

2024 through 2028  
Five-Year Capital Improvement Plan for the  
City of Cold Spring, Minnesota

Public Hearing: January 24, 2024

Prepared by:

The City of Cold Spring

&



**CITY OF COLD SPRING**  
**FIVE-YEAR CAPITAL IMPROVEMENT PLAN**  
**2024 THROUGH 2028**

---

---

**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:

#### **2024 Expenditures**

The City intends to construct a new Fire Hall (the “Project”). The Project, inclusive of capitalized interest and costs of financing, is anticipated to be no more than \$9,700,000.

#### **2025 Expenditures**

None anticipated at this time.

#### **2026 Expenditures**

None anticipated at this time.

#### **2027 Expenditures**

None anticipated at this time.

#### **2028 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 Fire Hall Facility is in need of significant renovations, modifications and/or additions to safely accommodate service vehicles, equipment and Fire and Rescue staff. It has been determined that the construction of a new Fire Hall would be a more cost-effective solution to providing appropriate space for the Fire Department's use. Kris – feel free to edit/add any project details here that may help describe the condition of the current Fire Hall and the need for replacement

### **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, and will provide adequate office, training, work, and meeting space for Fire and Rescue staff.

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

The estimated cost, including architectural/engineering, contingency, legal and bonding, of the Project to be undertaken in 2024 (the only Project for which bond authorization is requested) is \$9,700,000. 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 July 2, 2023, the level of overlapping debt in the City is provided in the table shown on the following page:

**OVERLAPPING DEBT AS OF July 2, 2023:**

**Indirect Debt\***

<i>Issuer</i>	<i>2022/2023 Tax Capacity Value<sup>(1)</sup></i>	<i>2022/2023 Tax Capacity Value in City<sup>(1)</sup></i>	<i>Percentage Applicable in City</i>	<i>Outstanding General Obligation Debt<sup>(2)</sup></i>	<i>Taxpayers' Share of Debt</i>
Stearns County	\$ 211,096,500	\$ 4,882,865	2.31%	\$ 7,950,000	\$ 183,645
ISD No. 750, Rocori	22,201,814	4,882,865	21.99	24,700,000	<u>5,431,530</u>
				<i>Total Indirect Debt:</i>	<u>\$ 5,615,175</u>

<sup>(1)</sup> For taxes payable 2023.

<sup>(2)</sup> As of July 2, 2023.

**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, making the project more expensive for the City, 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 option for to finance the proposed Project.

**7. Operating Costs of the Proposed Project**

Operating costs are expected to be relatively stable with the proposed improvements. In addition, repairs and maintenance costs are anticipated to decrease due to the renovations. New systems will reduce operating cost and increase efficiency.

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

The City already provides fire service to the community and will continue to provide this essential services. Partnering with other municipalities or local units of government is not a feasible option at this time as it would increase response times if the Fire Hall were located outside of City boundaries

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

The total amount of requested expenditures under the CIP is expected not-to-exceed \$9,700,000. These expenditures are to be funded by the sale of the City's general obligation capital improvement plan bonds in the maximum amount of \$9,700,000 in the year 2024 for the Project listed under the 2024 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 2023 population was 4,164. Therefore, the proposed general obligation capital improvement plan bonds to be issued in the years 2024 through 2028 would be subject to the debt limit. The City's 2023 EMV is \$466,803,600. 3% of EMV = \$14,004,108. As of January 2, 2024, the City has no outstanding bond issues 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 \$746,885.76 based upon the City's 2023 EMV ( $\$466,803,600 \times .0016$ ).

Under this Plan, the City may issue up to \$9,700,000 in general obligation capital improvement plan bonds in the years 2024 through 2028 to finance the Project. Expected debt service on the proposed bonds for the Project to be financed in 2024 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.