

Bond Capital Improvement Plan (CIP) for new Central Maintenance Facility

PUBLIC HEARING

July 28, 2025



Tonight's Purpose & Agenda

Purpose:

- Hold Public Hearing
- Consider Adopting Bond CIP

Contents of Presentation:

- Overview of Current & Proposed Maintenance Facilities
 - Financing Options & Recommendation
 - Estimated Levy & Tax Impacts
 - Next Steps / Process
- 

MAINTENANCE FACILITY HISTORY

History of Current Facility:

- Main building constructed in 1985
- Cold Storage building added in 1991
- Expansion plans have been discussed for many years
- Findings of 2015 needs study:
 - Site is very constrained and short of covered space
 - Facilities are outdated
 - Current and future needs could not be fully accommodated on the existing site
- Adjacent farmstead to south of site acquired in 2021 (+5 acres)
 - Combined site now equals 13 acres
- Updated needs analysis and site planning study was started in 2024 and completed in 2025

Maintenance Operations - 1985 vs. 2025

	1985	2025	Change	% Change
Full-Time Employees	14	37	+23	+160%
Part-Time Employees	6	24	+18	+300%
Vehicles	24	72**	+48	+200%
Equipment*	N/A	50		

* Equipment includes trailers, mowers, and landscape maintenance equipment

** City maintains an additional 83 vehicles stored/housed at other locations (Police, Fire, City Hall, etc.)

Total available covered parking at current Maintenance Facility = 32 indoor spaces

→ 90 vehicles & pieces of equipment (73%) are regularly stored outside or in partially sheltered/unconditioned storage year-round at Maintenance Facility

EXISTING FACILITY CONDITIONS

Space Deficiencies - Vehicle Storage



← 32 indoor vehicle spaces

Wash Bay converted for brine mixing &
↓ other equipment storage



← 90+ vehicles & equipment pieces stored outdoors

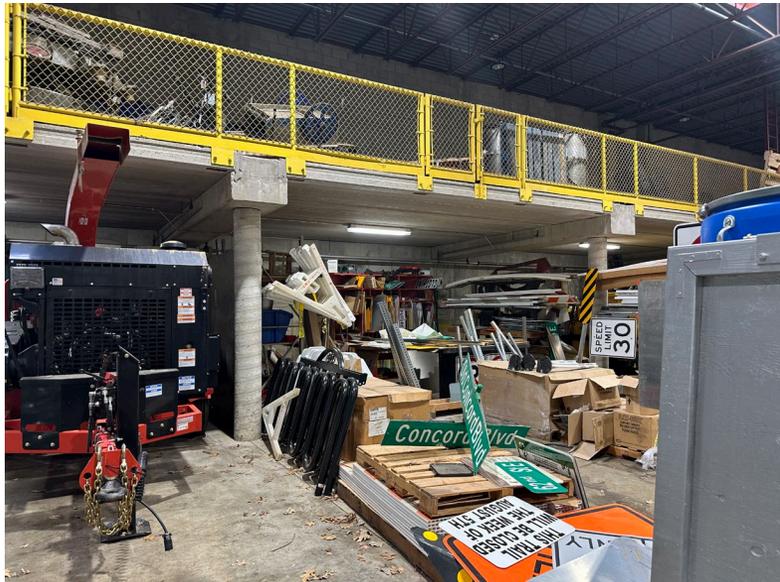
Space Deficiencies - Storage Spaces



← Undersized Mechanics Parts Room



Equipment stored on → ground outside



← Cold storage undersized for current storage needs

Existing salt shed undersized for → salt and other materials; roof prevents loading/unloading in sheltered space

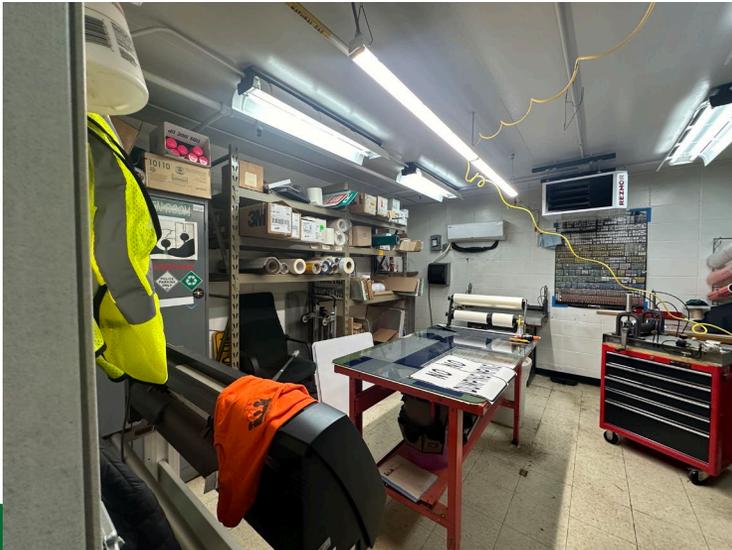
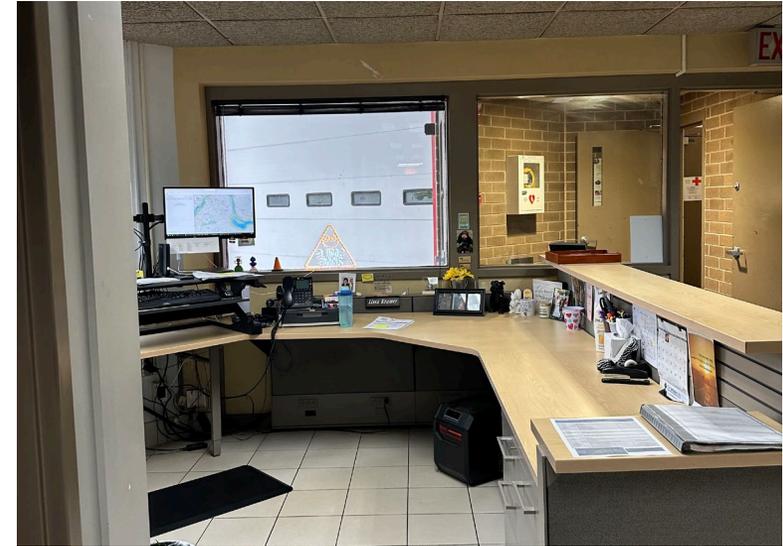


Space Deficiencies - Office & Crew Spaces



← Breakroom doubles as crew meeting space, only seats 20; We have 37 FT and 24 PT Staff

Admin space has no → public lobby



← Sign shop in converted storage room; sign materials stored in separate building

Single offices have been converted to shared offices →



Space Deficiencies - Locker Rooms



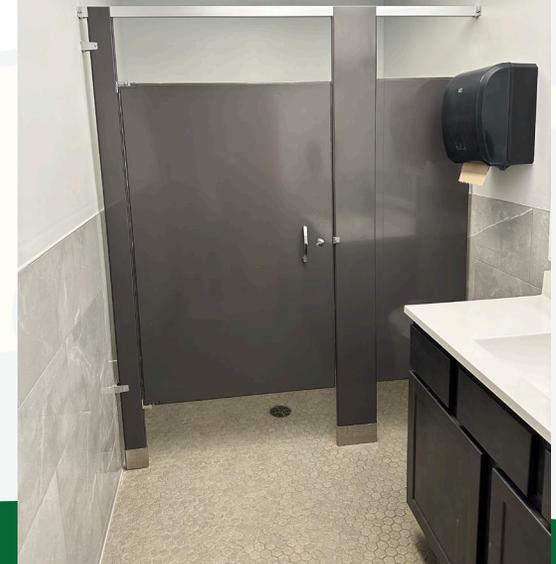
← Mechanics lockers in garage; no privacy, seating area, or security

Crew tool and daily locker space in converted storage rooms →



← Men's locker room outdated, poorly lit, not ADA accessible, and undersized for full staff

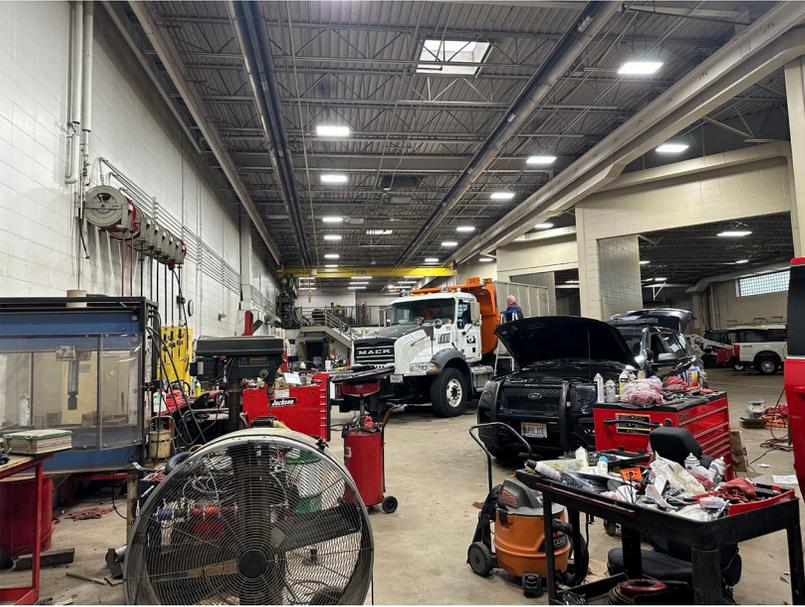
No women's locker room → Only one (1) women's bathroom



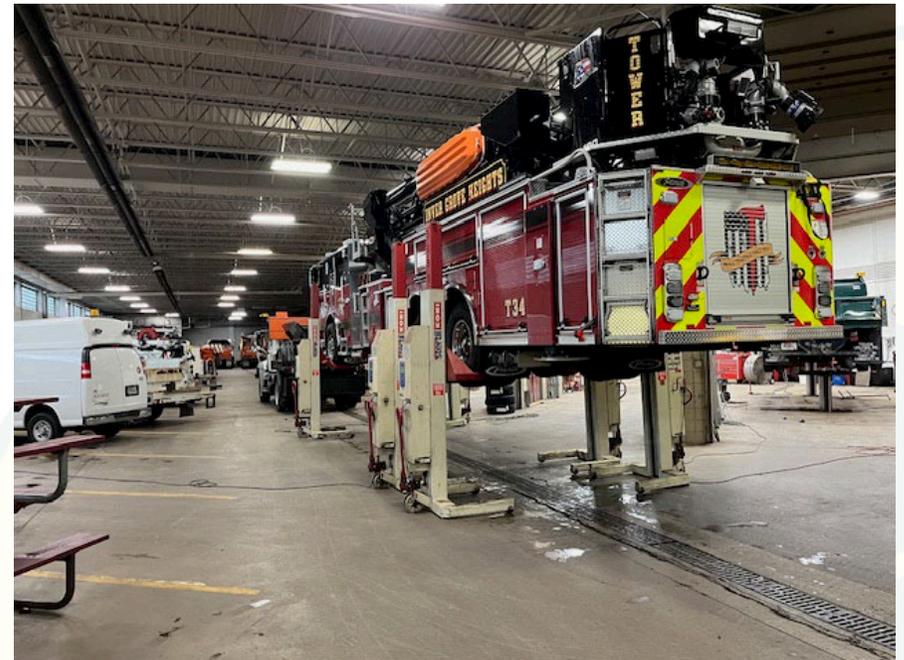
Space Deficiencies - Mechanics Area

← Undersized for larger equipment; Limited space for tool storage and work areas.

Larger vehicles need to be worked on in main drive aisle; prevents access to remainder of vehicles in garage.
↓



← No separate space for metal welding; Poor ventilation and safety issues



NEEDS ANALYSIS

FINDINGS: Key Space Constraint

1. Maintenance Facility is 45% of recommended size for current operations (37% of recommended size for long-term City growth/expansion)
2. Mechanic spaces are about 25% of standard size for both current and future needs, and cannot accommodate all sizes of City vehicles & equipment
3. No women's locker room, and most crew spaces require major upgrades (workstations, locker and equipment storage space, meeting/break room spaces, bathrooms, etc.)
4. Lack of office and administrative support spaces for crew leads and superintendents
5. Building is not ADA compliant
6. Safety systems, storage spaces, and improved lighting are needed
7. Lack of both public and secure parking at adjacent Police Department



Options Development Site Plan Recommendation

Phase 1A (2026)

1. New Cold Storage Facility
2. New Salt Shed / Materials Storage
3. Demolition of Existing Cold Storage Facility
4. Site Grading & Improvements

Phase 1B (2026-2027)

1. New Central Maintenance Facility
2. Parking Lot Site Improvements

Phase 2A (2028)

1. Partial Renovation of Existing Central Maintenance Facility for Public Works Cold Storage

Estimated Project Cost (Phases 1A-2A) = \$55,443,216

Opportunity to further study police-related needs and make future decision regarding Phase 2B.

Phase 2B (Future)

1. Partial Renovation of Existing Central Maintenance Facility for Police Training or Maintenance Needs
2. Deferred Maintenance for Existing Central Maintenance Facility





Option B New Public Works Campus with CMF Reuse

Benefits of Recommended New Facility:

1. New building can be designed and constructed to meet current and future City needs (full City infrastructure build-out based on current Comp. Plan).
2. New building can be constructed to be adaptable for implementation of future technologies and changes in public works operations over time.
3. Allows for expansion and design flexibility of Police parking lot in conjunction with site improvements.
4. Allows for reutilization of existing Central Maintenance Facility building, and flexibility in future remodeling to accommodate both sheltered storage and Police training needs.
5. Allows for existing maintenance operations to continue with minimal disturbance during construction.



Project Schedule

March 2024: Needs Analysis & Site Plan Contract Award to Wold Architects

April 2025: Council Adopts Needs Analysis & Preliminary Site Plan Option B

June 2025: Final Design & Construction Management Contract Award to Wold Architects & Kraus-Anderson, respectively

July 28, 2025: Public Hearing for Bond Capital Improvement Plan

Aug/Sept 2025: Schematic Design Review by Council

Nov/Dec 2025: Final Design Approval by Council

Spring 2026: Contract Bidding & Awards for Initial Phase of Improvements

May 2026: Begin Construction

December 2027: Substantial Completion & Facility Commissioning

FUNDING THE PROPOSED PROJECT

Funding Options & Considerations

1. Paying Cash Upfront

There is the potential to utilize some internal city funds to help offset the cost of building this facility, however, City does not have sufficient cash on hand to pay for entire project

2. Interfund Loan

The City could consider an interfund loan from some of its healthier funds, but analysis has shown those funds have their own future capital needs; and no amount of internal funds have enough to cover the total cost of this project

3. State or Federal Funding

State funding is generally restricted to projects with regional significance, meaning they serve or benefit residents of multiple communities. No known sources of federal funding.

4. Local Option Sales Tax

This option is typically considered for projects with regional significance and requires legislative approval. Additionally, since the City does not draw in significant commuters or shoppers from other cities, the sales tax would likely be paid primarily by local residents - perhaps even more so than the property tax, which is split between residents and businesses.

Funding Options & Considerations

5. Borrow Money

A. General Obligation (G.O.) Bonds

These are tax-exempt bonds which allow the City to borrow money at the lowest possible interest rate. Backed by the full-faith and credit of the City and repaid over multiple years with revenues from the property tax.

B. Lease Revenue Bonds

Generally involves the EDA borrowing money to construct the project and then leasing it to the City. The City's lease payments (which would have to come from property taxes) are the revenue to the EDA that then pays off the bonds. Higher interest rate than G.O. Bonds - but not subject to reverse referendum.

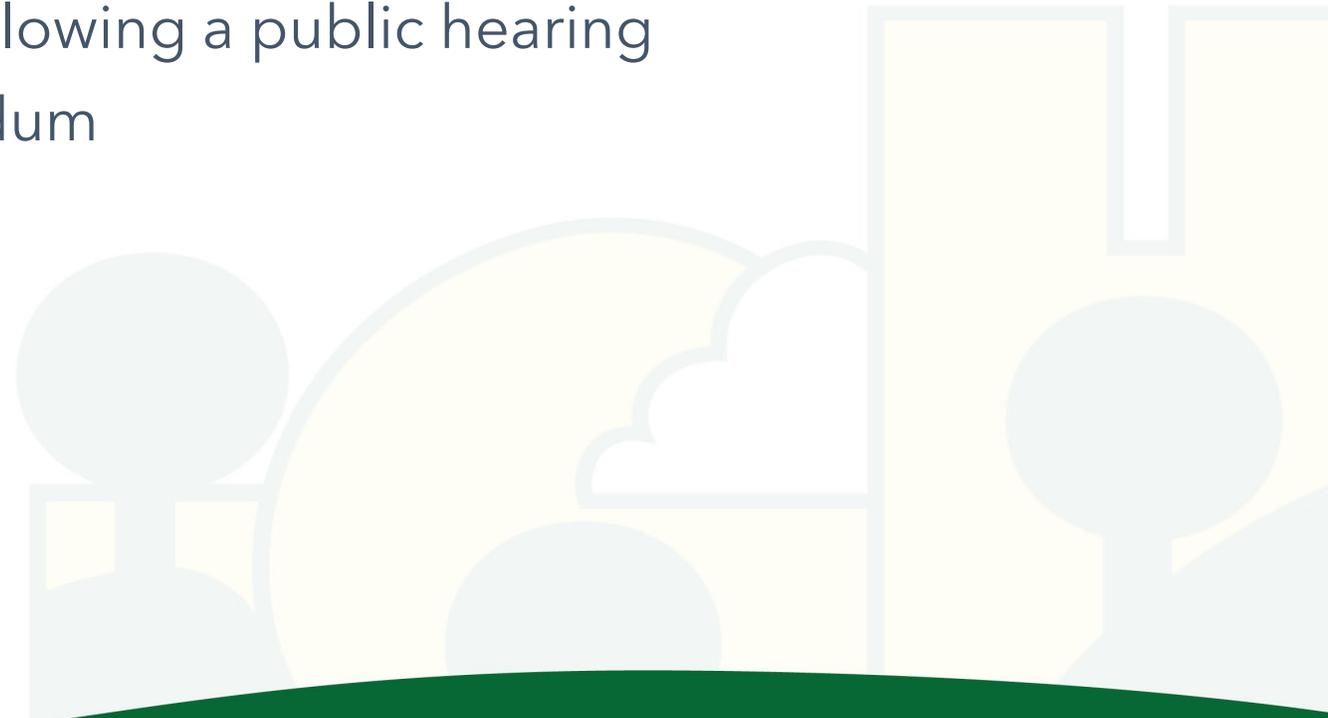
6. Combination of Sources

Funding Recommendation

- Issue General Obligation Bonds for most or all of project.
- Annual payments would be made through the city's annual property tax levy.
- Possibility of using some cash on hand for a modest percent of the total project cost.
- Issues Bonds in two parts:
 - One in 2026 - with first payments due from 2027 tax revenues
 - Second in 2027 - with first payments due from 2028 tax revenues
 - Would make the property tax impact more gradual, versus all in one year
 - Repay bonds over approximately 20 years
- Same method as was used to fund construction of Fire Station #2

Bonding Process

- MN Statute 475.521 allows cities to issue tax-exempt, general obligation (GO) bonds under a Capital Improvement Plan (CIP) without a voter referendum.
- Applies to specific capital improvements such as city halls, public works, public safety facilities, and libraries - does not apply to recreation facilities or amenities.
- Requires adoption of a Bond CIP, following a public hearing
- Subject to a 30-day reverse referendum



Timeline

Council calls for public hearing	June 23, 2025
Council holds public hearing, adopts Resolution approving CIP and issuance of bonds	July 28, 2025
Reverse referendum window expires City authorized to issue bonds	August 27, 2025
Council approves sale of G.O. Bonds	TBD – Spring/Summer 2026
Council awards sale of G.O. Bonds	Approx. 3 weeks after approving sale

Tonight's Action . . .

- Authorizes the City to issue the bonds but does not require it. The City Council will continue to have oversight over the development of the proposed facility and has multiple more decision points before any bonds would be issued.
- Authorizes issuance of bonds *up to* the stated amount but does not require the issuance of that much. As design and bidding of the project continues, if the Council wishes to borrow less money for construction, it can direct the issuance of bonds in a lower amount.
- Proposes the issuance of bonds in 2026 and 2027, but those years may shift as the project progresses, as long as any bonds are issued within the overall timeframe of the Bond CIP, which is 2025-2029.

Financing - GO Bond Estimate

- \$61 million Maximum Project Cost (estimated) - *includes architectural design services & construction management services*
- (\$3 million) Existing Cash Contributions - *balance available in the PW Remodel/Expansion Fund*
- \$58 million Maximum Amount of Bonds

Likely Timing & Structure of Bonds:

- Split into 2 bond issuances - half in 2026 and half in 2027
- Initial impact to property tax levy would be in 2027 and 2028
- Bond payments to be made over approximately 20 years

Financing - Future Debt Levy Estimates

\$58,000,000 bond issuance

	2026	2027	2028	2029	2030	2031*	2032	2033*	2034*
Current Debt Levies	2,550,657	2,558,182	2,562,037	2,571,054	2,588,353	1,957,342	1,974,896	1,711,940	928,937
New Debt Levy	_____0	<u>2,487,467</u>	<u>4,986,988</u>	<u>4,987,387</u>	<u>4,989,991</u>	<u>4,989,114</u>	<u>4,983,019</u>	<u>4,986,216</u>	<u>4,987,316</u>
Total Debt Levy	2,550,657	5,045,649	7,549,025	7,558,441	7,578,344	6,946,456	6,957,915	6,698,156	5,916,253

\$50,850,000 bond issuance

	2026	2027	2028	2029	2030	2031*	2032	2033*	2034*
Current Debt Levies	2,550,657	2,558,182	2,562,037	2,571,054	2,588,353	1,957,342	1,974,896	1,711,940	928,937
New Debt Levy	_____0	<u>2,244,513</u>	<u>4,384,093</u>	<u>4,385,286</u>	<u>4,386,714</u>	<u>4,385,042</u>	<u>4,389,160</u>	<u>4,381,973</u>	<u>4,389,706</u>
Total Debt Levy	2,550,657	4,802,695	6,946,130	6,956,340	6,975,067	6,342,384	6,364,056	6,093,913	5,318,643

* City has 3 debt levies (2015A, 2016A, 2017B bonds) falling off in years 2031, 2033 & 2034 - older street projects
The City's 2 remaining debt levies (2018A & 2019A) fall off in 2039 - Fire Station #2 building

Financing – GO Bonds

Estimated City Tax Increase for *Residential Property*

	Estimated Project Costs	Less: Cash Contribution	Bond Issuance	Estimated City Tax Increase on Median Valued Residential Property* (Annual)	Estimated City Tax Increase on Median Valued Residential Property* (Monthly)
Estimate #1 – original estimate	\$53,850,000	(\$3,000,000)	\$50,850,000	\$252.49	\$21.04
Estimate #2 – mid/high range	\$59,220,000	(\$3,000,000)	\$56,220,000	\$279.38	\$23.28
Maximum under Bond CIP	\$61,000,000	(\$3,000,000)	\$58,000,000	\$287.01	\$23.92

* This is the estimated increase to city taxes *only*

* Assumes property is homesteaded

* Median Valued Property for Taxes Payable in 2026 is \$362,200 and pays approximately \$1,767 in city property tax

* Calculation is using the city's 2025 tax rate

Financing – GO Bonds

Estimated City Tax Increase for *Commercial Property*

	Estimated Project Costs	Less: Cash Contribution	Bond Issuance	Estimated City Tax Increase on \$400,000 Commercial Property (Annual)	Estimated City Tax Increase on \$400,000 Commercial Property (Monthly)
Estimate #1 – original estimate	\$53,850,000	(\$3,000,000)	\$50,850,000	\$334.90	\$27.91
Estimate #2 – mid/high range	\$59,220,000	(\$3,000,000)	\$56,220,000	\$370.57	\$30.88
Maximum under Bond CIP	\$61,000,000	(\$3,000,000)	\$58,000,000	\$380.76	\$31.73

* This is the estimated increase to city taxes *only*

* Calculation is using the city's 2025 tax rate

Financing – GO Bonds

Estimated City Tax Increase for *Agricultural Property*

	Estimated Project Costs	Less: Cash Contribution	Bond Issuance	Estimated City Tax Increase on \$400,000 Agricultural Property (Annual)	Estimated City Tax Increase on \$400,000 Agricultural Property (Monthly)
Estimate #1 – original estimate	\$53,850,000	(\$3,000,000)	\$50,850,000	\$175.42	\$14.62
Estimate #2 – mid/high range	\$59,220,000	(\$3,000,000)	\$56,220,000	\$194.11	\$16.18
Maximum under Bond CIP	\$61,000,000	(\$3,000,000)	\$58,000,000	\$199.44	\$16.62

- * This is the estimated increase to city taxes *only*
- * Assumes property is homesteaded
- * Calculation is using the city's 2025 tax rate

Future Considerations

- Adoption of the Bond CIP gives the Council the authority to issue bonds up to \$58 million - but Council could opt to issue less
- Once final design is complete and estimated costs have been refined, staff will review funds on hand and make recommendation for possible payment of some costs from existing balances of:
 - Host Community Fund
 - Central Equipment Fund
 - City's Closed TIF Fund
- This could reduce the amount that needs to be bonded for or reduce the amount of the annual bond payment that needs to come from the tax levy

Tonight's Requested Actions

- Hold the public hearing and receive public comment
- Consider adoption of the attached 2025-2029 Bond Capital Improvement Plan to fund construction of a new Central Maintenance Facility.

