

**Special Purpose Capital Improvement Plan for
Acquisition of The Griffin Building
Pursuant to MN Statute 475.521**

**Five-Year Capital Improvement Plan
2011 through 2015**

City of St. Paul, MN

September 23, 2011

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Special Purpose Capital Improvement Plan
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Five-Year Capital Improvement Plan
2011 – 2015

I. Introduction

In 2003, the Minnesota State Legislature adopted a statute (Section 475.521, referred to herein as the “CIP Act”) that allows cities to issue municipal bonds under a specific type of capital improvement plan without the usual referendum requirement (except for the so-called “reverse referendum” described below). The CIP Act applies to capital improvements consisting of city halls, library, public works, and public safety facilities with a useful life of five years or more. Under the CIP Act, light rail transit facilities, parks, roads, or bridges cannot be financed.

In 2008 and 2009, the City of St. Paul issued two separate bonds to finance 1) the Western Police Station Project (Series 2008C Bonds), and 2) the Fire #1 and #10 and Administration Project (Series 2009D and 2009D Bonds) under the CIP Act.

Throughout this plan, the term “capital improvement” refers only to those improvements identified in the CIP Act, as summarized above. Capital expenditures for other public improvements in the City will be financed through other means and are described in the capital improvement budget (“CIB”) also adopted by the City Council, pursuant to Laws of Minnesota for 1971, Chapter 773, as amended, and this special purpose plan will be incorporated into the current CIB 5 year plan,

II. Project Summary

The only capital improvement currently contemplated in the five-year period of this plan (2011 – 2015) is the acquisition of the existing Griffin Building (the “Building”) that houses the City’s Police Headquarters, which was renovated in 2004 by Ramsey County, Minnesota (the “County”). Ramsey County issued its \$13,845,000 Public Facility Lease Revenue Bonds, Series 2003A (the “Series 2003A” Bonds) to finance the renovation of the Building. The City leases the Building from the County, paying lease payments equal to debt service on the Series 2003A Bonds, plus other payments required under the terms of an Amended and Restated Lease Agreement, dated as of December 16, 2002 (the “Lease”), between the City and the County. The lease contains a purchase option and outlines certain steps for the City to purchase the Building from the County. The acquisition of the Building will occur through the City’s issuance of general obligation

acquisition bonds (referred to as the “CIP Bonds”), which will cover the acquisition costs as outlined under the terms of the Lease.

The City has now determined to exercise its purchase option under the Lease in order to acquire fee title to the Building and refund the Series 2003A Bonds. The City proposes to finance the acquisition through issuance of CIP Bonds under the CIP Act and this CIP. The proposed CIP Bonds would be issued in 2011 or early 2012, in a principal amount not to exceed \$11,250,000. The CIP Bonds may be issued in one or more series. The optional redemption date for the Series 2003A Bonds is on or after 1/1/2012.

The CIP Act requires the City Council to consider eight factors in preparing the CIP:

- 1) Condition of the City’s existing infrastructure, including projected need for repair or replacement
- 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 funds
- 7) Operating costs of the proposed improvements
- 8) Alternatives for providing services most efficiently through shared facilities with other cities or local governments.

The City has considered the eight points as they related to acquisition of the existing Building. The analysis of these factors follows:

Conditions of City Infrastructure and Need for the Projects

The City has determined that it is financially prudent to acquire the Building from the County. Other than such acquisition, the City does not anticipate further repair or replacement of the Building in the 2011 through 2015 period.

Demand for Projects

The City is using the Building as Police Headquarters and can continue that use under the current lease. Acquisition of the existing leased facilities is prudent to reduce City borrowing costs associated with the facility.

Estimated Cost of the Projects

By issuing General Obligation CIP Bonds that will refund the Series 2003A Bonds, the City expects to achieve an estimated savings of at \$1,900,000 of refunded principal, as well as eliminate the requirement under the lease that the City maintain a reserve fund for bonds issued to finance the facility.

Availability of Public Resources

The CIP Bonds for acquisition of the Building would be paid with ad valorem taxes, as are the lease payments that currently secure the County’s Series 2003A Bonds. However, the CIP Bonds will be additionally secured by the City’s full faith and credit, which is

expected to produce lower interest rates on the CIP Bonds compared to the Series 2003A Bonds and will result in lower annual payments of approximately \$160,000 between now and 2023.

Level of Overlapping Debt

Issuance of the CIP Bonds will have minimal impact on the City's overall debt and will lower debt service costs.

Relative Costs and Benefits of Alternative Uses of the Funds

Refunding of the Series 2003A Bonds is expected to produce cost savings of approximately \$1,900,000 between now and 2023, which may free up revenues for alternative uses.

Operating Costs of the Proposed Improvements

The proposed refunding of the Series 2003A Bonds would reduce operating costs of the Building to the extent current lease payments are converted to lower CIP Bond debt service payments. In other respects, no changes to operating costs are expected under this CIP.

Options for Shared Facilities with Other Cities or Local Government

Sharing the Building with another community is not an option since the provision of public safety services relies on immediate response times in emergencies and having a shared facility outside of the community would jeopardize response times and public safety.

III. FINANCING THE CAPITAL IMPROVEMENT PLAN

The total principal amount of requested expenditures under this Capital Improvement Plan is \$11,250,000 (see Exhibit A – Public Hearing Notice). This amount represents the maximum principal amount of CIP Bonds that may be issued to refund the Series 2003A Bonds and make the payments to the County required under the terms of the Lease to acquire the Building. Principal and interest on the CIP Bonds will be paid through a tax levy over the term of the CIP Bonds.

In the financing of the Capital Improvement Plan, two significant statutory limitations apply.

1. Under Chapter 475, with few exceptions, municipalities cannot incur debt in excess of 3% of the assessor's taxable market value for the municipality. In the City, the taxable market value is \$20,090,060,300. Therefore, the total principal amount of the outstanding debt cannot exceed \$669,668,004 (for 2010/11 tax year). As of May 31, 2011, the City has \$128,244,054 subject to the legal debt limit (this amount includes the Series 2003A Bonds that are expected to be refunded under this amendment to the CIP). As such, issuance of the refunding CIP Bonds will be well within the overall statutory debt limit for the City.

2. A separate limitation under the CIP Act is that, without referendum, the total amount of principal and interest in any one year on all CIP Bonds issued by the City cannot exceed 0.16% of the total taxable market value in the municipality. In the City, that maximum annual debt service amount is \$32,144,096.48 for the 2010/11 tax year (\$20,090,060,300 times 0.0016). The annual principal and interest payments on the CIP Bonds proposed to be issued under this CIP plus the existing G.O. Capital Improvement Plan Bonds (Series 2008C, Series 2009D and Series 2009E approximate \$1,801,000 annually) will average approximately \$2,700,000. As such, debt service on the CIP Bonds will be within the annual limits under the CIP Act.

General principal payments, term and debt payments if the CIP Bonds will be issued in 2011 the details will be attached to this document which will be available for review in the Office of Financial Services. The form of the public hearing notice and resolution approving the CIP will be attached to this document which will be available for review in the Office of Financial Services. CIB Project page describing the special purpose plan public safety project is shown in Attachment A.

Continuation of the Special Purpose Capital Improvement Plan

This Special Purpose Capital Improvement Plan adopted under MN Statue 475.521 should be reviewed annually by the Mayor and City Council using the process outlined in this Plan and the CIB process. The Mayor and City Council should review proposed expenditures, make priority decisions, and seek funding for those expenditures they deem necessary for the City. If deemed appropriate, the Administration should prepare an update to this Plan and present to City Council for approval.

Former Approved Projects

Western Police Station Project

Fire #1 and #10 and Administration Project

Schedule

Oct 5, 2011 – Public Hearing on Special Purpose Plan and consideration of Preliminary Resolution to sell Public Safety Acquisition Bonds under MN Statute 475.521

Oct 10, 2011 CIB Committee Review of Special Purpose Plan

Nov. 2, 2011 Public Hearing on Budget Amendment adding Acquisition of Public Safety Building (Griffin) as a 2011 CIB Project and Budget Amendment for bond sale

Nov. 9, 2011 Competitive bond sale and consideration of award by City Council

Attachments

Attachment A - CIB Project page