

January 10, 2023

FIVE-YEAR CAPITAL IMPROVEMENT PLAN FOR ISSUANCE OF GENERAL  
OBLIGATION CIP BONDS:

# City of White Bear Lake, MN

2023–2027



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## **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 capital improvement plan without a referendum requirement (except for the “reverse referendum” described below). The CIP Act applies to specific capital improvements for the purposes of city halls, public works, and public safety facilities. The 2005 Legislature added towns to the meaning of a municipality, as well as libraries and town halls to the meaning of a capital improvement 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 of White Bear Lake, Minnesota (“City”) will be financed through other means identified in the City’s annual budgeting process and are not governed by this plan.

## **PURPOSE**

A Capital Improvement as defined in the CIP Act is a major expenditure of municipal 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, any of which have a useful life of five years or more. For the purposes of the CIP Act, Capital Improvements do not include light rail transit or related activities, parks, road/bridges, administrative buildings other than a city or town hall, or land for those facilities. A Capital Improvement Plan (“CIP”), as identified by the CIP Act is a document designed to anticipate Capital Improvement expenditures over at least a five-year period so that they may be acquired, constructed and/or installed in a cost-effective and efficient manner. The CIP must set forth the estimated schedule, timing, and details of specific Capital Improvements by year, together with the estimated cost, need for improvement, and sources of revenue to pay for the improvement.

The City believes the capital improvement process is an essential element of responsible fiscal management and engages in adoption of an updated five-year plan for city-wide capital expenditures annually as part of its budgeting process. Major capital expenditures can be anticipated and coordinated to minimize potentially adverse financial impacts caused by the timing and magnitude of capital outlays. As potential expenditures are reviewed, the municipality considers the benefits, costs, alternatives, and impact on operating expenditures. This coordination of capital expenditures is important to the City in achieving its goals of adequate physical assets and sound fiscal management.

## PLANNING PROCESS

The City Council annually reviews its capital expenditures according to their priority, fiscal impact, and available funding as part of its budgeting process. The City assembles the specific capital expenditures to be undertaken within the next five years. The City Council prepares a plan based on the available funding sources. From this information, a preliminary plan is prepared for public discussion from citizens and other governmental units. Changes are made based on that input, and a final plan is established.

Over the life of the plan, once the funding becomes available the specific capital expenditures can be made as part of individual project approvals. In subsequent years, the process is repeated as expenditures are completed and new needs arise.

On December 14, 2021, the City Council, after a duly notice public hearing, adopted a 2022-2026 CIP to support the expansion and renovation of their Public Safety Building. Generally, that plan provided for up to \$13,900,000 in project costs and CIP Bond authorization not to exceed \$14,315,000.

On October 11, 2022, the City received bids for the project with a total cost of about \$17,801,800, or approximately \$3,901,800 more than the original project estimate of \$13,900,000. On October 25, 2022, the City Council held a work session to discuss the bids and review potential alternatives. As a result, the City Council delayed two components of the project, reducing project costs by \$450,000 to \$17,351,800, and identified additional funding sources. On November 9, 2022, the City Council formally received bids and awarded contracts for the Public Safety Facility Renovation Project.

Since the cost of the Public Safety Building exceeded the project cost and bond authorization of the 2022-2026 CIP, this plan outlines both additional project costs and bonding authority for both the Public Safety Building and improvements to the City Hall.

Since the plan calls for general obligation bonds to finance certain Capital Improvements (referred to herein as "CIP Bonds"), the City Council must follow an additional set of procedures. The City may adopt a CIP specifically for those Capital Improvements and address the factors identified within the CIP Act. This CIP is designed to supplement the City's established process. The City Council must hold a public hearing regarding issuance of the CIP Bonds to obtain public comment on the matter. Notice of such hearing must be published in the official newspaper of the municipality at least 14, but not more than 28 days prior to the date of the public hearing. In addition, the notice may be posted on the City's official website.

The City Council must approve the sale of CIP Bonds by a 3/5ths vote of its membership. However, issuance of CIP Bonds is also subject to reverse referendum: if a petition is signed

by voters equal to at least five percent of the votes cast in the City in last municipal general election and is filed with the City Clerk within 30 days after the public hearing regarding the CIP Bonds, the CIP Bonds may not be issued unless approved by a majority of voters voting on the question of issuing the obligations. Further, the maximum debt service in any year on all outstanding CIP Bonds is 0.16% of the estimated market value of property in the city, using the market value for the taxes-payable year in which the bonds are issued.

After the CIP has been approved and general obligation bonds have been authorized, the City works with its municipal advisor to prepare a bond sale and repayment schedule. Assuming no petition for a referendum is filed, the bonds are sold, and when proceeds from the sale of the bonds (and any other identified revenue sources) become available, prior qualifying expenditures for specified Capital Improvements can be reimbursed and new expenditures made.

## **II. PROJECT SUMMARY**

The expenditures to be undertaken with this CIP for the years 2023 to 2027 are limited to those listed in Appendix A. All other foreseeable capital expenditures within the City government will come through other funding sources as identified within the City's annual budgeting process.

The CIP Act requires the City Council to consider eight factors in preparing the CIP and authorizing general obligation bonds.

1. Condition of the City's existing infrastructure, including projected need for repair or replacement.
2. Likely demand for the improvement(s).
3. Estimated cost of the improvement(s).
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 improvement(s).
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 relate to the projects identified in Appendix A and more thoroughly defined below through the issuance of CIP Bonds. The findings are as follows.

## Conditions of City Infrastructure and Need for the Project

**Public Safety Building.** The existing apparatus bay at the north station was constructed in 1961. There have been significant changes in the industry over the past several decades including, but not limited to, health and safety standards that prescribe separate zones for contaminated gear and areas where personnel train, rest and do reports. Proper air exchange and handling within the station is an industry standard, which did not exist when the building was constructed. The equipment used today has also changed and is, in most cases, much larger. As one example, the type of ladder truck that the City ordered was limited due to the height of the doors on the station. The collective impact of the overall size of the equipment and the need to add equipment to continue to provide adequate service over the last 60 years has created space issues. The Fire Department itself has changed significantly since this building was constructed; most notably call volumes have grown from a few hundred each year in the 1960's to approximately 4,400 annually. In 2019, the City hired 12 full-time Firefighter/Paramedics transitioning from a mostly paid-on-call model to a combination-staffing model. The full-time and part time staff now work shifts. The crews working at the station, rather than people responding from home now, manage almost all the calls.

Replacement of the existing fire apparatus bay would also include added dorm room capacity to accommodate the City's combination response model and account for further growth. The renovation of the apparatus bay area will include a kitchen/dining area that will be used by both Police and Fire.

The construction of a police garage was initially contemplated as a second phase to the public safety building expansion in 1993, but the project never commenced. The City purchased the homes across from the station for this purpose. Currently, the Police Department has four indoor parking spots and 18 total vehicles in their fleet. Two of those four spots are the secured sally port, which are reserved for suspect booking. Today's police squads are equipped with technology and tools that need to stay warm in the winter and cool in the summer. With no indoor parking, squads are left idling and rotated through the current available indoor parking spots to keep them from getting too warm or too cold. In addition to indoor parking of squad vehicles, the Police Department has a general need for secure, indoor storage for evidence and equipment.

In recent years, officer safety has become a concern as police departments and police vehicles have become the target of vandalism and violence. In addition to exposure of police squads, the parking area lacks basic security and leaves officers, firefighters, other staff members exposed to an easily accessible public street as they enter and exit the facility.

Through the space needs study, it was determined that 34 indoor parking spots would be needed to house police squads, fire administration vehicles; this also takes into consideration potential for future expansion. A restroom, gear storage lockers for the officers and space for secure storage of evidence would also be included. An outdoor parking area for City staff is also proposed to relieve parking congestion for customers around the City campus.

**City Hall.** The City Hall requires deferred maintenance to enhance the energy efficiency and safety of the building, including the replacement of air handlers and windows, upgrade to restrooms and improvements to the fire suppression system.

### **Demand for the Project**

The City has a responsibility to deliver services that provide for the safety, health, and welfare of residents and their property. To serve residents and to do their jobs efficiently and safely, City employees need adequate facilities. The City's existing Police and Fire facilities are deficient and unable to meet the current and future operational needs. The demand for the new and remodeled facility is in response to the desire to continue providing a level of service necessary for residents. The City Hall improvements are necessary to provide long term efficiencies and safety for employees and the visiting public.

### **Estimated Cost of the Project**

In 2021, the City adopted the 2022-2026 CIP, which estimated project costs for the Public Safety Building at up to \$13,900,000 and authorized CIP Bonds, inclusive of cost of issuance, at an amount not to exceed \$14,315,000. As mentioned above, the City received bids and awarded contracts for the Public Safety Building at a cost of \$17,351,800. Due to this difference in estimated and awarded costs, the City prepared this plan, which provides for additional project costs \$3,451,800 and additional CIP Bonds of \$3,765,000, inclusive of the cost of issuance and capitalized interest.

In addition to that project, the City identified other improvements to both its public safety and city hall facilities. These project cost will not exceed \$1,122,000 and will be paid with cash or CIP bond proceeds if available. The 2023-2027 CIP costs for all projects, inclusive of the CIP Bonds and their related costs, will be \$4,887,000, which may be issued in one or more series of bonds.

### **Availability of Public Resources**

The City has determined the projects are to be funded by general obligation bond proceeds and by other available capital resources on hand. Given the size of the project, debt is necessary to provide for the costs and preserve necessary operating resources for the City.

## Level of Overlapping Debt

Overlapping Debt				
Taxing District	Taxable Net Tax Capacity	In City (%)	Total GO Debt	City's Share
Ramsey County	\$ 736,796,858	4.899%	\$ 138,095,000	\$ 6,765,826
Washington County	381,159,791	0.155%	95,335,000	147,293
ISD No. 622 (North St. Paul-Maplewood-Oakdale)	172,349,635	0.007%	418,170,000	28,017
ISD No. 624 (White Bear Lake Area Schools)	127,987,869	28.205%	375,050,000	105,780,977
ISD No. 832 (Mahtomedi)	28,854,921	2.041%	45,165,000	921,818
Metropolitan Council	5,197,211,231	0.706%	218,520,000	1,542,533
<b>Total Share of Overlapping Debt</b>				<b>\$115,186,464</b>

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

The City does not have funds available to undertake projects of this scope while also keeping up with other maintenance and improvement projects scheduled in the CIP. To minimize project costs, the City elected to preserve and renovate most of the existing Public Safety Building and, add-on or modify where needed to accommodate its needs. The City Hall improvements will, in part, reduce the annual energy costs of the City.

## Operating Costs of the Proposed Improvements

The improvement of the Public Safety Building will include energy efficient materials and systems; the existing building will be retrofitted to upgrade the lights, roofing, and other systems to improve its operations. The roof of the new police squad garage will be solar ready for future investment to further reduce reliance on non-renewable energy sources. The planned improvements to the City Hall, most notably new air handlers and windows, will also result in energy cost savings. While additional space generally results in higher operating costs due to energy consumption, it is anticipated that these updates will mitigate the increase in operating costs.

Additionally, new shelter for essential equipment will reduce repair and replacement costs. The replacement facilities will be a safer and healthier place for staff to work, with a thoughtful design that reduces exposures to toxins and provides for state-of-the-art fire suppression. The new facility will provide for increased communication and cross training with all departments located within one facility. A new facility also provides many efficiencies making the departments more effective such as adequate training opportunities on-site and adequate room for current and future operations.



The upgrades to the City Hall will also use energy efficient materials and system that will reduce the overall energy costs of the City.

### Options for Shared Facilities with Other Cities or Local Government

The City provides fire and ambulance service for the Cities of White Bear Lake, Birchwood Village, Gem Lake and Dellwood as well as White Bear Township. The Police Department provides service for the Cities of White Bear Lake and Gem Lake. Proximity of fire, medical and police vehicles is critical to response times making the sharing of facilities impractical and would elevate risk to the communities served.

## FINANCING

The total amount of requested expenditures under this CIP is up to \$3,451,800. If these expenditures are to be funded, that amount of money is anticipated to be generated through a combination of capital funds and the sale of general obligation CIP Bonds within the identified five-year period. The anticipated bond size of \$3,765,000 is based upon funding the estimated hard and soft costs identified for the projects, plus estimated issuance costs, capitalized interest and contingency and may be issued in one or more series of bonds. Principal and interest on the CIP Bonds will be paid through a property tax levy and current estimates of size and repayment of the CIP Bonds under consideration is shown in Appendix B.

In financing the CIP, two significant statutory limitations apply:

1. Under Chapter 475, with few exceptions, cities cannot incur debt in excess of 3% of the assessor’s estimated market value (EMV) for the city. As noted in the table below, the City’s debt subject to this requirement, including the proposed CIP Bonds, is within the required threshold. Although the CIP Bonds will be issued in 2023, the table uses the EMV for property taxes payable in 2022, the most recent data available.

<b>Net Debt Limit</b>	
Assessor's Estimated Market Value	3,156,599,200
Multiply by 3%	0.03
Statutory Debt Limit	94,697,976
Less: Debt Paid Solely from Taxes	(10,140,000)
Less: Remaining 2022-2026 CIP Authority	(7,325,000)
Less: Proposed Bond Issue(s)	(3,765,000)
<b>Unused Debt Limit</b>	<b>73,467,976</b>

2. A separate limitation under the CIP Act is that, without referendum, the total amount of principal and interest in any single year payable on all CIP Bonds issued by the City cannot exceed 0.16% of the total estimated market value in the municipality. In the City, that maximum annual debt service amount is \$5,050,559 for property taxes payable in 2022. The highest annual principal and interest payments on the City's existing CIP Bonds plus those proposed to be issued under this CIP and previous CIP are estimated to be approximately \$1,530,023. As such, debt service on the CIP Bonds will be within the annual limits under the CIP Act.

<b>CIP Bonds Debt Service Limit</b>	
Assessor's Estimated Market Value	3,156,599,200
Multiply by 3%	0.00
Statutory Debt Limit	5,050,559
Less: Existing Debt Service Subject to the Limit	(556,133)
Less: Remaining 2022-2026 CIP Authority	(650,625)
Less: Proposed Bond Issue(s)	(323,266)
<b>Unused Debt Limit</b>	<b>3,520,535</b>

### III. PLAN CONTINUATION

This CIP will be reviewed annually by the City Council using the process outlined in this document. Through annual amendment, the City Council reviews proposed expenditures, makes priority decisions, and seeks funding for those expenditures it deems necessary for the City. If deemed appropriate, the City Council should prepare an update to this CIP for future CIP Bond issuance.

# APPENDIX A

## Plan Project Costs

The plan includes capital expenditures of approximately \$3,901,800 for the Public Safety Building and about \$672,000 for the City Hall, which is to be funded with up to \$3,765,000 in bond proceeds, which may be issued in one or more series of bonds. The following projects are currently identified within the 2023 to 2027 timeframe.

Project Costs		
Year	Project	Amount
2023	Public Safety Building	\$ 3,451,800
2024	Public Safety Building	450,000
2025	City Hall	672,000
2026	None Anticipated	-
2027	None Anticipated	-
<b>TOTAL</b>		<b>\$ 4,573,800</b>

## Proposed CIP Bond Issues:

Proposed CIP Bond Issues		
Year		Amount
2023	\$	3,765,000
2024		-
2025		-
2026		-
2027		-
<b>TOTAL</b>	<b>\$</b>	<b>3,765,000</b>

## APPENDIX B

Proposed CIP Bond Issue:

### City of White Bear Lake, Minnesota

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\$3,765,000 General Obligation CIP Bonds, Series 2023A

Assumes Current Market BQ AA+ Rates plus 150bps

### Sources & Uses

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Dated 03/23/2023 | Delivered 03/23/2023

#### Sources Of Funds

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Par Amount of Bonds	\$3,765,000.00
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<b>Total Sources</b>	<b>\$3,765,000.00</b>
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#### Uses Of Funds

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Total Underwriter's Discount (2.000%)	75,300.00
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Costs of Issuance	75,000.00
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Deposit to Capitalized Interest (CIF) Fund	160,545.00
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Deposit to Project Construction Fund	3,451,800.00
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Rounding	2,355.00
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<b>Total Uses</b>	<b>\$3,765,000.00</b>
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## City of White Bear Lake, Minnesota

\$3,765,000 General Obligation CIP Bonds, Series 2023A

Assumes Current Market BQ AA+ Rates plus 150bps

### Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S	Fiscal Total
03/23/2023	-	-	-	-	-	-	-
02/01/2024	-	-	160,545.00	160,545.00	(160,545.00)	-	-
08/01/2024	-	-	93,825.00	93,825.00	-	93,825.00	-
02/01/2025	120,000.00	4.300%	93,825.00	213,825.00	-	213,825.00	307,650.00
08/01/2025	-	-	91,245.00	91,245.00	-	91,245.00	-
02/01/2026	125,000.00	4.350%	91,245.00	216,245.00	-	216,245.00	307,490.00
08/01/2026	-	-	88,526.25	88,526.25	-	88,526.25	-
02/01/2027	130,000.00	4.360%	88,526.25	218,526.25	-	218,526.25	307,052.50
08/01/2027	-	-	85,692.25	85,692.25	-	85,692.25	-
02/01/2028	135,000.00	4.370%	85,692.25	220,692.25	-	220,692.25	306,384.50
08/01/2028	-	-	82,742.50	82,742.50	-	82,742.50	-
02/01/2029	140,000.00	4.400%	82,742.50	222,742.50	-	222,742.50	305,485.00
08/01/2029	-	-	79,662.50	79,662.50	-	79,662.50	-
02/01/2030	145,000.00	4.450%	79,662.50	224,662.50	-	224,662.50	304,325.00
08/01/2030	-	-	76,436.25	76,436.25	-	76,436.25	-
02/01/2031	155,000.00	4.500%	76,436.25	231,436.25	-	231,436.25	307,872.50
08/01/2031	-	-	72,948.75	72,948.75	-	72,948.75	-
02/01/2032	160,000.00	4.550%	72,948.75	232,948.75	-	232,948.75	305,897.50
08/01/2032	-	-	69,308.75	69,308.75	-	69,308.75	-
02/01/2033	165,000.00	4.650%	69,308.75	234,308.75	-	234,308.75	303,617.50
08/01/2033	-	-	65,472.50	65,472.50	-	65,472.50	-
02/01/2034	175,000.00	4.800%	65,472.50	240,472.50	-	240,472.50	305,945.00
08/01/2034	-	-	61,272.50	61,272.50	-	61,272.50	-
02/01/2035	185,000.00	4.900%	61,272.50	246,272.50	-	246,272.50	307,545.00
08/01/2035	-	-	56,740.00	56,740.00	-	56,740.00	-
02/01/2036	190,000.00	5.000%	56,740.00	246,740.00	-	246,740.00	303,480.00
08/01/2036	-	-	51,990.00	51,990.00	-	51,990.00	-
02/01/2037	200,000.00	5.100%	51,990.00	251,990.00	-	251,990.00	303,980.00
08/01/2037	-	-	46,890.00	46,890.00	-	46,890.00	-
02/01/2038	210,000.00	5.200%	46,890.00	256,890.00	-	256,890.00	303,780.00
08/01/2038	-	-	41,430.00	41,430.00	-	41,430.00	-
02/01/2039	225,000.00	5.250%	41,430.00	266,430.00	-	266,430.00	307,860.00
08/01/2039	-	-	35,523.75	35,523.75	-	35,523.75	-
02/01/2040	235,000.00	5.350%	35,523.75	270,523.75	-	270,523.75	306,047.50
08/01/2040	-	-	29,237.50	29,237.50	-	29,237.50	-
02/01/2041	245,000.00	5.400%	29,237.50	274,237.50	-	274,237.50	303,475.00
08/01/2041	-	-	22,622.50	22,622.50	-	22,622.50	-
02/01/2042	260,000.00	5.450%	22,622.50	282,622.50	-	282,622.50	305,245.00
08/01/2042	-	-	15,537.50	15,537.50	-	15,537.50	-
02/01/2043	275,000.00	5.500%	15,537.50	290,537.50	-	290,537.50	306,075.00
08/01/2043	-	-	7,975.00	7,975.00	-	7,975.00	-
02/01/2044	290,000.00	5.500%	7,975.00	297,975.00	-	297,975.00	305,950.00
<b>Total</b>	<b>\$3,765,000.00</b>	<b>-</b>	<b>\$2,510,702.00</b>	<b>\$6,275,702.00</b>	<b>(160,545.00)</b>	<b>\$6,115,157.00</b>	<b>-</b>

### Significant Dates

Dated	3/23/2023
First Coupon Date	2/01/2024

### Yield Statistics

Bond Year Dollars	\$48,551.17
Average Life	12.895 Years
Average Coupon	5.1712496%
Net Interest Cost (NIC)	5.3263437%
True Interest Cost (TIC)	5.3546617%
Bond Yield for Arbitrage Purposes	5.1286833%
All Inclusive Cost (AIC)	5.5865198%