

**DRAFT**

2020 through 2024

Five-Year Capital Improvement Plan for  
Livonia Township, Minnesota

Adopted April 16, 2020

**LIVONIA TOWNSHIP**  
**FIVE-YEAR CAPITAL IMPROVEMENT PLAN**  
**2020 THROUGH 2024**

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**I. INTRODUCTION**

In 2003, the Minnesota State Legislature adopted a statute that generally exempts city and town general obligation bonds issued under a capital improvement plan from the referendum requirements usually required for city halls, town halls, public works, public safety facilities and libraries. The statute on general obligation capital improvement plan bonds is Minnesota Statutes, Section 475.521 (the “Act”).

**II. PURPOSE**

Under the Act, a capital improvement is a major expenditure of Town 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, which has a useful life of five years or more. Under the Act, capital improvements do not include light rail transit or related activities, parks, road/bridges, administrative buildings other than a city hall or town hall, or land for those facilities. A Capital Improvement Plan (“CIP” or “Plan”) is a document designed to anticipate capital improvement expenditures and schedule them over a five-year period so that they may be purchased in the most efficient and cost effective method possible. A CIP allows the matching of expenditures with anticipated income. As potential expenditures are reviewed, the Town considers the benefits, costs, alternatives and impact on operating expenditures.

Before issuing bonds under a CIP, the Town must hold a public hearing on the CIP and the proposed bonds, and must then approve the CIP and authorize the issuance of the bonds by a majority of at least three-fifths of the Board of Supervisors.

If a petition signed by voters equal to at least 5% of the votes cast in the last general Town election requesting a vote on the issuance of bonds is received by the municipal clerk within 30 days after the public hearing, then the bonds may not be issued unless approved by the voters at an election.

The statute has established certain criteria that must be considered for each project to be undertaken pursuant to this Plan (the “Project”). These criteria are:

1. Condition of the Town’s existing infrastructure and projected need for repair or replacement
2. Demand for the improvement
3. Cost of the improvement

4. Availability of public resources
5. Level of overlapping debt
6. Cost/benefits of alternative uses of funds
7. Operating costs of the proposed improvements
8. Alternatives for providing services most efficiently through shared facilities with other municipalities or local governments

The Plan is designed to be updated on an annual basis. In this manner, it becomes an ongoing fiscal planning tool that continually anticipates future capital expenditures and funding sources.

### **III. PLAN SUMMARY**

This Plan is intended to describe and analyze the need for the Project in accordance with the Act. The Town may modify this Plan from year to year as authorized by the Act.

Following is a summary of estimated expenditures for the Project:

#### **2020 Expenditures**

The Town intends to construct a portion of a new fire hall for the Zimmerman/Livonia Fire District (the “Fire District”), the cost of which will be shared equally between the Town and the City of Zimmerman, Minnesota (the “City”).

#### **2021 Expenditures**

None anticipated at this time.

#### **2022 Expenditures**

None anticipated at this time.

#### **2023 Expenditures**

None anticipated at this time.

#### **2024 Expenditures**

None anticipated at this time.

#### **Analysis**

The Town has analyzed the eight points required by the Act for the Project on an individual basis and as a whole. The findings are as follows:

**1. Conditions of Town Infrastructure, Including the Projected Need for Repair or Replacement and Need for the Project**

The Fire District currently operates out of one station located in the City, which is outdated and too small to meet existing needs.

**2. Likely Demand for the Project**

The Project will enhance the fire department’s ability to deploy vehicles in a safe, efficient, and timely manner with the addition of a new multi-bay fire hall facility.

**3. Estimated Cost of the Project**

The estimated cost, including architectural/engineering, contingency, legal and bonding, of the Project to be undertaken in 2020 (the only Project for which bond authorization is requested) is \$4,100,000. The cost of the Project will be evenly split between the City and the Town, for a total cost of the Project to the Town of \$2,050,000.

**4. Available Public Resources**

The Town does not have sufficient cash reserves on hand to finance construction of the Project without issuing bonds.

**5. Level of Overlapping Debt in the Town**

As of \_\_\_\_\_, 2020, the level of overlapping debt in the Town is provided in the table below:

**OVERLAPPING DEBT AS OF \_\_\_\_\_, 2020:**

<u>Issuer</u>	<u>2019/2020 Tax Capacity Value<sup>(1)</sup></u>	<u>2019/2020 Tax Capacity Value in Town<sup>(1)</sup></u>	<u>Percentage Applicable in Town<sup>(2)</sup></u>	<u>Outstanding General Obligation Debt<sup>(2)</sup></u>	<u>Taxpayer’s Share of Debt</u>
Sherburne County					
[ISD No. 728, Elk River]					
[Other issuers]					
				Total Indirect Debt:	

<sup>(1)</sup> For taxes payable 2020.

<sup>(2)</sup> As of \_\_\_\_\_, 20\_\_.

**6. Relative Benefits and Costs of Alternative Uses of the Funds**

The proposed Project could potentially be financed through the issuance of lease-revenue bonds. However, both costs of issuance and overall debt service payments would be higher, since lease-revenue bonds are not general obligation debt and are therefore not as attractive to potential purchasers. The issuance of general obligation capital improvement plan bonds represents the most cost-efficient way to finance the proposed Project.

**7. Operating Costs of the Proposed Project**

Operating costs are expected to be stable or reduced with the proposed improvements. In addition, repairs and maintenance costs are anticipated to decrease due to the new construction. New systems will reduce operating cost and increase efficiency.

**8. Alternatives for Providing Services Most Efficiently Through Shared Facilities with Other Municipalities or Local Government Units**

The current fire hall already provides fire protection to the City and the Town as well as neighboring communities, including portions of Orrock Township, Blue Hill Township, and Stanford Township, Minnesota, and will continue to provide fire protection for these communities.

**IV. FINANCING THE CAPITAL IMPROVEMENT PLAN**

The total amount of requested expenditures under the CIP is expected not to exceed \$2,050,000. These expenditures are to be funded by the sale of the Town’s general obligation capital improvement plan bonds in the maximum amount of \$2,050,000 in the year 2020 for the Project listed under the 2020 Expenditures.

In the financing of the CIP, two statutory limitations apply. Under Minnesota Statutes, Chapter 475, as amended, with few exceptions, a municipality cannot incur debt in excess of 3% of the assessor’s Estimated Market Value (“EMV”) for the municipality. In the case of a municipality with a population of 2,500 or less, the bonds are not subject to the net debt limits. The Town’s 2010 Census population was 5,951. Therefore, the proposed general obligation capital improvement plan bonds to be issued in the years 2020 through 2024 would be subject to the debt limit.

Another limitation on bonding under the Act is that without referendum, the total amount that can be used for principal and interest in any one year for CIP debt cannot exceed 0.16% of the EMV for the Town. The maximum annual principal and interest for the Town is \$ \_\_\_\_\_ (\$ \_\_\_\_\_ x .0016).

**In the case of a shared facility in which more than one municipality participates, upon compliance by each participating municipality with the requirements of subdivision 2 of the Act, the limitations in this subdivision and the net debt represented by the bonds shall be allocated to each participating municipality in proportion to its required financial contribution to the financing of the shared facility, as set forth in the joint powers agreement relating to the shared facility.**

Under this Plan, the Town may issue up to \$2,050,000 in general obligation capital improvement plan bonds in the years 2020 through 2024 to finance the Project. If the Town were to issue general obligation capital improvement bonds in the maximum principal amount of \$2,050,000 to finance the 2020 Expenditures, the 2020 bond issue would be repaid over a period not to exceed 30 years pursuant to the Act. For preliminary planning purposes, the maximum annual principal and interest payments would be estimated not to exceed \$ \_\_\_\_\_ over \_\_\_\_\_ years at an average rate of \_\_\_\_\_ % per annum.

Expected debt service on the proposed bonds for the Project to be financed in 2020 is within the statutory limits.

**Annual Review of the Capital Improvement Plan**

The Board of Supervisors, using the process outlined in this Plan, may review this Plan annually, taking into account proposed expenditures, making priority decisions and seeking funding for those expenditures it deems necessary for the Town. If deemed appropriate, the Board of Supervisors will prepare an update to this Plan.