

# **FAIRMONT CITY COUNCIL AGENDA SPECIAL MEETING**

**Wednesday, February 24, 2021, 5:00 p.m.**

- 1. Roll Call / Determination of Quorum**
- 2. Pledge of Allegiance**
- 3. Approval of Agenda**
- 4. Public Hearings**
  - 4.1 2021 Five-Year Capital Improvement Plan and Bond Issuance (02)**
- 5. Adjournment**

**CITY OF FAIRMONT----AGENDA CONTROL SHEET----AGENDA ITEM NO. 4.1**

**MEETING DATE:** February 24, 2021

**SUBJECT:** 2021 Five-Year Capital Improvement Plan and Bond Issuance

**REVIEWED BY:** Cathy Reynolds, City Administrator

**SUBJECT INITIATION BY:**

<input type="checkbox"/>	Petition	<input type="checkbox"/>	Board	<input checked="" type="checkbox"/>	Staff	<input type="checkbox"/>	Council	<input type="checkbox"/>	Commission	<input type="checkbox"/>	Committee
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**SUBJECT BACKGROUND:** Paul Hoyer, Finance Director

**INTRODUCED BY:** Paul Hoyer, Finance Director

**COUNCIL LIAISON:**

**TYPE OF ACTION:**

<input type="checkbox"/>	Motion (Voice Vote)	<input checked="" type="checkbox"/>	Resolution	<input type="checkbox"/>	Discussion
<input type="checkbox"/>	Ordinance 1 <sup>st</sup> Reading (Introduction only)	<input type="checkbox"/>	Set Public Hearing (Motion)	<input type="checkbox"/>	Information Only
<input type="checkbox"/>	Ordinance 2 <sup>nd</sup> Reading (Roll call)	<input checked="" type="checkbox"/>	Hold Public Hearing (Motion to close)	<input type="checkbox"/>	

**RECOMMENDED ACTION BY:**

<input checked="" type="checkbox"/>	City Staff	<input type="checkbox"/>	Board	<input type="checkbox"/>	Commission	<input type="checkbox"/>	Committee
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<input type="checkbox"/>	Issuance	<input checked="" type="checkbox"/>	Approval	<input type="checkbox"/>	Authorization	<input type="checkbox"/>	No recommendation
<input type="checkbox"/>	Denial	<input type="checkbox"/>	Rejection	<input type="checkbox"/>	No action needed	<input type="checkbox"/>	

**STATEMENT:** In order for the City to issue Capital Improvement Bonds for a new Public Works building and to comply with Minnesota Statutes, Section 475.521, the City needs to hold a public hearing and approve a Five-Year Capital Improvement Plan. City Staff has worked with Northland Securities to draft this Five-Year Capital Improvement Plan that outlines the need for the project and the expected cost. By passing Resolution 2021-17, the City gives preliminary approval to the issuance of the bonds in the maximum principal amount of \$8,000,000, 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 municipal election, is filed with City Clerk by March 26, 2021, the City may issue the bonds only after obtaining approval of a majority of voters voting on the question at an election.

**MOTION 1:** To close the public hearing

**VOTE REQUIRED:** Simple majority

**MOTION 2:** To approve Resolution 2021-17 adopting Capital Improvement Plan & providing preliminary approval for the issuance of bonds thereunder.

**VOTE REQUIRED:** Simple majority

**ATTACHMENTS:**

1. Five Year Capital Improvement Plan
2. Resolution 2021-17

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Council Action: \_\_\_\_\_ Date: \_\_\_\_\_

2021 through 2025

Five-Year Capital Improvement Plan for the

City of Fairmont, Minnesota

Public Hearing: February 24<sup>th</sup>, 2021

**CITY OF FAIRMONT**  
**FIVE-YEAR CAPITAL IMPROVEMENT PLAN**  
**2021 THROUGH 2025**

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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.

Before issuing bonds under a CIP, the City must hold a public hearing on the CIP and the proposed bonds, and must then approve the CIP and authorize the issuance of the bonds by a majority of at least three-fifths.

If a petition signed by voters equal to at least 5% of the votes cast in the last general City election requesting a vote on the issuance of bonds is received by the municipal clerk within 30 days after the public hearing, then the bonds may not be issued unless approved by the voters at an election.

The statute has established certain criteria that must be considered for each project to be undertaken pursuant to this Plan (the “Project”). These criteria are:

1. Condition of the City’s existing infrastructure and projected need for repair or replacement
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. Alternatives for providing services most efficiently through shared facilities with other municipalities or local governments

The 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.

### **III. PLAN SUMMARY**

This Plan is intended to describe and analyze the need for the Project in accordance with the Act. The City may modify this Plan from year to year as authorized by the Act.

Following is a summary of estimated expenditures for the Project:

#### **2021 Expenditures**

The City intends to construct a new Public Works Facility. Total project costs are estimated to be \$10,300,000

#### **2022 Expenditures**

None anticipated at this time.

#### **2023 Expenditures**

None anticipated at this time.

#### **2024 Expenditures**

None anticipated at this time.

#### **2025 Expenditures**

None anticipated at this time.

#### **Analysis**

The City has analyzed the eight points required by the Act for the Project on an individual basis and as a whole. The findings are as follows:

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

The City's current Public Works Facility is outdated and too small to meet existing needs of the department. A feasibility study of the City's existing facility was completed in 2015 to determine the replacement options and costs. At that time, it was noted that the electrical and mechanical/HVAC system were all obsolete and did not meet the needs of the facility. It was also determined that these systems created poor working environments and additional expense would be required to bring these systems up to current building codes. The space needs of the department were also determined. The current space needs of the public works department are well beyond the capacity of the existing facility. Options to rehabilitate and/or add-on were reviewed and determined not to be cost effective.

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

The Project will enhance the City's ability to provide essential services to the community in a safe, efficient, and timely manner. The new facility will provide the necessary space to accommodate many of the City vehicles. It will serve as the primary maintenance facility for all City vehicles, and it will support all 21 parks and streets staff in their daily work tasks and allow them to effectively perform their duties.

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

The estimated cost, including architectural/engineering, contingency, legal and bonding, of the Project to be undertaken in 2021 (the only Project for which bond authorization is requested) is \$10,300,000. The improvements planned for any given year may be constructed and bonded for in any other year of the CIP, as long as the total planned improvements and maximum bonding authority do not change.

## **4. Available Public Resources**

The City does not have sufficient cash reserves on hand to finance construction of the Project without issuing bonds.

## 5. Level of Overlapping Debt in the City

As of December 2, 2020, the level of overlapping debt in the City is provided in the table below:

### OVERLAPPING DEBT as of December 2, 2020:

#### Indirect Debt\*

<u>Issuer</u>	<u>2019/2020 Tax Capacity Value<sup>(1)</sup></u>	<u>2019/2020 Tax Capacity Value in City<sup>(1)</sup></u>	<u>Percentage Applicable in City</u>	<u>Outstanding General Obligation Debt<sup>(2)</sup></u>	<u>Taxpayers' Share of Debt</u>
Martin County	\$ 41,952,286	\$8,896,865	21.72%	\$19,549,00	\$ 4,246,043
ISD No. 2752, Fairmont	15,701,000	8,896,865	56.66	31,665,000	<u>17,941,389</u>
				<i>Total Indirect Debt:</i>	<u>\$ 22,187,432</u>

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

The proposed Project could potentially be financed through the issuance of lease-revenue bonds. However, both costs of issuance and overall debt service payments would be higher, since lease-revenue bonds are not general obligation debt and are therefore not as attractive to potential purchasers. The issuance of general obligation capital improvement plan bonds represents the most cost-efficient way to finance the proposed Project.

## 7. Operating Costs of the Proposed Project

Operating costs are expected to be relatively stable with the proposed improvements. As the proposed facility is nearly double the size of the existing facility, general operating expense may increase slightly purely due to increased space. However, no additional staff is anticipated for the new facility. In addition, repairs and maintenance costs are anticipated to decrease due to the renovations. New mechanical systems will increase overall efficiency.

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

The City already provides essential Public Works services to the community and will continue to provide these essential services. Partnering with other municipalities or local units of government is not a feasible option at this time as it would likely require locating the Project outside of the City of Fairmont, or in a location that would increase response and/or travel times and cause service levels to decrease.

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\* Only those taxing jurisdictions with general obligation debt outstanding are included. Debt figures do not include non-general obligation debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

(1) Tax Capacity Value is after tax increment deduction adjustments.

(2) As of December 2, 2020.



#### **IV. FINANCING THE CAPITAL IMPROVEMENT PLAN**

The total amount of requested expenditures under the CIP is expected not-to-exceed \$10,300,000. These expenditures are to be funded, in part, by the sale of the City's general obligation capital improvement plan bonds in the maximum amount of \$8,000,000. The City intends to use reserve funds (cash) to pay project costs in excess of net bond proceeds. It is the City's intent to issue bonds in 2021 for the Project listed under the 2021 Expenditures. However, the improvements planned for any given year may be constructed and bonded for in any other year of the CIP, as long as the total planned improvements and maximum bonding authority do not change.

In the financing of the CIP, two statutory limitations apply. Under Minnesota Statutes, Chapter 475, as amended, with few exceptions, a municipality cannot incur debt in excess of 3% of the assessor's Estimated Market Value ("EMV") for the municipality. In the case of a municipality with a population of 2,500 or less, the bonds are not subject to the net debt limits. The City's estimated 2020 population was 10,299. Therefore, the proposed general obligation capital improvement plan bonds to be issued in the years 2021 through 2025 would be subject to the debt limit. The City's 2020 EVM is \$781,293,400. 3% of EVM = \$23,438,802. As of December 2, 2020, the City does not have any debt 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 exceed 0.16% of the EMV for the City. The maximum annual principal and interest for the City is \$1,250,069 based upon the City's 2020 EMV ( $\$781,293,400 \times .0016$ ).

Under this Plan, the City may issue up to \$8,000,000 in general obligation capital improvement plan bonds in the years 2021 through 2025 to finance the Project. The bonds are intended to be structured with a not-to-exceed term of 30 years. Principal payments will begin on March 1, 2022. The principal and interest payments for the proposed bonds are estimated to be \$370,000 in calendar years 2022 through 2051.

Expected debt service on the proposed bonds for the Project to be financed in 2021 is within the statutory limits.

##### **Annual Review of the Capital Improvement Plan**

The City Council, using the process outlined in this Plan, may review this Plan 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 Plan.

EXTRACT OF MINUTES OF MEETING  
OF THE CITY COUNCIL OF THE  
CITY OF FAIRMONT, MINNESOTA  
HELD: FEBRUARY 24, 2021

Pursuant to due call and notice thereof, a meeting of the City Council of the City of Fairmont, Minnesota, was duly called and held at the Fairmont City Hall located at 100 Downtown Plaza in the City of Fairmont, Minnesota, on Wednesday, the 24<sup>th</sup> day of February 2021, at 5:00 p.m.

The following members were present:

and the following were absent:

Council Member \_\_\_\_\_ introduced the following resolution and moved its adoption:

**CITY OF FAIRMONT, MINNESOTA**

**RESOLUTION NO. 2021-17**

**RESOLUTION ADOPTING A CAPITAL IMPROVEMENT  
PLAN AND PROVIDING PRELIMINARY APPROVAL FOR  
THE ISSUANCE OF BONDS THEREUNDER**

WHEREAS, pursuant to Minnesota Statutes, Section 475.521 (the “Act”), cities are authorized to adopt a capital improvement plan and carry out programs for the financing of capital improvements; and

WHEREAS, the City of Fairmont, Minnesota (the “City”), has caused to be prepared a Capital Improvement Plan for the years 2021 through 2025 (the “Plan”); and

WHEREAS, on the date hereof, the City Council of the City (the “Council”) has conducted a duly noticed public hearing regarding adoption of the Plan pursuant to the requirements of the Act and the issuance of general obligation bonds thereunder in a maximum principal amount of \$8,000,000; and

WHEREAS, in considering the Plan, the Board has considered:

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 government units.

BE IT RESOLVED by the City Council of the City of Fairmont, Minnesota (the “City”), as follows:

1. The Plan is hereby approved.
2. City staff 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.
3. The City gives preliminary approval to the issuance of the bonds in the maximum principal amount of \$8,000,000, 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 municipal election, is filed with City Clerk by March 26, 2021, the City may issue the bonds only after obtaining approval of a majority of voters voting on the question at an election.
4. The City Council declares its official intent to reimburse itself for the costs of the capital improvements from the proceeds of tax-exempt bonds in an amount not to exceed \$8,000,000.

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

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

Adopted this 24<sup>th</sup> day of February 2021.

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Deborah J. Foster, Mayor

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Patricia J. Monsen, City Clerk

STATE OF MINNESOTA        )  
  ) SS  
COUNTY OF MARTIN        )

I, the undersigned, being the duly qualified and acting City Clerk of The City of Fairmont, Minnesota (the “City”), by reason of my office as City Clerk, DO HEREBY CERTIFY that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full, true and complete transcript of the minutes of a meeting of the City Council of the City of Fairmont, Minnesota, duly called and held on the date therein indicated, insofar as such minutes relate to approving Capital Improvement Plan and providing preliminary approval for the issuance of bonds thereunder.

WITNESS my hand this \_\_\_ day of \_\_\_\_\_, 2021.

\_\_\_\_\_  
City Clerk