

Debt Overview & Capital Improvement Program For Years 2015 – 2019

Capital Program found on pages G1 – G48 in budget book

Presentation to the Ways and Means Committee
September 8, 2014

Agenda

- Review of Key Terms
- Debt Service Statistics and 2015 Budget
- Recent Capital Program Progress
- 2015 – 2019 Capital Improvement Program
- Conclusion

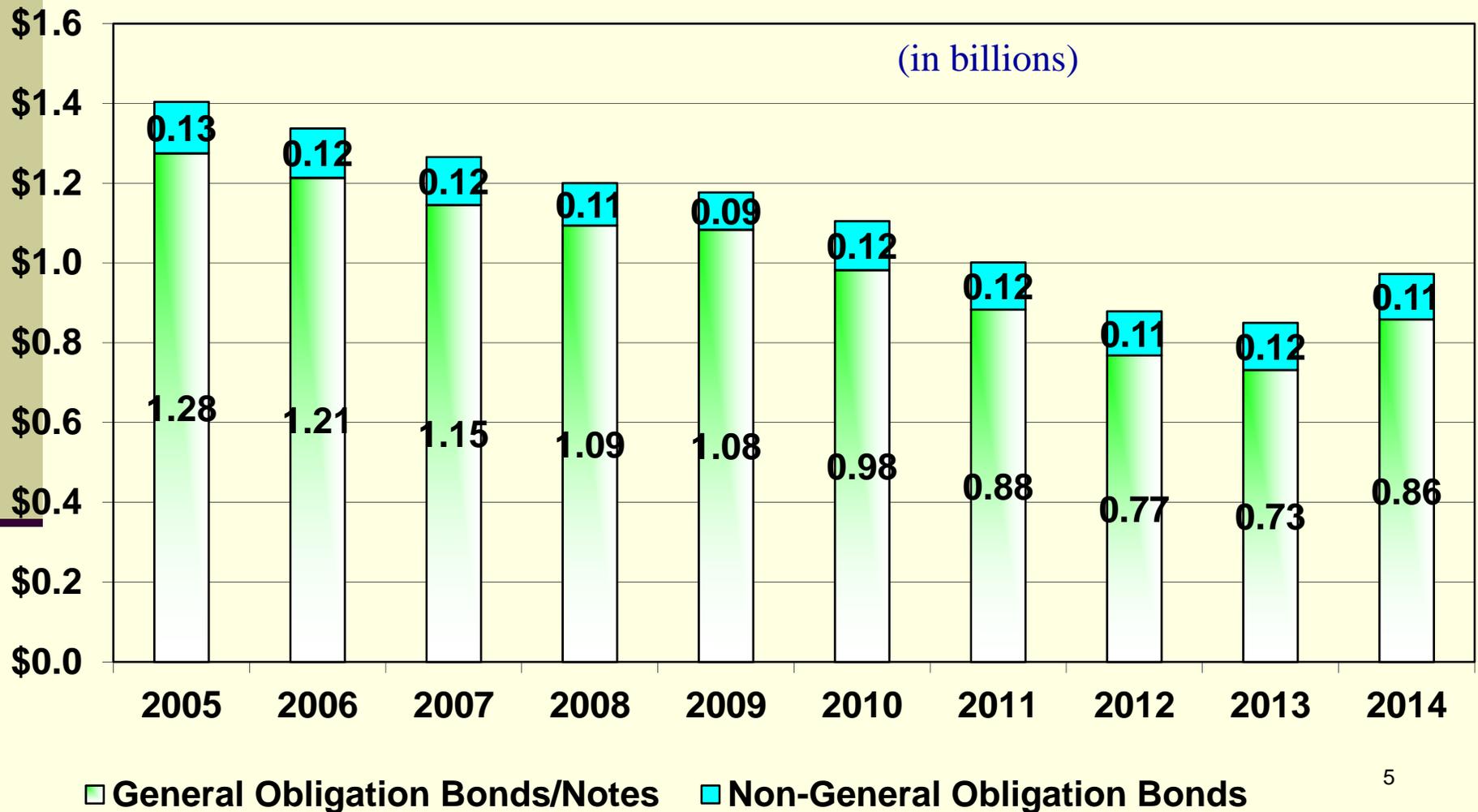
Review of Key Terms

- **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 2013, legal debt margin was \$1.1 B and usage was \$.16 B, leaving \$.95 B of "capacity to issue"
- In the last decade, the City has made great strides in improving our "capacity to pay" by paying off debt.
- "Capacity to pay" is more important than "Capacity to issue"

Estimated Outstanding Debt (includes 2014 bonds still to be issued) Year Ending 2005 to 2014

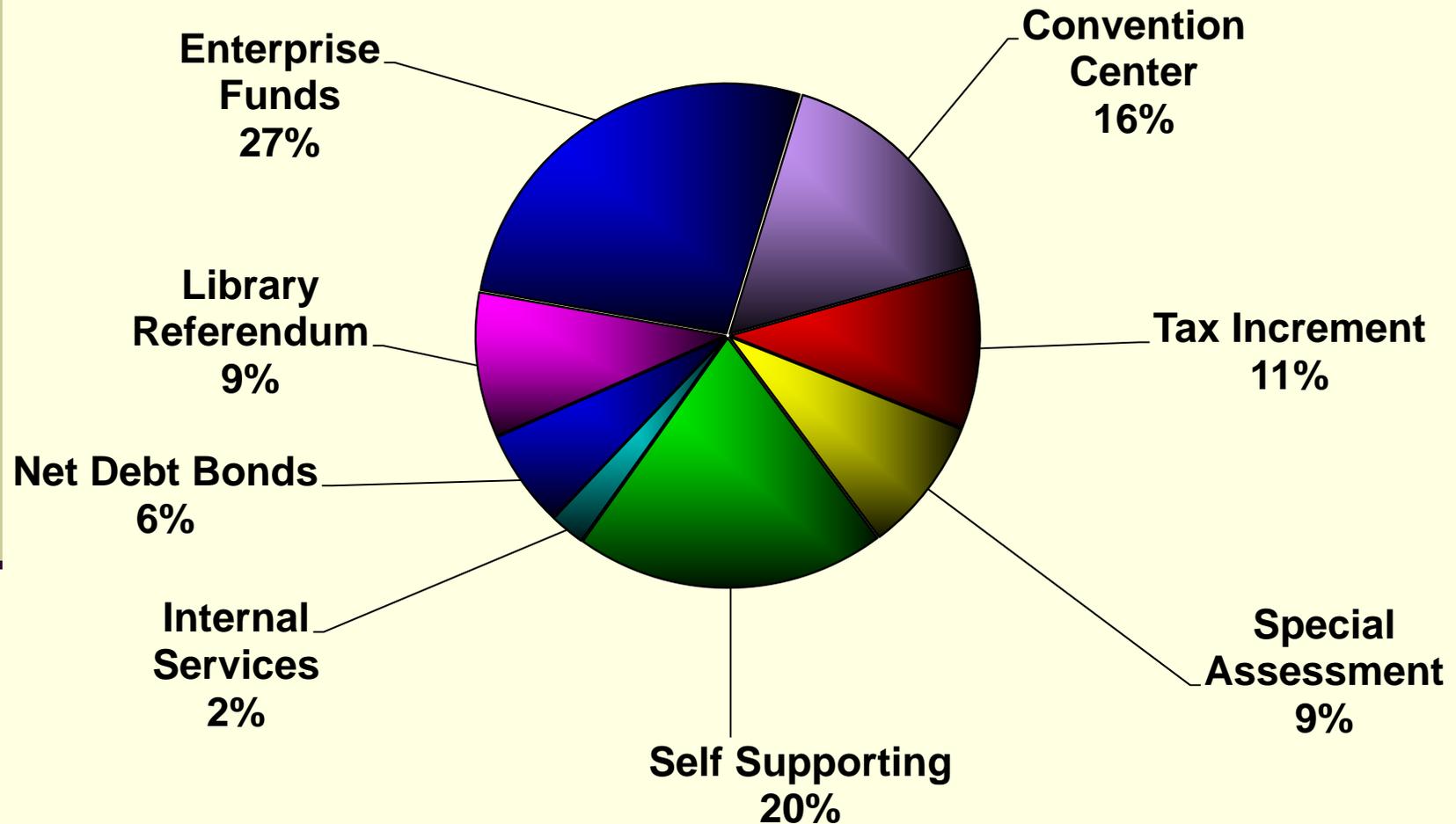


12/31/2014 Estimated GO Debt Outstanding

Debt Type with 2004 Peak Debt Balances*	12/31/14 Balances**	Change from 2004
Enterprise Funds - \$407.28 M	\$231.50 M	(\$175.78) M
Convention Center - \$244.09 M	\$136.30 M	(\$107.79) M
Tax Increment - \$206.31 M	\$89.54 M	(\$116.77) M
Special Assessment - \$49.30 M	\$75.07 M	\$25.77 M
Other Self Supporting - \$22.70 M	\$172.47 M	\$149.77 M
Internal Service Funds - \$101.16 M	\$19.41 M	(\$81.75) M
Library Referendum - \$93.40 M	\$80.41 M	(\$12.99) M
Net Debt Bonds - \$56.85 M	\$54.05 M	(\$2.80) M
Pension - \$117.87 M	\$0.00 M	(\$117.87) M
Total GO 2004 vs 2014 \$1,298.96 M	\$858.75 M	(440.21) M
<ul style="list-style-type: none"> • Peak GO Debt in 2004, 1996 was \$766 M <p>** Includes an additional \$168 M for 2014 issuances for NDB/Assmts, Water, Nicollet Mall Assmts and Target Center</p>		

Estimated Outstanding Principal @ 12/31/14

\$858.75 M

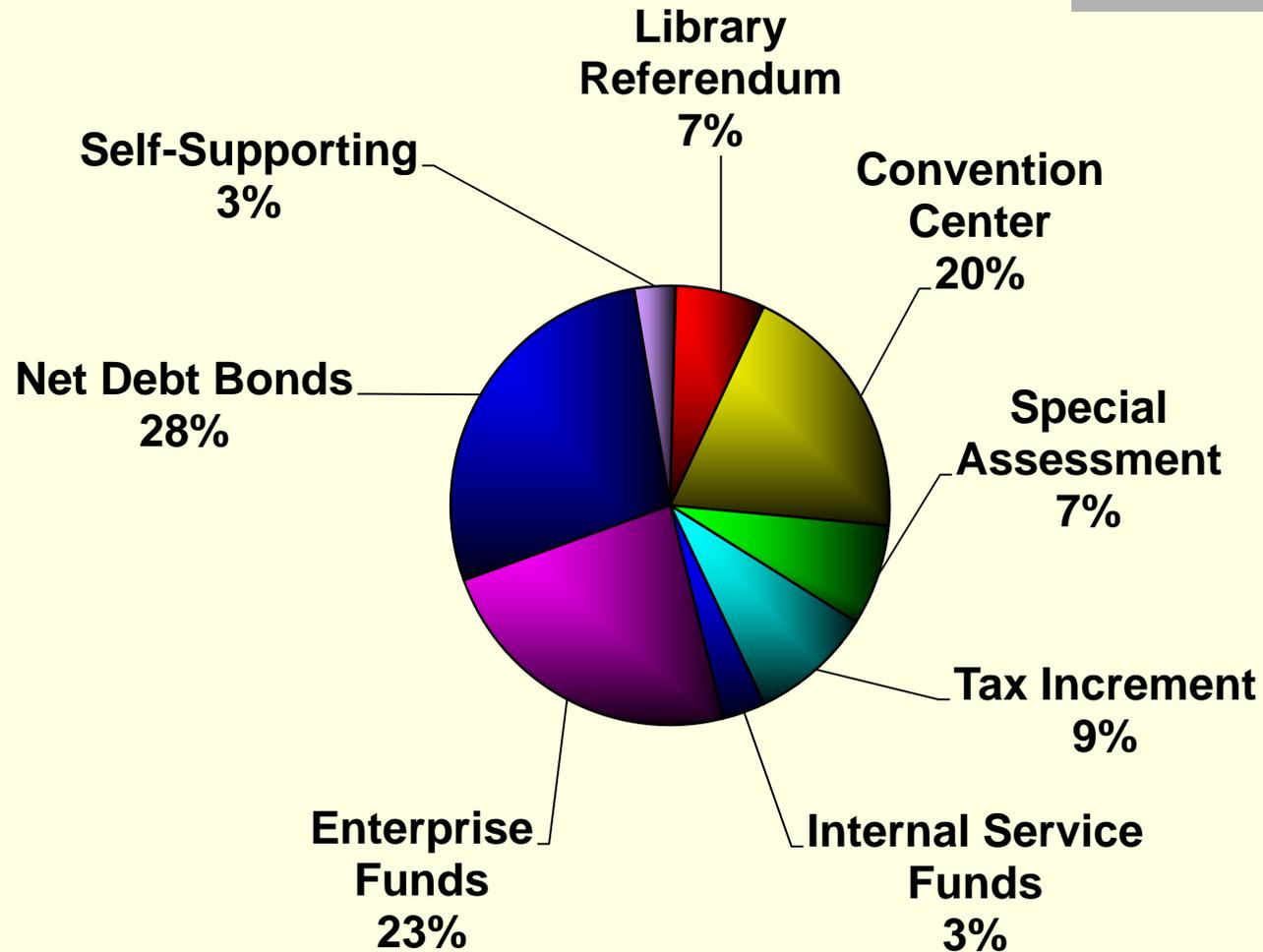


2015 Debt Service Budget

(Based on estimated 12/31/14 Debt Outstanding)

Debt Type	Principal	Interest	Total
Enterprise Funds	\$19.98 M	\$9.41 M	\$29.39 M
Convention Center	\$20.25 M	\$4.25 M	\$24.50 M
Net Debt Bonds	\$34.22 M	\$.96 M	\$35.18 M
Tax Increment	\$7.45 M	\$3.67 M	\$11.12 M
Library Referendum	\$6.66 M	\$1.66 M	\$8.32 M
Special Assessment	\$8.01 M	\$1.36 M	\$9.37 M
Internal Services	\$3.40 M	\$.58 M	\$ 3.98 M
Self Supporting	\$.75 M	\$3.31 M	\$4.06 M
Total Debt Service Budget	\$100.72 M	\$25.20 M	\$125.92 M
	80% Principal	20% Interest	

2015 Debt Service Budget \$125.92 M

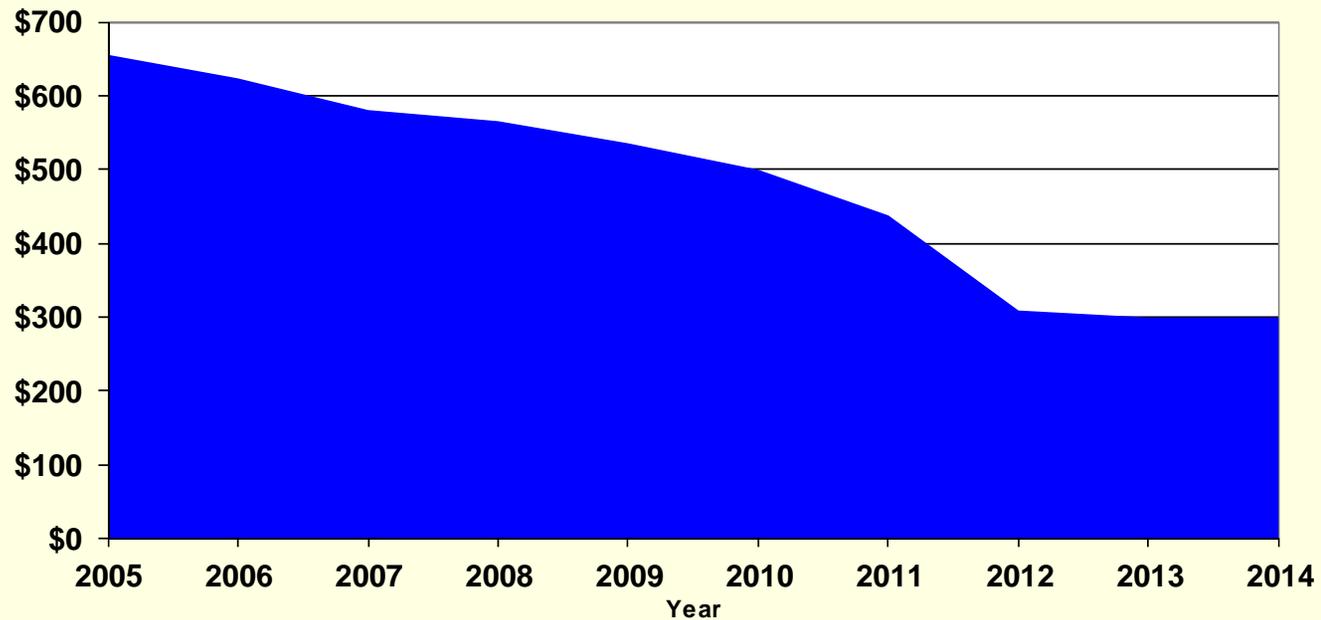


2012 – 2015 Budgeted Interest Expense Comparison

Debt Type	2012	2013	2014	2015
Enterprise Funds	\$12.60 M	\$11.29 M	\$10.90 M	\$9.41 M
Convention Center	\$5.34 M	\$5.03 M	\$4.66 M	\$4.25 M
Tax increment	\$5.19 M	\$4.47 M	\$4.20 M	\$3.67 M
Library Referendum	\$3.52 M	\$2.57 M	\$1.81 M	\$1.66 M
Special Assessment	\$1.56 M	\$1.54 M	\$1.56 M	\$1.36 M
Net Debt Bonds	\$1.30 M	\$1.13 M	\$.96 M	\$.96 M
Internal Services	\$1.17 M	\$.69 M	\$.70 M	\$.58 M
Self Supporting	\$.48 M	\$.43 M	\$.67 M	\$3.31 M
Total Interest Expense Budget	\$31.16 M	\$27.15 M	\$25.46 M	\$25.20 M
Ave Interest Rate	3.53 %	3.53 %	3.48 %	3.44 %

City of Minneapolis

Property Tax Supported Debt Per Capita Debt (in dollars) 2005-2014



2014 Current Refunding Transaction

November Refunding Bond Sale??

Type of Debt Refunded	Bond Call Amount	Estimated Interest Savings from refunding*
2005 Improvement Bonds (2015 – 2026)	\$1,890,000	\$245,000
* - Approximately ½ of future interest cost		

Variable Rate Debt

- Current Variable Rate Debt = \$43.10 M ~ 5% of GO Debt.
- 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 .59%.
- This debt is primarily Parking Ramp related and has helped with the financial performance of the Parking fund due to the low rates experienced.

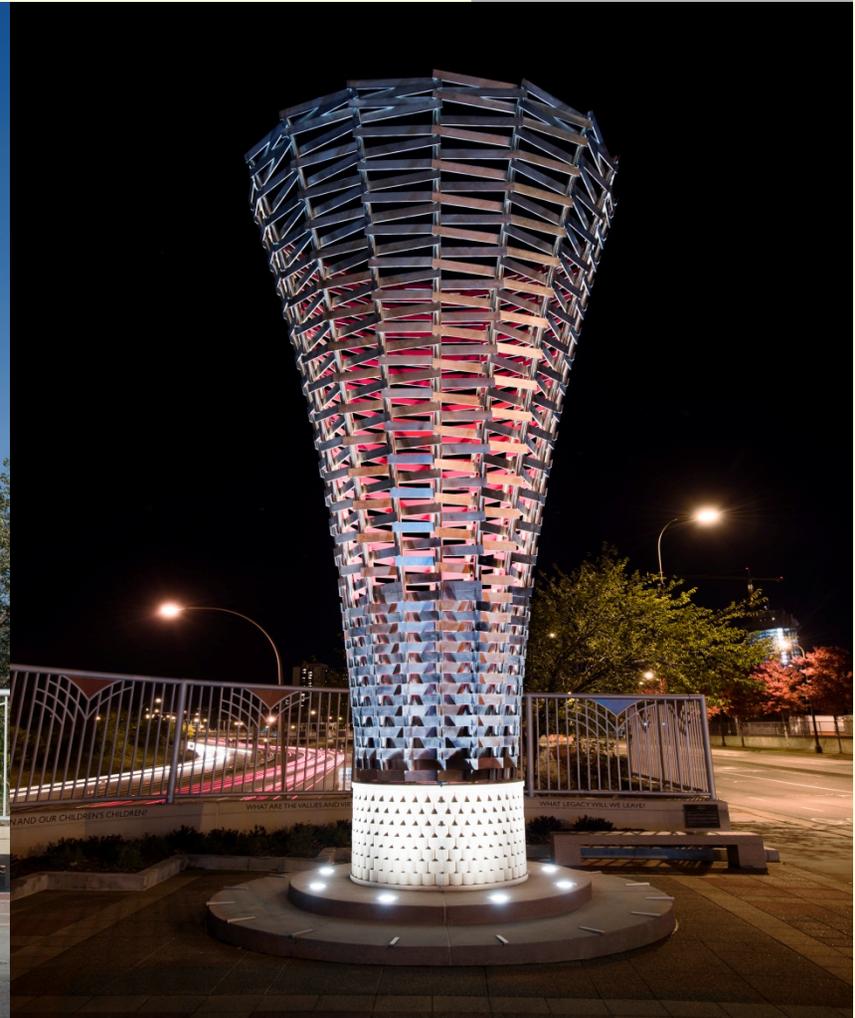
Capital Program Progress

- Before and after pictures of recent capital projects provided by my friends in CPED and Public Works Department.
- Special thanks to Mary Altman from CPED, Dale Folen from Water, Kelly Moriarity and Joe Klejwa from Storm Sewers.

3rd Ave S Bridge Plaza Before Art Improvement



Beacon – dedicated to Mayor Sharon Sayles Belton After Art Improvement



Oaks Station Place – 46th and Hiawatha Before Art Improvement



Luminous in Summer After Art Improvement



Luminous in Winter After Art Improvement



1200 Lake Street Before Art Improvement



Plaza Centenario with Emiliano Zapata After Art Improvement



Emiliano Zapata – lying on his back After Art Improvement



Water – Ammonia Tanks Outside Before Improvement



Water – Ammonia Tanks Inside Before Improvement



Water – New Ammonia Handling Bldg After Improvement



Water – New Ammonia Handling Bldg After Improvement



Water – New Ammonia Handling Equip After Improvement



Water – New Ammonia Handling Equip After Improvement



Sewer/Paving – 8th St & Riverside Before Improvement



Sewer/Paving – 8th St & Riverside During Improvement



Sewer/Paving – 8th St & Riverside After Improvement



10th Avenue Storm Tunnel Outlet Before Improvement



10th Avenue Storm Tunnel Outlet Before Improvement



10th Avenue Storm Tunnel Outlet Before Improvement



10th Avenue Storm Tunnel Outlet During Improvement



10th Avenue Storm Tunnel Outlet During Improvement



10th Avenue Storm Tunnel Outlet During Improvement



10th Avenue Storm Tunnel Outlet During Improvement



10th Avenue Storm Tunnel Outlet During Improvement



10th Avenue Storm Tunnel Outlet During Improvement



10th Ave S Storm Tunnel Outlet After Improvement



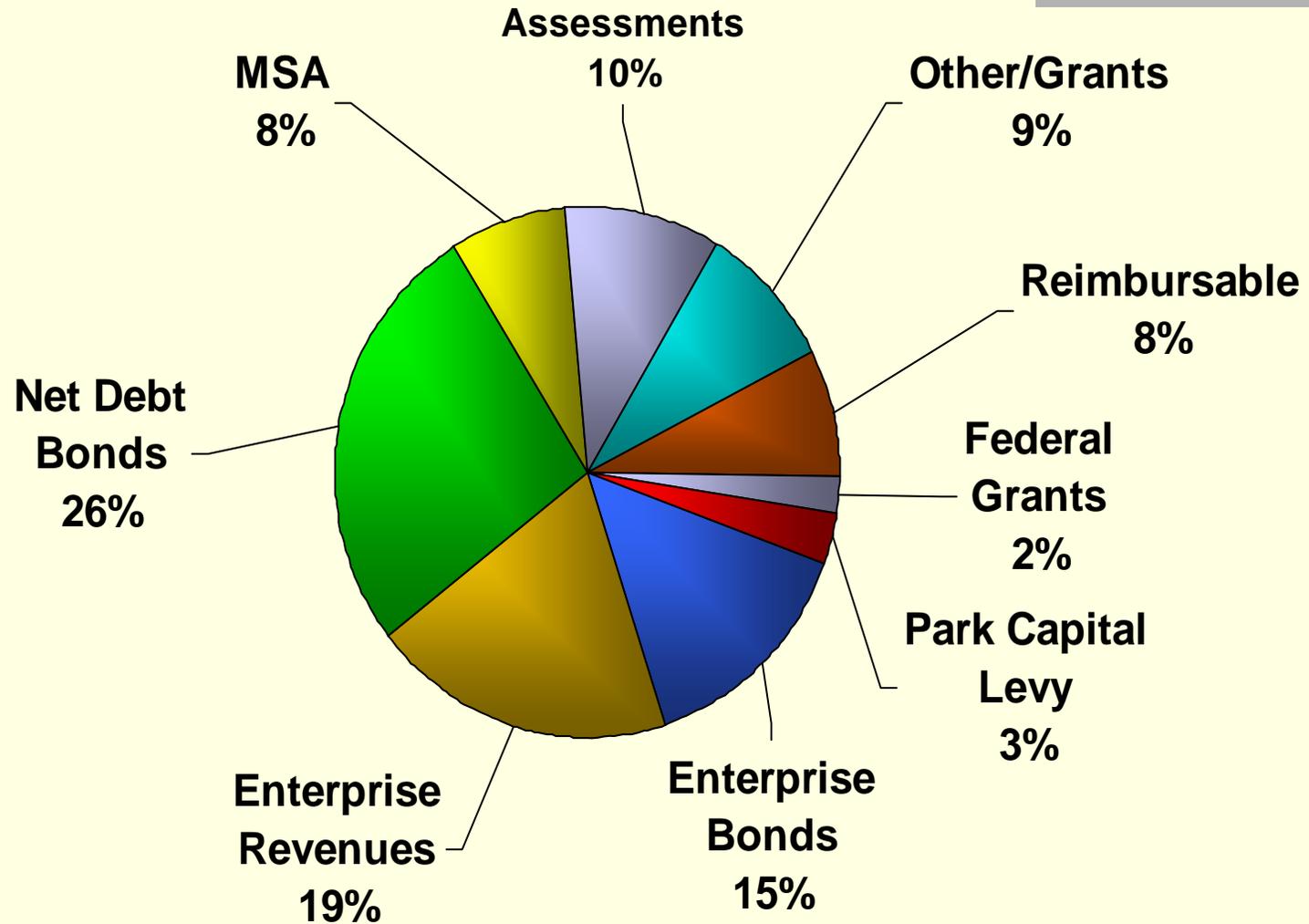
Mayor's Recommended 2015 - 2019 Five-Year Capital Investment Allocation \$575.9 M – pg. G14

Commission/Board/Department	5-Year Funding	% Total
Municipal Building Commission	\$17.96 M	3.1%
Park Board	\$28.15 M	4.9%
Public Works	\$487.80 M	84.7%
Information Technology Projects	\$8.45 M	1.5%
Public Grounds & Facilities	\$23.77 M	4.1%
Miscellaneous Projects	\$9.77 M	1.7%
Total	\$575.90 M	100.0%



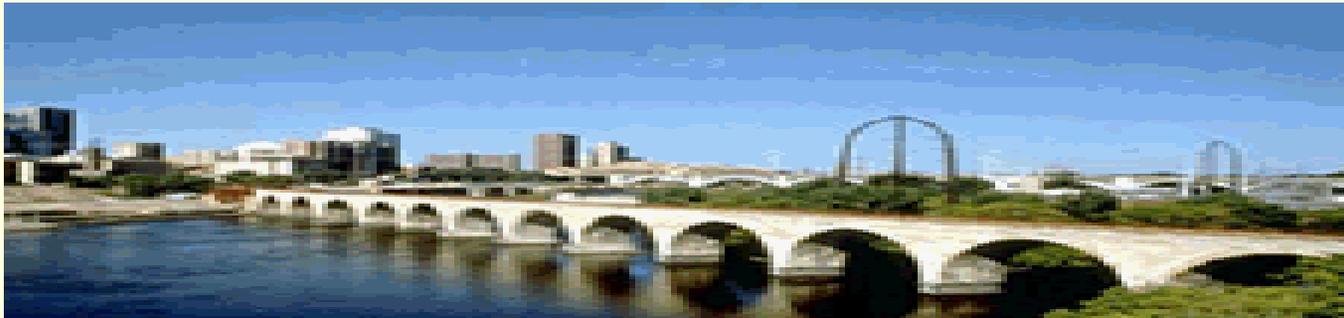
Funding Sources for Five-Year Capital Program

\$575.9 M – pg. G15



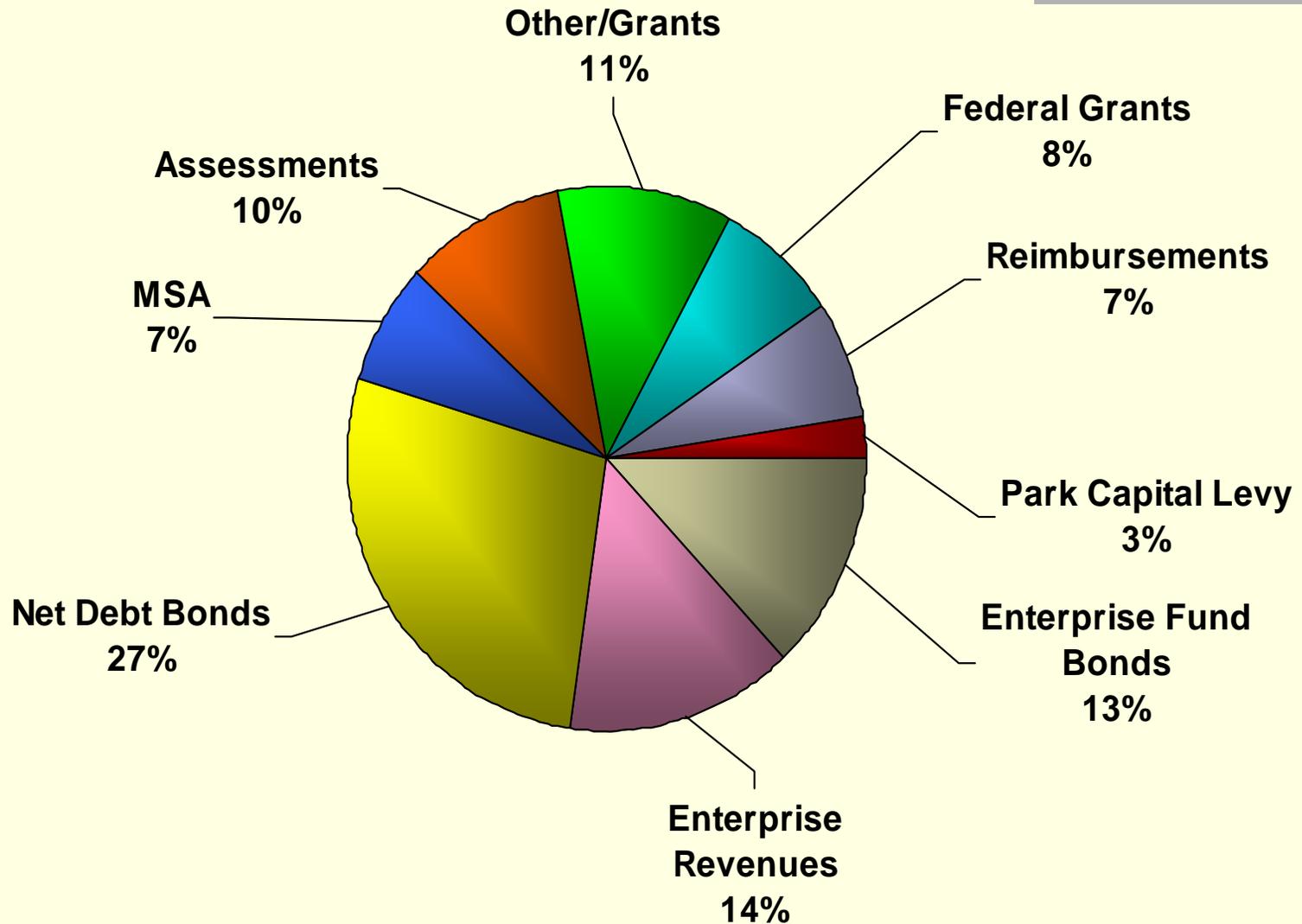
Mayor's Recommended 2015 Capital Investment Allocation \$132.9 M - pg. G14

Commission/Board/Department	2015 Funding	% Total
Municipal Building Commission	\$1.7 M	1.3%
Park Board	\$5.2 M	3.9%
Public Works	\$112.9 M	84.9%
Information Technology Projects	\$2.9 M	2.2%
Public Grounds & Facilities	\$8.4 M	6.3%
Miscellaneous Projects	\$1.8 M	1.4%
Total	\$132.9 M	100.0%



Funding Sources for 2015 Capital Program

\$132.9 M – pg. G15



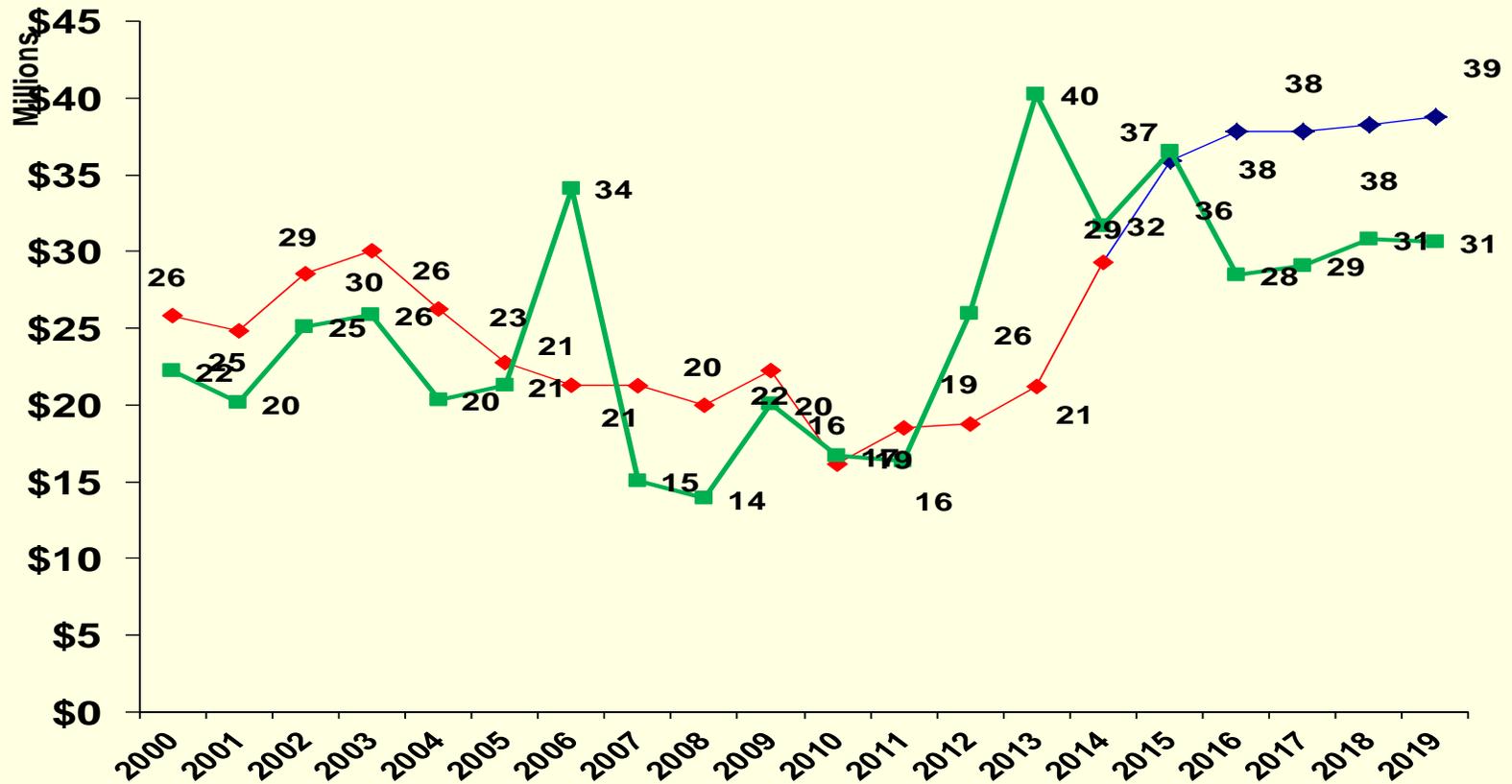
Mayor's 2015 Capital Highlights and NDB changes from CLIC

Year	Description	Amount
2015	Added Nicollet Mall Reconstruction - \$115,000 NDB + \$3,385,000 from project closeouts	\$115,000
2015	Added Protected Bikeways Program	\$790,000
2015	Added back Facilities Projects (PSD01, 03, 11)	\$2,450,000
2015	Removed MBC Critical Power Capital – funding available from 2010	-\$66,000
2015	Reduced Arts Program to allow expenditures to catch up to prior year funding	-\$545,000
2015	Total Net Allocation – from available CLIC NDB	\$2,744,000

Mayor's 2016 -2019 Capital Highlights and NDB changes from CLIC

Year	Description	Amount
2016	Fully funded Traffic Signals project	\$835,000
2016	Added Protected Bikeways Program – Year 2	\$760,000
2017	Moved up and fully funded 4 th St SE	\$1,395,000
2019	Moved funding for 4 th St SE to 2017	-\$175,000
	Reallocation of bonds from project closeouts	-\$1,220,000
	Total Net Additions from available CLIC NDB and bond reallocation	\$1,595,000

Bond Redemption Levy 2000 – 2019



Adopted Levy

Projected Levy

Net Debt Spending

•Per Mayor's Recommended Five-Year planning with other tax supported budget demands

2015 Property Tax Supported CIP (Net Debt Bond Allocation) - pg. G18

Commission/Board/Department	Mayor's Allocation
Municipal Building Commission	\$1.00 M
Park Board	\$2.50 M
Public Works	\$22.98 M
Information Technology Projects	\$2.85 M
Public Grounds & Facilities	\$5.41 M
Miscellaneous Projects	\$1.84 M
Total	\$36.58 M



2015 Non-Property Tax Supported CIP

- pg. G15

Funding Source Description	Mayor's Allocation
Municipal State Aid	\$9.71 M
Assessments	\$13.35 M
Sanitary Sewer Fund	\$6.42 M
Stormwater Fund	\$6.19 M
Water Fund	\$20.49 M
Solid Waste Fund	\$3.00 M
Other	\$37.15 M
Total	\$96.31 M

2015 - 2019 CIP
Municipal Building Commission
\$18.0 M - pg. G19

Project	Mayor's 2015	Mayor's 5 yr
Life Safety Improvements	\$0.20 M	\$.70 M
Mechanical Systems Upgrade	\$1.00 M	\$3.74 M
MBC Elevators	\$0.50 M	\$1.77 M
Critical Power Capital Project	\$0.00 M	\$4.20 M
Exterior Improvements	\$0.00 M	\$7.55 M
Total MBC	\$1.70 M	\$17.96 M



2015 - 2019 CIP Park Board \$28.2 M – pg. G19

Projects	Mayor's 2015	Mayor's 5 yr
Playground and Site Improvements Program	\$1.6 M	\$6.8 M
Shelter – Pool – Site Improvements Program	\$0.5 M	\$2.8 M
Athletic Fields and Site Improvements Program	\$0.5 M	\$0.5 M
Service Area Improvement Program	\$0.0 M	\$1.5 M
Bossen Park Field Improvements	\$1.0 M	\$3.8 M
Bryn Mawr Meadows Field Improvements	\$0.0 M	\$3.1 M
Neighborhood Parks Capital Infrastructure	\$1.6 M	\$8.5 M
Diseased Tree Removal	\$0.0 M	\$1.2 M
Total	\$5.2 M	\$28.2 M



2015 - 2019 CIP

Public Works Department

\$487.8 M – pg. G19 - G20

The top ten total \$212.7 M or ~ 44% of the five-year Public Works capital program

Top Ten PW Projects in the 5-Year CIP Program	Mayor's 2015	Mayor's 5 yr
Fridley Filter Plant Rehabilitation	\$8.0 M	\$33.0 M
Water Distribution Improvements	\$6.2 M	\$32.0 M
Asphalt Pavement Resurfacing Program	\$5.0 M	\$25.0 M
Storm Drains and Tunnels Rehabilitation Program	\$0.0 M	\$21.0 M
Sanitary Tunnel & Sewer Rehabilitation Program	\$4.2 M	\$19.2 M
Defective Hazardous Sidewalks	\$3.5 M	\$19.1 M
Treatment Infrastructure Improvements	\$3.0 M	\$18.0 M
CSAH & MnDOT Cooperative Projects	\$4.5 M	\$15.8 M
Flood Mitigation with Alternative Stormwater Mgmt	\$3.0 M	\$15.0 M
Hennepin/Lyndale	\$11.3 M	\$14.6 M
Total	\$48.7 M	\$212.7 M



2015 - 2019 CIP

Information Technology Projects

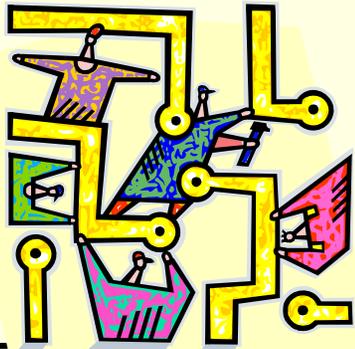
\$8.45 M – pg. G20

Project	Mayor's 2015	Mayor's 5 yr
Enterprise Content Management	\$0.00 M	\$1.05 M
Enterprise Infrastructure Modernization	\$0.85 M	\$3.40 M
Geographical Information System (GIS)	\$0.00 M	\$0.00 M
Police Report Management System Upgrade	\$2.00 M	\$4.00 M
Total	\$2.85 M	\$8.45 M



2015 - 2019 CIP Public Grounds & Facilities \$23.78 M – pg. G20 – G21

Project	Mayor's 2015	Mayor's 5 yr
New Fire Station No. 11	\$0.47 M	\$5.73 M
Fire Station No. 1 Renovation & Expansion	\$0.50 M	\$6.50 M
Hamilton School Acquisition & Facility Improvement	\$2.00 M	\$3.00 M
Facilities – Repair and Improvements	\$1.20 M	\$1.20 M
Facilities – Space Improvements	\$0.75 M	\$0.75 M
Energy Conservation and Emission Reduction	\$0.50 M	\$0.50 M
Traffic Maintenance Facility Improvement	\$0.00 M	\$2.00 M
Farmer's Market Improvements	\$0.00 M	\$0.00 M
New Solid Waste & Recycling Facility	\$3.00 M	\$4.10 M
Totals	\$8.42 M	\$23.78 M



2015 - 2019 CIP Miscellaneous Projects \$9.77 M – pg. G29

Project	Mayor's 2015	Mayor's 5 yr
911 Telephone System Replacement	\$0.14 M	\$0.14 M
Art in Public Places	\$0.00 M	\$1.93 M
Public Safety Radio System Replacement	\$1.70 M	\$7.70 M
Totals	\$1.84 M	\$9.77 M

Operating Cost Implications

- 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 to accurately estimate
- Departments manage operating cost implications within existing operating budgets
- Rating System rewards maintaining existing infrastructure versus creating new, especially when there are no new revenue sources to cover operating cost increases

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!