



# CAPITAL IMPROVEMENTS PLAN (CIP)

## Amendment - June 14, 2011

### *Introduction*

#### *2010-2014*

The Rice County Capital Improvements Plan (CIP) is a multi-year guide to the construction and/or improvement of county roads and facilities and the acquisition of capital equipment. Through the process of preparing and updating a capital improvements plan, the county meets the need for orderly maintenance of the physical assets of the county. This CIP amendment is intended to serve as a supplemental planning tool and is structured to present funding opportunities of its reprioritized county's infrastructure (transportation and facilities) needs.

Minnesota Statutes, Section 373.40, allows counties to plan for and finance the "acquisition and betterment of public lands, buildings, and other improvements within the county for the purpose of a county courthouse, administrative building, health and social service facility, correctional facility, jail, law enforcement center, hospital, morgue, library, park, qualified indoor ice arena, and road and bridges." In 2009, the County Board approved a Capital Improvements Plan which covered a five-year period (2010-2014) beginning with the date of the Plan adoption. The attached project summary schedule sets forth the project amendments to the 2010 plan as priorities have changed.

The CIP set forth the following as required by law:

- 1) The estimated schedule, timing and details of specific capital improvements;
- 2) Estimated cost of the capital improvements identified;
- 3) The need for the improvements; and
- 4) The sources of revenues needed to pay for the improvements.

The Rice County Capital Improvements Plan amendment has been created in accordance with the guidelines of Minnesota Statutes, Section 373.40. The CIP amendment covers additional public improvement and building projects, with a useful life of five years or greater, currently anticipated to be undertaken by the county during the original plans five year period. While cost estimates and proposed funding sources are identified for each general improvement area, the CIP amendment is not intended to provide a detailed or complete financing plan for each project. As the county prepares to undertake individual projects, the County Board will consider a specific finance program. The items contained within this document are specifically funded by issuing bond.

The CIP and consequent amendments will be revised and updated on a periodic basis during the future budget cycles. Changes to the priorities established in the plan and its amendments should be expected. Changes can be caused by reductions in funding levels, opportunities for grants or other aids, delays in obtaining construction permits or necessary approvals, emergency needs or simply changes in community preferences.

### *CIP Policy Overview*

In adopting the capital improvements program and its amendments, the county finds:

- 1) The projects contained in the capital improvements plan and amendments are necessary to maintain the existing infrastructure of the county and to properly provide for the health, safety and general well being of its residents.
- 2) The proposed projects provide an adequate response to anticipated service demands in each area of operation.
- 3) The county has considered the costs of the projects and the available financial resources and has determined that the projects are within the financial ability of the county. Further, the county has determined that failure to undertake the CIP amendment will create a greater financial burden through higher service cost alternatives and increase costs of future project options.
- 4) The public improvement projects will result in lower operating costs by avoiding maintenance expense and by providing public services in a cost effective manner. The projects have been designed to keep operating costs at a minimum.
- 5) The county has thoroughly reviewed the alternatives for undertaking the applicable projects through shared facilities with other counties or units of government. All of the proposed public facilities are an integral part of the services provided by Rice County. Rice County will participate in shared facility options when such options are found to be either efficient or cost effective.
- 6) The CIP and amendments are designed to make the most effective use of all financial resources available to the county, including fund reserves, current budgeted revenue, grants, and borrowing. The county's goal is to strike a reasonable balance among all of its

resources. The debt proposed in the CIP is within the statutory and financial capacity of the county. It will be impossible for the county to meet its public facility's needs in a timely manner without incurring debt. The county will structure all necessary debt in a manner that makes the best use of its financial resources and minimizes the impacts on county residents.

- 7) In preparing the CIP amendment, the county has considered the impacts on operating costs. Projects are designed to keep the increases in operating costs to a minimum. Increases in operating costs are balanced with the overall need to provide the improvement.
- 8) The majority of the projects in the CIP amendment are financed with incurring debt. For those projects utilizing debt, borrowing is needed to provide the improvement in a timely manner and to spread the financial impacts over a period of years. These objectives outweigh the increase in county or overlapping indebtedness.

### *Impact on Operating Budgets*

The county has operated within County Board established thresholds and according to tax levy limits imposed by the State of Minnesota. For that reason, any new projects and all capital equipment purchases have been approved by the County Board on the premise that there will be little or no impact on operating budgets. Funding for capital improvements projects, capital equipment and various repair projects is provided within the existing levy, and special levy (when statute has dictated) outside of levy limits for debt service relating to capital improvements included in the five-year capital improvements plan or reserves.

Most CIP amendment projects are repair/replacement and maintenance projects. These projects should help improve operating efficiencies and offset increased costs for operations and repairs. Completion of scheduled building maintenance improvements will extend the lives of the buildings. Providing funds for building improvements annually will enable capital improvements to be scheduled as needed, over time, rather than waiting for an emergency situation which will cost more to correct.

### *Type of CIP Long-Term Financing Proposed*

Capital Improvement Plan/Bonds: Minnesota Statutes, Chapter 373.40, allows counties to issue general obligation bonds for purposes defined in the Capital Improvement Plan. The annual obligation of debt cannot exceed .0005367 times Market Value. Currently for Rice County, this would be .0005367 X \$5,940,544,400 or \$3,188,290. This annual debt obligation would support up to about \$35 million financed over 15 years at 4.00% interest, as an example.

The adoption of this capital improvements plan amendment is the first steps in gaining the authority to issue these bonds. Once the CIP has been approved, the county must hold a public hearing on its plans to issue bonds. The decision to issue capital improvement bonds is subject to "reverse referendum". The county may issue the bonds unless a petition requesting a referendum

signed by voters equal to 5% of the votes cast in the most recent general election is filed with the county auditor with 30 days following the public hearing.

### *Statutory Debt Limit*

Minnesota counties have a debt limit equal to 3% of the taxable market value. This statutory limit applies to (1) general obligation bonds expected to be paid entirely from property taxes (not, for instance, to bonds which may have special assessments and/or revenues pledged to their payment) and (2) to lease purchase financing which is more than \$1,000,000 in size.

The calculation of Rice County's debt limit is as follows:

Preliminary taxable market value (2010)	\$ 5,940,544,400
Times 3%	<u>x .03</u>
Gross debt limit	\$ 178,216,332
Less Net General Obligation Bonds Outstanding	<u>21,186,415</u>
Available debt limit	\$ 157,029,917

### *Organization of the CIP*

The CIP amendment only includes a list of county facility needs and improvements considered for bonding. The project details provide a general description of county facilities, scheduled facility maintenance or improvements, estimates of improvement costs, general funding sources and projected year of construction.

The final section of the CIP provides the existing debt service and the proposed debt service to fund the specified projects. The specified projects are all the Capital Improvements identified in the Summary in the amount of \$3,706,000.



# ***CAPITAL IMPROVEMENTS PLAN (CIP)***

## ***Amendment Section One***

### ***County Facilities***

As a result of steady population growth, Rice County is confronted with a significant need to regularly review and update facility plans to adequately house county government functions. The purpose of the planning is not only to provide a sufficient amount of work space for county employees, but the arrangement, location and overall quality of facilities must effectively facilitate the most responsive delivery of services for county residents.

Routine maintenance and minor remodeling of county facilities will be funded through current property tax levies or the use of fund reserves. New construction and major remodeling of county facilities will be funded through the issuance of long-term debt and use of reserves if available.

The County Facilities Section of the CIP amendment provides general information related to specific county facilities in need, an evaluation of the facility, and a listing of any major maintenance, remodeling or construction that is expected to be financed. Routine maintenance or minor remodeling activities are budgeted through annual appropriations in the maintenance department.

The primary recommendations of the Plan include the following:

- Contract with an architect or contractor to review the various Rice County projects
- Reimburse the County from the future CIP Bond proceeds for items already purchased. Prior to expenditure, this intent was approved by the County Board.
- Complete the design, bidding, construction of the identified projects.

**Capital Improvement Plan Amendment  
Summary of County Facility Projects**

<b>Projects</b>	<b>Amounts</b>
<b>Rice County Jail Annex</b>	<b>\$ 617,000</b>
<b>McCullough Park Campground</b>	<b>134,000</b>
<b>Community Corrections Facilities</b>	<b>1,400,000</b>
<b>Jail Improvements</b>	<b>1,000,000</b>
<b>Highway Facility Improvements</b>	<b>765,000</b>
<b>800 Megahertz Radio Infrastructure</b>	<b>250,000</b>
<b>Issuance Costs</b>	<b>40,000</b>
 <b>Total</b>	 <b>\$ 4,206,000</b>
 <b>Less Estimated Interest Revenues (2009 CIP+ 2011 CIP)</b>	 <b>\$ (500,000)</b>
 <b>Projected Financing Need</b>	 <b>\$ 3,706,000</b>
 <b>Estimated annual Debt Service Requirement</b>	 <b>\$ 423,443</b>
Interest Rate	2.50%
Length	10

Based on a Sale of Douglas County 10 yr Bond at 2.25% in Mid May.

## **Faribault US Army Reserve Center conversion to Rice County Jail Annex**

Constructed: 1955

Total Area of Building: 26,049 s.f.

Estimated Cost: \$617,000

Funding: CIP Bonds

Timing of Need: 2011



In Early 2010 Rice County was notified that its lease of a facility at the Minnesota State Correctional Facility – Faribault for Jail Annex was terminating, compelling the County to seek other facility options. The County Board and administration had studied many different options previously understanding that the use of the aging state facility would come to an end. The Rice County Sheriff and Administrator were presented with the option to acquire the General Beebe U.S. Army Reserve Center (USARC) as a new Army Reserve Center was completed at a different site in the community.

The Rice County Jail Committee toured and analyzed the USARC and deemed this facility feasible for conversion to Jail Annex use for up to 40 minimum security prisoners.

In January 2011, Rice County acquired the General Beebe U.S. Army Reserve Center (USARC) at no charge. I & S Group was retained to perform design and engineering for the project.

The USARC is located at 2119 Highway 60 West in Faribault. The property is a total of 5.3 acres with two major buildings. The main building at the front of the property is 16,934 square feet in area and the shop building in the back is 9,115 square feet in area. The main building is composed of two sections. The front section is approximately 7,500 square feet currently consisting of office and meeting spaces.

The total construction cost for the project is estimated to be approximately \$617,000. Major construction elements of the project include extensive plumbing renovations, fire suppression and alarm systems door & window upgrades and restroom fixtures and finishes. Detention facility oriented systems included an extensive camera surveillance system, door access control system, and a video visiting system. Extensive IT technologies were installed in order to integrate security systems and building HVAC system controls with the County IT network. An emergency backup electrical generator was installed to keep the facility secure and functional during power outages. The facility was completed on April 22, 2011 and started housing prisoners on April 26, 2011. The current number of beds contained within the new facility is 32.

A County Board resolution was approved November 23, 2010 listing the costs of this project to be reimbursed by bond proceeds upon issuance at a later date.

## **McCullough Park Campground Redevelopment and Improvement Project**

Acres: 106

Estimated Costs: \$534,000

Funding: \$400,000 grant + \$134,000 CIP Bonds

Timing of Need: 2012



Rice County currently owns and operates a campground at McCullough Park, 14400 Irwin Path, Lonsdale, MN 55046 near the village of Shieldsville. The maintenance of the campground under the previous caretaker had been neglected and the facility fell into a state of disrepair particularly with upgrades needed to the septic system, dump station and bathroom/shower facilities.

The proposed project is to provide RV campsites, tent camping sites, restroom / shower building, septic system, septic dump station, utilities, playground, parking, roads, walkways, landscaping and site amenities. The construction is scheduled to occur during summer and fall of 2011 so that the campground will be open for camping and other recreational activities, in 2012.

Rice County has been awarded a Minnesota Parks and Trails Legacy Grant Program grant in the amount of \$400,000. Rice County will provide \$134,000 as a required cash match for the project. The project budget is \$534,000 including architectural / engineering services.

## Community Corrections Facility

Constructed: Early 1900's  
Total Area of Building: 11,232 s.f.  
Estimated Cost: \$1,400,000  
Funding: CIP Bonds  
Timing of Need: 2012



The three-story Rice County Community Corrections Building is located at 218 Northwest 3<sup>rd</sup> Street in Faribault. This brick building is on the list of historical buildings and originally functioned as the County Jail. As a result many of the walls in the facility prohibit an efficient work flow process for the Department. Some of the improvements done in the last fifteen years include major maintenance performed on the clay tile roof in 1996 and minor HVAC system improvements in 2001 and 2010.

As an old building, utility and maintenance costs have started to become more significant. In order to address the space needs for the Community Corrections department, the County Board is considering several options. The first option includes renewing the current facility. In the Wold Inc. 2008 study, they identified approximately 1.4 million dollars in improvements to make this space more usable. Some of the improvements considered include exterior repairs, windows, HVAC, Interior renewal, fire alarm/sprinklers, exterior enclosed stairs, furniture/fixtures and items to addressing life safety and accessibility issues. Other options include relocating to another facility. In a preliminary examining of other solutions, it is estimated that a newly constructed facility could possibly be constructed for similar costs with lower on-going maintenance costs. The County would still have the existing building to deal with though.

## **Jail Improvements**

Constructed: 1972

Available Work Space: 39,194 s.f.

Estimated Cost: 1 Million Dollars

Timing of Need: 2012

Funding : CIP Bonds



Rice County owns and operates its main jail at 218 NW 3<sup>rd</sup> Street in Faribault as part of its Law Enforcement Center. This facility currently houses 35 inmates.

In recent years, we have seen various other governmental entities expand their facilities based on increased jail populations and the potential to board out of county prisoners. Recent demographics have indicated a declining prisoner population statewide including Rice County's. This has changed the anticipated need for expansion and has enabled the County Board to consider lower cost short term solutions to house its prisoners.

In 2008 the County Board of Commissioners hired Wold Inc. to do a study of the County's jail needs projecting them into the future. In that study Wold Inc. identified costs of renewing the current facility. The current facilities are approaching 40 years old with an average life expectancy of between 25-30 years state wide.

In general, most of the typical building interior systems and components, and detention security systems and controls are in need of updating due to age and normal wear and tear.

## Highway Department

Constructed: 1974

Available Work Space: 21,018 s.f.

Estimated Cost: \$765,000

Funding: CIP Bonds



The Rice County Highway garage is located at 610NW 20<sup>th</sup> Street in Faribault. Remote Highway Department shops and storage facilities are located in Dundas, Morristown, and Lonsdale.

In examining the efficiencies of the maintenance operations, it has been determined that consolidating the outlying shop facilities to one facility may reduce the amount of equipment and tools needed, and reduce utility and maintenance costs while increasing productivity through better communication. The project would include constructing additional space to house additional equipment at the Faribault site. Other needs of this facility include an improved HVAC control system for the shop to help reduce energy costs maintenance costs and make the system network accessible on a par with other county facilities.

## **800 Megahertz Radio Infrastructure**

Estimated costs: \$3,000,000

Timing of need: 2012

Funding: Grants, \$250,000 CIP Bonds, remainder undetermined



Rice County will implement a mandated county wide 800 megahertz radio communication system in 2012. Before this can occur necessary equipment and site preparations are required in the cities of Faribault, Northfield, Lonsdale and Dundas. Complete funding of the project has not yet been fully determined. The balance of funding may come from grants, fund balance and/or future debt issuance.



# CAPITAL IMPROVEMENTS PLAN (CIP)

## Debt Service Schedules

### Existing Debt

#### Governmental Activities

Types of Indebtedness	Final Maturity	Principal Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance 12/31/2010
General obligation bonds					
2005 G.O. Capital Improvement Bonds	2020	\$160,000 – \$590,000	3.0– 3.95	\$ 7,200,000	\$ 4,265,000
2007A G.O. Capital Improvement Refunding Bonds	2021	\$110,000 – \$160,000	3.55-4.00	\$ 1,500,000	\$ 1,500,000
2007B G.O. Capital Equipment Notes	2012	\$350,000 – \$515,000	3.625	\$ 2,300,000	\$ 1,010,000
2008 G.O. CIP Improvement Bonds	2029	\$80,000 – \$120,000	2.75-4.00	\$ 2,000,000	\$ 1,920,000
2009 G.O. Capital Improvement Bonds	2029	\$545,000 – \$1,035,000	1.0 - 5.70	\$ 15,000,000	\$ 15,000,000
Total General Obligation Bonds				\$ 28,000,000	\$ 23,695,000

## **Debt Service Requirements**

### **Governmental Activities**

Year Ending 31-Dec	General Obligation Bonds	
	Principal	Interest
2011	\$ 1,585,000	\$ 969,154
2012	1,730,000	923,069
2013	1,235,000	880,436
2014	1,275,000	842,784
2015	1,310,000	800,268
2016-2020	7,265,000	3,207,163
2021-2025	4,935,000	1,798,414
2026-2029	4,360,000	488,610
Total	\$ 23,695,000	\$ 9,909,898

**Proposed Debt**