

Table of Contents

| | |
|--|--------------|
| Project Background | 2 |
| County Board Resolution 2020-5 | 3-4 |
| Department of Corrections Sunset Letter | 5-7 |
| Project Description | 8-10 |
| First Floor Illustration..... | 11 |
| Second Floor Illustration | 12 |
| Regional Significance and Impact | 13-14 |
| Financial Summary | 15 |
| PFM Financing Options..... | 16-20 |
| Bond Pricing and Debt Service | 21-24 |

Project Background

The current Itasca County Jail was constructed in 1981 and represents the old-style linear correctional model – corridors with jail cells (both multiple and single occupancy) running along the sides constructed out of concrete and steel. This layout is inefficient when it comes to inmate supervision, housing, HVAC operations, staffing and inmate safety.

In 1996 the Minimum Security “General Population” annex project was completed, increasing the correctional facility size by 40 beds. The “Annex” has the same facility failings as the main jail.

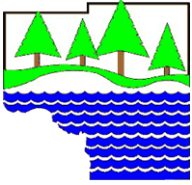
The MN Department of Corrections (DOC) acknowledges the efforts put forth by Itasca County to keep our correctional facility in compliance but due to the age of the structure and the major facility failings regarding HVAC, plumbing and electrical we cannot continue to invest in our current structure. In addition, our current model does not allow for the correct classification and separation of our inmate population.

After receiving our Sunset Letter from the DOC in April of 2018 our Itasca County Sheriff initiated a Jail Task Force. This Jail Task Force consisted of members from the public, the County and the Courts. The focus of the Jail Task Force was to determine the size of the new Correctional Facility and where this facility should be constructed. After ten-months of meeting the Jail Task Force provided their final report to the Itasca County Board of Commissioners. The 103-page final report can be accessed at the following website: <http://www.co.itasca.mn.us/DocumentCenter/View/5366/Itasca-County---Task-Force-Report>.

The Itasca County Board of Commissioners received the report and requested additional information as well as formulated additional correctional facility options. The Board scheduled regular evening meetings to ensure accessibility for public input and education. To date County Commissioners have scheduled over twenty (20) town hall meetings in their respective districts to ensure the public's voice is being heard.

The current planned construction is an approximate 200-bed correctional facility complete with DOC required Mental Health/Chemical Dependency programming, recreational, medical and meeting space. The new facility will include modern styles of design that allow for the efficient supervision of inmates adding to the security of both the population and correctional officers. In addition, the design allows for easy access for facility maintenance, minimizing the interactions with inmates. Lastly, the chosen construction method allows for a long-term solution optimizing material and design for a 50+ year estimated life.

In summary, the Itasca County Board is looking to build the most efficient and longest lasting correctional facility possible, at the same time ensuring the most economical build for the taxpayers. Correctional officer safety, inmate security, rehabilitative programming and positive regional impact are top priorities for the board. Itasca County has been in close communications with the DOC and is committed to continuing our communication strategy with them throughout the project construction and beyond. Itasca County appreciates the assistance of the DOC to this point and look forward to their continued input as we construct a new DOC approved correctional facility.



**ITASCA COUNTY
BOARD OF COMMISSIONERS**

Itasca County Courthouse
123 NE 4th Street
Grand Rapids, MN 55744

Tuesday, January 21, 2020

RESOLUTION 2020-5

**RE: REQUESTING AUTHORIZATION FROM THE STATE TO IMPOSE A LOCAL SALES AND
USE TAX IN THE COUNTY OF ITASCA**

WHEREAS, the Minnesota Department of Corrections has issued a Notice of Deficiency and has 'sunset' the Itasca County Correctional Facility effective September 2021; and

WHEREAS, the County is requesting authorization from the State of Minnesota to impose a Local Sales and Use Tax of 1% for up to thirty years or \$75,000,000 dollars, whichever comes first, to fund the local share of the project cost; and

WHEREAS, the University of Minnesota, in preparing the 2011 Retail Trade Analysis Grand Rapids & Itasca County, has estimated that 55% of the Local Sales Generated would be from Non-Residents of Grand Rapids; and

WHEREAS, the County has provided documentation of the regional significance and impact of the project; and

WHEREAS, Minn. Stat. 297A.99 authorizes the imposition of a general sales tax if permitted by special law of the Minnesota Legislature; and

WHEREAS, Minn. Stat. 279A.99 requires the County to pass a resolution authorizing such a local sales and use tax to obtain Legislative approval prior to approval by the local votes to enact the local tax.

NOW, THEREFORE, BE IT RESOLVED, IN ACCORDANCE WITH M. S. 297A.99 LOCAL SALES TAXES, BY THE ITASCA COUNTY BOARD OF COMMISSIONERS, GRAND RAPIDS, MINNESOTA:

1. The Board of Commissioners hereby requests that the State authorize a Local Sales and Use Tax of one percent (1%); and
2. The revenue from the local sales and use tax will be used to finance the capital and administrative costs of constructing and equipping a new correctional facility and related upgrades to the courts in Itasca County, MN; and,
3. The amount of local sales and use tax revenue utilized for these new facilities would not exceed \$75,000,000 or up to thirty years, whichever comes first; and

4. These facilities are the only projects requested for a local sales and use tax; and,
5. Upon approval of this resolution, the County will submit the adopted resolution and documentation of regional significance to the chairs and ranking minority members of the House and Senate tax committees for approval and passage of a special law authorizing the tax by January 31 of the year that it is seeking the special law; and
6. Upon Legislative approval and passage of the special law authorizing the tax, the County will adopt a resolution accepting the new law, which will be filed with a local approval certificate to the Office of the Secretary of State before the following Legislative session; and
7. The County will put a ballot question on a general election ballot for local voter approval. This will be done within two years of receiving legislative authority; and
8. Upon completion of the requirements, the local sales tax will commence and run for up to 30-years or until a sum sufficient to fund the voter approved project, including related debt costs, is raised, whichever comes first.

| | |
|------------------|--|
| RESULT: | APPROVED (4 TO 0) |
| MOVER: | Commissioner Terry Snyder |
| SECONDER: | Commissioner Davin Tinquist |
| AYES: | Davin Tinquist, Terry Snyder, Leo Trunt, Ben DeNucci |
| ABSENT: | Burl Ives |

STATE OF MINNESOTA
Office of County Administrator
ss. County of Itasca

I, BRETT SKYLES, Administrator of the County of Itasca, do hereby certify that I have compared the foregoing with the original resolution filed in my office on the 21st day of January A.D. 2020 and that the same is a true and correct copy of the whole thereof.

WITNESS MY HAND AND SEAL OF OFFICE at Grand Rapids, Minnesota, this 21st day of January A.D. 2020.



Administrator

April 25, 2018

Sheriff Victor Williams
Itasca County Sheriff's Office
440 First Avenue NE
Grand Rapids, MN 55744

Mr. Brett Skyles
Itasca County Administrator
Itasca County Courthouse
123 Northeast Fourth Street
Grand Rapids, MN 55744

Sheriff Williams and Mr. Skyles:

Thank you for meeting with me on Thursday, March 29, 2018 and providing a tour of the Itasca County Jail. As you are aware, this meeting was precipitated by concerns with your facility that had been identified in the current and several prior inspection reports. Your willingness to meet and work collaboratively towards a resolution to the public safety needs of Itasca County was evident during our meeting and discussion that day.

The various issues we discussed are as follows:

During the 2017 annual inspection of your facility, there were fifteen (15) mandatory rules that were not in compliance. This equates to a compliance rating of approximately 88%. Substantial compliance with rules, according to the Chapter 2911 rules, requires 100% compliance with mandatory rules. Many of these mandatory rules that are not in compliance are directly related to physical plant conditions. These deficiencies include significant problems with plumbing and heating, ventilation, and air conditioning (HVAC) systems at the facility. The HVAC system failure last summer almost resulted in the need to close and vacate the facility until repairs could be accomplished and most recently the facility has had several days without hot water due to a failing boiler system.

The National Institute of Corrections has determined the average life expectancy of a corrections facility that operates twenty-four hours per day to be approximately 25-30 years depending on facility usage. The Itasca County jail has been in operation for approximately thirty-five (35) years, with an expansion in 1998, and now has a capacity of ninety-eight (98), which is an increase of forty (40) beds from the original design capacity. Support spaces (medical, programming, recreation, property storage, intake/booking) were not sized to account for this increased capacity and use. The design of the facility is also considered linear design which is more staff intensive than the design characteristics and operations of a modern jail facility. There does not appear to be any further options to extend the life expectancy, or to improve the operational efficiencies of the existing facility beyond those that have already been undertaken by the county.

Sheriff Victor Williams
Mr. Brett Skyles
Page 2
April 25, 2018

The facility also lacks adequate housing space to ensure proper separation of inmates according to an approved classification system. These are both mandatory rules and were not in compliance in the 2017 inspection. Coupled with higher populations, it does not appear the current facility has the capacity to meet the requirements of these rules.

There were several areas of staffing deficiencies that were cited in the last inspection. The approved staffing plan indicates a need for thirty (30) full-time equivalents, or 30 staff. The county has only approved the Sheriff to hire and staff the facility with twenty-four (24) staff, six (6) staff short. Operating 6 staff short puts an additional burden on those staff that are employed and results in overtime, staff turnover and operational duties not being addressed as required. Some of these positions include staff to complete ancillary functions such as court escorts, medical transports, as well as having adequate staff to complete well-being checks and maintain the facility. This has been an on-going issue that must be addressed within timelines established by the Inspection and Enforcement Unit.

All of these deficiencies negatively impact the safety and security of the facility, the staff, daily operations and the citizens of Itasca County. Based on the limitations of the current facility, physical plant deficiencies, increasing inmate populations, facility operations and inspection deficiencies listed in several inspection reports, the following action is being taken with respect to the authorization for the Itasca County Jail to continue to be approved for operations:

The Itasca County jail will be approved to operate with a "Sunset Authorization." This action is set forth in Chapter 2911.0300 INTENDED USE AND NONCONFORMANCE WITH RULES, subpart 4, letter D. The sunset authorization provides a date for which the facility will no longer be authorized to hold persons within the facility. The Department of Corrections provides a time frame in which local officials determine needs, and to develop a plan to address those needs. If the final determination is for the county to replace the facility, time is allocated for design and construction of a new facility, or to make appropriate repairs and renovations to meet the county's public safety needs. As such, the sunset date for the Itasca County Jail shall be September 1, 2021.

As we discussed at our meeting one of the first steps in this process is to develop a "Criminal Justice Coordinating Council (CJCC)." This council is designed to help improve efficiencies in moving individuals through the courts and criminal justice system, and to address systemic issues in the criminal justice processes. Agencies and individuals that are typically involved in a CJCC include court personnel/judicial, public defenders, probation directors, county attorney's office, law enforcement, sheriff's office, and county administration. This council should be developed as soon as possible. This council also makes recommendations for the formation of a jail study committee which takes on the task of determining a course of action to meet the future jailing needs of the county. Technical assistance is typically available from the National Institute of Corrections and I would recommend that Itasca County officials solicit their assistance early on in this process.

Sheriff Victor Williams
Mr. Brett Skyles
Page 3
April 25, 2018

Staff from the Inspection and Enforcement unit are available to assist you and your staff with the transition/changes as set forth in this letter, and with other operational and physical plant concerns that you may have moving forward.

Again, I appreciate meeting with both of you and Jail Administrator Lucas Thompson and look forward to working with you on these matters of mutual concern. If you have any questions please feel free to contact me at 651-361-7234.

Sincerely,



Ron Solheid, Deputy Commissioner
Minnesota Department of Corrections

C: Tom Roy, Commissioner of Corrections
Tim Thompson, Inspection and Enforcement Director
Greg Croucher, Sr. Inspector
Lucas Thompson, Itasca County Jail Administrator
Itasca County Jail file (S-drive)

Project Description

Impact of a New Correctional Facility

1. Design / Style:

The current correctional facility that is being closed on 09-01-21 is designed in the correctional layout of linear. This style/ design was outdated in the mid-eighties.

The concept that Itasca County has developed for the new correctional facility uses two modern styles of design. The design will be both direct supervision and indirect supervision. Two 60 bed units will be direct supervision, so the staffing ratio is one staff to sixty inmates. The staff is in with the inmates which greatly increases the safety level of the units. Two forty bed units will be indirect supervision, so the staffing ratio is one staff to forty inmates. This style of unit allows for great flexibility in classification by the use of sub-dayrooms in each area making them very flexible.

The total design concept is around 74,000 square feet and approximately 200 beds.

2. Functional Programing Space:

The concept that Itasca County has developed for the new correctional facility has three primary program areas. These areas will be used for chemical dependency treatment, GED training, parenting classes, religious services, Alcoholics Anonymous, Narcotics Anonymous, Al-Anon, Native American Programing, Celebrate Recovery, Reentry Services, and other volunteer services or groups.

Reentry Services will be a key part of the new design/ concept. The Reentry Program works on eliminating barriers that inmates normally face at time of release. Some of the barriers the program targets are chemical dependency, mental illness, employment, housing, cognitive skills, budgeting, transportation, and any other barriers that indiviual inmates experience.

Outside of the primary program areas, the concept has a small program room on each of the 4 units. This room will be used for programing when the primary rooms are not available and for smaller or individual groups. These program areas allow great flexibility and allow for more services to be performed within the facility.

3. Classification/ Separation of Inmates:

The new design / concept will address all levels of classification and all units are built as swing units. This means each unit can house any level of classification. By not building specific units to house specific classifications of inmates, greatly increases the flexibility of a facility. This flexibility allows the facility to change or adapt to its population as the trends or inmate population changes over time. This is a key component to longevity of a facility.

4. Mental Health:

The Itasca County Jail is the largest locked mental health facility in Itasca County. This is not by design but by the lack of options for mental health stabilization of persons in crisis in the community. Adding co-occurring disorders or dual diagnosis such as chemical dependency to the equation only complicates the matter. Frequently, the only option for

the officer/deputy is to arrest the subject and take them to jail for whatever crime was committed. If substance abuse was part of the equation they will detox or go through withdrawals while in the correctional facility and then the nurse and mental health professional will aid in their stabilization and recovery. If they are at a point where a Rule 20 (competency to aid in defense) is ordered, they will need to be housed appropriately.

The concept that Itasca County has developed for the new correctional facility addresses this systematic problem as best a correctional facility can. The design has a 10-bed mental health step down unit that is modeled off the Massachusetts Correctional Mental Health Project. An inmate in mental health crisis is placed in a single cell that is physically in the line of sight of a deputy station. There is a mental health office next to the unit and the mental health staff will check on the inmate more frequently. As the inmate's mental health stabilizes, they will be moved to a two-person cell and start programming with the mental health professional on staff. Once the inmate has entered recovery, they will be moved to a 4-bed dorm style unit where they experience interactions with other inmates at a higher level. The goal is to work with this population at a higher level of services and get them stable and if possible, move them back into the general population of the facility.

5. Staffing:

The concept that Itasca County has developed for the new correctional facility is very efficient and allows for doubling the capacity we currently have for inmates, with adding minimal staff. Staff cost are the longer-term burden to the local taxpayers and with this design it will limit that burden.

Itasca County has taken a hard stance on mental health in corrections and authorized the hiring of a clinical level mental health professional. This staff member will be able to perform diagnostic assessments, individual therapy, Dialectic Behavior Therapy in a group setting, cognitive skills training, day treatment, coping skills, and many other functions. The goal of this position is to lower recidivism by stabilizing mental health and chemical dependency before an inmate returns to the community.

6. Equality:

The concept that Itasca County has developed for the new correctional facility looks at the female inmate population and how best to serve that population. Female numbers in the local correctional facility have increased drastically over the last ten years. To meet this, increase the design allows for swing cells. The swing cell concept means Itasca will have all levels of classifications for female inmates just like the male inmates. The county will have the ability to move one segment of inmate out of a cell and transfer another into that cell within thirty minutes. Making the new jail very flexible. The additional program space will allow for female specific programming such as parenting and domestic violence groups. The female population will have all the same opportunities that the male population will have.

7. Inmate Safety and Care:

The concept that Itasca County has developed for the new correctional facility is driven by safety for inmates and staff. The direct supervision units are proven to reduce assaults on both inmates and staff and 120-beds are direct supervision. The 80-beds remaining are indirect supervision, but the post is in line of sight with the unit, so inmates are in view

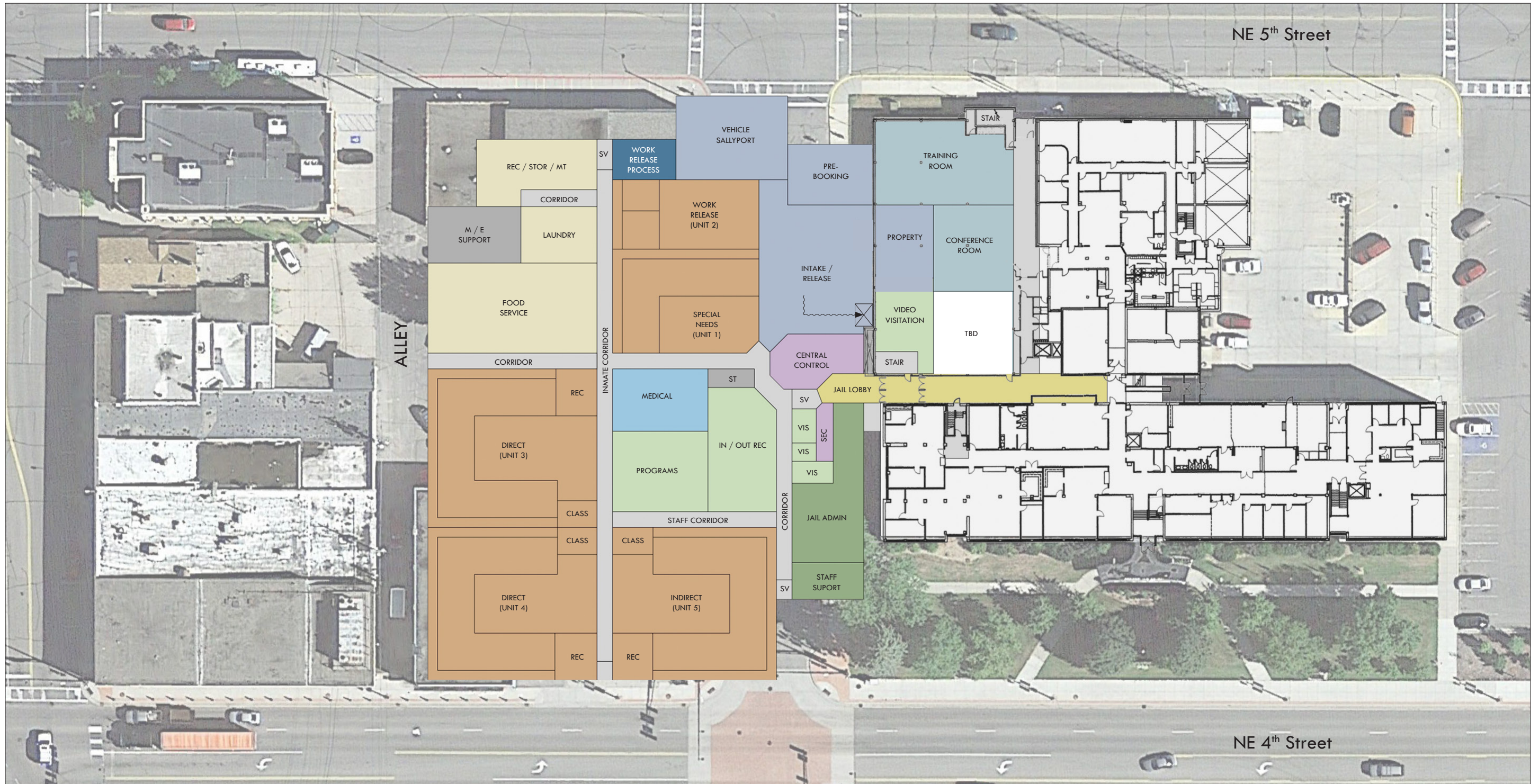
at most times. This design is vastly safer than the linear design Itasca currently has and will increase safety across all spectrums.

The new design has a medical unit that will have the ability to treat traditional medical issues along with a mental health professional to treat mental illness. The design incorporates 4 medical beds in the intake area for medical observation, along with the 10-beds for mental health. The level of care provided will increase across all medical areas with the new design.

8. Conclusion:

The concept and design that Itasca County has in place for their new correctional facility addresses all the areas where the thirty-seven-year-old jail has failed. This includes safety, security, welfare, medical, mental health, classification, programing, and reentry to name a few. The design will allow the new facility a fifty-year life cycle to lessen the burden on the taxpayers.

Following please find renderings of a new correctional facility including proposed floor plan for an approximately 200 bed facility to include modern inmate supervision housing models, planned programming and recreational space as well as the necessary ancillary services such as food service and medical.



100'





PATH OF TRAVEL INMATE PUBLIC JUDICIAL

100'



Regional Significance and Impact of a New Itasca County Correctional Facility

Regional impact on county, state, and federal jurisdictions:

Relief for other jurisdictions in our region who are experiencing over capacity issues in their correctional facilities. Several counties in the region are experiencing over capacity issues and must look towards the metro to find adequate space to house inmates. St. Louis County and Beltrami are examples. Cass County and Koochiching County are close to the life expectancy of their correctional facilities and may choose in the future to house inmates in other jurisdictions versus building a new facility. One correctional facility built in a key location such as Itasca County would aid other counties north, west, and east of Itasca.

Federal impact is in the form of available housing close to the Bois Forte/ Nett Lake Reservation. Itasca housed for Nett Lake in the past. Nett Lake is a class one facility and can only hold inmates for up to 72 hours. Itasca had to suspend housing for Nett Lake when our own capacity overtook the available beds Itasca had. The new Itasca Facility would allow for housing options for Nett Lake.

State impact would be in available bed space in the northern region for state supervised release violators (parole).

How much of an impact could Itasca potentially make on the neighboring jurisdictions? The plan submitted for review for the sales tax is around 200 beds. Itasca County's average daily population from the last three years is 107 inmates, this equates to 75 open beds to be used to relieve the housing pressure felt by the other jurisdictions. This also equates to lower liability for the other jurisdictions as they will have less distance to travel with inmates.

The open bed space could be used to help, state, federal, or county governments that are facing severe housing issues. This impact would be felt across all levels of government.

Regional Impact on communities outside of the jurisdiction:

Itasca could contract with the Department of Corrections for a set number of Regional Revocation Center beds. The traditional supervised release violator (parolee) would be housed in Itasca for 45 days where they receive chemical dependency treatment, cognitive skills group, and work release options. The concept is to aid any supervised release violator (parolee) who is returning to any jurisdiction in the state of Minnesota a smoother transition with key components in place before their transitioned/ released back into the community.

A key component of the new facility is programming space and services delivered. With adequate program space Itasca will focus on expanding the current reentry program. This program will allow for services to be completed inside the facility to lower the traditional barriers a person faces when transitioning/ released back into society. Program

participants will complete a diagnostic assessment, chemical dependency evaluation, cognitive skills training, medical form assistants, bridges/ coordinated housing, transportation, employment, therapy, medication management, case management, and ARMS is place before an inmate is released from custody back into any community in the state.

Itasca County has a portion of the Leech Lake Reservation within the county. This translates into 20% to 30% of the jail population being Native American. The current facility lacks any programming space as mentioned above. The new facility will be program heavy and focus on Native American specific programing. The goal would be to add several culturally specific programs to address chemical dependency, mental health, and religious services, culturally specific to this population.

Focusing on recovery for both mental health and chemical dependency for the whole population in the correctional facility will lower the overall rate of recidivism. Up to 80% of the current jail population suffers from chemical dependency or mental health issues. 40% of the current jail population suffer from dual diagnoses/ co-occurring disorders. Theses inmates return to the local community, adjacent jurisdictions, and other states. Any recidivism reduction will reach much further than the local jurisdiction and further then just the local region. The impact would be statewide.

Itasca has been running a RAP (release advanced planning) program in Itasca for the last 5 years. Itasca has seen a reduction in recidivism that equated to a savings of \$170,000 a year. The reduction was based off days in jail two years prior to the program and two years after the program. The program is a 90 day wrap around service model. The only inmates that qualified for the current program are those returning to Itasca County and are currently sentenced. This really limited the number of inmates we could connect to services. The plan in the new facility would be to allow any inmate to apply and receive the services of the program. This will multiply the savings ten-fold and allow Itasca to work with inmates returning to areas outside of our local jurisdiction.

The local correctional facilities have become a defacto mental health and chemical decency facility. Until legislation or society finds a better alternative, this practice is the future. The new jail in Itasca will address this by adding, in house chemical dependency treatment from a local provider and designing a mental health unit that will aid in an inmate's stabilization process. Itasca has made the commitment by adding a clinical level therapist to the correctional facilities staff. This highly training and specialized position will work with all inmates in the facility. This again benefits any jurisdiction or region the inmate returns to, not just the local one.

Other Economic Factors:

The building of a new correctional facility would create approximately 150-200 construction jobs, many of which will be pulled from surrounding Counties in Minnesota.

As Itasca County is a regional mecca for tourism and recreation, bringing in nearly \$400 million in sales tax annually for the State of MN, having a safe and secure correctional system is an important factor in our continued growth.

Financial Summary

Itasca County is seeking authorization for a 1% Local Sales and Use Tax for a projected \$75 million correctional enforcement facility – to be fully funded and the sales tax ending within 30-years.

Please find the following two documents:

PFM Financing Options for Jail and/or Law Enforcement Center – This document was prepared during the summer of 2019 to provide the Jail Task Force debt ceiling and payment options. This memo illustrates Itasca Counties fiscal conservative history relating to debt and details our remaining limit of net debt to be over \$164 million; and

Bond Pricing and Debt Service – This document provides an amortization schedule for the payback of bond proceeds through a 1% Local Option Sales and Use Tax.



July 11, 2019

Memorandum

To: Jeff Walker, County Auditor
Itasca County, Minnesota

From: Arcelia Detert and Chuck Upcraft, PFM Financial Advisors LLC
Tel: (612) 371-3749 and (612) 371-3731
deterta@pfm.com and upcraftc@pfm.com

RE: Financing Options for Jail/Law Enforcement Center

Dear Jeff:

It is our understanding that the County is beginning to discuss the options around building a new jail annex in the approximate amount of \$65 million within the next two to four years.

Outlined below are public financing options available to the County:

Financing Option 1 - General Obligation Capital Improvement Plan Bonds

The County can opt to amend its Capital Improvement Plan to include the jail annex project. This will allow to issue capital improvement plan bonds and receive the lowest interest rates in the public market. The following bullet points summarize the legal requirements to issue this type of debt:

- The Bonds are issued pursuant to Minnesota Statutes Section 373.40
- These bonds are general in purpose allowing for the acquisition or improvements of County courthouses, administrative buildings, health and social service facilities, correctional facility, jail, law enforcement center, hospital, morgue, library, park, qualified indoor arenas, roads and bridges, public works facilities, fairground buildings, records and data storage facilities
- Requires following the Capital Improvement Plan Process, which includes the completion of a five-year capital improvement plan, publication of a notice of intention to issue bonds, and holding a public hearing
- Subject to reverse referendum
- ***Principal and interest due in all outstanding CIP Bonds in any year can't exceed 0.12% of the County's Estimated Market Value.*** The County's maximum annual debt service would be approximately \$6.1 million including the \$65 million proposed bond issue. The limit for issuing CIP bond under the current 2018/19 Estimated Market Value is \$6.8 million.



- The Bonds are subject to debt limit
- Payable from debt service levy
- Eligible to participate in the Public Facilities Authority County Credit Enhancement Program, which serves as an additional guaranty for repayment of the Bonds

Financing Option 2 – General Obligation Jail Bonds

The County can issue general obligation bonds without a referendum or public hearing by using this authority. Based on the County's Estimated Market Value for collection year 2019, the maximum annual debt service can't exceed \$5,624,209 per year. Below you will find the specific legal requirements:

- The Bonds are issued pursuant to Minnesota Statutes Section 641.23
- This type of issue is specific to the erection of a county jail, sheriff's residence, or both
- ***The annual debt service cannot exceed 0.09671% of the County's Estimated Market Value***

Financing Option 3 – Law Enforcement Center Lease Revenue Bonds

The County may issue Lease Revenue Bonds through the Housing and Redevelopment Authority of Itasca County or the City of Grand Rapids Economic Development Authority or Housing and Redevelopment Authority. The County issued this type of Bonds for the issuance of the Lease Revenue Bonds of 1996 for the construction of a juvenile detention center. The following bullet points summarize the legal requirements to issue this type of debt:

- The Bonds are issued pursuant to Minnesota Statutes Section 641.24
- These types of Bonds are specific to the construction of a jail or other law enforcement facilities for the county sheriff, deputy sheriffs, and other employees of the sheriff and other law enforcement agencies
- Statute authorizes either the County HRA or a city within the County to issue on behalf of the County; the County then enters into a lease agreement with the HRA or City to provide security for the Bonds
- The County's lease payments are made from an annual unlimited tax levy



- The County board may sublease any part of the jail property for purposes consistent with the maintenance and operation of a county jail or other law enforcement facility, e.g. city law enforcement agency
- ***The annual debt service (rental payments under the lease) cannot exceed 0.10% of the County's Estimated Market Value.*** Based on the County's Estimated Market Value for collection year 2019, the maximum annual debt service can't exceed \$5,815,540 per year.
- Eligible to participate in the Public Facilities Authority County Credit Enhancement Program, which serves as an additional guaranty for repayment of the Bonds
- The Bonds can't be issued until plans have been approved by the Department of Corrections

Financing Option 4 – Certificates of Participation

The County may issue Certificates of Participation (COP's). The COP's will be issued by a corporate trustee (e.g. US Bank) which will also be the lessor in a lease agreement with the County. The trustee will acquire the jail in this case with the proceeds of the COP's and lease it to the County. The lease payments will match the debt service payments on the COP's. At the conclusion of the lease term the County will own the facility. The County will have the right to cancel the lease at the end of any fiscal year by failing to appropriate the funds for the lease payments. Because of this feature, the COP's are not general obligations of the County therefore will have a lower credit rating and higher interest rates than for general obligation bonds. The COP's will be sold publicly by taking bids just as would be the case for general obligation bonds.

The following bullet points summarize the legal requirements to issue this type of debt:

- The Bonds are issued pursuant to Minnesota Statutes 465.71
- Requires a Trustee



Limit on Net Debt

Minnesota Statutes, Chapter 475, as amended, provides that the County shall not incur or be subject to a net debt in excess of 3% of the estimated market value of taxable property in the County.

| | |
|---|-----------------------|
| 2018/2019 Estimated Market Value | \$ 5,815,540,700 |
| Limitation | <u>3.0%</u> |
| Itasca County Limit on Net Debt | \$ 174,466,221 |
| Outstanding Debt Subject to Debt Limit (as of June 1, 2019) | |
| G.O. Capital Improvement Bonds, Series 2011 (QECCBs) | \$ 1,513,937 |
| G.O. Capital Improvement Refunding Bonds, Series 2015B | 2,070,000 |
| G.O. Capital Improvement Refunding Bonds, Series 2017A | <u>6,740,000</u> |
| Total Outstanding Debt Subject to Debt Limit | <u>\$ 10,323,937</u> |
| Remaining Limit on Net Debt | <u>\$ 164,142,284</u> |

Definition of Net debt.

"Net debt" means the amount remaining after deducting from its gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate of the principal of the following:

(1) Obligations issued for improvements which are payable wholly or partly from the proceeds of special assessments levied upon property specially benefited thereby, including those which are general obligations of the municipality issuing them, if the municipality is entitled to reimbursement in whole or in part from the proceeds of the special assessments.

(2) Warrants or orders having no definite or fixed maturity.

(3) Obligations payable wholly from the income from revenue producing conveniences.

(4) Obligations issued to create or maintain a permanent improvement revolving fund.

(5) Obligations issued for the acquisition, and betterment of public waterworks systems, and public lighting, heating or power systems, and of any combination thereof or for any other public convenience from which a revenue is or may be derived.



(6) Debt service loans and capital loans made to a school district under the provisions of sections 126C.68 and 126C.69.

(7) Amount of all money and the face value of all securities held as a debt service fund for the extinguishment of obligations other than those deductible under this subdivision.

(8) Obligations to repay loans made under section 216C.37.

(9) Obligations to repay loans made from money received from litigation or settlement of alleged violations of federal petroleum pricing regulations.

(10) Obligations issued to pay pension fund or other postemployment benefit liabilities under section 475.52, subdivision 6, or any charter authority.

(11) Obligations issued to pay judgments against the municipality under section 475.52, subdivision 6, or any charter authority.

(12) All other obligations which under the provisions of law authorizing their issuance are not to be included in computing the net debt of the municipality.

SOURCES AND USES OF FUNDS

Itasca County, Minnesota
\$75MM of G.O. Bonds for Jail Project
Based on Current Market Rates + 50bps of Market Volatility
Preliminary Schedules as of January 21, 2020

| | |
|---------------|------------|
| Dated Date | 02/01/2021 |
| Delivery Date | 02/01/2021 |

Sources:

| | |
|----------------|---------------|
| Bond Proceeds: | |
| Par Amount | 75,000,000.00 |
| | <hr/> |
| | 75,000,000.00 |

Uses:

| | |
|-------------------------|------------------|
| Project Fund Deposits: | |
| Project Fund | 74,700,000.00 |
| Delivery Date Expenses: | |
| Cost of Issuance | 150,000.00 |
| Underwriter's Discount | <hr/> 150,000.00 |
| | 300,000.00 |
| | <hr/> |
| | 75,000,000.00 |

BOND DEBT SERVICE

Itasca County, Minnesota
\$75MM of G.O. Bonds for Jail Project
Based on Current Market Rates + 50bps of Market Volatility
Preliminary Schedules as of January 21, 2020

Dated Date 02/01/2021
Delivery Date 02/01/2021

| Period Ending | Principal | Coupon | Interest | Debt Service | Annual Debt Service |
|---------------|------------|--------|---------------|----------------|---------------------|
| 08/01/2021 | | | 1,073,936.25 | 1,073,936.25 | |
| 02/01/2022 | 1,755,000 | 1.550% | 1,073,936.25 | 2,828,936.25 | 3,902,872.50 |
| 08/01/2022 | | | 1,060,335.00 | 1,060,335.00 | |
| 02/01/2023 | 1,785,000 | 1.600% | 1,060,335.00 | 2,845,335.00 | 3,905,670.00 |
| 08/01/2023 | | | 1,046,055.00 | 1,046,055.00 | |
| 02/01/2024 | 1,810,000 | 1.650% | 1,046,055.00 | 2,856,055.00 | 3,902,110.00 |
| 08/01/2024 | | | 1,031,122.50 | 1,031,122.50 | |
| 02/01/2025 | 1,840,000 | 1.700% | 1,031,122.50 | 2,871,122.50 | 3,902,245.00 |
| 08/01/2025 | | | 1,015,482.50 | 1,015,482.50 | |
| 02/01/2026 | 1,870,000 | 1.750% | 1,015,482.50 | 2,885,482.50 | 3,900,965.00 |
| 08/01/2026 | | | 999,120.00 | 999,120.00 | |
| 02/01/2027 | 1,905,000 | 1.800% | 999,120.00 | 2,904,120.00 | 3,903,240.00 |
| 08/01/2027 | | | 981,975.00 | 981,975.00 | |
| 02/01/2028 | 1,940,000 | 1.850% | 981,975.00 | 2,921,975.00 | 3,903,950.00 |
| 08/01/2028 | | | 964,030.00 | 964,030.00 | |
| 02/01/2029 | 1,975,000 | 1.900% | 964,030.00 | 2,939,030.00 | 3,903,060.00 |
| 08/01/2029 | | | 945,267.50 | 945,267.50 | |
| 02/01/2030 | 2,015,000 | 2.000% | 945,267.50 | 2,960,267.50 | 3,905,535.00 |
| 08/01/2030 | | | 925,117.50 | 925,117.50 | |
| 02/01/2031 | 2,055,000 | 2.200% | 925,117.50 | 2,980,117.50 | 3,905,235.00 |
| 08/01/2031 | | | 902,512.50 | 902,512.50 | |
| 02/01/2032 | 2,100,000 | 2.300% | 902,512.50 | 3,002,512.50 | 3,905,025.00 |
| 08/01/2032 | | | 878,362.50 | 878,362.50 | |
| 02/01/2033 | 2,145,000 | 2.400% | 878,362.50 | 3,023,362.50 | 3,901,725.00 |
| 08/01/2033 | | | 852,622.50 | 852,622.50 | |
| 02/01/2034 | 2,200,000 | 2.500% | 852,622.50 | 3,052,622.50 | 3,905,245.00 |
| 08/01/2034 | | | 825,122.50 | 825,122.50 | |
| 02/01/2035 | 2,255,000 | 2.800% | 825,122.50 | 3,080,122.50 | 3,905,245.00 |
| 08/01/2035 | | | 793,552.50 | 793,552.50 | |
| 02/01/2036 | 2,315,000 | 2.900% | 793,552.50 | 3,108,552.50 | 3,902,105.00 |
| 08/01/2036 | | | 759,985.00 | 759,985.00 | |
| 02/01/2037 | 2,385,000 | 2.950% | 759,985.00 | 3,144,985.00 | 3,904,970.00 |
| 08/01/2037 | | | 724,806.25 | 724,806.25 | |
| 02/01/2038 | 2,455,000 | 3.000% | 724,806.25 | 3,179,806.25 | 3,904,612.50 |
| 08/01/2038 | | | 687,981.25 | 687,981.25 | |
| 02/01/2039 | 2,525,000 | 3.100% | 687,981.25 | 3,212,981.25 | 3,900,962.50 |
| 08/01/2039 | | | 648,843.75 | 648,843.75 | |
| 02/01/2040 | 2,605,000 | 3.150% | 648,843.75 | 3,253,843.75 | 3,902,687.50 |
| 08/01/2040 | | | 607,815.00 | 607,815.00 | |
| 02/01/2041 | 2,690,000 | 3.200% | 607,815.00 | 3,297,815.00 | 3,905,630.00 |
| 08/01/2041 | | | 564,775.00 | 564,775.00 | |
| 02/01/2042 | 2,775,000 | 3.250% | 564,775.00 | 3,339,775.00 | 3,904,550.00 |
| 08/01/2042 | | | 519,681.25 | 519,681.25 | |
| 02/01/2043 | 2,865,000 | 3.300% | 519,681.25 | 3,384,681.25 | 3,904,362.50 |
| 08/01/2043 | | | 472,408.75 | 472,408.75 | |
| 02/01/2044 | 2,960,000 | 3.350% | 472,408.75 | 3,432,408.75 | 3,904,817.50 |
| 08/01/2044 | | | 422,828.75 | 422,828.75 | |
| 02/01/2045 | 3,060,000 | 3.400% | 422,828.75 | 3,482,828.75 | 3,905,657.50 |
| 08/01/2045 | | | 370,808.75 | 370,808.75 | |
| 02/01/2046 | 3,160,000 | 3.450% | 370,808.75 | 3,530,808.75 | 3,901,617.50 |
| 08/01/2046 | | | 316,298.75 | 316,298.75 | |
| 02/01/2047 | 3,270,000 | 3.500% | 316,298.75 | 3,586,298.75 | 3,902,597.50 |
| 08/01/2047 | | | 259,073.75 | 259,073.75 | |
| 02/01/2048 | 3,385,000 | 3.550% | 259,073.75 | 3,644,073.75 | 3,903,147.50 |
| 08/01/2048 | | | 198,990.00 | 198,990.00 | |
| 02/01/2049 | 3,505,000 | 3.600% | 198,990.00 | 3,703,990.00 | 3,902,980.00 |
| 08/01/2049 | | | 135,900.00 | 135,900.00 | |
| 02/01/2050 | 3,630,000 | 3.650% | 135,900.00 | 3,765,900.00 | 3,901,800.00 |
| 08/01/2050 | | | 69,652.50 | 69,652.50 | |
| 02/01/2051 | 3,765,000 | 3.700% | 69,652.50 | 3,834,652.50 | 3,904,305.00 |
| | 75,000,000 | | 42,108,925.00 | 117,108,925.00 | 117,108,925.00 |

BOND SUMMARY STATISTICS

Itasca County, Minnesota
 \$75MM of G.O. Bonds for Jail Project
 Based on Current Market Rates + 50bps of Market Volatility
 Preliminary Schedules as of January 21, 2020

| | |
|---------------------------------|------------------|
| Dated Date | 02/01/2021 |
| Delivery Date | 02/01/2021 |
| Last Maturity | 02/01/2051 |
| Arbitrage Yield | 3.154859% |
| True Interest Cost (TIC) | 3.170414% |
| Net Interest Cost (NIC) | 3.216211% |
| All-In TIC | 3.186016% |
| Average Coupon | 3.204795% |
| Average Life (years) | 17.519 |
| Duration of Issue (years) | 13.068 |
| Par Amount | 75,000,000.00 |
| Bond Proceeds | 75,000,000.00 |
| Total Interest | 42,108,925.00 |
| Net Interest | 42,258,925.00 |
| Bond Years from Dated Date | 1,313,935,000.00 |
| Bond Years from Delivery Date | 1,313,935,000.00 |
| Total Debt Service | 117,108,925.00 |
| Maximum Annual Debt Service | 3,905,670.00 |
| Average Annual Debt Service | 3,903,630.83 |
| Underwriter's Fees (per \$1000) | |
| Average Takedown | |
| Other Fee | 2.000000 |
| Total Underwriter's Discount | 2.000000 |
| Bid Price | 99.800000 |

| Bond Component | Par Value | Price | Average Coupon | Average Life | PV of 1 bp change |
|----------------|---------------|---------|----------------|--------------|-------------------|
| Bond Component | 75,000,000.00 | 100.000 | 3.205% | 17.519 | 94,153.35 |
| | 75,000,000.00 | | | 17.519 | 94,153.35 |

| | TIC | All-In TIC | Arbitrage Yield |
|----------------------------|---------------|---------------|-----------------|
| Par Value | 75,000,000.00 | 75,000,000.00 | 75,000,000.00 |
| + Accrued Interest | | | |
| + Premium (Discount) | | | |
| - Underwriter's Discount | (150,000.00) | (150,000.00) | |
| - Cost of Issuance Expense | | (150,000.00) | |
| - Other Amounts | | | |
| Target Value | 74,850,000.00 | 74,700,000.00 | 75,000,000.00 |
| Target Date | 02/01/2021 | 02/01/2021 | 02/01/2021 |
| Yield | 3.170414% | 3.186016% | 3.154859% |

BOND PRICING

Itasca County, Minnesota
 \$75MM of G.O. Bonds for Jail Project
 Based on Current Market Rates + 50bps of Market Volatility
 Preliminary Schedules as of January 21, 2020

| Bond Component | Maturity Date | Amount | Rate | Yield | Price |
|-----------------|---------------|------------|--------|--------|---------|
| Bond Component: | | | | | |
| | 02/01/2022 | 1,755,000 | 1.550% | 1.550% | 100.000 |
| | 02/01/2023 | 1,785,000 | 1.600% | 1.600% | 100.000 |
| | 02/01/2024 | 1,810,000 | 1.650% | 1.650% | 100.000 |
| | 02/01/2025 | 1,840,000 | 1.700% | 1.700% | 100.000 |
| | 02/01/2026 | 1,870,000 | 1.750% | 1.750% | 100.000 |
| | 02/01/2027 | 1,905,000 | 1.800% | 1.800% | 100.000 |
| | 02/01/2028 | 1,940,000 | 1.850% | 1.850% | 100.000 |
| | 02/01/2029 | 1,975,000 | 1.900% | 1.900% | 100.000 |
| | 02/01/2030 | 2,015,000 | 2.000% | 2.000% | 100.000 |
| | 02/01/2031 | 2,055,000 | 2.200% | 2.200% | 100.000 |
| | 02/01/2032 | 2,100,000 | 2.300% | 2.300% | 100.000 |
| | 02/01/2033 | 2,145,000 | 2.400% | 2.400% | 100.000 |
| | 02/01/2034 | 2,200,000 | 2.500% | 2.500% | 100.000 |
| | 02/01/2035 | 2,255,000 | 2.800% | 2.800% | 100.000 |
| | 02/01/2036 | 2,315,000 | 2.900% | 2.900% | 100.000 |
| | 02/01/2037 | 2,385,000 | 2.950% | 2.950% | 100.000 |
| | 02/01/2038 | 2,455,000 | 3.000% | 3.000% | 100.000 |
| | 02/01/2039 | 2,525,000 | 3.100% | 3.100% | 100.000 |
| | 02/01/2040 | 2,605,000 | 3.150% | 3.150% | 100.000 |
| | 02/01/2041 | 2,690,000 | 3.200% | 3.200% | 100.000 |
| | 02/01/2042 | 2,775,000 | 3.250% | 3.250% | 100.000 |
| | 02/01/2043 | 2,865,000 | 3.300% | 3.300% | 100.000 |
| | 02/01/2044 | 2,960,000 | 3.350% | 3.350% | 100.000 |
| | 02/01/2045 | 3,060,000 | 3.400% | 3.400% | 100.000 |
| | 02/01/2046 | 3,160,000 | 3.450% | 3.450% | 100.000 |
| | 02/01/2047 | 3,270,000 | 3.500% | 3.500% | 100.000 |
| | 02/01/2048 | 3,385,000 | 3.550% | 3.550% | 100.000 |
| | 02/01/2049 | 3,505,000 | 3.600% | 3.600% | 100.000 |
| | 02/01/2050 | 3,630,000 | 3.650% | 3.650% | 100.000 |
| | 02/01/2051 | 3,765,000 | 3.700% | 3.700% | 100.000 |
| | | 75,000,000 | | | |

| | | |
|-------------------------|---------------|-------------|
| Dated Date | 02/01/2021 | |
| Delivery Date | 02/01/2021 | |
| First Coupon | 08/01/2021 | |
| Par Amount | 75,000,000.00 | |
| Original Issue Discount | | |
| Production | 75,000,000.00 | 100.000000% |
| Underwriter's Discount | (150,000.00) | (0.200000%) |
| Purchase Price | 74,850,000.00 | 99.800000% |
| Accrued Interest | | |
| Net Proceeds | 74,850,000.00 | |