

CAPITAL IMPROVEMENT PROGRAM 2018-2019 APPROVED BUDGET 2018-2023 PLAN

The 2018-2019 Capital Improvement Program (CIP) Budget and 2018-2023 Capital Improvement Program Plan is presented at the same time as the Operating Budget. This is done to emphasize the importance of long-range capital planning as a necessary adjunct to the annual operating budget. The operating budget provides for the funding mechanisms, while the Capital Improvement Program Plan document provides the detailed background and analysis for the capital expenditures.

MISSION STATEMENT

Ramsey County's mission is to enhance the quality of life for its citizens by providing progressive and innovative leadership that addresses Federal and State directives and changing community needs by delivering services in a responsive, professional, and cost-effective manner.

One of the guiding principles critical to the success of the County's mission is: "The County strives to maximize the return on its human, physical, and fiscal resources in providing quality services to the public." The recommendations contained herein are consistent with this principle in that they:

1. Assist departments in providing a quality work environment for employees and clients.
2. Assist departments in preserving and maintaining the County's investment in buildings, land, infrastructure, and equipment.
3. Are based on a prioritized ranking system including the effective utilization of available outside funding sources (Federal, State, Other) in addition to appropriate County funding levels.

GOALS AND STRATEGIES

Following are the goals and strategies used in forming recommendations:

- A. To establish long-range (10 years) projected financing levels for regular capital projects and major building projects.
- B. To continue funding for an Equipment Replacement Schedule (primarily for mobile/motorized equipment) using Capital Improvement and Equipment Replacement Levy (pay-as-you-go) as a financing method.
- C. To continue funding scheduled building improvements in County-owned buildings operated as Internal Services Funds, through dedicated rental revenues.
- D. To establish and finance a Comprehensive Capital Asset Management and Preservation Plan as one of the County Board's priority goals set in 2005.
- E. To establish responsible debt issuance levels, and compare them to certain debt indicator benchmarks.
- F. To provide for needed capital repairs to County buildings, lands, and infrastructure to extend useful lives.
- G. To provide for new capital investment to replace poorly functioning or non-functioning assets.
- H. To maximize the use of Federal, State, and other non-County financing sources.

GOVERNANCE

The Ramsey County Board of Commissioners sets forth and administers the policy and affairs of the Capital Improvement Program Plan.

The Board of Ramsey County Commissioners created a fourteen-member Capital Improvement Program Citizens' Advisory Committee (CIPAC), to be composed of two residents from each of the seven county commissioner districts appointed by the appropriate County Commissioner, to assure citizen participation in the decision making process.

CIPAC members, along with a group of raters assembled by the County Manager, listen to presentations, rate, and rank all submitted CIP projects for recommendation. The results are compiled and the County Manager uses this information in preparing the Approved Capital Improvement Project Budget which is presented to the Ramsey County Board of Commissioners.

PUBLIC RELATIONS

At a time when costs and demands are rising and public agencies must compete for limited resources, it is crucial that the County Manager, the staff, and Board Members work together to foster a positive public image for the County. While it is important to establish a formal and active public relations program for the County, public relations also encompass a wide range of daily and informal activities. CIPAC can play a significant role in creating good will for the County. Through their many and varied contacts in the community, CIPAC members have frequent opportunities to inform others about County capital improvement projects accomplishments, and needs. CIPAC can be County's good will ambassadors, building awareness and support wherever possible.

At the same time CIPAC Members are being vocal and visible on behalf of the County, they can also be sensitive to community information needs and demands for better County services. CIPAC Members enjoy unique opportunities to serve as liaisons between the public and the County Commissioners, translating community needs into improved policies and programs.

SCOPE

Capital Improvement Projects are submitted by all County Departments, Ramsey County Library, Landmark Center, Historical Society, and Extension Services.

ANNUAL CAPITAL IMPROVEMENT PROGRAM BUDGET PLAN BOOK

The Capital Improvement Program 2018-2019 Budget and 2018-2023 Plan includes:

- A. Overview from County Manager letter
- B. General summary of contents
- C. Capital Improvement Program Project Policies and Procedures.
- D. A list of all capital asset projects costing \$50,000 or more that are approved to be undertaken during the ensuing six fiscal years with appropriate information to show the necessity for these improvements. Each project shall have funding sources delineated, such as bond proceeds, special tax levies, state or federal grants, donation, special assessment, etc.
- E. Cost estimates, method of financing, and recommended time schedule for each of these improvements.
- F. The estimated cost of operating and maintaining the facility to be constructed or acquired:
 1. The estimated cost for debt service for capital expenditures. These will be financed from current revenues in the ensuing fiscal year and shall be included in the budget.
 2. Status on Active Capital Improvement Projects.

APPROVED BUDGET

MAJOR PROJECTS

A. Juvenile Institutions

This project is for funding the pre-design process for determining the appropriate size and location of a correctional residential treatment facility for youth involved in the justice system. Funding for this project is approved to be financed with \$500,000 of County Bonds in 2018 and \$500,000 of County Bonds in 2019.

B. Juvenile & Family Justice Center Building Expansion

This project is for funding the planning and design of the Juvenile & Family Justice Center building, in conjunction with the County's Strategic Facility plan. Funding for this project is approved to be financed with \$200,000 of County Bonds in 2018.

C. Education and Collections Preservation Facility

This project is for funding the architectural and engineering costs for the construction of a new facility at the Ramsey County Historical Society Gibbs Farm location. The new facility will provide severe weather shelter, space for growing youth education programs, address inadequate restroom facilities, and create a safe linkage for sit visitors to the Bell Museum. A financing plan incorporating non-County funding will be developed by the Ramsey County Historical Society. Funding for this project is approved to be financed with \$132,000 of County Bonds in 2018.

D. Aldrich Arena Bituminous & Fire Protection

This project is for repaving parking lots, installing a new fire suppression system required by the City of Maplewood inside Aldrich Arena and trenching a new watermain to the building's mechanical room for the new fire suppression system. Trees will also be planted to provide some screening, beautification and shade for the parking lot and site. The total project cost is estimated to be \$1,954,200 with County funding approved to be financed with \$1,454,200 of County Bonds in 2018.

E. Arena Regulatory Compliance

This project consists of capital life-cycle replacements such as roofing systems and masonry wall systems, infrastructure for new refrigerant systems required due to environmental regulations, and Americans with Disabilities Act required modifications to Shoreview, White Bear Lake, and Aldrich ice arenas. The total project cost is estimated to be \$3,854,450. County funding is approved to be financed with \$1,516,000 of County Bonds in 2018 and with \$1,738,450 of County Bonds in 2019.

F. Green Ice Initiative

This project is for implementation of improved building management systems, LED lighting retrofits, and other energy-efficiency projects at the Shoreview, White Bear Lake, and Aldrich Arenas. Funding for this project is approved to be financed with \$385,000 of County Bonds in 2018 and with \$650,000 of County Bonds in 2019.

G. Parks & Recreation Bituminous Pavement Maintenance

This project is for the ongoing need of bituminous repair and replacement at County Parks, Golf Courses, and Arenas. There are 40 acres of parking lots, four miles of county park trails and five mile of golf cart paths need repair or replacements, based on a replacement schedule. Funding for this project is approved to be financed with \$1,396,485 of County Bonds in 2019.

H. Law Enforcement Center Security Access System

This project is to replace the building access system at the Law Enforcement Center (LEC). The current system supports 24/7 operations of the 500-bed jail, including opening and locking doors and

jail cells. The current system has reached its useful life. Funding for this project is approved to be financed with \$2,400,000 of County Bonds in 2018.

I. Radios Replacement

This project is to replace the 800 MHz radios used by deputies across the County. The radios provide a critical communications link between all public safety agencies, including the Emergency Communications Center and the community. Funding for this project is approved to be financed with \$700,000 of County Bonds in 2018 and with \$700,000 of County Bonds in 2019.

REGULAR PROJECTS

Regular projects approved for funding in the 2018-2019 Capital Improvement Plan Budget address the needs for maintaining capital facilities and infrastructure. The various renovations, repairs, and replacements recommended will allow the County to maintain and improve services currently provided. Funding in the amount of \$3,800,000 in 2018 and \$4,000,000 in 2019 will be available from the sale of bonds.

Regular projects include capital items between \$50,000 and \$1,000,000 such as land, buildings, building improvements, and new equipment purchases. These requests are related to new/improved technology, expansion of programs, or the repair/replacement of assets used in a current program.

CAPITAL IMPROVEMENT LEVY

Building Improvements/Repairs

Funding of \$1,100,000 in 2018 and \$1,100,000 in 2019 is approved for Building Improvements and Repairs for buildings and grounds. This funding is not currently recorded in separate internal service funds. The County Board set a goal to finance predictable life cycle maintenance of buildings and grounds currently in the County's General Fixed Assets.

BUILDING IMPROVEMENTS/MAINTENANCE

In 1996, the Capital Improvement Program (Citizens) Advisory Committee (CIPAC) recommended, and the County Board approved, the use of dedicated rental revenues in the RCGC-East and RCGC-West buildings' operating budgets to fund a plan of building improvements/maintenance. In the 2001 budget, the County Board approved the use of dedicated rental revenues in the Juvenile and Family Justice Center to finance a 5-Year plan for the first time. Beginning with their opening, the Law Enforcement Center, the Public Works Facility, the Sheriff Patrol Station and the Suburban Court Facility are also using this same funding method. The County Board also approved the use of dedicated rental revenues for the Courthouse/City Hall, the Libraries, the 911 Dispatch Center, the 90 West Plato Boulevard location, the Metro Square building, the 402 University Avenue building, the 5 South Owasso Boulevard location, the Correctional Facility (Workhouse), the Medical Examiner building, and the 555 Cedar building.

Continued funding in this manner for the building improvements/maintenance is approved, as Other County Funds.

2018-2019 CIP FINANCING SOURCES

| | <u>2018</u> | <u>2019</u> |
|-------------------------------------|-------------------------|-------------------------|
| <u>Bonds</u> | | |
| Major Projects | \$7,287,200 | \$4,984,935 |
| Bond Issuance Costs | 112,800 | 115,065 |
| Regular Projects | 3,625,138 | 3,791,523 |
| Bond Issuance Costs | <u>174,862</u> | <u>208,477</u> |
| Total Bonds | 11,200,000 | 9,100,000 |
| <u>Capital Improvement Levy</u> | | |
| Building Improvements/Repairs | <u>1,100,000</u> | <u>1,100,000</u> |
| Total Levy | 1,100,000 | 1,100,000 |
| <u>Other Funding Sources</u> | | |
| Federal Funds | 8,229,000 | 7,943,000 |
| State Funds | 14,175,500 | 12,429,800 |
| Municipal/Other Funds | 21,484,820 | 26,260,090 |
| Emergency Communications | 97,300 | 97,300 |
| Other County Funds | <u>8,061,367</u> | <u>6,795,717</u> |
| Total Other | <u>52,047,987</u> | <u>53,525,907</u> |
| TOTAL APPROVED CIP FINANCING | <u>\$64,347,987</u> | <u>\$63,725,907</u> |

The Debt Service levy and Capital Improvement and Equipment Replacement levy amounts necessary to finance these approved funding levels are included in the 2018-2019 Approved Operating Budget.

IMPACT ON OPERATING BUDGET

Ramsey County has worked to stabilize the County's debt service levy and maintain it at a consistent level. The approved budget supports this goal and allows the County Board to continue reviewing and prioritizing current and future capital improvement demands. Requests for Board Action (RBA), approving major capital improvement projects will include authorization to establish specific capital project budgets.

MAJOR PROJECTS

A. Juvenile Institutions

There is no impact on the 2018 and 2019 operating budgets as the project is for the pre-design process for determining the appropriate size and location of a correctional residential treatment facility for youth involved in the justice system.

B. Juvenile & Family Justice Center Building Expansion

There is no impact on the 2018 and 2019 operating budgets as the project is for the planning and design of the Juvenile & family Justice Center building in conjunction with the County's Strategic Facility plan.

C. Education and Collections Preservation Facility

There is no impact on Ramsey County's operating budgets, as the Gibbs Farm is operated by the Ramsey County Historical Society.

D. Aldrich Arena Bituminous & Fire Protection

There will be no impact on the annual operating maintenance costs beyond general maintenance.

E. Arena Regulatory Compliance

It is not expected that there will be any additional costs to the Parks & Recreation's operating budget for 2018 or 2019.

F. Green Ice Initiative

It is estimated that operating costs such as maintenance and energy costs, will be reduced by \$64,000 per year during the 40 year life-cycle.

G. Parks & Recreation Bituminous Pavement Maintenance

There is no direct impact on the 2018 and 2019 operating budgets as completing regular pavement maintenance will extend the life cycle of the pavement.

H. Law Enforcement Center Security Access System

There may be potential savings in staff time achieved by having a more user-friendly security system and reduce litigation risk to the County by ensuring the jail remains secure.

I. Radios Replacement

The impact on the 2018 and 2019 operating budget is unknown, but the repair costs for radios will be decreased as replacement radios are implemented.

REGULAR PROJECTS

Most of the CIP Regular Projects approved for financing are repair/replacement and maintenance projects. These projects should help improve operating efficiencies and offset increased costs for operations and repairs.

CAPITAL IMPROVEMENT & EQUIPMENT REPLACEMENT LEVY

Building Improvements/Repairs

The County Board approved the Capital Improvement Program Citizens' Advisory Committee (CIPAC) recommendation to eliminate the separate Comprehensive Capital Asset Management and Preservation Plan (CCAMPP) prioritization process and to expand the use of Internal Services Funds for all facilities not currently in separate Internal Service funds. Staff will continue to work on an inventory of the County's capital assets that have predictable, planned life-cycle costs, and to create the appropriate maintenance schedules.

BUILDING IMPROVEMENTS/MAINTENANCE

Providing funds for building improvements through dedicated rental revenues annually will enable capital improvements to be scheduled as needed, over time, rather than waiting for an

emergency. Completion of scheduled building maintenance improvements will extend the lives of the buildings.

DEBT STRATEGY

Effective November 6, 1992, Ramsey County became a Home Rule Charter County, the first in the State of Minnesota. Most debt and building fund levy limits and other restrictions established under previous Capital Improvement Program State Statutes no longer apply, giving Ramsey County the opportunity, and the responsibility, to establish realistic and affordable Capital Improvement levies for debt service and the Capital Improvement levy (pay-as-you-go).

Legal Debt Limit - Minnesota governmental entities are subject to Minnesota Statutes, Section 475.53, Subd. 1. which establishes a legal limit on the amount of debt that can be incurred by any such entity. The statutory debt limit is 3% of the Estimated Market Value of all taxable property in the County. The computation of Ramsey County's legal debt limit as of December 31, 2016 was 3% of \$43,807,052,300 or \$1,314,211,569. Ramsey County's debt subject to this limit was \$155,035,718, leaving a Legal Debt Margin of \$1,159,175,851.

Debt Service as a Percentage of Expenditures - Per Ramsey County, Ramsey County also monitors its debt using the debt affordability measurement *Debt Service as a Percentage of Expenditures*. This ratio measure the annual fixed-cost burden that debt places on the County budget. Ramsey County received a 'Very Strong' score for this measurement for the County's most recent bond rating. To be considered 'Very Strong', the highest classification, the measurement should be less than 8%. County policy also state that this ratio should not rise above 8%. Standard & Poor's (S&P) measured this ratio at 5.1% in 2016. Ramsey County's measurement for 2017 is 4.83%. County projects for 2018 and 2019 are 4.11% and 4.13%.

Other County Debt Indicators

In addition to complying with the statutory and policy measurements mentioned above, the County also monitors its debt with measurements used by both Standard and Poor's (S&P) and Moody's rating agencies.

Net Debt as a Percentage of Operating Revenues (S&P and Moody's) – 'Strong'

Ramsey County received a 'Strong' score from both S&P and Moody's for this measurement for the most recent bond rating. This ratio measure the total debt burden on the County's revenue position and can show the potential budgetary impact of future debt service. Ramsey County's measurement by S&P was 35.1% and by Moody's was 44%.

| | <u>Very Strong</u> | <u>Strong</u> |
|---------------------|--------------------|---------------|
| Standard and Poor's | <30% | 30 - 60% |
| Moody's | <33% | 33 - 67 % |

Net Debt to Taxable Value (Moody's) - 'Very Strong'

Ramsey County received a 'Very Strong' score for this measurement for the most recent bond rating. This ratio measure how onerous future debt service payments could be to the tax base and the capacity available to generate additional revenues from the tax base to pay debt service. To be considered 'Very Strong', the highest classification, the measurement should be less than .75%. Ramsey County's measurement was .49%.

Joint Property Tax Advisory Committee (JPTAC)

Ramsey County also participates in a cross-jurisdictional effort to coordinate and monitor the impact of debt on taxpayers in the City of St. Paul. Elected officials and executive staff representing Ramsey County, the City of St. Paul, Independent School District 625, and the St. Paul Port Authority meet regularly as the Joint Property Tax Advisory Committee (JPTAC). The JPTAC initiates cooperative efforts to jointly plan for meeting the capital needs of each jurisdiction, coordinate general obligation financing of the areas capital needs, keep financings within agreed upon debt level targets, and monitor associated impacts on property taxes in the City of St. Paul.

The JPTAC publishes a report bi-annually and adopts target ranges for certain debt position and ability to pay indicators as benchmarks for the jurisdictions. Many of the measurements which are used, focus on the debt service levied and its effect on City taxpayers. The benchmarks have been met consistently since 1977

POTENTIAL FUTURE MAJOR CAPITAL PROJECTS

Potential future Major Capital Improvement Projects that have been discussed by the County Board include:

- Boys Totem Town/Juvenile Institutions
- County Environmental Service Center
- Ice Arenas Freon Retrofit
- Solar Gardens
- Strategic Facilities Plan Building Program outcome

CIP PROJECT REQUESTS

CIP projects are currently divided into three categories: 1) Regular Projects, 2) Major Projects, and 3) Building Improvements. Major Projects and Building Improvements are separated from what are generally considered the “regular” capital maintenance projects for discussion and recommendation purposes.

Departments and agencies submitted 14 Major Project requests, 38 Regular Project requests, and 10 Building Improvement requests covering the six-year period of 2018-2023. A working document was created to assist members of the Capital Improvement Program (Citizen) Advisory Committee (CIPAC) and County staff in reviewing the project requests. County department/agency heads and staff made oral presentations and answered questions about their project requests to these raters on March 16, 2017.

COUNTY MANAGER RATING SYSTEM

The County Manager Rating System is based on criteria identified by the County Board and are grouped in two categories: Service Based Criteria and Capital Based Criteria. This grouping reinforces the fact that a capital project has two aspects:

1. It is intended to provide a service, not to exist on its own, and
2. Capital improvement projects are complex activities that need to be developed and implemented well; and once a capital project is completed, it becomes a part of the County’s asset base and should be maintained well.

Eight staff members from various Ramsey County departments were selected to review and rank 18 Regular CIP projects. Twenty Regular CIP projects which did not request bond funding in 2018 or 2019 were not ranked. Requests for staff are made to different County Departments every other year, supporting equitability and variety in opinions. These eight people rated the CIP project requests using a rating system that was established in 1987, and updated in 2000, in order to more clearly distinguish “good” projects. This rating system is based on the criteria outlined in County Board Resolution 87-089 (February 9, 1987).

For the 2018-2023 Capital Improvement Program Plan, each project could receive a point value ranging from 0 to 4 for each of 7 rating criteria. Each of the rating criteria has a weighting percentage assigned to it in the order of its importance. The weighting percentage was multiplied by the point value for each of the criteria to determine the actual rating points for each of the criteria for each project.

The criteria and weighting percentages in order of priority are:

| <u>Percentage</u> | <u>Weighting</u> | <u>Max. Points</u> | <u>Max. Score</u> |
|---|------------------|--------------------|-------------------|
| 1. Protect Life/Public Safety/Public Health | 25% | 4.0 | 1.00 |
| 2. Replace Facility/Maintain Facility | 22% | 4.0 | .88 |
| 3. Protect Property | 15% | 4.0 | .60 |
| 4. Reduce Operating Costs | 15% | 4.0 | .60 |
| 5. Provide Public Service | 10% | 4.0 | .40 |
| 6. Provide Public Convenience | 7% | 4.0 | .28 |
| 7. Enhance County Image | <u>6%</u> | 4.0 | <u>.24</u> |
| | 100% | | 4.00 |

Each of the eight staff raters assigned a maximum of 4 points to a project, giving each project the possibility of being awarded a maximum of 32 points. Total points awarded ranged from 12.92 to 26.12.

CIPAC RATING SYSTEM

The Capital Improvement Program (Citizen) Advisory Committee (CIPAC) rated 18 CIP projects concurrent with, but independent from, the County staff. The County Board established the CIPAC in order to obtain input from the citizens of Ramsey County.

Each member of the CIPAC independently rated these projects in groups of eight, a rating system developed for the 1989 CIP, and used consistently since then. Projects in each group then received the following number of points.

| <u>Rating Group</u> | <u>Points</u> |
|-------------------------|---------------|
| First group of 3 | 6 |
| Second group of 3 | 5 |
| Third group of 3 | 4 |
| Fourth group of 3 | 3 |
| Fifth group of 3 | 2 |
| Sixth group of <u>3</u> | 1 |
| Total | 18 |

Points from each member of the CIPAC were tabulated by project and the projects placed in priority order. The maximum number of points assignable to each project by the CIPAC was 72 (12 members of the committee ranked projects for 2018-2019). Total points ranged from 20 to 67.

COMBINED RANK

The Capital Improvement Program Advisory Committee and I agreed upon a statistically valid method of combining the two ratings. The Combined Rank then was used to set overall Regular CIP project request priorities for the Capital Improvement Program 6-Year Plan, 2018 – 2023.

CONCLUSION

I am again very pleased with the methodology, outcomes, and recommendations obtained through the Capital Improvement Program planning process. The research, analysis, and updating of debt and debt service projections and comparisons with industry benchmarks serves as a guide for future capital plans, and outlines our commitment to long-range planning for capital needs. Objective priority setting allows me to support the projects recommended for funding. The continuation of a funded Equipment Replacement Schedule for mobile/motorized equipment is essential to the continued effective and efficient operation of County departments. Funding for Building Improvements (formerly Comprehensive Capital Assets Management and Preservation Plan) continues the ongoing financing of predictable fixed asset life-cycle maintenance costs. Realistic financing levels and methods help analyze needs and not overburden County taxpayers while restoring our capital infrastructure to a sound level. The Capital Improvement Program Advisory Committee continues the process of reviewing regular capital projects on an ongoing basis.

I would like to take this opportunity to thank all of those who have contributed to this process. I thank the Capital Improvement Program Advisory Committee for their comments and recommendations, and the County departments for their planning and input.

I would also like to thank the staff of the County Manager's Department, Property Management Department, and the Finance Department for their efforts.

Capital Improvement Program Advisory Committee (as of June 30, 2017):

| | | |
|---------------------|--------------|----------------------|
| Gary Bank | District II | (Mary Jo McGuire) |
| Triesta Brown | District IV | (Toni Carter) |
| Quinn Doheny | District IV | (Toni Carter) |
| Sue Hauwiller | District VI | (Jim McDonough) |
| Bonnie Jackelen | District I | (Blake Huffman) |
| Joe Kolar | District V | (Rafael Ortega) |
| Dennis Larson | District VII | (Victoria Reinhardt) |
| Greg Lauer | District III | (Janice Rettman) |
| Shaun McClary | District III | (Janice Rettman) |
| James Miller | District V | (Rafael Ortega) |
| Dan Parker | District II | (Mary Jo McGuire) |
| Lawrence Sagstetter | District VI | (Jim McDonough) |
| Gary Unger | District VII | (Victoria Reinhardt) |
| Vacant | District I | (Blake Huffman) |

