

Debt Overview & Capital Improvement Program For Years 2013 – 2017

Capital Program found on pages D1 – D50 in budget book

Presentation to Ways and Means/Budget Committee
October 31, 2012

Agenda

- Review of Key Terms
- Debt Service Statistics and 2013 Budget
- Recent Capital Program Progress
- 2013 – 2017 Capital Improvement Program
- Utility Rates
- Conclusion

Review of Key Terms

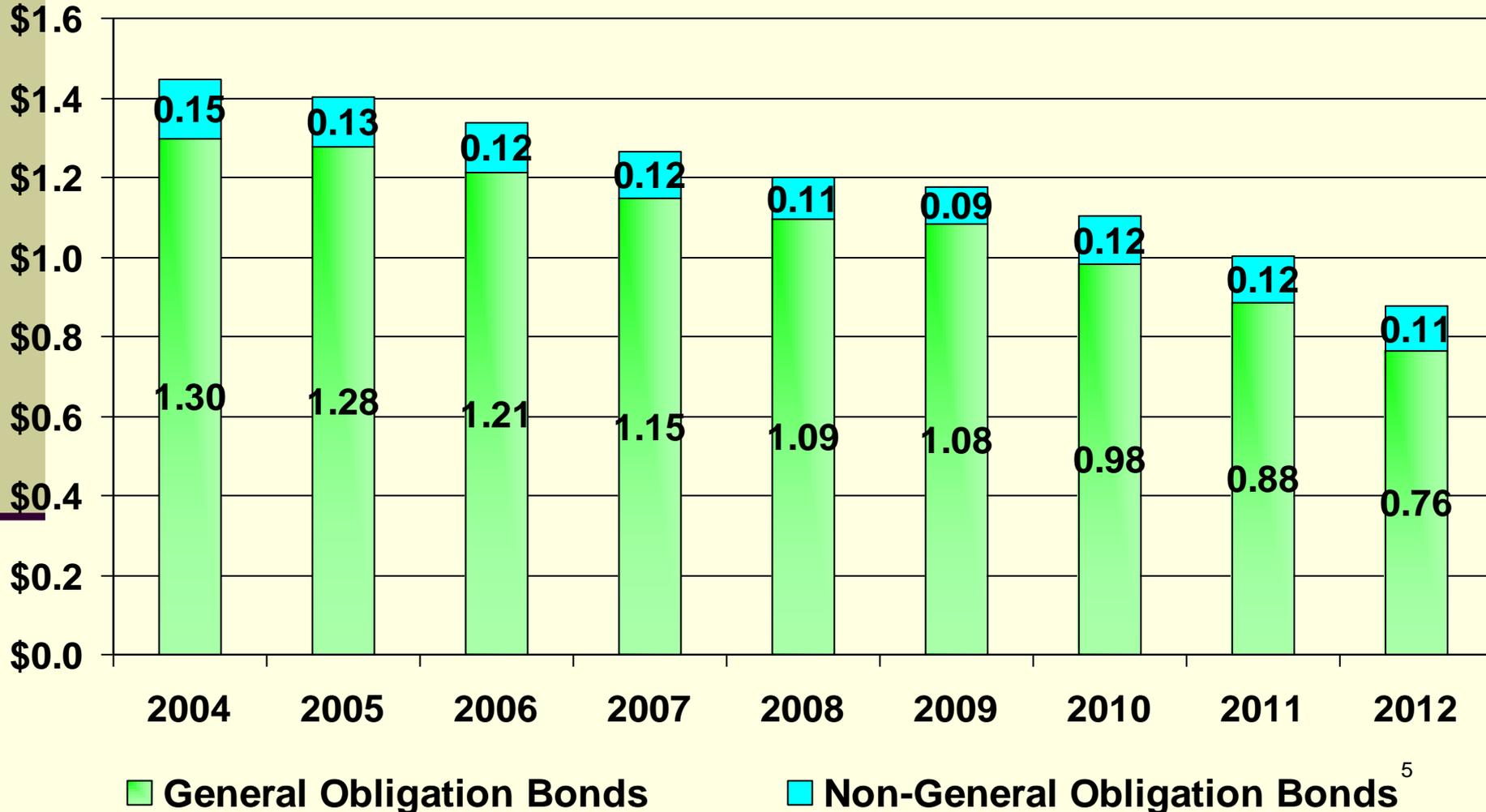
- **Debt Service:** Refers to payments required for principal and interest on outstanding bonds.
- **Net Debt Bonds:** General Obligation property tax supported bonds issued to finance general infrastructure improvements.
- **Bond Redemption Levy:** A dedicated tax levy used for payment of principal and interest on property tax supported bonds (net debt).

City Debt Capacity

- GO Debt Capacity is determined by State Statute and policymaker's willingness to tax and raise fees to ensure adequate debt service coverage
- Net Debt is subject to a Legal Debt Margin of 3.33% of Assessed Market Value as adjusted
- For 2012, legal debt margin was \$1.1B and usage was \$.2 B, leaving \$.9 B of available capacity
- In the last several years, we have made great strides in improving our "capacity to pay" by paying off debt.

Outstanding Debt Year Ending 2004 to 2012

(in billions)

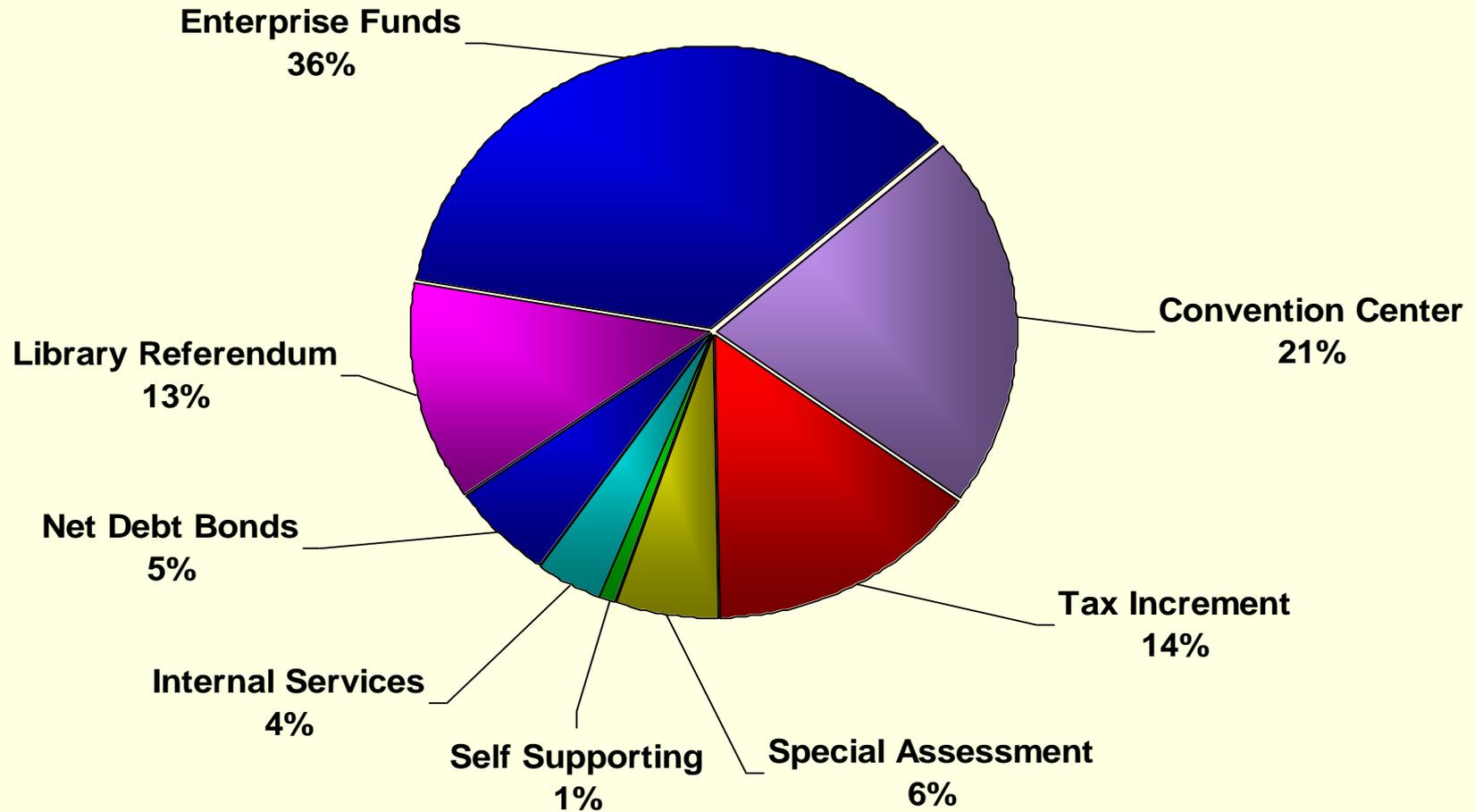


12/31/2012 GO Debt Outstanding

| Debt Type with 2004 Peak Debt Balances* | 12/31/12 Balances | Chg from 2004 |
|--|--------------------------|----------------------|
| Enterprise Funds - \$407.28 M | \$272.93 M | (\$134.35) M |
| Convention Center - \$244.09 M | \$163.00 M | (\$81.09) M |
| Tax Increment - \$206.31 M | \$111.92 M | (\$94.39) M |
| Library Referendum - \$93.40 M | \$96.81 M | \$3.41 M |
| Special Assessment - \$49.30 M | \$43.61 M | (\$5.69) M |
| Net Debt Bonds - \$56.85 M | \$40.66 M | (\$16.19) M |
| Internal Services - \$101.16 M | \$29.18 M | (\$71.98) M |
| Other Self Supporting - \$22.70 M | \$4.83 M | (\$17.87) M |
| Pension - \$117.87 M | \$0.00 M | (\$117.87) M |
| Total GO 2004 vs 2012 \$1,298.96 M | \$762.94 M | (\$536.02) M |
| * Peak GO Debt in 2004, 1996 was \$766 M | | |

Outstanding Principal @ 12/31/12

\$762.94 M



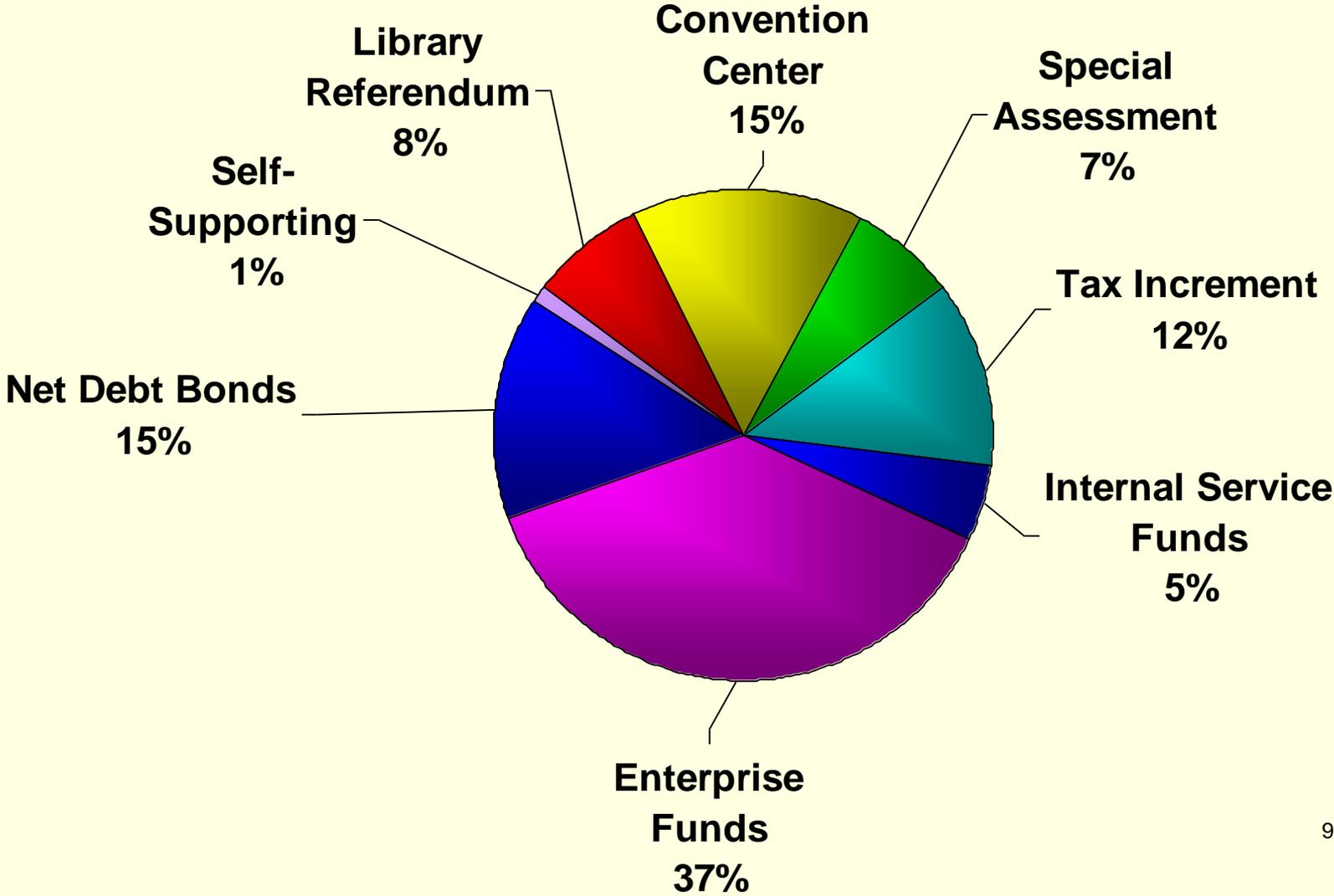
2013 Debt Service Budget

(Based on 12/31/12 Debt Outstanding)

| Debt Type | Principal | Interest | Total |
|----------------------------------|----------------------|---------------------|-------------------|
| Enterprise Funds | \$31.71 M | \$11.73 M | \$43.44 M |
| Convention Center | \$12.50 M | \$5.03 M | \$17.53 M |
| Net Debt Bonds | \$16.04 M | \$1.13 M | \$17.17 M |
| Tax Increment | \$9.93 M | \$4.47 M | \$14.40 M |
| Library Referendum | \$6.32 M | \$2.57 M | \$8.89 M |
| Special Assessment | \$6.79 M | \$1.42 M | \$8.21 M |
| Internal Services | \$4.96 M | \$.89 M | \$5.85 M |
| Self Supporting | \$.82 M | \$.43 M | \$1.25 M |
| Total Debt Service Budget | \$89.07 M | \$27.67 M | \$116.74 M |
| | 76% Principal | 24% Interest | |

2013 Debt Service Budget

\$116.74 M

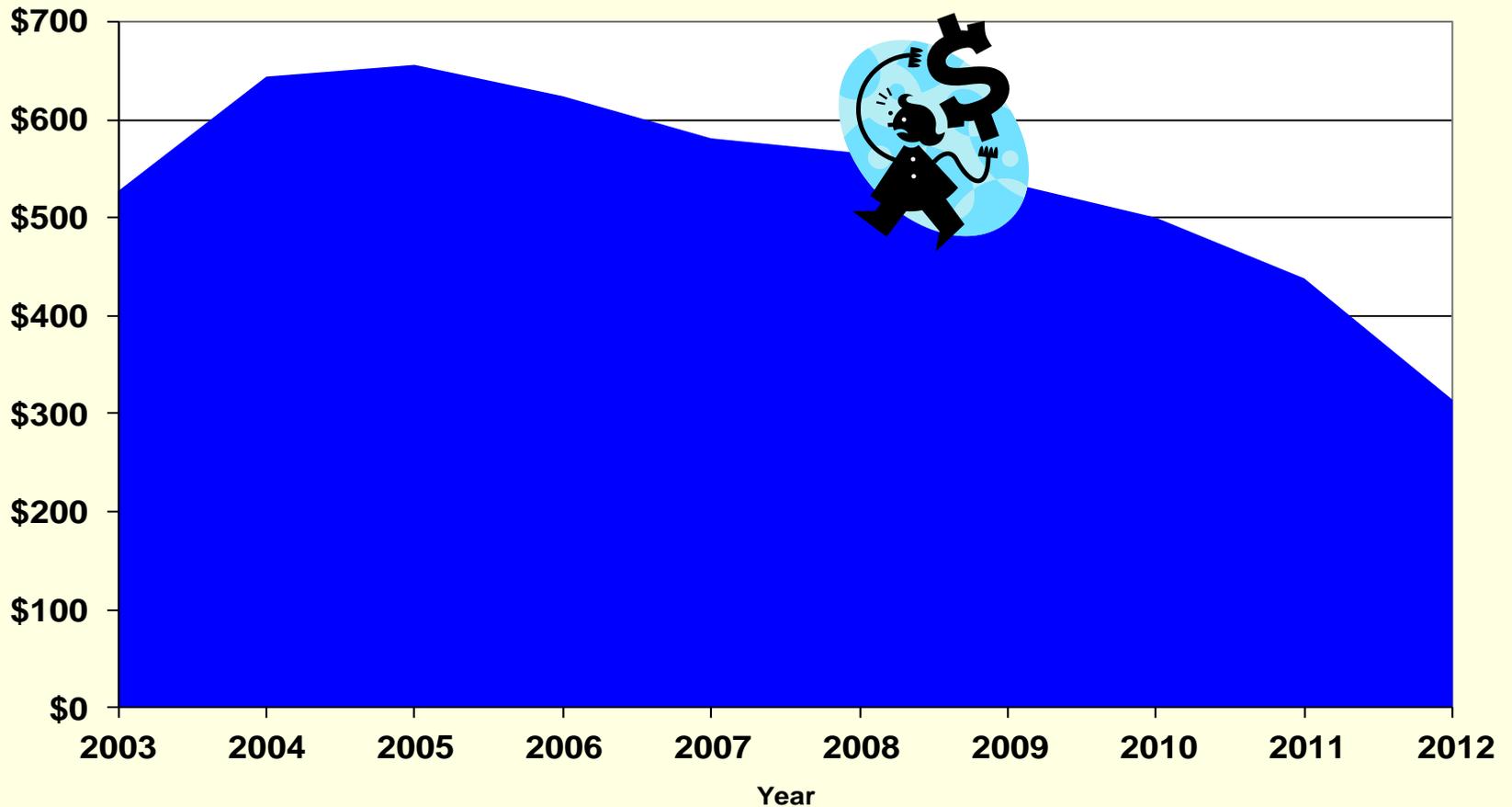


2010 – 2013 Budgeted Interest Expense Comparison

| Debt Type | 2010 | 2011 | 2012 | 2013 |
|---------------------------------------|------------------|------------------|------------------|------------------|
| Enterprise Funds | \$14.03 M | \$13.50 M | \$13.26 M | \$11.73 M |
| Convention Center | \$9.39 M | \$8.48 M | \$5.58 M | \$5.03 M |
| Tax increment | \$6.76 M | \$5.66 M | \$5.19 M | \$4.47 M |
| Library Referendum | \$5.28 M | \$5.01 M | \$3.52 M | \$2.57 M |
| Special Assessment | \$2.03 M | \$1.74 M | \$1.75 M | \$1.42 M |
| Net Debt Bonds | \$1.60 M | \$1.48 M | \$1.30 M | \$1.13 M |
| Internal Services | \$2.54 M | \$1.70 M | \$1.32 M | \$.89 M |
| Self Supporting | \$1.15 M | \$.51 M | \$.48 M | \$.43 M |
| Pension | \$4.60 M | \$4.55 M | \$2.75 M | \$0.00 |
| Total Interest Expense Budget | \$47.38 M | \$42.63 M | \$35.15 M | \$27.67 M |
| | | | | |
| Ave Interest Rate on Portfolio | 4.37 % | 4.34 % | 3.98 % | 3.62 % |

City of Minneapolis

Property Supported Debt Per Capita Debt (in dollars) 2003-2012



2012 Current Refunding Transactions

September 25th Refunding Bond Sale

| Type of Debt Refunded | Bond Call Amount | Interest Savings from refunding* |
|--|---------------------|----------------------------------|
| Tax Increment Bonds (2013 – 2026) | \$3,000,000 | \$1,165,584 |
| Parking Assessment Bonds (2013 – 2026) | \$22,060,000 | \$5,924,144 |
| Library Referendum Bonds (2013 – 2025) | \$29,100,000 | \$6,910,246 |
| Improvement Bonds (2013 – 2024) | \$4,600,000 | \$682,268 |
| Various Purpose Bonds (2013 – 2019) | \$1,500,000 | \$224,903 |
| Totals | \$60,260,000 | \$14,907,145 |

* NPV Savings = \$13,090,865 “in todays dollars”

Current Refunding Impacts

September 25th Refunding Bond Sale

| Debt Issue Refunded | Original 2013 Interest Expense | New 2013 Interest Expense | 2013 Interest Savings |
|--|---------------------------------------|----------------------------------|------------------------------|
| GO Parking Assessment Bonds, Series 2002 with \$22,060,000 total outstanding | \$1,106,438 | \$508,802 | \$597,636 |
| GO Library Referendum Bonds, Series 2002 and Series 2004 with \$29,100,000 total outstanding | \$1,406,875 | \$652,536 | \$754,339 |

Variable Rate Debt

- Current Variable Rate Debt = \$43.82 M ~ 5% of GO Debt.
- As of 1/3/12, all variable rate debt is held by US Bank and resets monthly based on the 1 month LIBOR Index plus a spread.
- Recent rates have been around .62%.
- This debt is almost exclusively Parking Ramp related and has helped with the financial performance of the Parking fund due to the low rates experienced.

Capital Program Progress

- Before and after pictures of recent capital projects as provided by my friends in the Public Works Department.
- Special thanks to Dale Folen from the Water Treatment and Distribution Services Division and Gayle Litchy from the Transportation Planning & Engineering Division.

Old Fridley Dewatering Plant

Pre Tornado



10

New Fridley Dewatering Plant

Post Tornado



Oct. 21, 2011

New Plant Thickeners



Old Plant Centrifuge Technology



New Plant Filter Press Technology



New Plant Filter Press Technology



Camden Bridge – under deck



Camden Bridge – side view



Camden Bridge – top side



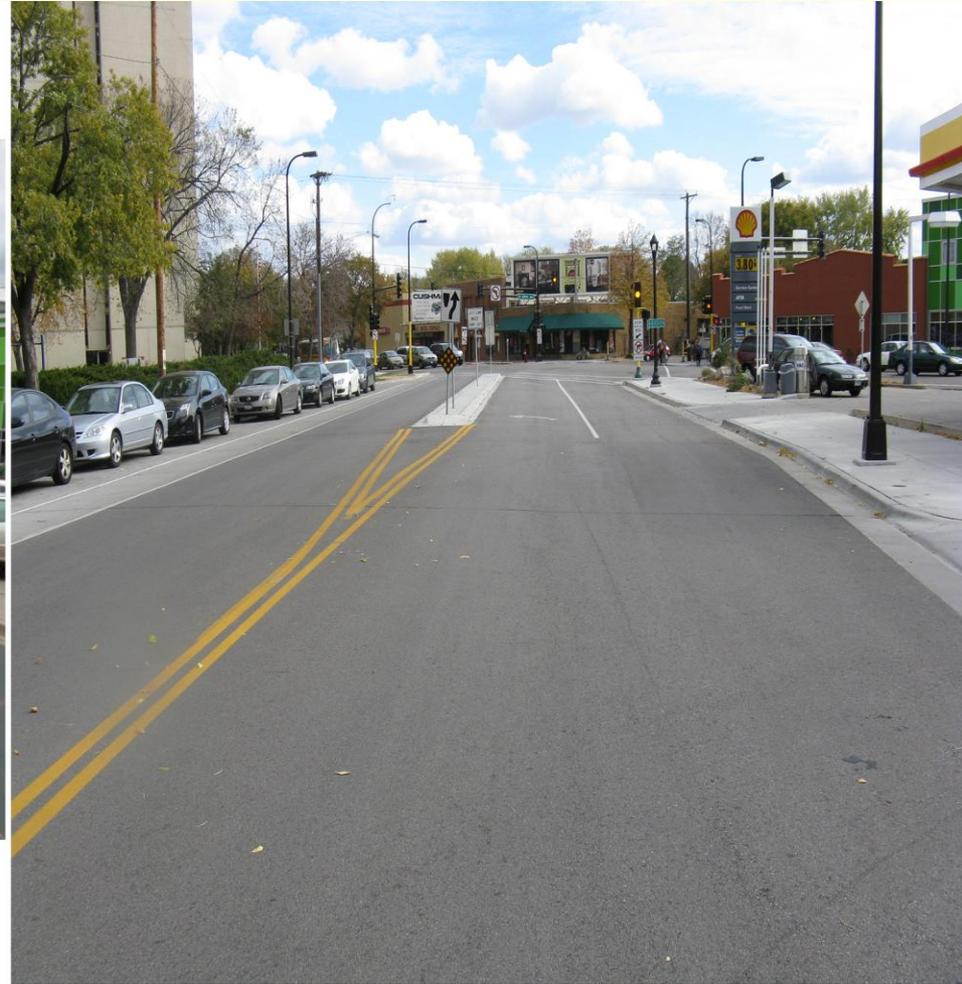
33rd Ave SE – 2011/2012 Program



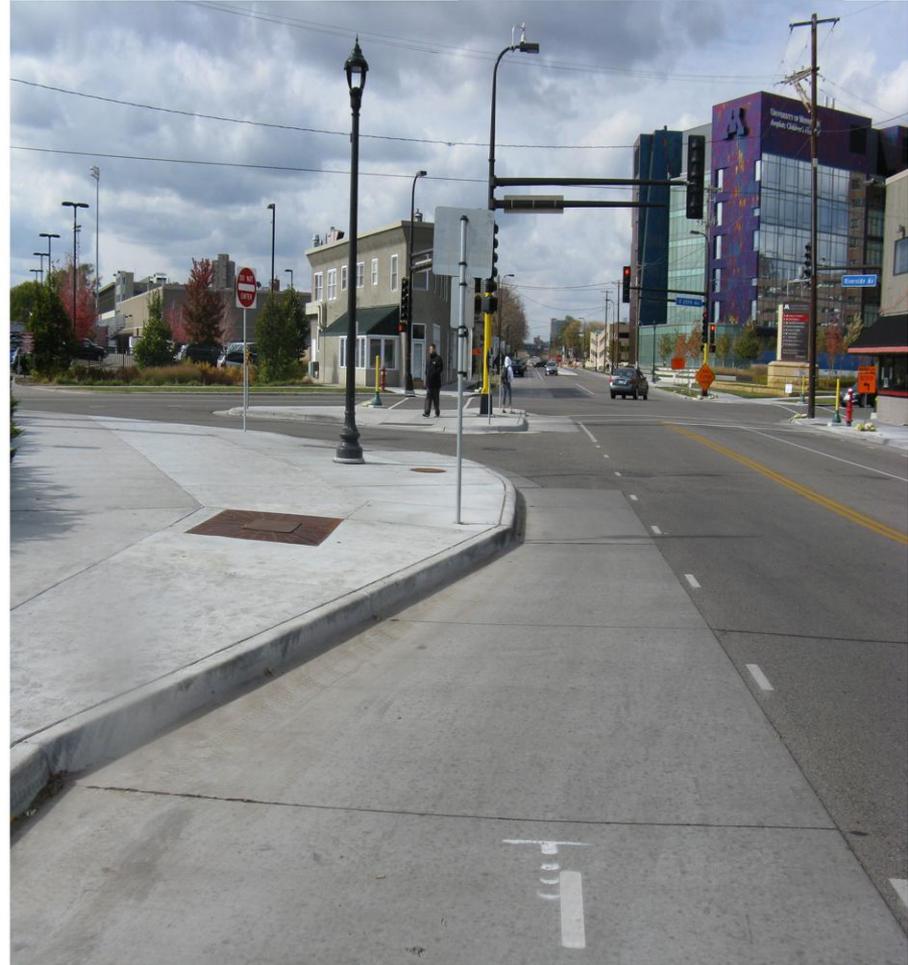
Talmage Ave – 2011/2012 Program



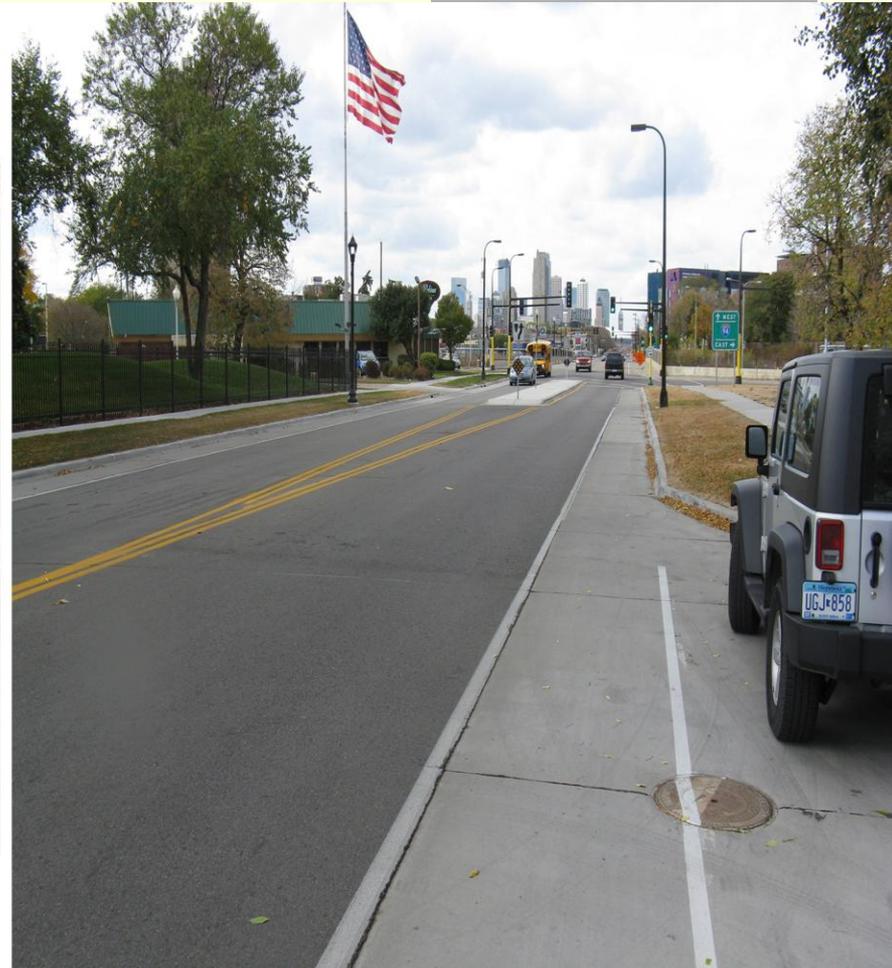
Riverside Ave – 2011/2012 Program



Riverside Ave – 2011/2012 Program



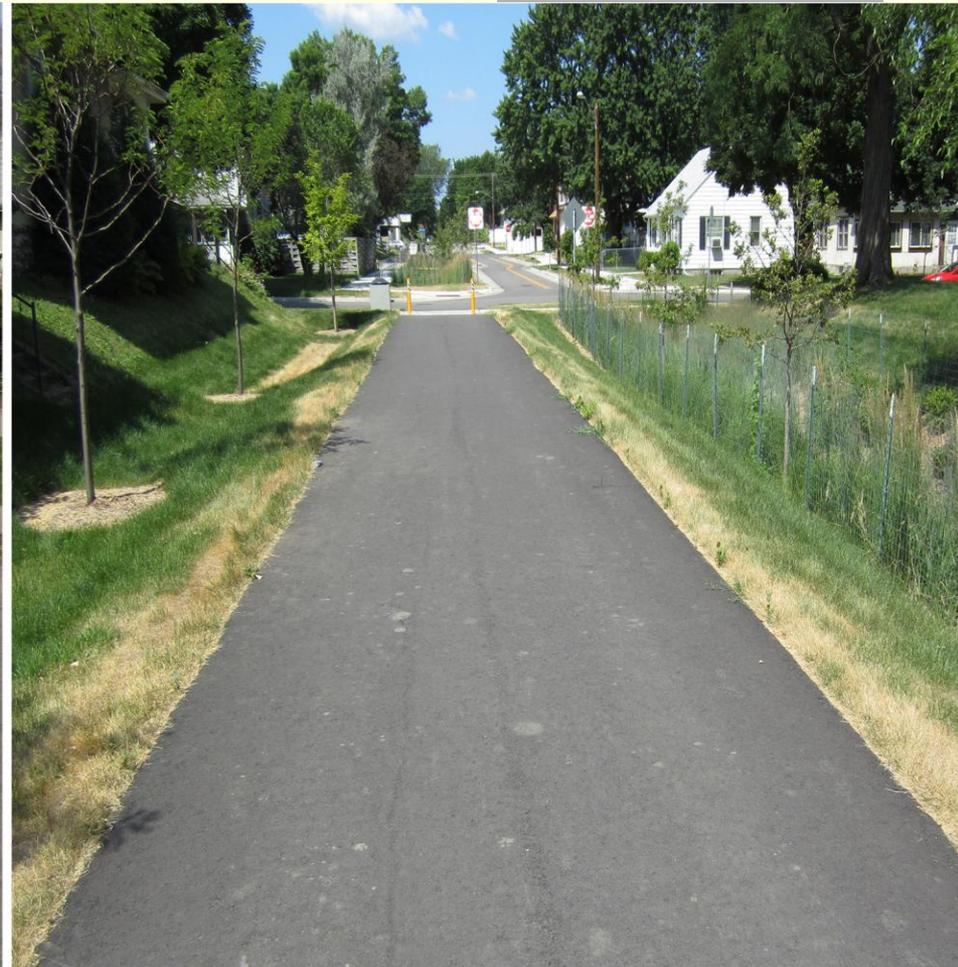
Riverside Ave – 2011/2012 Program



Riverside Ave – 2011/2012 Program



37th Ave N Greenway - 2011



37th Ave N Greenway - 2011



37th Ave N Greenway - 2011



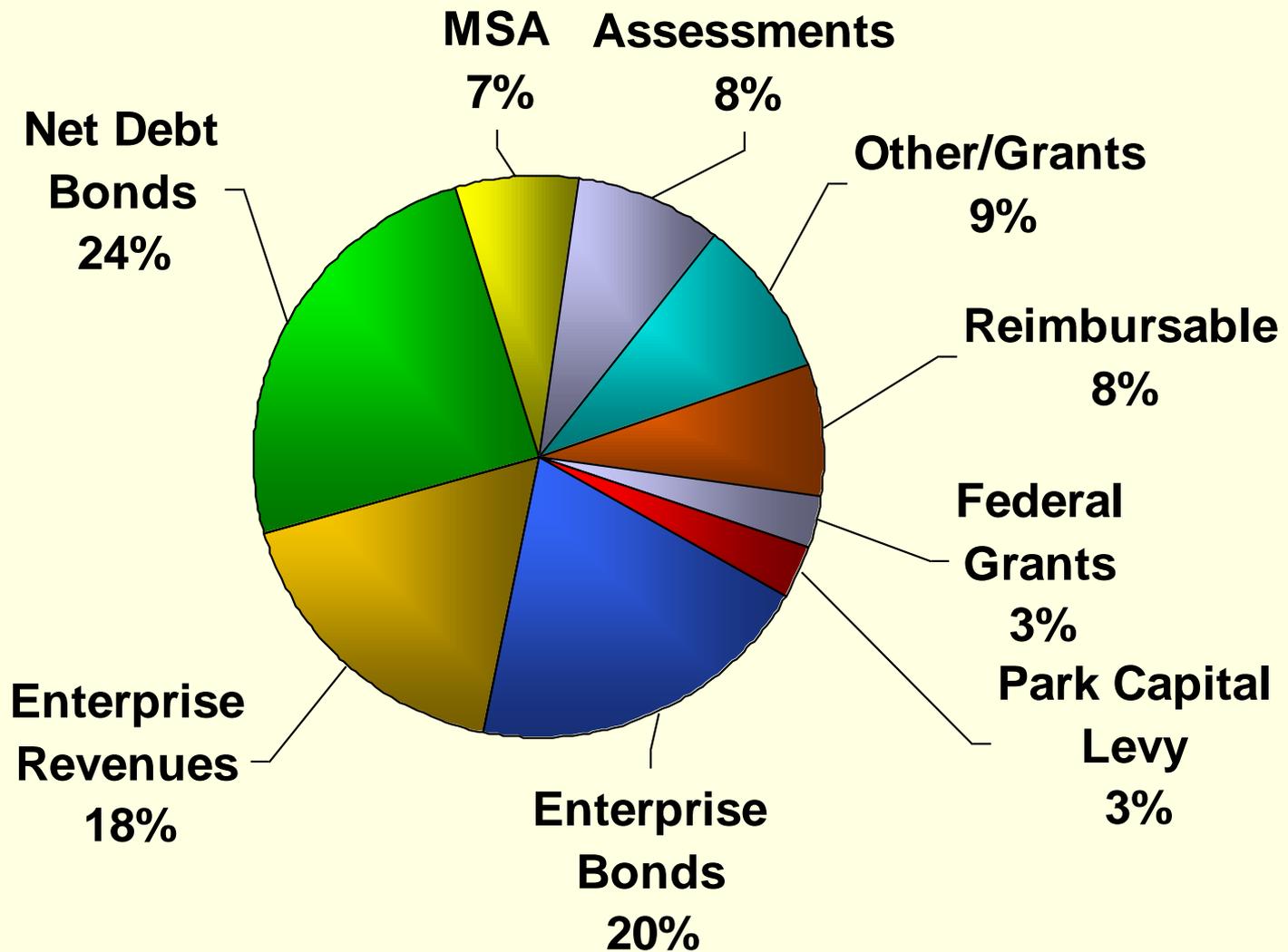
Mayor's Recommended 2013 - 2017 Five-Year Capital Investment Allocation \$605.1 M – pg. D14

| Commission/Board/Department | 5-Year Funding | % Total |
|-------------------------------|-------------------|---------------|
| Municipal Building Commission | \$6.67 M | 1.1% |
| Park Board | \$25.00 M | 4.1% |
| Public Works | \$539.70 M | 89.2% |
| Technology Projects | \$9.35 M | 1.6% |
| Miscellaneous Projects | \$24.35 M | 4.0% |
| Total | \$605.07 M | 100.0% |



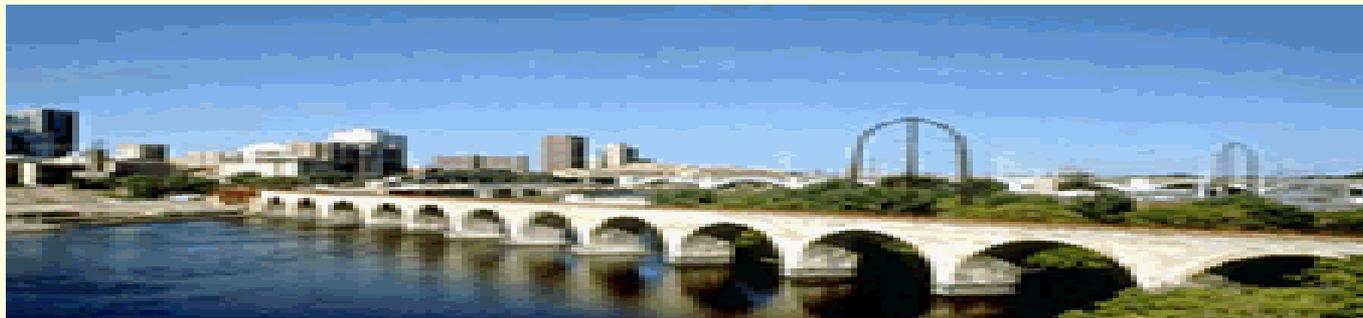
Funding Sources for Five-Year Capital Program

\$605.1 M – pg. D15



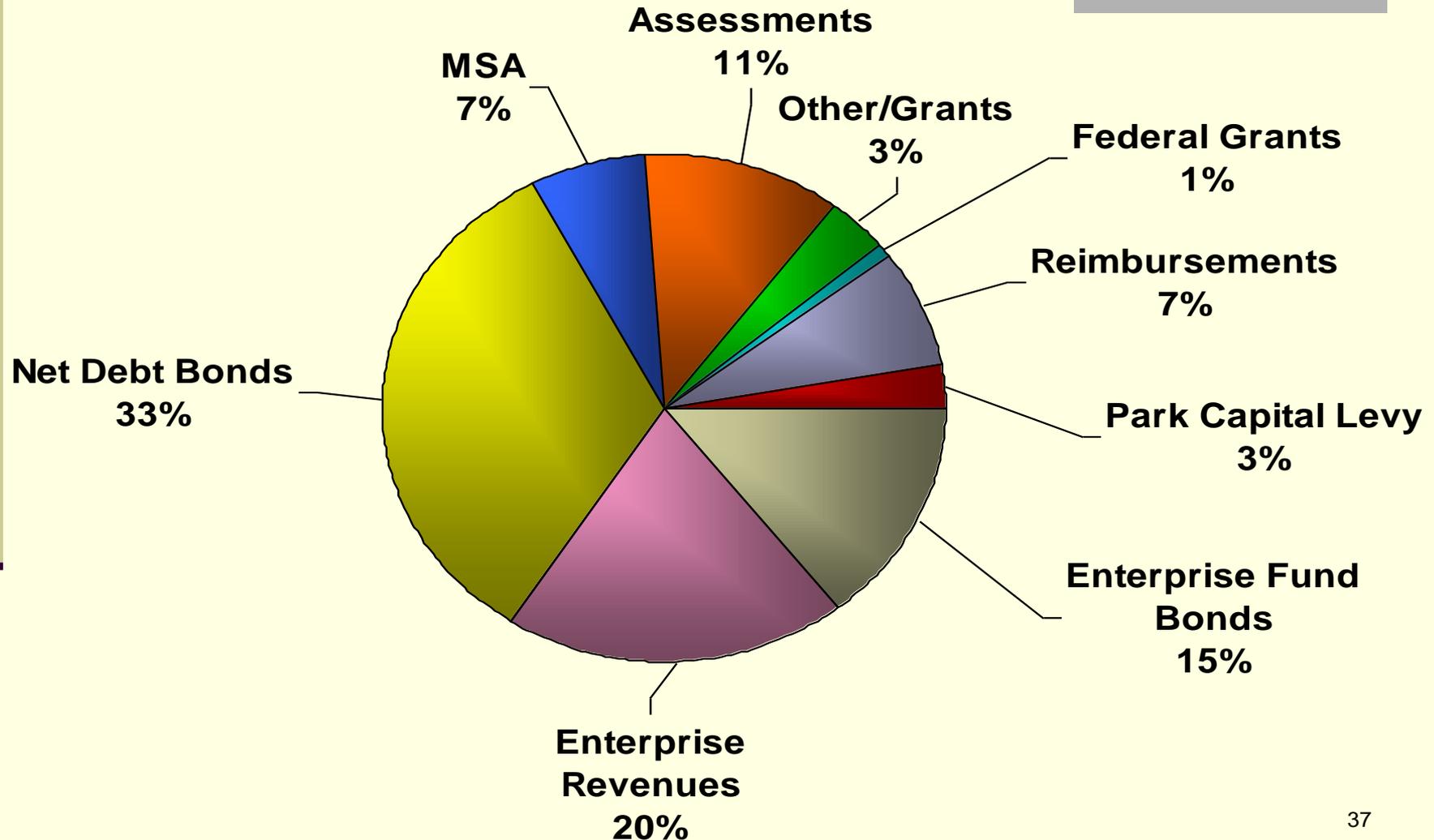
Mayor's Recommended 2013 Capital Investment Allocation \$121.4 M - pg. D14

| Commission/Board/Department | 2013 Funding | % Total |
|------------------------------------|---------------------|----------------|
| Municipal Building Commission | \$1.9 M | 1.6% |
| Park Board | \$7.8 M | 6.4% |
| Public Works | \$106.9 M | 88.0% |
| Technology Projects | \$1.1 M | 1.0% |
| Miscellaneous Projects | \$3.7 M | 3.0% |
| Total | \$121.4 M | 100.0% |

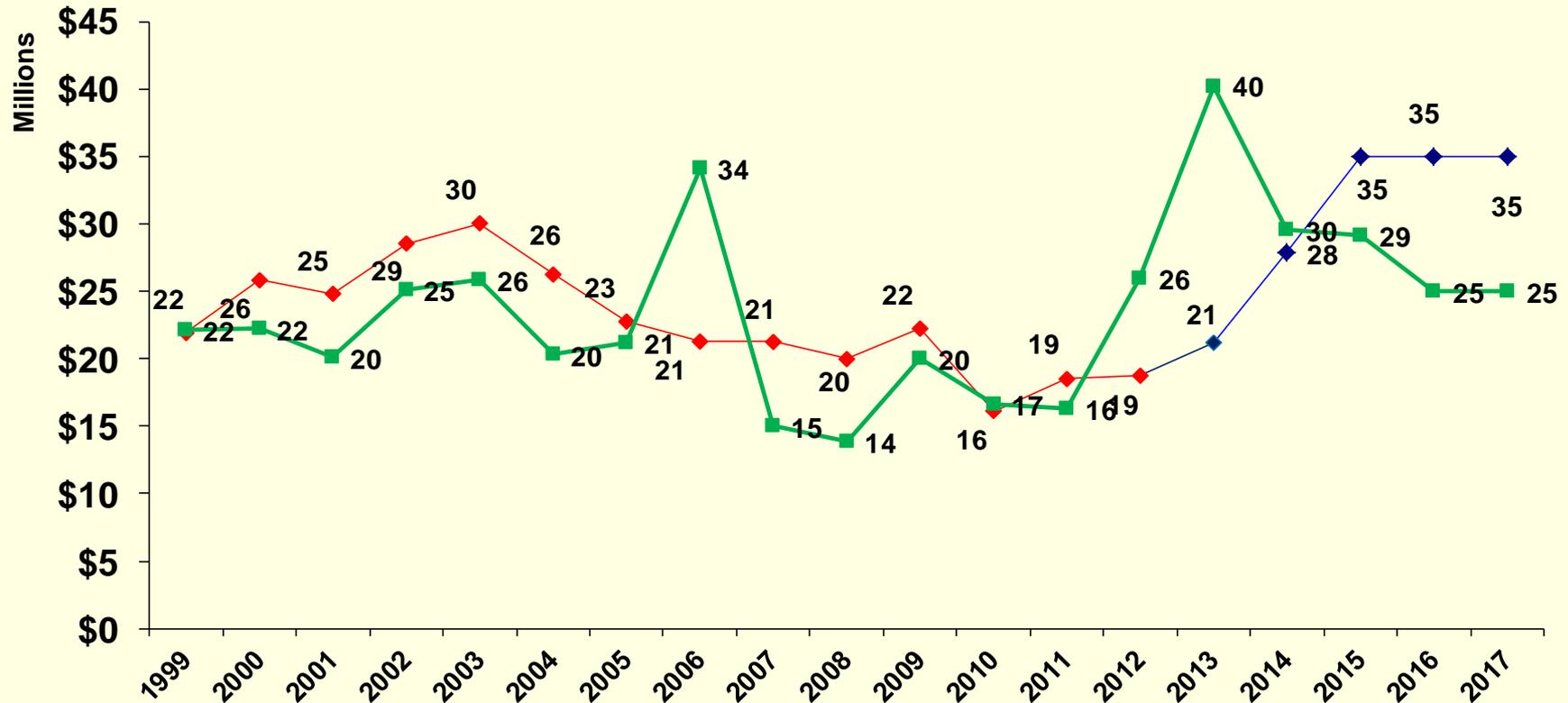


Funding Sources for 2013 Capital Program

\$121.4 M – pg. D15



Bond Redemption Levy 1999 – 2017



Adopted Levy

Projected Levy

Net Debt Spending

2013 Property Tax Supported CIP (Net Debt Bond Allocation) - pg. D18

| Commission/Board/Department | Mayor's Allocation | Change from CLIC |
|-------------------------------|--------------------|------------------|
| Municipal Building Commission | \$1.85 M | \$0.00 M |
| Park Board | \$5.00 M | \$0.00 M |
| Public Works | \$28.77 M | \$.82 M |
| Technology Projects | \$1.15 M | \$0.00 M |
| Miscellaneous Projects | \$3.47 M | -\$0.82 M |
| Total | \$40.24 M | \$0.00 M |



2013 Non-Property Tax Supported CIP

- pg. D15

| Funding Source Description | Mayor's Allocation | Change from CLIC |
|------------------------------------|---------------------------|-------------------------|
| Municipal State Aid | \$8.10 M | - |
| Assessments | \$13.66 M | -\$0.24 M |
| Parking Fund | \$1.70 M | - |
| Sanitary Sewer Fund | \$7.00 M | -\$0.20 M |
| Stormwater Fund | \$15.70 M | +\$0.20 M |
| Water Fund | \$17.15 M | - |
| Transfer From Special Revenue Fund | \$1.43 M | - |
| Other | \$16.46 M | -\$13.07 M |
| Total | \$81.20 M | -\$13.31 M |

Assessments – Decrease due to moving PV087 34th Ave S (54th St E to Minnehaha Pkwy)- \$345K to 2015 and adding \$105K to PV074 CSAH & MnDOT Cooperative Projects.

Sanitary/Storm Sewer – correction of funding source for PV061 High Volume Corridor Reconditioning Program.

Other - Decrease due to canceling 2013 portion of PV007 University Research Park/Central Corridor due to timing and funding complications.

2013 - 2017 CIP

Municipal Building Commission

\$6.7 M - pg. D19

| Project | Mayor's 2013 | Mayor's 5 yr | CLIC's 5 yr |
|--|-----------------|-----------------|-----------------|
| Life Safety Improvements | \$0.34 M | \$1.16 M | \$1.16 M |
| Mechanical Systems Upgrade | \$0.67 M | \$2.69 M | \$2.69 M |
| MBC Elevators | \$0.00 M | \$0.20 M | \$0.20 M |
| Clock Tower Upgrade | \$0.84 M | \$0.84 M | \$0.84 M |
| Critical Power Capital Project | \$0.00 M | \$1.32 M* | \$1.96 M |
| Exterior Improvements | \$0.00 M | \$0.46 M | \$0.46 M |
| Restoration of Historic Reception Room | \$0.00 M | \$0.00 M | \$0.00 M |
| Total | \$1.85 M | \$6.67 M | \$7.31 M |
| *Mayor reduced Critical Power Capital Project by \$640K in 2016. | | | |



2013 - 2017 CIP

Park Board

\$25.0 M – pg. D19

| Projects | Mayor's 2013 | Mayor's 5 yr | CLIC's 5 yr |
|---|-----------------|-----------------|-----------------|
| Recreation Center and Site Improvements Program | \$0.3 M | \$0.8 M | \$0.8 M |
| Playground and Site Improvements Program | \$0.8 M | \$4.8 M | \$4.8 M |
| Shelter – Pool – Site Improvements Program | \$2.5 M | \$6.0 M | \$6.0 M |
| Athletic Fields and Site Improvements Program | \$0.9 M | \$2.3 M | \$2.3 M |
| Community Service Area Improvement Program | \$1.0 M | \$2.5 M | \$2.5 M |
| Bossen Park Field Improvements | \$0.0 M | \$3.8 M | \$3.8 M |
| Northeast Park Building Improvements | \$1.9 M | \$1.9 M | \$1.9 M |
| Neighborhood Parks Capital Infrastructure | \$0.1 M | \$1.4 M | \$1.4 M |
| Diseased Tree Removal | \$0.3 M | \$1.5 M | \$1.5 M |
| Total | \$7.8 M | \$25.0 M | \$25.0 M |
| * Mayor made no changes from CLIC. | | | |



2013 - 2017 CIP

Public Works Department

\$539.7 M – pg. D19 - D20

The top ten total \$243.1 M or 45% of the five-year Public Works capital program

| Top Ten PW Projects in the 5-Year CIP Program | Mayor's 2013 | Mayor's 5 yr |
|--|---------------------|-------------------------|
| Storm Drains and Tunnels Rehabilitation Program | \$10.0 M | \$48.8 M |
| Fridley Filter Plant Rehabilitation | \$2.7 M | \$36.9 M |
| Water Distribution Improvements | \$6.5 M | \$34.5 M |
| Treatment Infrastructure Improvements | \$4.5 M | \$25.2 M |
| Sanitary Tunnel & Sewer Rehabilitation Program | \$5.0 M | \$20.5 M |
| Defective Hazardous Sidewalks | \$3.2 M | \$17.6 M |
| University Research Park/Central Corridor | \$0.0 M | \$17.1 M |
| High Volume Corridor Reconditioning Program | \$5.6 M | \$14.9 M |
| Flood Mitigation with Alternative Stormwater Mgmt | \$2.0 M | \$14.0 M |
| Penn Ave S (50 th to Crosstown) | \$8.2 M | \$13.6 M |
| Total | \$47.7 M | \$243.1 M |

2013 - 2017 CIP

BIS Technology Projects

\$9.4 M – pg. D20



| Project | Mayor's 2013 | Mayor's 5 yr | CLIC's 5 yr |
|---|-----------------|-----------------|----------------|
| Enterprise Content Management | \$0.35 M | \$1.25 M | \$1.25 M |
| Enterprise Infrastructure Modernization | \$0.25 M | \$2.35 M* | \$2.75 M |
| Police Report Management System Upgrade | \$0.35 M | \$5.35 M | \$5.35 M |
| Minneapolis Information Commons | \$0.20 M | \$0.40 M* | \$0.0 M |
| Total | | | |
| * Mayor shifted \$400K from Enterprise Infrastructure Modernization to Minneapolis Information Commons. | \$1.15 M | \$9.35 M | \$9.35 M |



2013 - 2017 CIP

Miscellaneous Projects

\$24.35 M – pg. D20 – D21

| Project | Mayor's 2013 | CLIC's 2013 | Mayor's 5 yr | CLIC's 5 yr |
|---|-----------------|-----------------|------------------|------------------|
| 311 Systems Refresh | \$0.24 M | \$0.23 M | \$0.47 M | \$0.46 M |
| 911 Telephone System Replacement | \$0.10 M | \$0.10 M | \$2.05 M | \$2.05 M |
| Art in Public Places ¹ | \$0.60 M | \$0.80 M | \$2.23 M | \$2.98 M |
| City Property Reforestation | \$0.15 M | \$0.15 M | \$0.75 M | \$0.75 M |
| New Fire Station No. 11 | \$0.00 M | \$0.00 M | \$5.73 M | \$5.73 M |
| Hamilton School Acquisition & Facility Improvement ² | \$0.00 M | \$0.68 M | \$0.00 M | \$1.80 M |
| Facilities – Repair and Improvements | \$0.83 M | \$0.83 M | \$6.02 M | \$6.02 M |
| Facilities – Space Improvements | \$1.00 M | \$1.00 M | \$4.25 M | \$4.25 M |
| Energy Conservation and Emission Reduction | \$0.25 M | \$0.25 M | \$2.00 M | \$2.00 M |
| Pioneers & Soldiers Cemetery Fencing – Phase II | \$0.50 M | \$0.50 M | \$0.80 M | \$0.80 M |
| Farmer's Market Improvements ³ | \$0.05 M | \$0.00 M | \$0.05 M | \$0.00 M |
| Totals | \$3.72 M | \$4.54 M | \$24.35 M | \$26.84 M |

1. **Art in Public Places** - Mayor reduced from 2% of NDB (\$149 M) to 1.5% for all years.

2. **Hamilton School Acquisition & Facility Improvement** - Mayor took project out.

3. **Farmer's Market Improvements** - Mayor added project.

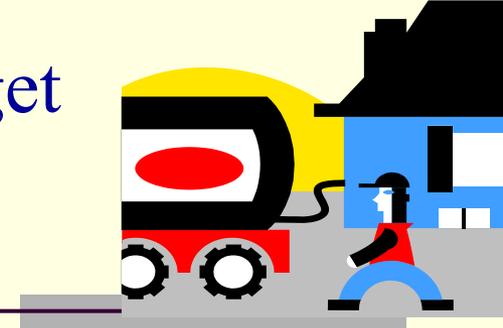
2013 Utility Rates

- Public Works Enterprises
 - Sanitary Sewer
 - Stormwater
 - Water
 - Solid Waste

Mayor's Recommended 2013 Budget

Sanitary Sewer Utility Rates

Average Bills and Revenue



| Recommended Rates for Average Households | | | | |
|--|------------|--|--|---------------------------------------|
| Year | Fixed Rate | 2013 Proposed Rate per unit (100 Cubic feet) | Proposed % increase year to year on usage only | Cost per Month for average household* |
| 2012 | \$3.00 | \$3.05 | | \$21.30 |
| 2013 | \$3.00 | \$3.14 | 3.0 % | \$21.84 |
| 2014 | \$3.00 | \$3.24 | 3.2 % | \$22.44 |
| 2015 | \$3.00 | \$3.34 | 3.1 % | \$23.04 |
| 2016 | \$3.00 | \$3.44 | 3.0 % | \$23.64 |
| 2017 | \$4.00 | \$3.44 | 0.0 % | \$24.64 |

*** Assumes 5/8" meter and 6 units of Sanitary Sewer usage – pg D30**

Mayor's Recommended 2013 Budget

Stormwater Rates

Average Bills and Revenue



| Recommended Rates for Average Households | | | |
|---|--|--|-------------------|
| Year | Rate / ESU (Equivalent Stormwater Unit) = 1,530 square feet of impervious surface | Cost per Month for average household* | % increase |
| 2012 | \$11.70 | \$11.70 | |
| 2013 | \$11.82 | \$11.82 | 1.0 % |
| 2014 | \$11.94 | \$11.94 | 1.0 % |
| 2015 | \$12.06 | \$12.06 | 1.0 % |
| 2016 | \$12.22 | \$12.22 | 1.3 % |
| 2017 | \$12.38 | \$12.38 | 1.3 % |

* Average household is 1 ESU – pg D30



Mayor's Recommended 2013 Budget

Water Utility Rates

Monthly Cost for Average Consumer

| Recommended Rates for Average Households | | | | |
|---|-------------------|---|---|--|
| Year | Fixed Rate | 2013 Proposed Rate per unit (100 cubic feet) | Proposed % increase year to year on usage only | Cost per Month for average household* |
| 2012 | \$2.00 | \$3.20 | | \$27.60 |
| 2013 | \$2.00 | \$3.29 | 2.8 % | \$28.32 |
| 2014 | \$2.00 | \$3.38 | 2.7 % | \$29.04 |
| 2015 | \$2.00 | \$3.48 | 3.0 % | \$29.84 |
| 2016 | \$2.00 | \$3.58 | 2.9 % | \$30.64 |
| 2017 | \$4.00 | \$3.58 | 0.0 % | \$32.64 |

*** Assumes 5/8" meter connection and 8 units of water – pg D30**

Mayor's Recommended 2013 Budget Combined Utility Bill

Monthly Cost for Average Consumer

pg. D30



| Year | 2012 | 2013 Recomm. | Dollar Change | Percent Change* |
|----------------|----------------|-----------------|------------------|--------------------|
| Sanitary Sewer | \$21.30 | \$21.84 | \$0.54 | 2.5% |
| Stormwater | \$11.70 | \$11.82 | \$0.12 | 1.0% |
| Water | \$27.60 | \$28.32 | \$0.72 | 2.6% |
| Solid Waste | \$22.00 | \$22.00 | \$0.00 | 0.0% |
| Total | \$82.60 | \$83.98 | \$1.38 | 1.7% |

* Assumes average usage and no changes in fixed based fees

Operating Cost Implications

- Exceedingly important as budgets are cut!
- Estimated for all capital proposals but not added to or subtracted from Operating Budgets
- CLIC Proposals score best when they save on operating costs after a capital expenditure
- Challenging, if not impossible, to accurately estimate
- Departments need to manage operating cost implications within existing operating budgets
- System rewards maintaining existing infrastructure versus creating new, especially when there are no new revenue sources to cover operating cost increases

2012 Important Budget Dates

- November 30, 6:05 p.m. Public Comment on Levy and Budget
- December 12, 6:05 p.m. Public Comment on Budget and Budget Adoption for 2013

Questions/Conclusions?

If you have any follow up questions, contact:

Michael Abeln

Director of Capital & Debt Management

“The Debt Guy”

at 612-673-3496

Thanks for your participation!