

**2020 Project – Addition to City Hall**

*Nearby municipalities include the cities of Duluth and Hermantown. Each of the nearby cities own and maintain separate city halls.*

VI. FINANCING THE CAPITAL IMPROVEMENT PLAN

The total amount of requested bond financed expenditures under the CIP is \$250,000 which is the principal amount of the proposed general obligation capital improvement plan bond issue.

**2019 Amendment**

*The total amount of requested bond financed expenditures under the CIP is increased by \$600,000 from \$250,000 to \$850,000, which is the principal amount of the existing and proposed general obligation capital improvement plan bond issued.*

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 2017 population is approximately 4,109. Therefore the proposed Bonds would be subject to the debt limit.

The City's Pay 2017 EMV is \$342,024,600. Three percent of the EMV = \$10,260,738. As of June 1, 2017, the City has \$363,500 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 \$547,239 (\$342,024,600 x .0016).

**2019 Amendment**

*The City's Pay 2019 EMV is \$364,676,200. Three percent of the EMV = \$10,940,286. As of January 1, 2019, the City has \$338,000 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 \$547,239 ( $\$342,024,600 \times .0016$ ).

### **2020 Amendment**

*The City's Pay 2020 EMV is \$379,569,200. Three percent of the EMV = \$11,387,076. As of January 1, 2020, the City has \$858,000 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 \$607,310.40 ( $\$379,569,000 \times .0016$ ).

### **2019 Amendment**

*The maximum annual principal and interest for the City is \$583,481.92 ( $\$364,676,200 \times .0016$ ).*

Under this CIP the City will issue up to \$250,000 in General Obligation Capital Improvement Plan Bonds. It is anticipated that renovation of the City Hall will begin and be completed in 2017. As a result, \$250,000 in bonds will be issued in 2017 with a financing term not to exceed 10 years. The principal and interest payment for the proposed Bonds is approximately \$30,060 in calendar years 2018 through 2027.

### **2019 Amendment**

*The principal and interest payment for the proposed 2019 bonds is approximately \$71,880 in calendar years 2020 through 2029.*

The City has outstanding the \$343,000 General Obligation Capital Improvement Plan Bonds, Series 2011A. The maximum annual principal and interest on the Series 2011A Bonds is \$52,780. The combined total of the projected new borrowing need (\$30,060) and the existing Series 2011A Bonds (\$52,780) is \$82,840.

### **2019 Amendment**

*The City presently only has outstanding the \$250,000 General Obligation Capital Improvement Plan Bonds, Series 2017A. The maximum annual principal and interest on the Series 2017A Bonds is \$54,415. The combined total of the projected new borrowing need (\$71,880) and the existing Series 2017A Bonds (\$54,415) is \$126,295.*

### **2020 Amendment**

*The City presently has outstanding the \$250,000 General Obligation Capital Improvement Plan Bonds, Series 2017A and the \$600,000 General Obligation Capital Improvement Bonds, Series 2019C. The maximum annual principal and interest on the Series 2017A Bonds is \$54,415 and*

*the maximum annual principal and interest on the Series 2019C Bonds is \$71,880. The combined total annual debt service of the projected new borrowing need and the existing Series 2017A Bonds (\$54,415) and 2019C Bonds (\$71,880) will not exceed 0.16% of EMV.*

### **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.