

# Capital Improvement Plan

Our mission is to deliver quality public services to the citizens in an effective, professional and efficient manner.

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## Memorandum

To: The Citizens of Cass County and the Minnesota Department of Employment and Economic Development

From: Cass County Board of Commissioners

Date: September 08, 1999 – adopted  
January 22, 2001 – amended  
February 3, 2004 – amended

Subject: Capital Improvement Plan Fiscal Years 2004 - 2009

### A. Introduction

The Cass County Board of Commissioners desire to plan capital improvements in such a manner that capital needs are met with a minimum variation in the annual property tax levy and annual operating budget. State law allows counties to adopt multi-year plans and implement them after State review (MS 373.40).

### B. Purpose

A capital improvement is simply a major expenditure of county funds for the improvement or acquisition of physical facilities or acquisition of equipment which would have a life of 5 years or more. A Capital Improvement Plan (CIP) is designed to anticipate capital improvement projects or equipment and schedule them over a period of time so that they may be purchased in the most efficient and cost effective method possible. A CIP allows the matching of costs to anticipated income. As potential projects are reviewed, the county considers the benefits, alternatives and impact of operating costs.

Cass County believes the Capital Improvement process is an important element of responsible fiscal management. Major capital expenses 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 projects is important to the county in achieving its goals of an adequate physical plant, equipment and sound fiscal management.

The CIP is designed to be updated on an annual basis through the operating budget adoption process and amendments to the CIP after notice to the public. In this manner, it becomes an ongoing fiscal planning tool that continually anticipates future costs and funding sources.

C. The Local Capital Improvement Planning Process

The Capital Improvement Planning process is as follows: The County Board authorizes the preparation of the CIP. The Department Heads assemble all known capital projects necessary over the next five-year period. The County Board then reviews the projects according to the project priority, fiscal impact and available funding. From this information, a preliminary capital improvement 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.

Capital improvements are then generally funded through three methods: the annual operating budget, use of fund balance, or borrowing. When borrowing is deemed advisable the Board works with its financial advisors to prepare bond sales and repayment schedules. After specific subsequent approval of each bond sale, the individual projects are implemented under the County Board's supervision. In subsequent years, the process is repeated as projects are completed and new needs arise.

D. The State of Minnesota Review

Since the debt levy to retire bonded debt is exempt from levy limits under current law, the State requires certain criteria for projects. Therefore, the Department of Employment and Economic Development reviews plans submitted under MS 373.40 to insure that the county has considered the following eight points:

- 1) the condition of the existing infrastructure, including the projected need for repair or replacements
- 2) the likely demand for improvements
- 3) the estimated cost of the improvements
- 4) available public resources, including cost sharing with other units of government
- 5) the level of overlapping debt in the County
- 6) the relative benefits and costs of alternative uses of funds
- 7) operating costs of the proposed improvements
- 8) alternatives for providing services more efficiently through shared facilities with other counties or local units of government

After submittal to the Department of Employment and Economic Development, the Commissioner of that department has 90 days to approve or disapprove the CIP. If not disapproved within that time frame, the CIP is deemed approved. The Commissioner can only disapprove a plan if it is found that 1) The improvement cannot be financed within the limits specified (.05367% of TMV); 2) The county did not consider the eight points listed above or did not gather enough data to evaluate those factors; or 3) The

proposed facility or equipment will duplicate existing facilities or there is insufficient demand for the facilities. If the plan is disapproved by the Commissioner, it may be submitted to the voters in referendum form for approval.

E. Organization of Cass County Finances

County financial operations are organized in funds and departments in accordance with state law and generally accepted accounting standards. The CIP is presented in major functional categories that include several individual funds and departments:

- 1) Courts
- 2) Environmental Services
- 3) General Government
- 4) Health, Human, and Veterans Services
- 5) Land
- 6) Management Information Systems
- 7) Roads
- 8) Sheriff

F. Our Plan by Major Function

- 1) Courts
  - a) Purchase excess AhGwahChing land (54 acres) for a future courthouse campus site.
  - b) Decline expanding the courthouse by two additional floors over present local jail (see needs study dated June 18, 2002).
  - c) Maintain an operating budget capable of minor remodeling.
- 2) Environmental Services
  - a) Phase in a "tip" fee for the actual cost of solid waste disposal based on volume disposed.
  - b) Utilize a county wide solid waste special assessment to fund recycling, solid waste administration, and public nuisance abatement not covered by individual special assessments.
  - c) Capital participation should include the transfer station operator where appropriate.
  - d) Equipment replacement program for transfer station should be formalized.
- 3) General Government
  - a) Table to a date uncertain the expansion of the courthouse annex to the existing south parking lot.
  - b) Limit capital investment in the Cass County Museum to maintenance until permanent site capable of long-term expansion is found.
  - c) Replace voting equipment to provide for disabled voter access per federal law by 2006.

- d) Sell Pine River Resource Center and relocate remaining Extension and southern government center activities to a relocated Land Department facility.
  - e) Move Sheriff Boat & Water program to former Council on Aging office.
  - f) Expand buildings and grounds to MHB space when vacated.
- 4) Health, Human, and Veterans Services
- a) Future expansion priority is to co-locate in other public facilities to provide services throughout the county
- 5) Land
- a) Replace present remodeled church and maintenance facilities with a southern service center with improved access to Hwy #371 and sufficient land to accommodate consolidated highway shops, Pine River Resource Center and other general government services.
  - b) Purchase conservation easements that provide a no net gain/loss to the property tax capacity as funds are available.
  - c) Establish a priority list for trail destination corridors per the comprehensive plan.
- 6) Management Information Systems
- a) Replace dispatch console to improve 911 locate information available for first responders and increase work stations from 2 to 3.
  - b) Maintain individual property address signs on a fee basis and road intersection signs on a county wide basis.
  - c) Replace desktop computer systems on a four year cycle. Replace network systems as required.
  - d) Internally prepare the county plat book and enter into a distribution agreement with 4H.
  - e) Improve public access to parcel mapping program by reducing cycle time on the internet.
  - f) Expand web based services to additional interactive uses.
  - g) Maintain an electronic inventory of facilities and equipment.
  - h) Replace courthouse and annex phone system
- 7) Roads
- a) Expand county road program:
    - 1) Gravel maintenance for roads of less than 100 ADT.
    - 2) CaCl maintenance for roads of more than 100 ADT.
    - 3) Bituminous maintenance for roads of more than 150 ADT.
  - b) Improve volume of public land survey corner monumentation.
  - c) Consolidate maintenance sites from six to four.

- d) Maintain an equipment fleet cycle of:
  - 1) Heavy equipment – 12 years
  - 2) Heavy trucks – 10 years
  - 3) Light trucks – 140,000 to 150,000 miles
  - 4) Passenger vehicles – purchase used at 30,000 to 40,000 miles, replace at 140,000 to 150,000 miles
- e) Maintain a safety betterments program of striping, signage, and intersection lights.

8) Sheriff

- a) Maintain county jail facilities attached to the courthouse. Needs in excess of the county facility will be met through contracting bed space with neighboring counties or equity participation in a regional jail.
- b) If AhGwahChing is determined to be the regional jail site, state bonding will be sought to cover the cost of any demolition and 50% of the construction cost. Contract commitments will be sought from neighboring counties, state, and federal agencies.
- c) Maintain vehicle fleet replacement schedule of 100,000 miles.
- d) Consider expanding county issued standardized equipment to handguns.
- e) Maintain an operating budget capable of minor remodeling.

G. Funding Required by Project and Source to Meet the CIP

Program	Project	Source	\$ Amount
Courts	AhGwahChing land	Fund balance	1
	Replace Courthouse	Bonds	Undetermined
	Minor remodeling	Annual budget	4,000
ESD	Disposal tip fee	Annual budget	600,000
	SW assessment	Annual budget	1,600,000
	Transfer station	Fund balance	750,000
Gen. Gov't.	Annex expansion	Bonds	Tabled
	County museum	Fund balance	Unknown
	Voting equipment	Fund balance	300,000
	Sell resource center	Fund balance	50,000
	Move offices	Annual budget	1,000
	Telephone system	Fund balance	50,000
HHVS	Co-location	Annual budget	Varies
Land	Replace facilities	Fund balance	850,000
	Easements	Fund balance	Varies
	Trails	Fund balance	Unknown

MIS	Dispatch console	Fund balance	145,000
	911 signs	Annual budget	10,000
	Computers	Annual budget	165,000
	Plat book	Annual budget	10,000
	Parcel mapping	Fund balance	90,000
	Web improvements	Annual budget	Varies
	Digital inventory	Annual budget	5,000
Roads	Gravel program	Annual budget	80,000
	CaCl program	Annual budget	300,000
	Paving program	Bonds	3,570,000
	Public survey	Annual budget	25,000
	Consolidate shops	Bonds	2,000,000
	Equipment	Annual budget	250,000
	Safety betterments	Annual budget	125,000
Sheriff	Contract beds	Annual budget	200,000
	Regional jail	Bonds	12,000,000
	Vehicles	Annual budget	150,000
	Handguns	Annual budget	30,000
	Minor remodeling	Annual budget	20,000
	Summary	Annual budget	3,575,000
		Fund balance	2,235,001
		Bonds	17,570,000

#### H. Funding Options for CIP Projects

The projects identified utilizing the annual budget as a source of funds are by their nature to be considered annually.

The projects identified utilizing fund balance as a source of funds are considered when the funds designated by the Board of Commissioners, state law, or grants are sufficient to start or complete a project.

The projects identified utilizing bonds as a source of funds are those projects that are of an immediate nature, but cannot be supported by the annual budget or available fund balance. In this situation, the county can consider long term financing (bonds).

#### I. Types of CIP Long Term Financing

General Obligation Bonds Authorized by Special Election: Minnesota Statutes, Chapter 475, allows general obligation bonds to be issued for building purposes in an amount up to the county's debt limit. This requires a vote of the public and must be approved by one vote more than 50% of those voting. The tax levy for debt service is

spread on the basis of market value (rather than net tax capacity, as all other options require).

Courthouse Bonds: Minnesota Statutes, Section 375.18, allows general obligation bonds to be issued for courthouse improvements without a hearing or election up to .0004030 times taxable market value:  $.0004030 \times \$3,198,442,200 = \$1,288,972$ . This is the total principal amount of General Obligation Courthouse Bonds that may be outstanding at any one time.

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 taxable market value. Currently for Cass County, this would be  $.0005367 \times \$3,198,442,200$  or \$1,716,604. This annual debt obligation would support about \$17,500,000 financed over 15 years at 5.50% interest, as an example.

For a county to pursue financing of projects under MS 373.40, it must fulfill the requirements of the chapter. Specifically, the County Board must approve a sale of Capital Improvement Bonds by a 3/5th majority. In addition, it must hold a public hearing for public comment. Notice of such a hearing must be published in the official newspaper of the county 14 to 28 days prior to the public hearing. Although no referendum is required, a reverse referendum is allowable. If an election petition bearing the signatures of 5 percent of the votes cast in the last general election requesting a vote on the issuance of the bonds is received by the Auditor within 30 days after the public hearing, a referendum vote on the issuance of the bonds shall be called.

No such petition has been received by the Cass County Auditor-Treasurer on any proposed bond issues since the adoption of this plan.

Jail Bonds: Minnesota Statutes, Section 641.23, allows the county to issue general obligation bonds authorized by Board resolution with project approval by the Commissioner of Corrections. These bonds may be issued for jail and other law enforcement facilities. Annual debt service may not exceed .0009671 times taxable market value:  $.0009671 \times \$3,198,442,200 = \$3,093,213$ . This would support about \$31,550,000 matured over 15 years at 5.50%, as an example.

Jail/law enforcement facility financing may also be accomplished under Minnesota Statutes, Section 641.24, with bonds of a city within the county or a county housing and redevelopment authority that are backed by a general obligation lease-purchase agreement. The city or authority enters into a lease purchase agreement with the county, and the county (as lessee) makes payments over a period of time to the lessor in an amount sufficient to cover the bond principle and interest. Annual rentals may not exceed one-tenth of one percent of taxable market value:  $.001 \times \$3,198,442,200 = \$3,198,442$ . This would support about \$32,625,000 matured over 15 years at 5.50%, as an example.

Annual Appropriations Lease-Purchase Financing: This form of financing requires a lease-purchase agreement between the county and the “lessor” which can be an HRA, and EDA, or other entity which owns the facility during the time lease payments are being made to cover the principal and interest on the bonds. At the end of the payments, the county becomes the owner of the facility. This is considered “debt” for debt limit purposes if the principal amount is more than \$1,000,000, and does not require an election. Debt service levies are special levies under the category “bonds of another governmental unit” of an HRA or EDA is used. The bonds are not general obligations of the county but rather are subject to annual allocation.

Other Financing Options: Solid waste projects can be financed with General Obligation (G.O.) Solid Waste Bonds (Minnesota Statutes {M.S.} Section 115.46) and G.O. Solid Waste Revenue Bonds (M.S. Section 400.10). Counties may issue G.O. Capital Notes (M.S. Chapter 373) to finance road construction, public safety, medical, and data processing equipment. State aid payments can be pledged to retire general obligation bonds sold to finance state aid road improvements (M.S. Chapter 162).

J. Statutory Debt Limits

In addition to limitations on annual budgets, and use of fund balances, limitations apply to indebtedness.

First under MS 475, with few exceptions, counties cannot incur debt in excess of 2% of the assessor’s taxable market value for the county. In Cass County the TMV is \$3,198,442,200. Therefore, the total amount of outstanding debt cannot exceed \$63,968,844. Cass County 12/31/03 outstanding bonded indebtedness is \$0.

Another limitation on bonding under the CIP (MS 373.40) is that without referendum, the total amount that can be used for principle and interest in any one year for CIP debt cannot exceed .05367% of TMV. In Cass County that amount is \$1,716,604 (\$3,198,442,200 x .0005367). Since Cass County has no outstanding CIP debt presently, the maximum levy today would be \$1,716,604 per year to retire debt.

K. Possible Debt for fiscal Years 2004 – 2009

The Board of Commissioners have determined that the annual budget and fund balances are not sufficient to meet the following CIP project funding requirements, and therefore, may be subject to bonded indebtedness:

In the years 2004 – 2009:

Program	Project	\$ Amount
Roads	Consolidate shops	2,000,000
	Paving program	3,570,000
Sheriff	Regional Jail	12,000,000

In the years after 2009:

Courts	Courthouse replacement	Undetermined
Gen. Gov't.	Annex expansion	Tabled

Adoption of or amendments to this Capital Improvement Plan do not constitute approval of any individual project or a commitment to provide financing of any kind. The plan represents the Board of Commissioners best efforts to plan Cass County's future within the limits of state law and the affordability of its constituents.

L. List of Related Exhibits

- "A" Affidavit of Publication - notice of hearing
- "B" Certified extract of County Board minutes
  1. 07/20/99
  2. 0122/01
  3. 12/16/03
- "C" Cass County outstanding debt 12/31/02
- "D" Current 12/31/02 indirect debt of Cass County
- "E" Inventory of Facilities
- "F" Inventory of Equipment

Respectfully submitted,

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Robert H. Yochum  
County Administrator