



AGENDA ITEM #3

REPORT TO CITY COUNCIL

Report Prepared by: Angie Duus

Date: August 19, 2020

Subject: Capital Financial Plan

Report: Attached is the Capital Financial Plan Projects Worksheet from Jason Murray from David Drown Associates for the City's capital improvement plan. Mr. Murray will be present to discuss and address any inquiries the Council may have.

Tim Houle will remind the Council of the Special Assessment Process and explain the benefits of implementing Special Assessments in future projects such as the ones listed in the Capital Financial Plan.

The City has historically not used Special Assessments to help fund public improvement projects.

However, it appears, due to the City's size, intent to stay on top of their infrastructure investments, limits of funding projects only with tax levies, etc., the City desires to implement their Special Assessment Process for future public improvement projects.

We wanted to take this moment to remind and summarize the process for everyone in this setting versus in the "heat of the battle" during a specific project.

The City does have (has had) an Assessment Procedures and Policy document.

There are some required items dictated by State Statute along with decisions the City Council has the opportunity to make.

The City's Policy is intended to serve as a guide for as consistent as possible assessment process. There may be exceptions to the process, unique circumstances, special situations, or interpretations on a project-by-project basis which may require special consideration and discretion by City Staff and the City Council.

Any project to be specially assessed needs to conform with Minnesota Statutes, Chapter 429, Local Improvements, Special Assessments. Following, in underlines, is a summary of the steps in Chapter 429.

1. Initiation of proceedings. The possible improvement may be initiated by the Council or by a petition of affected property owners.
2. Preparation of a Feasibility Report. The City Engineer or other competent person must prepare a Report on the proposed improvement; such Report must include the estimated cost of the proposed improvement.

A City Assessment Committee consisting of at least one City Council Member, the City Administrator, the City Public Works Director, the City Engineer, and other necessary staff members as determined by the City Administrator shall review the Feasibility Report before it is presented to the City Council.

Benefiting properties are specially assessed. Generally, the benefiting properties are the abutting properties to the improvement, but the City Council can determine otherwise.

The costs for new projects will be 100% assessed to the benefitting properties. Different methods (front footage of a lot, per sanitary sewer or water service connection) are used depending on the improvement.

The costs for reconstruction projects will be assessed to the benefitting properties at an amount corresponding to the benefit as determined by the City Council with input of the City's appraiser for the project.

The City's Policy indicates the standard or typical sizes of improvements – using the City's Guidelines for Road Standards / Specifications and Road Ratings as guides.

The Feasibility Report includes estimated project costs – not only for construction, but for contingencies, engineering, financing costs, land acquisition if needed, and legal and administrative costs. Remember, the preference is to be a little high on

these numbers. Final design has not been completed at this stage, so it really is still an estimate. And, if you are estimating special assessments, coming down later with actual bids is better than the other direction.

The City Council reviews this Report. It is not unheard of to have discussion amongst the Council Members on different parts of the Report – with the Council voting on possible changes to the Report before approval and proceeding to the next steps.

3. Notice of a public hearing on the proposed improvement. A preliminary assessment hearing must be held on the proposed improvement. The City must post notices in the newspaper as well as mail notices to individual property owners in the proposed special assessment area.
4. Improvement (Preliminary Assessment) hearing. At the hearing, the Council should give interested people a chance to be heard. Written comments are also acceptable. When a petition signed by 100 percent of the landowners requests the improvement, the Council may order the improvement without a hearing.
5. Ordering the preparation of plans. The *Council votes* on whether or not to have the City Engineer prepare the necessary plans and specifications.
6. Improvements are bid. The Council accepts the plans and calls for construction bids. The project is advertised, and bids are received and opened.
7. Final assessment hearing on the improvement. Based on the bid and other project costs, an assessment roll is prepared listing the amount assessed against each property that will benefit from the improvement. Following proper newspaper and individual notices, a hearing is held to allow people to comment on the special assessments. Written comments are also acceptable.
8. Approval and certification of the assessment roll. After the hearing, the *Council votes* on whether or not to approve the assessment roll. If they do, the City certifies it to the County Auditor.

Property owners can pay the full assessment right after the Certification of the Assessment Roll. Or, they can pay it off on their taxes over a number of years at a specified interest rate - the term and interest rate being set by the City Council

(the term less than the life of the improvements and the interest rate usually a point or two above what the financing rate the City pays.

9. Project is ordered, bid is accepted, and improvements are constructed. The Council can accept or reject the bid. If the bid is accepted, the improvement is constructed.

Council Action Requested: Council discussion and direction on the Capital Financial Plan Projects Worksheet and Special Assessments.

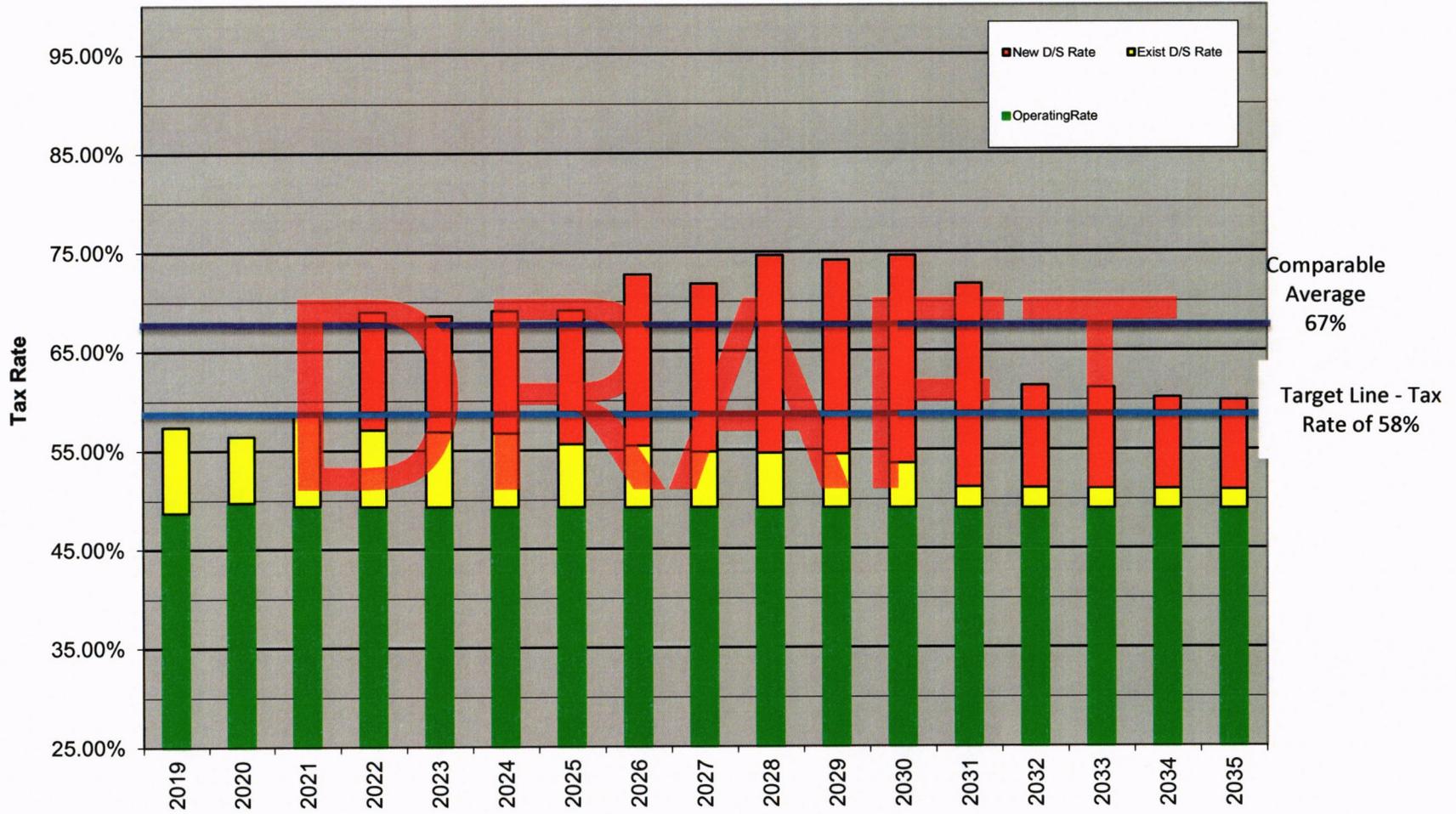
City of Pequot Lakes 2020
Projects, Debt & Revenue Allocation Worksheet

Baseline	Cap. Outlay	Historic	no	Keep gallons included in Base Water Fee?	-	General Fund Smoothing
General Fund	150,000	New 2019+	50,000	LEVY FOR 402 FUND	2,000	2022 First Year
General Fund	-	New 2019+	-	Deposit to 402 (beg 2021+)	2,000	2030 End Year
Sewer Fund	25,000	New 2019+	-	Deposit to 402 (Sewer 2021+)	2,000	Potential of using per year
Water Fund	50,000	New 2019+	-	Deposit to 402 (Water 2021+)	-	-
Liquor Fund	-	New	-	-	-	-

Graph Options	yes	< prevent rate reductions? (yes.no)	7.50	Population Growth/Year	-
	150,000	< value of "typical" homestead for impact	3.00	Households/Year	-
	3.00	< typical water usage per month	-	-	-
	1.50%	< market value inflation factor	2.0%	Water 2021	-
	5%	< construction inflation factor	3.0%	Water 2022+	-
	2%	< Spending Increase % (GF, Water, Sewer)	3.0%	Sewer 2021	-
	2%	< Tax Base Growth Assumption	4.0%	Sewer 2022+	-
	-	-	-	LGA Cuts (Increase) 2018+	-
	-	-	-	Offsets	-
	-	-	-	Net Increase in Levy	-

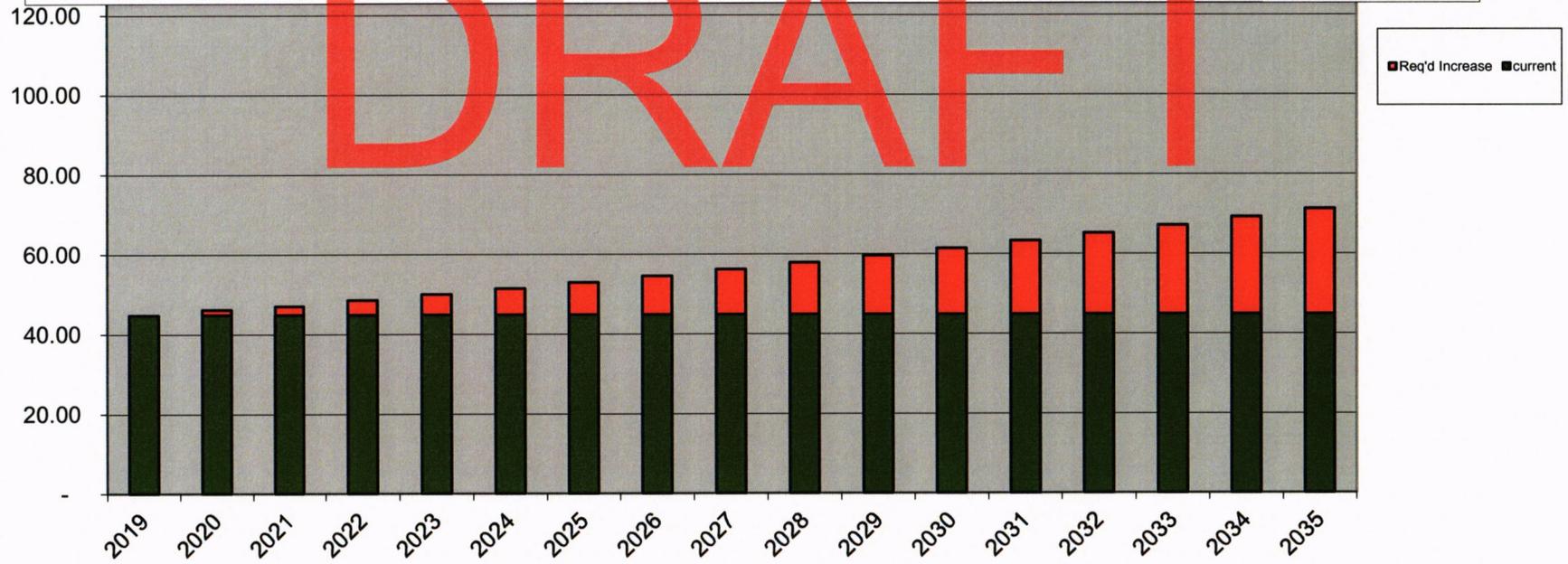
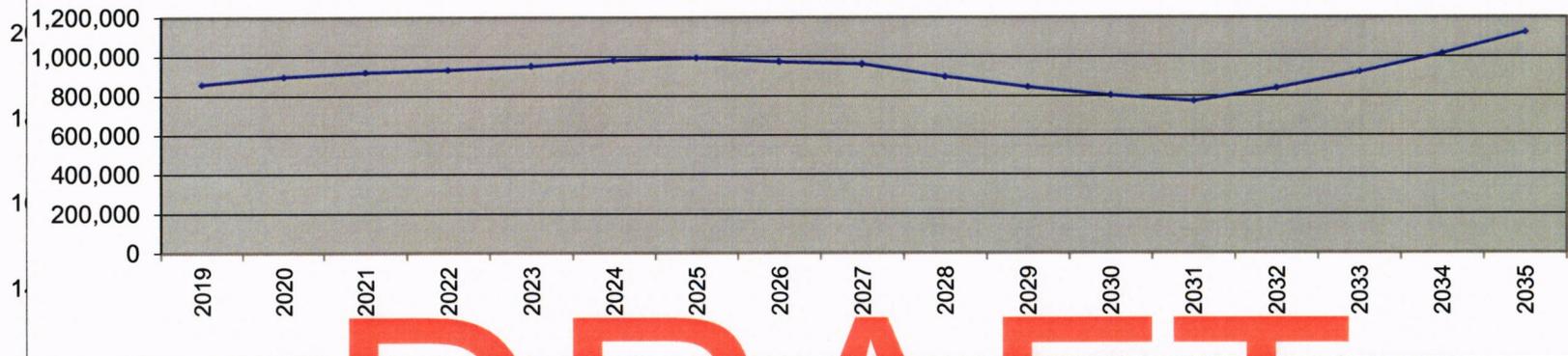
Projects & Debt		INTERFUND LOANS (402 FUND)	Combined	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW			
#	Project	Loan #1	Loan #2	Dump/Snow Blow Truck	Water/Wastewater Wild Acres	Lumber/Water Fireman Upgrade	Fire Tanker Truck	Patriot Avenue Overlay	Wastewater Pump Upgrade (PEA)	Fruit Street	Engine Truck 2	Main Street	Rescue Truck	
	Est Year 2020 Cost	-	-	221,460	3,000,000	785,000	230,000	360,000	3,415,000	981,000	1,159,000	400,000	2,000,000	254,000
	NET Financed (Inflation Less Cash)	-	-	232,470	3,150,000	876,488	268,254	-	4,416,330	1,192,412	1,467,724	510,513	2,155,201	582,173
	Type Bond	-	-	GO	GO	GO	GO	Cash	GO	GO	GO	GO	GO	GO
	Term	-	-	10	10	20	10	15	20	10	10	10	10	10
	Rate	0.00%	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	1.00%	3.00%	3.00%	3.00%	3.00%	3.00%
	Bond Pymt	-	-	27,353	369,276	88,914	51,413	-	244,733	99,884	177,062	59,848	252,655	68,248
	Yr Built	-	-	2021	2021	2022	2023	2023	2023	2024	2025	2025	2027	2029
Repayment Sources														
CASH	Fund 402	-	-	-	-	-	-	416,745	-	-	-	659,000	-	-
	Grants / Fundraising	-	-	-	-	-	-	-	-	-	-	-	-	-
	General Fund Budget	-	-	-	-	-	-	-	-	-	-	-	-	
	Water Fund	-	-	-	-	-	-	-	-	-	-	-	-	
	Sewer Fund	-	-	-	-	-	-	-	-	-	-	-	-	
DEBT	Other Funds	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	NET Assmts	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Grants	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Sewer Rates/Fees	0%	0%	0%	0%	100%	0%	0%	100%	25%	25%	0%	25%	0%
	Water Rates/Fees	0%	0%	0%	0%	0%	0%	0%	0%	25%	25%	0%	25%	0%
	Tax Levies	100%	100%	100%	100%	0%	100%	100%	0%	50%	50%	100%	50%	100%
		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Tax Rate Projections

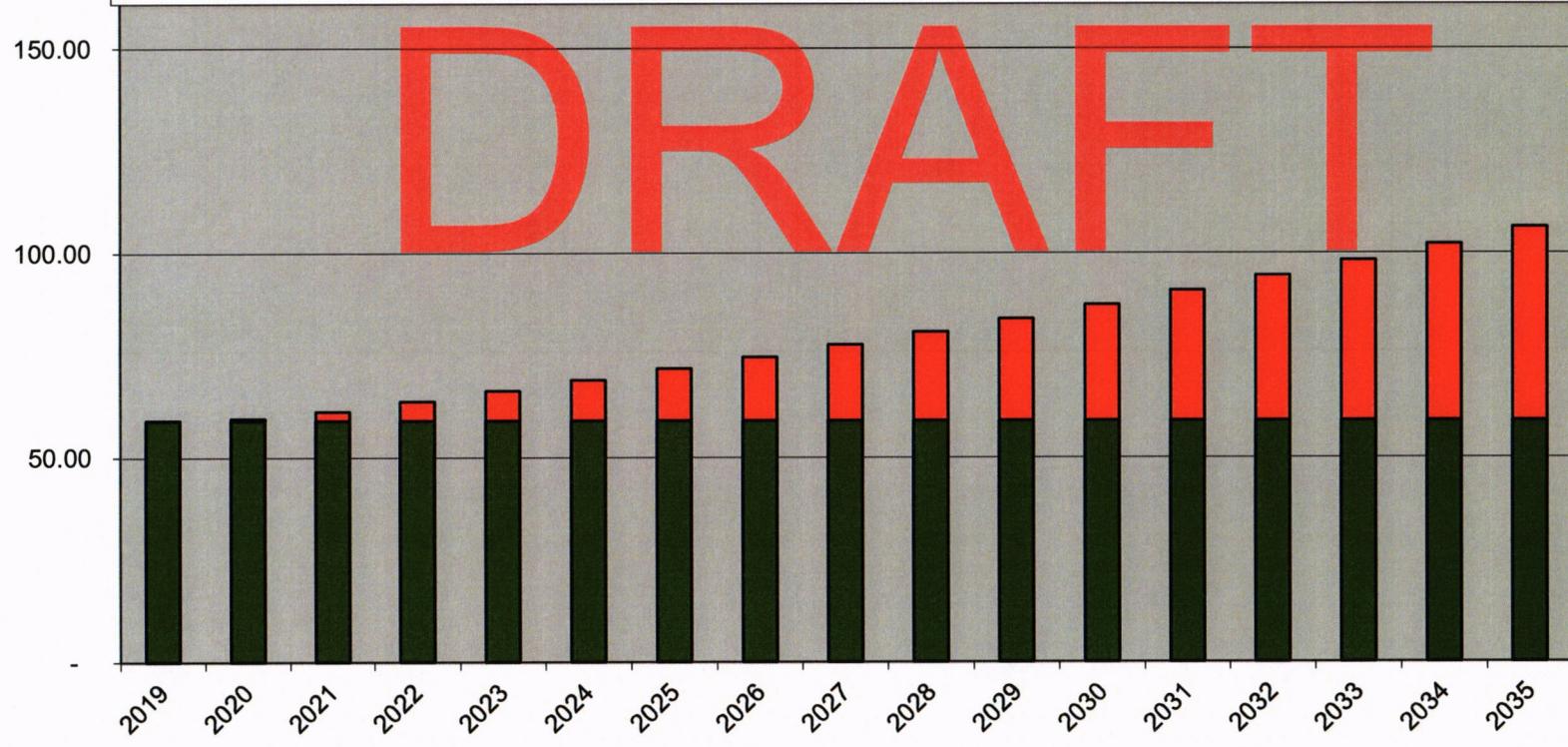
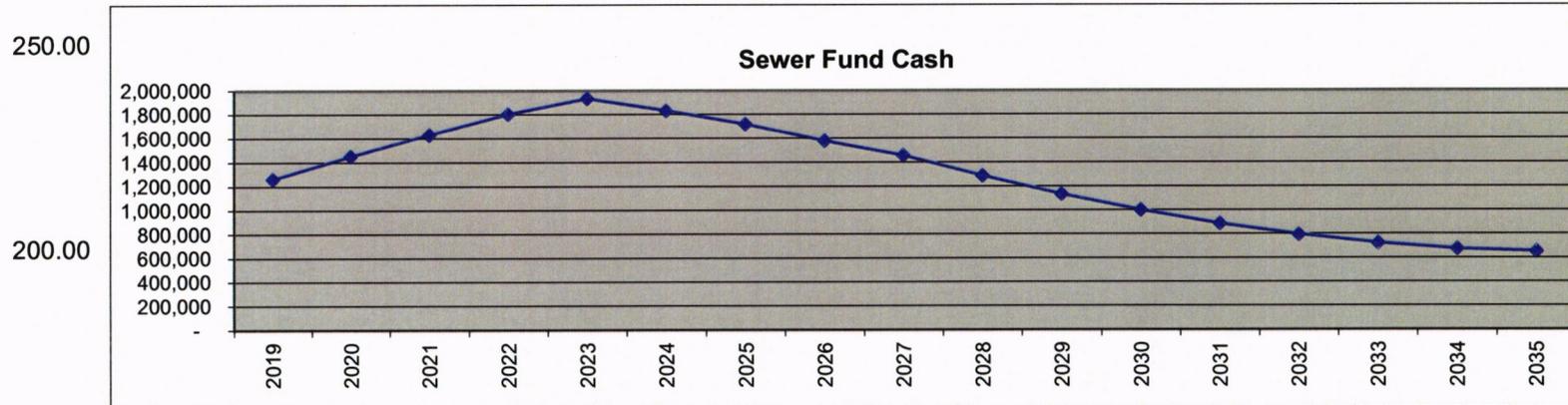


Monthly Water Bill ~ (5,000 gpm)

Water Fund Reserves

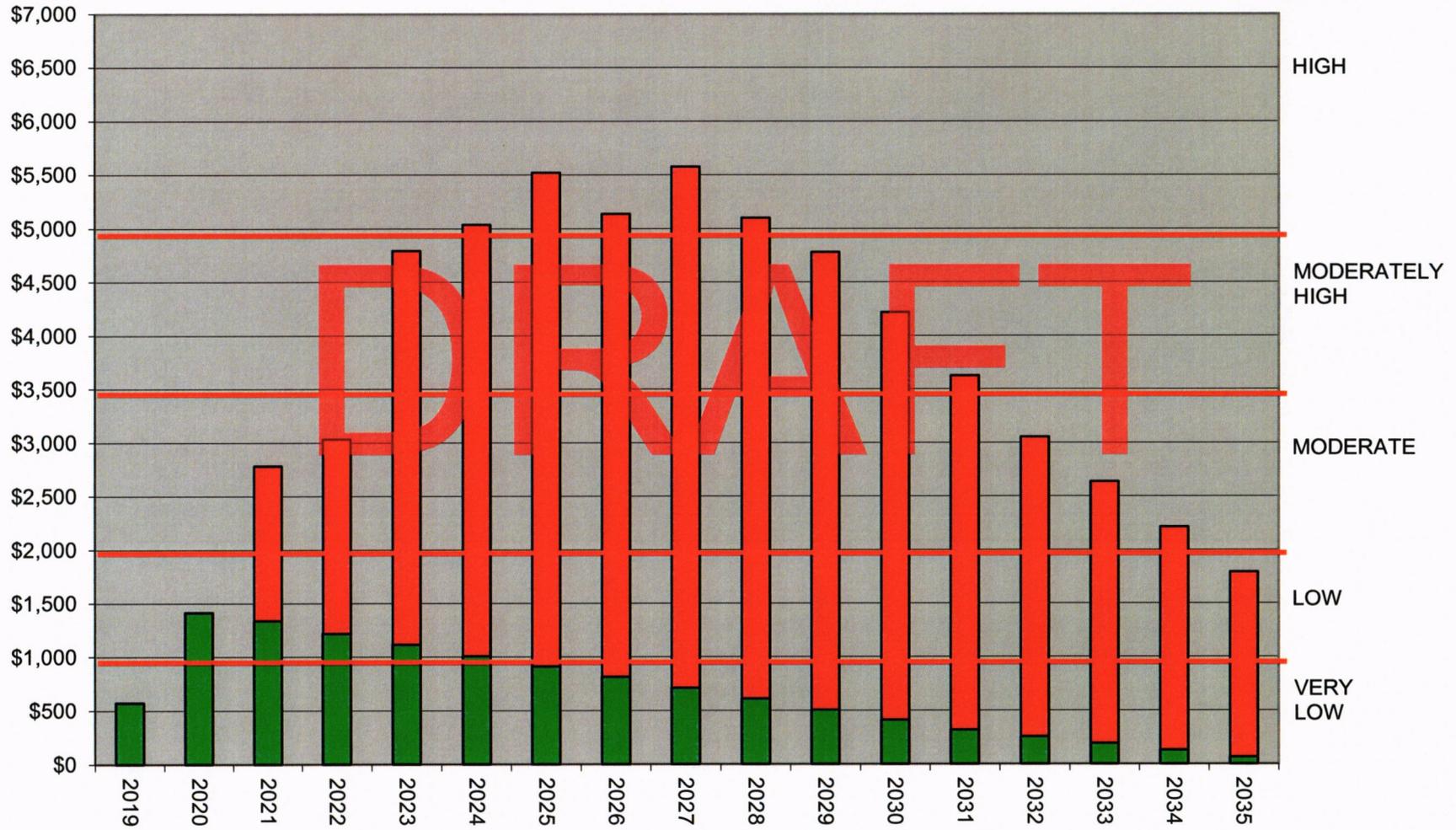
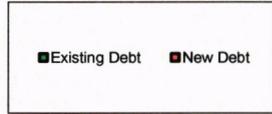


Monthly Sewer Bill ~ (5,000 gpm)

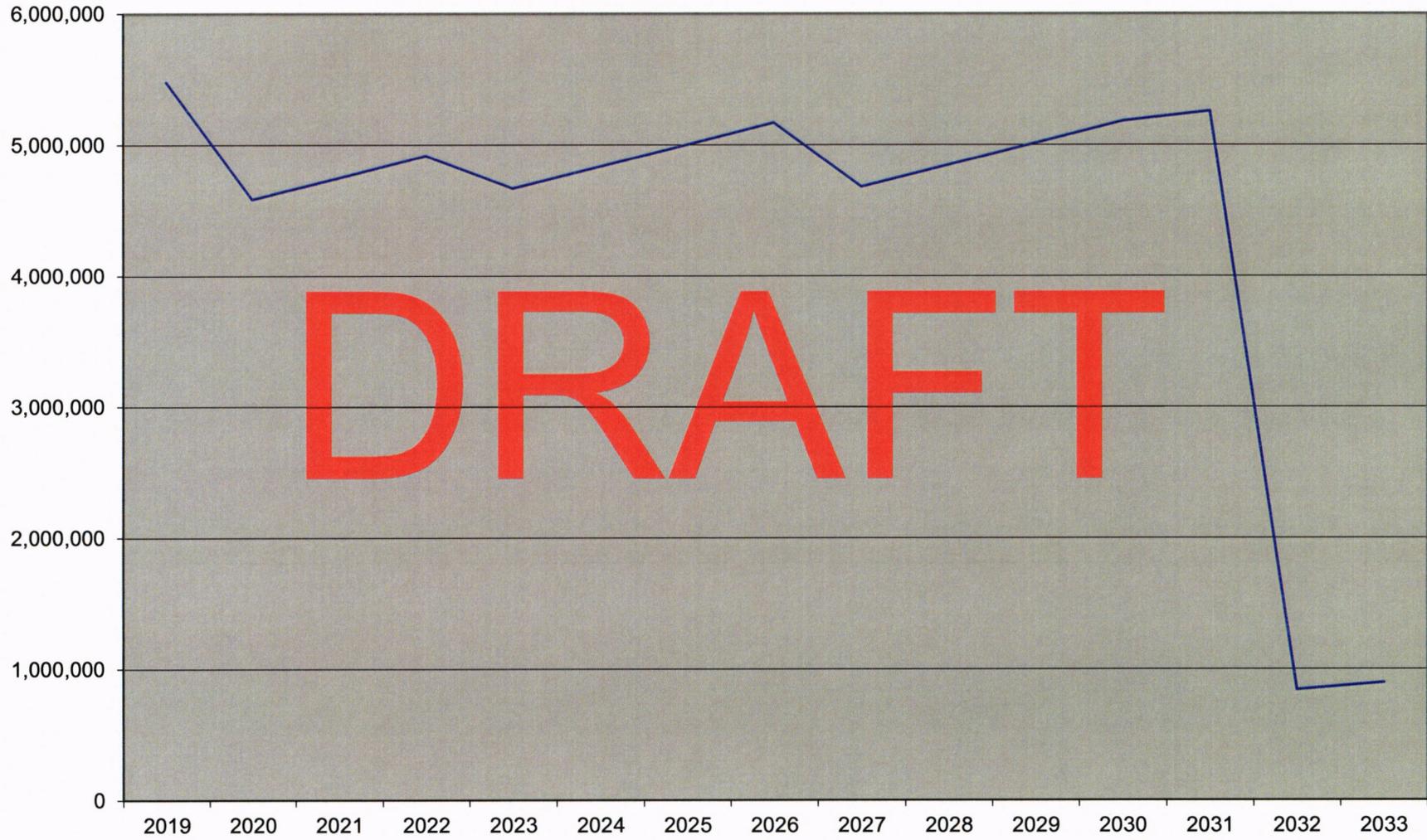


Req'd Increase
 Current Level

Debt per Capita



**Fund 402
Reserves**



ANNUAL COSTS
(Typical Value Home, MV inflation, 5K water user)

RESIDENTIAL

