CITY OF MINNEAPOLIS

Capital Program & Debt Service Budget For Years 2016 – 2020

Capital Program found on pages G1 – G44 in budget book

Presentation to the Ways and Means Committee
September 8, 2015

Minneapolis
City of Lakes

Agenda

- Recent Capital Program Progress
- Review of Key Terms
- 2016 – 2020 Capital Improvement Program
- Debt Service Statistics and 2016 Budget
- Conclusion

Capital Program Progress

- Before and after pictures of recent capital projects were provided by colleagues in the Public Works Department, Municipal Building Commission and Minneapolis Park Board.
- Special thanks to Jeff Handeland, Chris Trembath, Larry Matsumoto, Tracy Lindgren, Jeni Hager and Simon Blenski from Public Works, Theresa Baker from MBC and Adam Arvidson from the Park Board.

Ground Floor City Hall Project

Ground Floor City Hall Project

Ground Floor City Hall Project

Ground Floor City Hall Project

Hennepin Ave - Before

Hennepin Ave - After

Oak Street - Before

Oak Street – After Bike Protection

Oak Street – After Bike Protection

W 36th St – Before Bike Protection

W 36th St – After Bike Protection

11th Ave S Bridge – Before Rehab

11th Ave S Bridge – During Rehab

11th Ave S Bridge – During Rehab

11th Ave S Bridge – After Rehab

15th Ave & 4th St (Riverside Ext)

15th Ave & 4th St (Riverside Ext)

2nd St N Resurfacing Project

9th St S Resurfacing Project

26th St E Resurfacing Project

34th Ave S Resurfacing

42nd Ave S Resurfacing Project

NE McKinley St Resurfacing

West River Parkway Resurfacing

Old Martin Luther King Park

Old Martin Luther King Park

New Martin Luther King Park

New Martin Luther King Park

New Martin Luther King Park

New Martin Luther King Park

Review of Key Terms

- **Net Debt Bonds**: General Obligation property tax supported bonds issued to finance general infrastructure improvements.

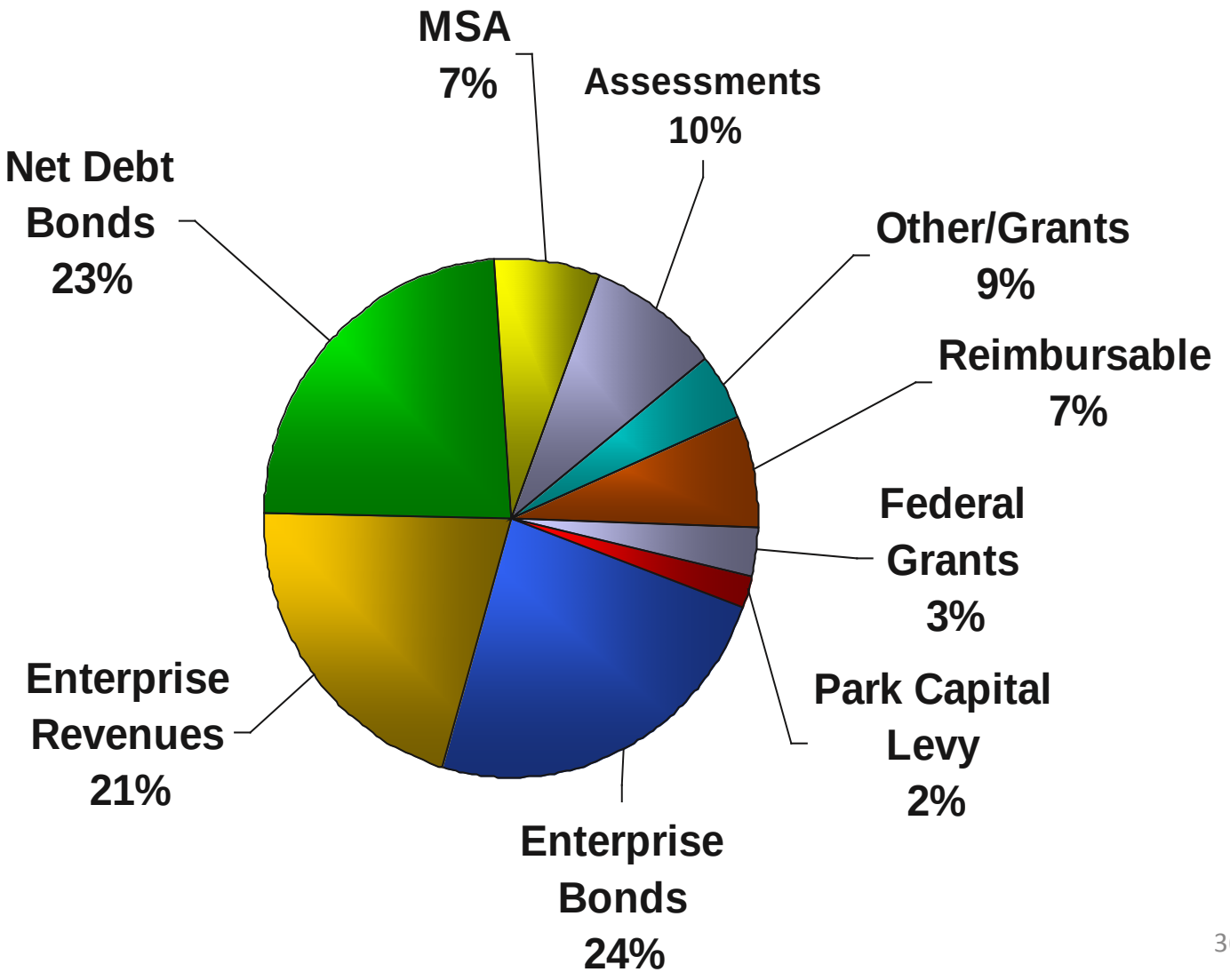
- **Bond Redemption Levy**: A dedicated tax levy used for payment of principal and interest on property tax supported bonds (NDB).

- **Debt Service**: Refers to payments required for principal and interest on outstanding bonds.

Mayor's Recommended 2016 - 2020 Five-Year Capital Investment Allocation $660.6 M – pg. G13

Commission/Board/Department	5-Year Funding	% Total
Municipal Building Commission	$11.98 M	1.8%
Park Board	$23.62 M	3.6%
Public Works	$569.59 M	86.2%
Information Technology Projects	$5.00 M	.8%
Public Grounds & Facilities	$35.26 M	5.3%
Miscellaneous Projects	$15.10 M	2.3%
Total	**$660.55 M**	100.0%

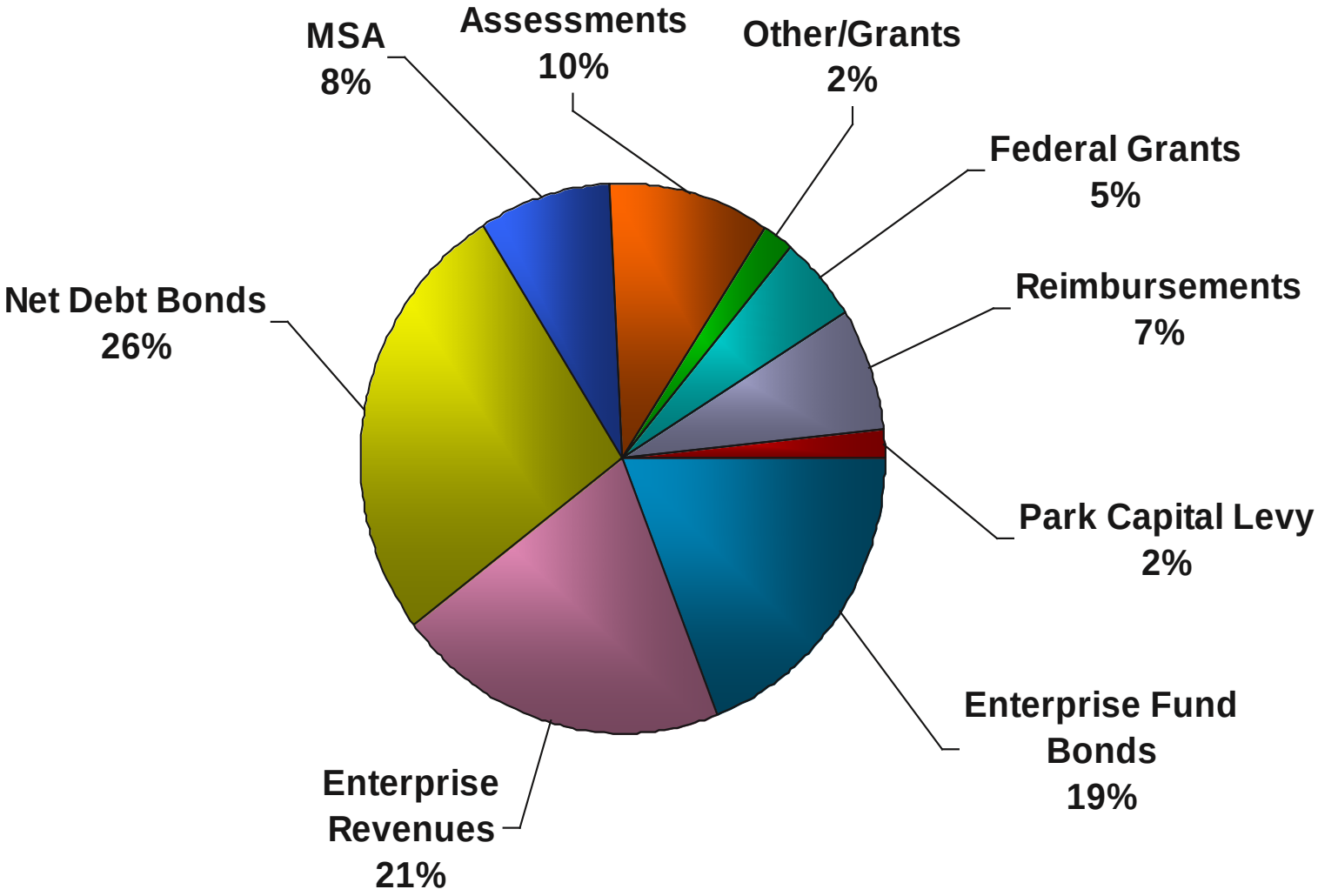
Funding Sources for Five-Year Capital Program
$660.55 M – pg. G14



Mayor's Recommended 2016 Capital Investment Allocation $124.4 M - pg. G14

Commission/Board/Department	2016 Funding	% Total
Municipal Building Commission	$2.9 M	2.3%
Park Board	$4.9 M	3.9%
Public Works	$99.8 M	80.2%
Information Technology Projects	$3.3 M	2.7%
Public Grounds & Facilities	$12.9 M	10.4%
Miscellaneous Projects	$.6 M	.5%
Total	**$124.4 M**	**100.0%**

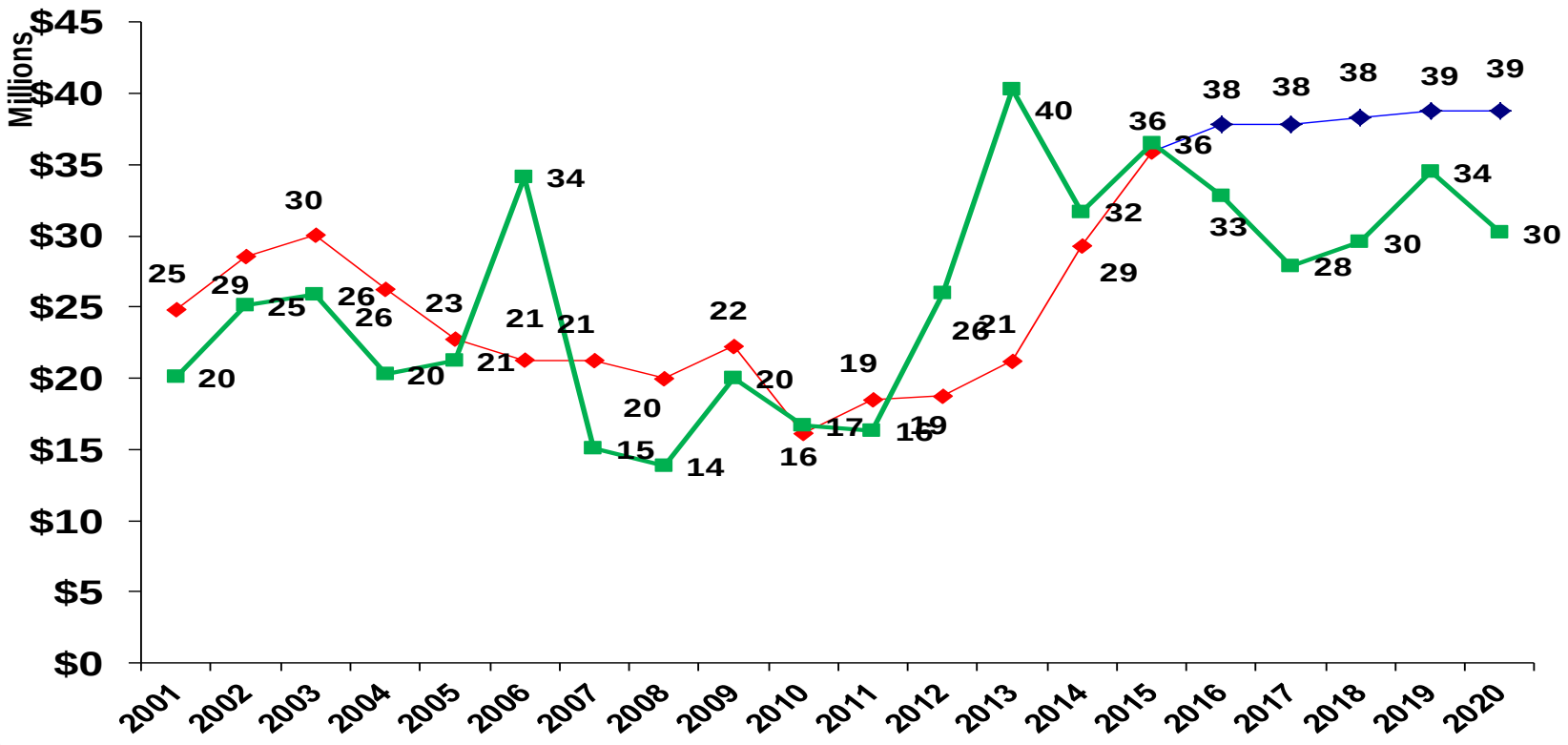
Funding Sources for 2016 Capital Program $124.4 M – pg. G14



Mayor's 2016 NDB Changes from CLIC

- Moved $605K to MBC04 Elevators (from 2017)
- Restored $200K to PV006 Alley Renovation Program
- Restored $150K to PV063 Unpaved Alley Program
- Added PV128 3rd Ave Redesign for $3,000K which includes a protected bike lane
- Reduced BIK28 Protected Bikeways Program by $880K
- Added PV129 Vineland Place Paving Redesign for $400K
- Reduced IT004 Enterprise Infr Modernization by $250K
- 2016 NDB changes $3,225K, 5-yr plan still at $155M
- More change details can be seen on pages G36 - G44

Bond Redemption Levy 2001 – 2020

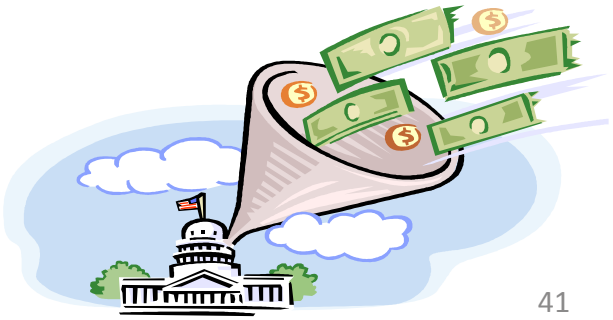


Adopted Levy Projected Levy Net Debt Spending

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

2016 Property Tax Supported CIP (Net Debt Bond Allocation) - pg. G17

Commission/Board/Department	Mayor's Allocation
Municipal Building Commission	$1.47 M
Park Board	$2.50 M
Public Works	$19.07 M
Information Technology Projects	$3.30 M
Public Grounds & Facilities	$5.91 M
Miscellaneous Projects	$.58 M
Total	**$32.83 M**



2016 Non-Property Tax Supported CIP $91.6 M- pg. G14

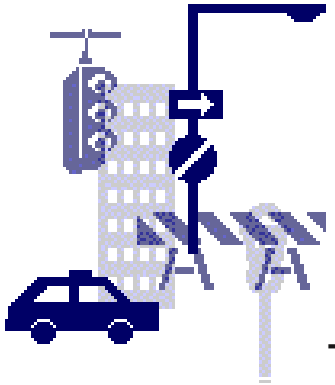
Funding Source Description	Mayor's Allocation
Municipal State Aid	$10.00 M
Assessments	$12.30 M
Sanitary Sewer Fund	$9.55 M
Stormwater Fund	$12.50 M
Water Fund	$20.54 M
Solid Waste Fund	$7.00 M
Other	$19.71 M
Total	**$91.60 M**

2016 - 2020 CIP
Municipal Building Commission
$12.0 M - pg. G18

Project	Mayor's 2016	Mayor's 5 yr
Life Safety Improvements	$0.00 M	$.46 M
Mechanical Systems Upgrade	$0.00 M	$2.25 M
MBC Elevators	$1.28 M	$1.28 M
Critical Power Capital Project	$0.41 M	$.41 M
Exterior Improvements	$1.28 M	$7.58 M
Total MBC	**$2.97 M**	**$11.98 M**

2016 - 2020 CIP
Park Board
$23.6 M – pg. G18

Projects	Mayor's 2016	Mayor's 5 yr
Playground and Site Improvements Program	$0.7 M	$6.4 M
Shelter – Pool – Site Improvements Program	$0.2 M	$2.7 M
Athletic Fields and Site Improvements Program	$0.0 M	$0.7 M
Bossen Park Field Improvements	$2.5 M	$3.4 M
Bryn Mawr Meadows Field Improvements	$0.0 M	$2.7 M
Neighborhood Parks Capital Infrastructure	$1.2 M	$6.2 M
Diseased Tree Removal	$0.3 M	$1.5 M
Total	**$4.9 M**	**$23.6 M**



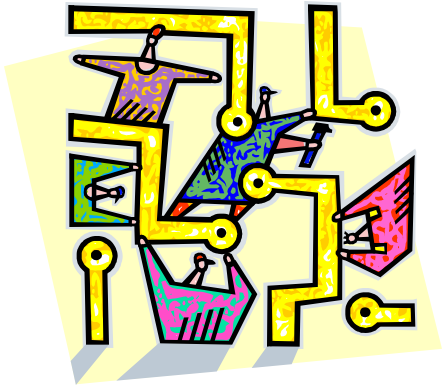
2016 - 2020 CIP
Public Works Department
$569.6 M – pg. G18 – G19

The top ten total $259.2 M or ~ 46% of the five-year Public Works capital program

Top Ten PW Projects in the 5-Year CIP Program	Mayor's 2016	Mayor's 5 yr
Fridley Filter Plant Rehabilitation	$6.7 M	$48.2 M
Storm Drains and Tunnels Rehabilitation Program	$8.0 M	$41.5 M
Water Distribution Improvements	$6.3 M	$35.9 M
Nicollet Ave over Minnehaha Creek	$0.0 M	$25.1 M
Sanitary Tunnel & Sewer Rehabilitation Program	$7.1 M	$22.1 M
Infiltration & Inflow Removal Program	$2.5 M	$20.5 M
Defective Hazardous Sidewalks	$3.7 M	$20.3 M
Treatment Infrastructure Improvements	$3.0 M	$20.0 M
Flood Mitigation with Alternative Stormwater Mgmt	$2.0 M	$14.0 M
42nd Ave N (Xerxes to Lyndale Ave N)	$0.0 M	$11.6 M
Total	**$39.3 M**	**$259.2 M**

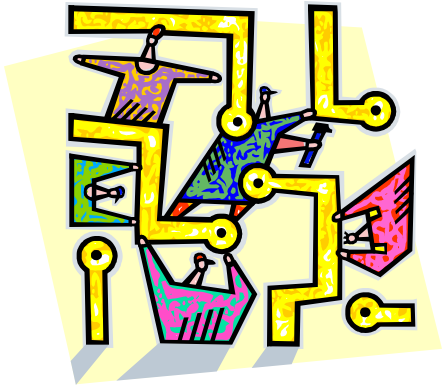
2015 - 2019 CIP
Information Technology Projects
$5.00 M – pg. G19

Project	Mayor's 2016	Mayor's 5 yr
Enterprise Infrastructure Modernization	$0.50 M	$.90 M
Police Report Management System Upgrade	$2.80 M	$5.0 M
Total	$3.30 M	$5.00 M



2016 - 2020 CIP
Public Grounds & Facilities
$35.26 M – pg. G19

Project	Mayor's 2016	Mayor's 5 yr
New Fire Station No. 11	$1.91 M	$6.26 M
Fire Station No. 1 Renovation & Expansion	$3.00 M	$6.00 M
Hamilton School Facility Improvements	$1.00 M	$1.00 M
New Solid Waste & Recycling Facility	$7.00 M	$22.00 M
Totals	**$12.91 M**	**$35.26 M**



2016 - 2020 CIP
Miscellaneous Projects
$15.10 M – pg. G20

Project	Mayor's 2016	Mayor's 5 yr
Art in Public Places	$0.58 M	$3.10 M
Public Safety Radio System Replacement	$0.00 M	$12.00 M
Totals	$0.58 M	$15.10 M

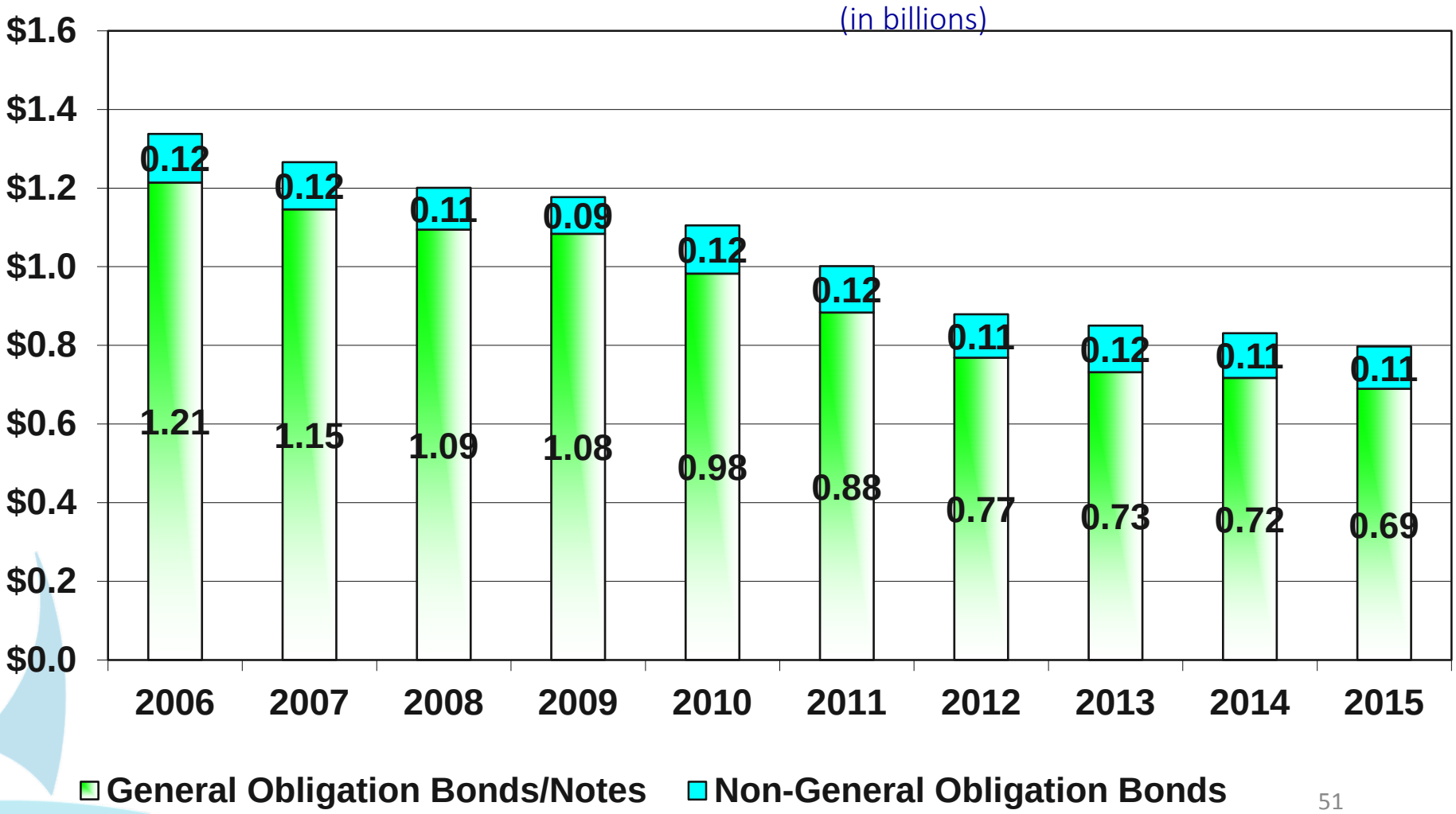
Operating Cost Implications

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

City Debt Capacity

- Debt Capacity is determined by State Statute but utilized based on 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 2014, legal debt margin was $1.12 B and usage was $.15 B, leaving $.97 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 2015 bonds still to be issued)
Year Ending 2006 to 2015



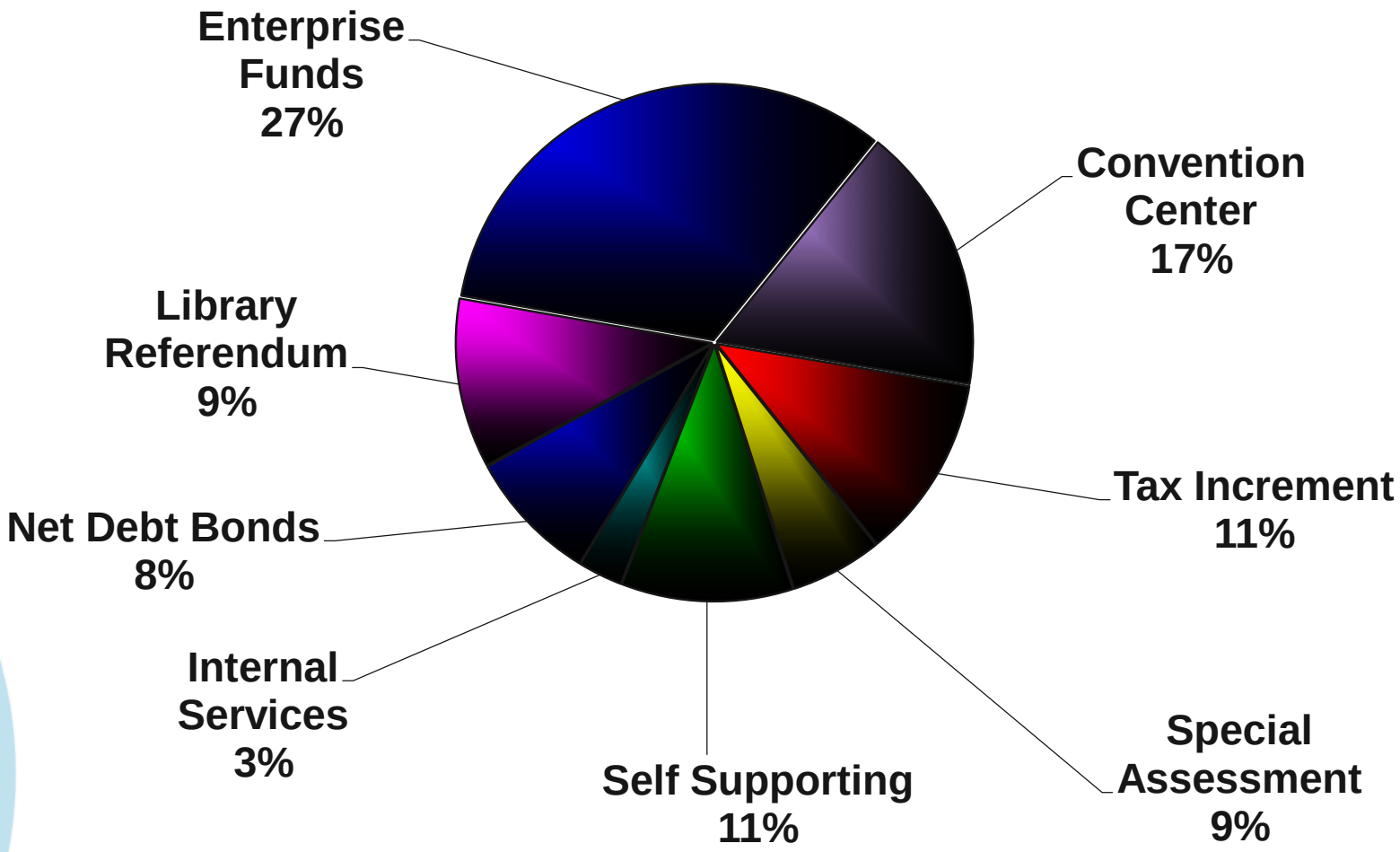
12/31/2015 Estimated GO Debt Outstanding

Debt Type with 2004 Peak Debt Balances*		12/31/15 Balances**	Change from 2004
Enterprise Funds -	$407.28 M	$227.78 M	($179.50) M
Convention Center -	$244.09 M	$116.05 M	($128.04) M
Tax Increment -	$206.31 M	$80.01 M	($126.30) M
Special Assessment -	$49.30 M	$39.93 M	($9.37) M
Other Self Supporting -	$22.70 M	$74.73 M	$52.03 M
Internal Service Funds -	$101.16 M	$19.31 M	($81.85) M
Library Referendum -	$93.40 M	$73.75 M	($19.65) M
Net Debt Bonds -	$56.85 M	$57.92 M	$1.07 M
Pension -	$117.87 M	$0.00 M	($117.87) M
Total GO 2004 vs 2015	**$1,298.96 M**	**$689.48 M**	**(609.48) M**

- Peak GO Debt in 2004, 1996 was $766 M

** Includes an additional $60.9 M for 2015 estimated issuances for NDB, Water and Sanitary Sewer.

Outstanding Principal @ 12/31/15
$689.48 M

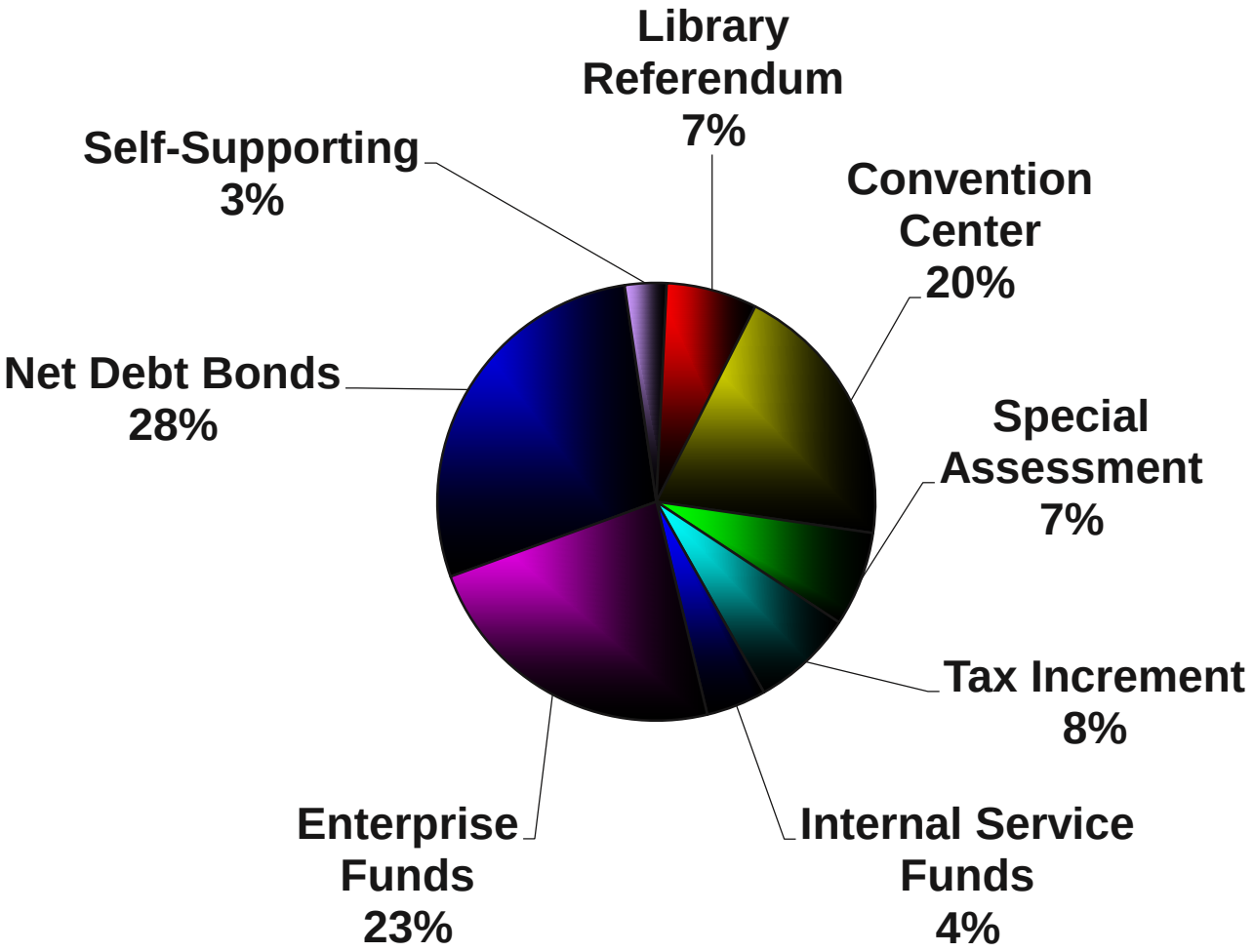


2016 Debt Service Budget

(Based on estimated 12/31/15 Debt Outstanding)

Debt Type	Principal	Interest	Total
Enterprise Funds	$21.62 M	$7.15 M	$28.77 M
Convention Center	$21.15 M	$3.46 M	$24.61 M
Net Debt Bonds	$34.42 M	$.62 M	$35.04 M
Tax Increment	$5.77M	$3.57 M	$9.34 M
Library Referendum	$6.80 M	$1.52 M	$8.32 M
Special Assessment	$7.52 M	$1.18 M	$8.70 M
Internal Services	$4.99 M	$.52 M	$ 5.51 M
Self Supporting	$.77 M	$3.05 M	$3.82 M
Total Debt Service Budget	**$103.04 M**	**$21.07M**	**$124.11 M**
	83% Principal	**17% Interest**	

2016 Debt Service Budget
$124.12 M



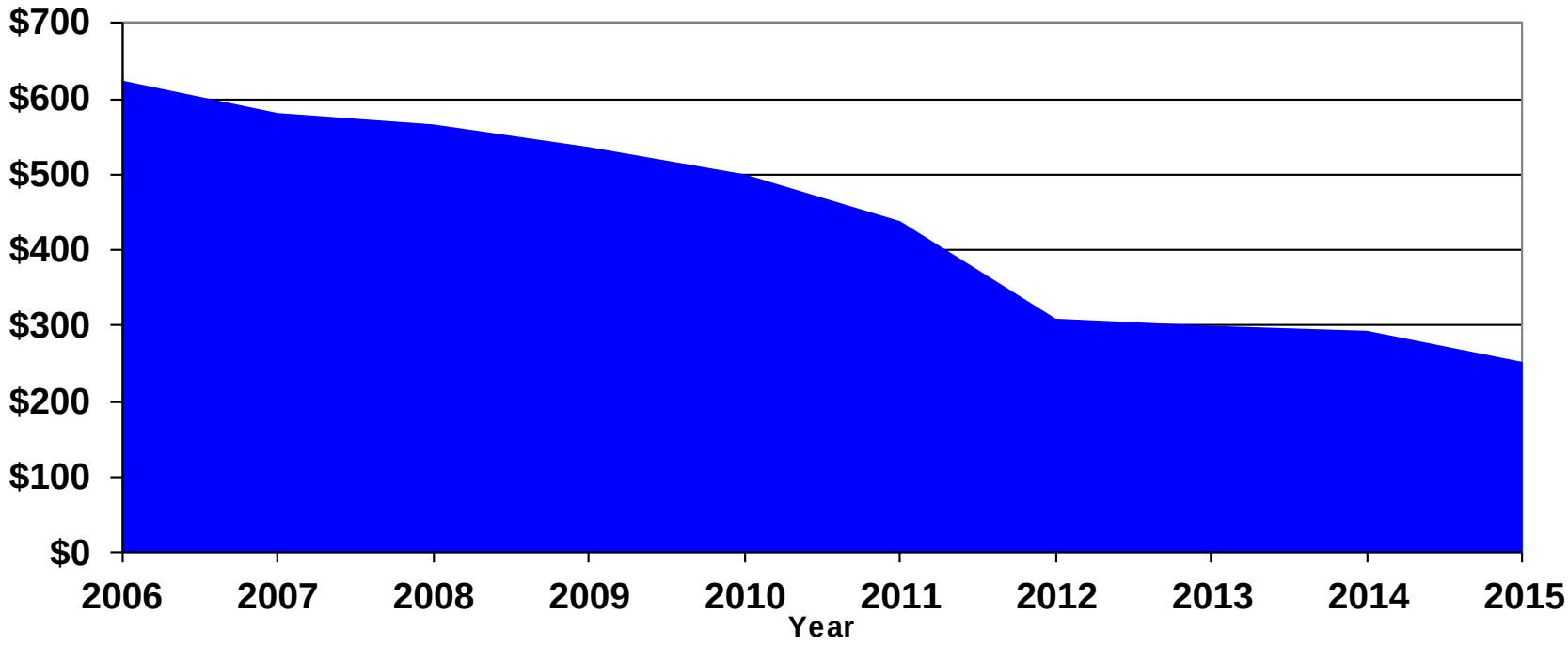
2013 – 2016 Budgeted Interest Expense Comparison

Debt Type	2013	2014	2015	2016
Enterprise Funds	$11.29 M	$10.90 M	$9.41 M	$7.15 M
Convention Center	$5.03 M	$4.66 M	$4.25 M	$3.46 M
Tax increment	$4.47 M	$4.20 M	$3.67 M	$3.57 M
Library Referendum	$2.57 M	$1.81 M	$1.66 M	$1.52 M
Special Assessment	$1.54 M	$1.56 M	$1.36 M	$1.18 M
Net Debt Bonds	$1.13 M	$.96 M	$.96 M	$.62 M
Internal Services	$.69 M	$.70 M	$.58 M	$.52 M
Self Supporting	$.43 M	$.67 M	$3.31 M	$3.05 M
Total Interest Expense Budget	**$27.15 M**	**$25.46 M**	**$25.20 M**	**$21.07 M**
Ave Interest Rate on Portfolio	**3.53 %**	**3.48 %**	**3.44 %**	**3.06 %**

City of Minneapolis

Property Supported Debt Per Capita Debt (in dollars)

2006-2015



2015 Current Refunding Transactions

Type of Debt Refunded **TIF Revenue Bonds**	**Bonds Refunded**	**Estimated Interest Savings from refunding**
2004 & 2005 Village at St. Anthony Falls Revenue Bonds (Issued $8,245,000)	$8,830,000	$1,624,747
2006 Grant Park Revenue Bonds (Issued $7,460,000)	$8,160,000	$1,623,959
2005 Ivy Tower Revenue Bonds (Issued $6,085,000)	$6,493,000	$1,109,520
(Issued $21,790,000) **Totals**	**$23,483,000**	**$4,358,226**
Currently performing another smaller refunding. May prepay some additional bonds on 12/1/2015.		

Variable Rate Debt

- Year End Variable Rate Debt = $42.2 M ~ 6% 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 .58%.
- This debt is primarily Parking Ramp related and has helped with the financial performance of the Parking fund due to the low rates experienced.
- Considering variable rate debt as an interim financing mechanism for Nicollet Mall and Target Center.

2015 Important Budget Dates

- November 18, 6:05 p.m. Public Comment on Property Tax Levy and Budget
- December 9, 6:05 p.m. Public Hearing on Budget and Budget Adoption for 2016

Questions/Conclusions?

If you have any follow up questions, contact:

Michael Abeln
Director of Capital & Debt Management

Thanks for your participation!