

CAPITAL IMPROVEMENT ANALYSIS

Financial Analysis

St. Cloud Area Local Half Percent Option Sales Tax

The City received authorization from the Minnesota State Legislature for a 13-year sales tax beginning in 2006, that authorization was subsequently extended from 13 to 17 years, resulting in the expiration of the original taxing authority in 2018. The Cities of St. Cloud, Sartell, Sauk Rapids, Waite Park, St. Joseph, and St. Augusta participate in the collection and distribution of the sales tax revenue. The only projects in the 2019-2024 CIP that are being funded from the original sales tax are at the Airport, where we are using the accumulated sales tax monies for the local match (5% - 10%) required by State and/or Federal grant agreements.

The City of St. Cloud and all of the area cities received authorization from legislature to extend the sales tax for a period of 20 years (2019-2038). All cities' voters approved the extension of the sales tax in November 2014. The extension of the sales tax will begin collections on 1-1-19.

The regional projects identified for the extension of the sales tax was approved for the following areas:

- \$500,000 Regional Parks and Trails
- \$200,000 St. Cloud Regional Airport
- \$200,000 Community Aquatics Center

After the first \$900,000 is allocated, the balance of the collections are distributed to each participating City by a formula approved by a joint powers agreement. The St. Cloud portion received will be apportioned as follows:

- 60% Regionally-significant Road Projects
- 20% Parks and Trails
- 20% Community Facilities

The Beaver Island Trail Phase 3 completed in 2016 required the sale of a \$2.2 million bond, the debt service payments will be made from the proceeds of the extended sales tax.

There are several other scheduled projects that will require monies from the extended sales tax, in 2019 Phase VIII of the Beaver Island Trail will require \$220,000 of sales tax dollars to supplement expected Federal Funds. In 2020 we have programed \$1,000,000 from the dedicated sales tax for a portion of the funding of the Riverwalk project.

In 2021, the City has plans to make approximately \$10 million of improvements at Neenah Creek Park. The improvements will include various outdoor park amenities at that location. This project will also be financed by debt backed by the extended local option tax. In 2022 improvements at Whitney Regional Park are programed at a cost of \$1.5 million and in 2023 \$1 million of dedicated sales tax is allocated to phase I of the St. Cloud Lake Wobegon Trail connection.

General Property Tax Impact

The 2019 CIP has three non-Public Works projects that have identified general property tax levy for the revenue source. In 2019 upgrades to the City's security system are included at a cost of \$400,000, 2020 includes \$400,000 for the General Funds' share of roof and other repairs at the Central Maintenance Facility, total cost of that project is expected to be \$1.6 million with the remaining amount split between the Enterprise Funds, and a replacement for the salt storage dome is scheduled for 2022 at a cost of \$550,000.

These projects identified in the 2019, 2020, and 2022 CIP, using property taxes as the funding source, are small and will have minimal impact on the debt levy. Bonds issued for projects in 2016 (the software upgrade, fire trucks and radios) are still be being paid off and will continue to require property tax dollars for the remaining years of debt service payments.

Fire Station Number 6 to be located near the new Tech High School in south St. Cloud and improvements to the downtown Fire Station Number 1, were previously schedule for 2020, however both projects have been moved to the UPP pending the outcome of a Fire Department needs study. These two projects will be financed with General Obligation Bonds and will have an impact on the property tax levy for the debt service payments when they are constructed. Also, the Fire Station Number 6 Project will have a significant impact on the City's General Fund property tax levy due to the need to hire additional Firefighters to staff the station and the operating costs for the new station.

Public Works CIP Projects

The 2019-2023 CIP anticipates a total of just over \$80 million in Public Works projects, annual amounts range from \$18.4M to 13.1M. Funding will come from a variety of sources: we expect issue approximately \$5 million of bonds annually, with the remaining funds coming from extended sales tax, State Aid, Federal Funds, Special Assessments and Utility contributions.

The 2012 voter approved bonds required an increase in the debt levy to support the bond payments in future years, this was anticipated by the voter referendum. We expect to increase the property tax levy for debt by \$200,000 in 2019 and \$100,000 for 2020 but will see the debt levy stabilize after that, with the availability of the extended sales tax monies.

Utility Rate Impact from CIP Water and Wastewater Projects

In the water utility, 2019 includes \$3 million for the design phase of the water treatment facility improvements and \$1.35 million for phase II of the metering system improvements. The \$1.35 million is scheduled annually through 2022 to complete the meter improvement project in five phases. The construction phase of the water treatment facility improvement is scheduled to begin in 2020, the expected cost is \$25 million. The City will finance the improvements with bonds issued by the Public Facilities Authority. The annual debt service to pay off the bonds would be approximately \$3,000,000 beginning in 2021. The bonds issued to construct the water plant in 1992 were paid off in 2013, since then the water utility has been able to fund some projects from its' cash balance and beginning in 2021 we will be able to use the same revenue stream to pay debt service payments on the new debt. The City last increased water rates 2.5% in 2016, we are looking at a three-year plan of phased rate increases beginning in 2020 to help cover the debt service payments required for water plant improvement project.

At the wastewater utility, 2020 contains \$1.8 million of Liftstation improvements, we expect to be able to fund those improvements with cash on hand in the Utility.

Food & Beverage Tax Increase

The CIP has two projects proposed for the MAC in 2019 and 2020. In 2019 we are proposing a major expansion to the Complex, estimated total cost is \$16.7 million. Funding is projected to come from several sources: \$6M of State Bonding money, \$3.5M from naming rights, and \$1.5M from pledges & donations, with the remaining \$5.7M as the City's share. In 2020 we have programed \$5.1M for asset protection improvements. We are expecting \$370,000 in grants and rebates with the remainder of the funding coming from Food & Beverage and Sales tax. We would be selling a bond to cover the cost of the projects with the City's share to be funded by the extended sales tax and the proposed half percent increase in the Food and Beverage tax. The current revenue stream from the Food and Beverage tax will not support another bond issue at this time, without the increase in the tax and State bonding dollars we will not be able to fund these projects.