



City of Minneapolis

Debt & Capital Improvement
Program Overview
For Years 2012 - 2016

October 19, 2011 continued on November 2, 2011

Agenda

- Review of Key Terms
- Debt Service Statistics and 2012 Budget
- Five-Year Capital Improvement Program
- Utility Rates
- Conclusion

Review of Key Terms

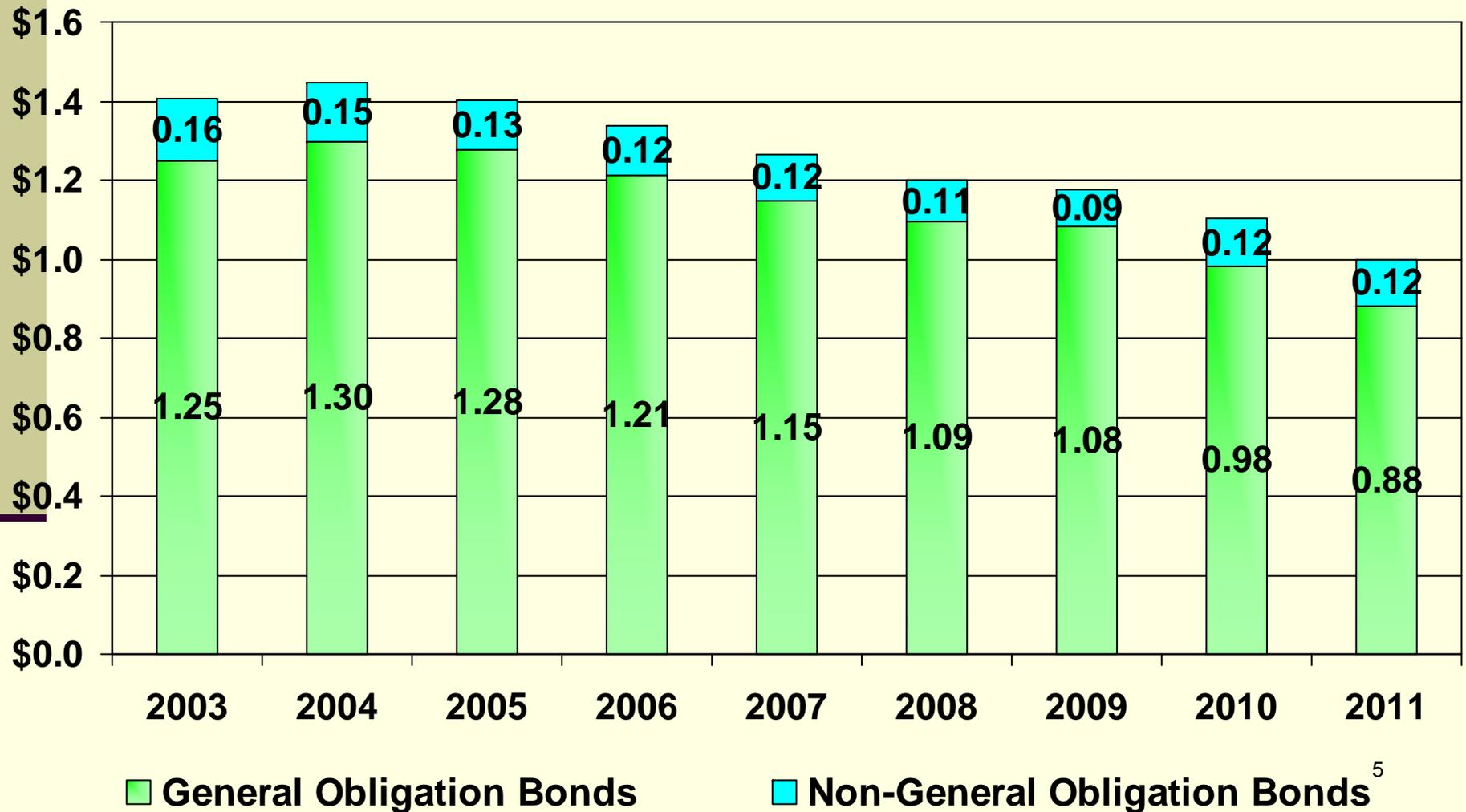
- **Debt Service:** Refers to payments made for principal and interest on outstanding bonds.
- **Net Debt Bonds:** Property tax supported bonds issued to finance general infrastructure improvements.
- **Bond Redemption Levy:** A dedicated tax levy used for the payment of principal and interest on property tax supported bonds (aka: net debt).
- **Pro Forma:** A financial plan with historical data and assumptions on future revenues and expenses, including future rate increases necessary to support operations, capital improvements and debt service expenditures.

City Debt Capacity

- 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 2011, legal debt margin was \$1.1B and usage was \$.2 B, leaving \$.9 B available
- Debt Guy Quote: "Capacity to pay is much more important than capacity to issue – and we are starting to build capacity to pay."

Outstanding Debt Year Ending 2003 to 2011

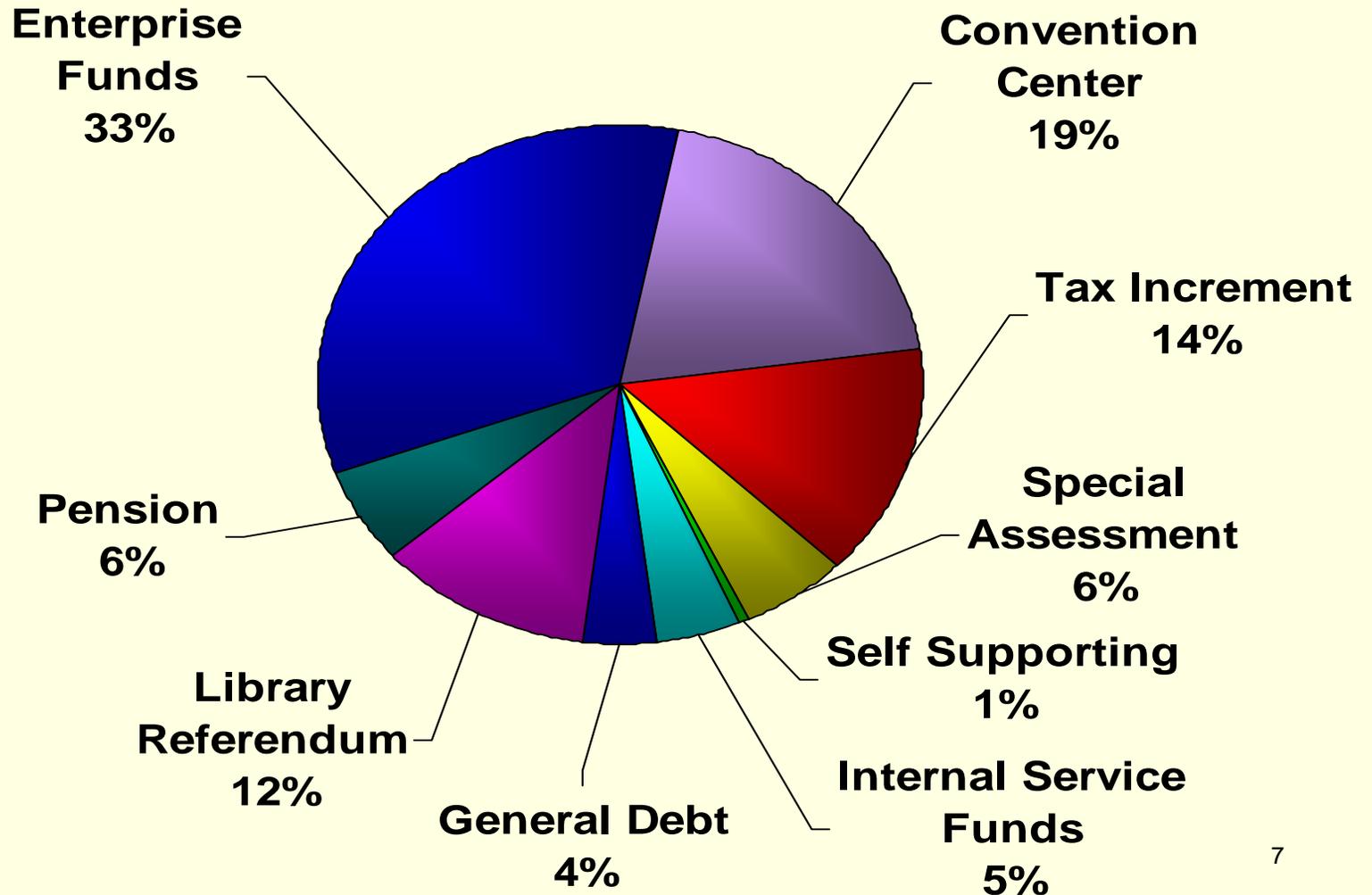
(in billions)



12/31/2011 Outstanding Principal

Debt Type	Principal	% of Total
Enterprise Funds	\$296.03 M	33%
Convention Center	\$173.54 M	19%
Tax Increment	\$127.61 M	14%
Special Assessment	\$50.68 M	6%
Self Supporting	\$5.32 M	1%
Internal Services	\$40.07 M	5%
General Debt (NDB)	\$35.18 M	4%
Library Referendum	\$102.7 M	12%
Pension	\$50.47 M	6%
Total Debt Service Budget	\$881.58 M	100%

Outstanding Principal @ 12/31/11

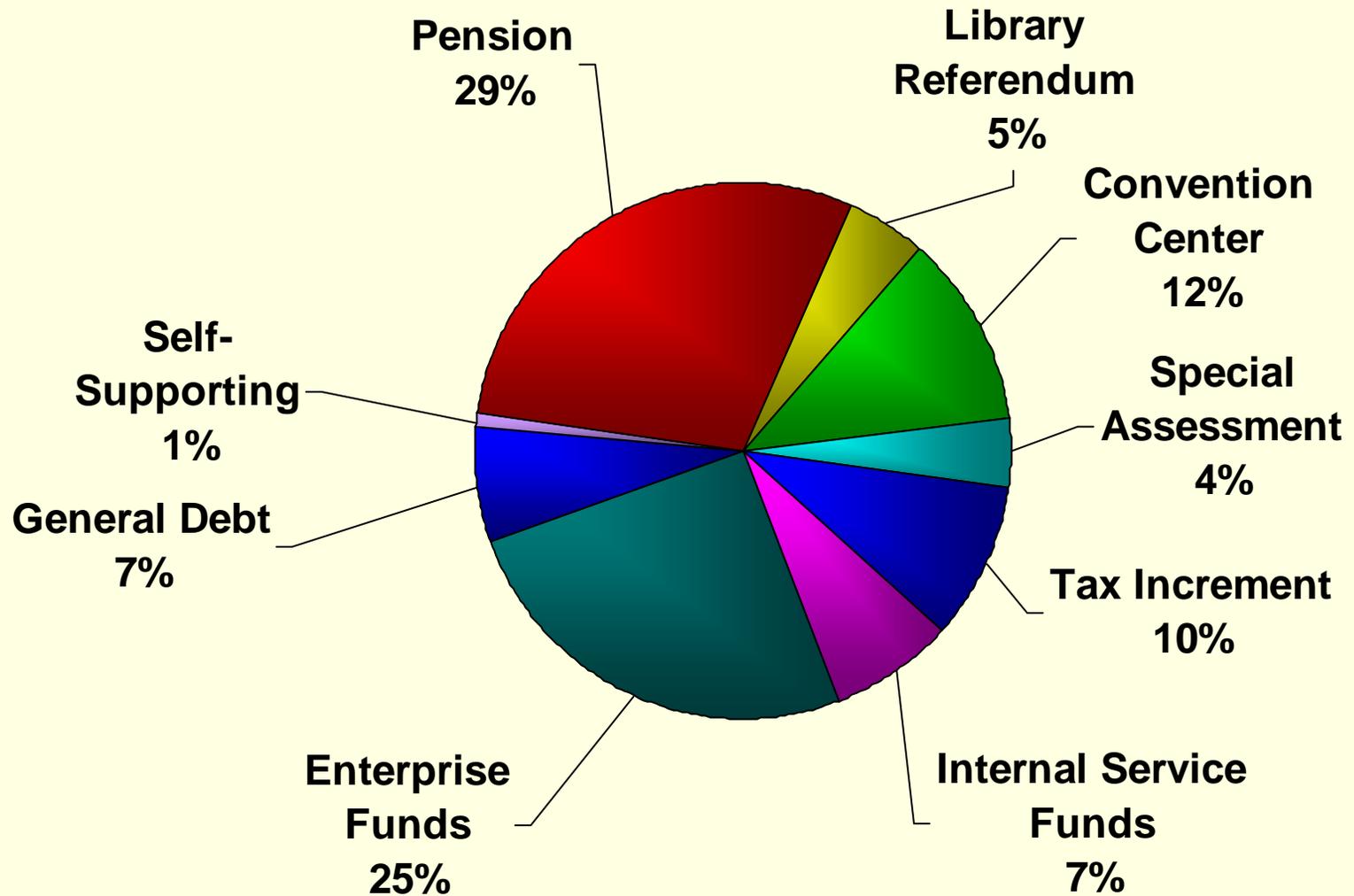


2012 Debt Service Budget

(Based on 12/31/11 Debt Outstanding)

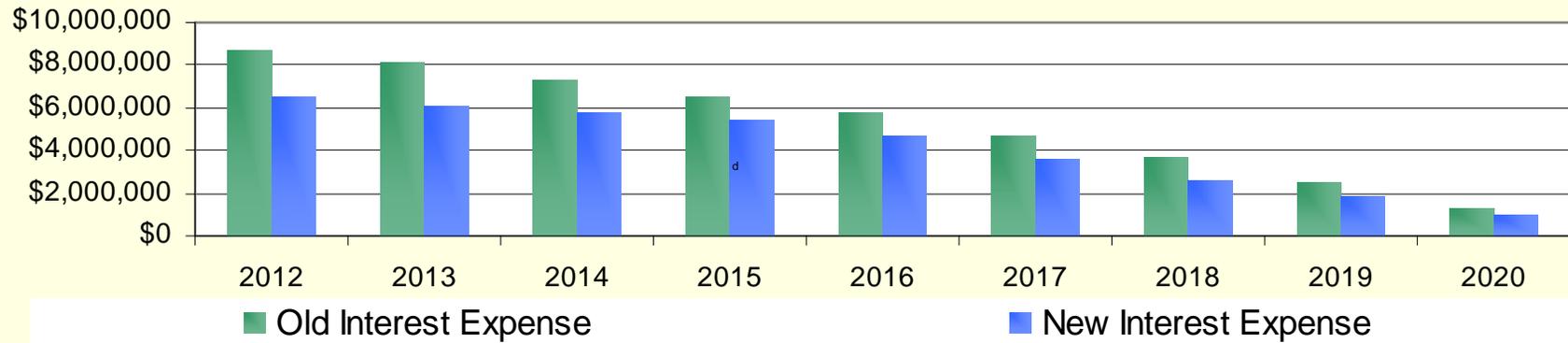
Debt Type	Principal	Interest	Total	% of Total
General Debt (NDB)	\$11.38 M	\$1.30 M	\$12.68 M	7%
Self Supporting	\$1.07 M	\$.48 M	\$1.55 M	1%
Pension	\$50.47 M	\$2.75 M	\$53.22 M	29%
Library Referendum	\$4.05 M	\$4.76 M	\$8.81 M	5%
Convention Center	\$14.74 M	\$6.49 M	\$21.23 M	12%
Special Assessment	\$5.61 M	\$1.55 M	\$7.16 M	4%
Tax Increment	\$12.38 M	\$5.15 M	\$17.53 M	10%
Internal Services	\$12.16 M	\$1.32 M	\$13.48 M	7%
Enterprise Funds	\$32.51 M	\$13.25 M	\$45.76 M	25%
Total Debt Service Budget	\$144.37 M	\$37.05 M	\$181.42 M	100%
	80% Principal	20% Interest		

2012 Debt Service Budget



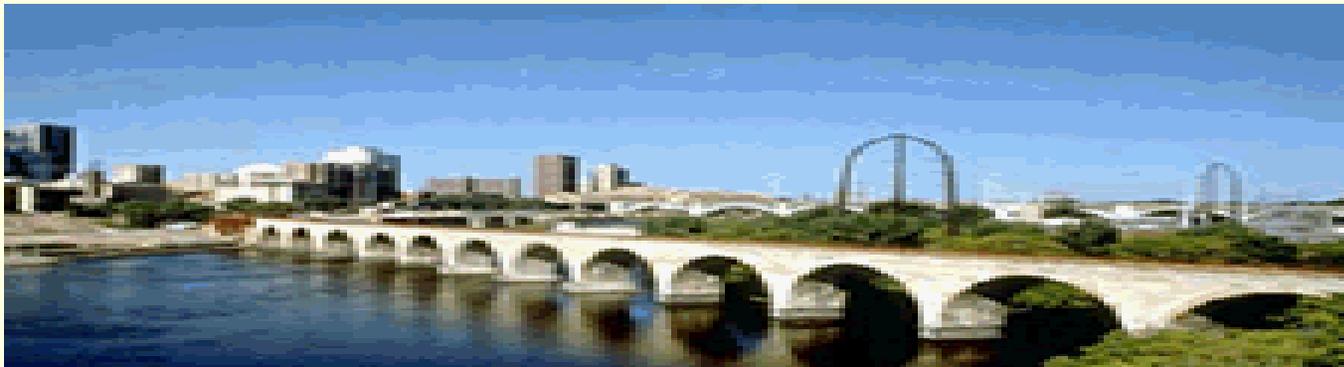
2011 Current Refunding Transaction

Type of Debt Refunded	Call Amount	NPV Savings resulting from refunding
Convention Center Bonds Yrs 2011 – 2020 Refunding completed in April 2011	\$105,050,000	\$11,043,307



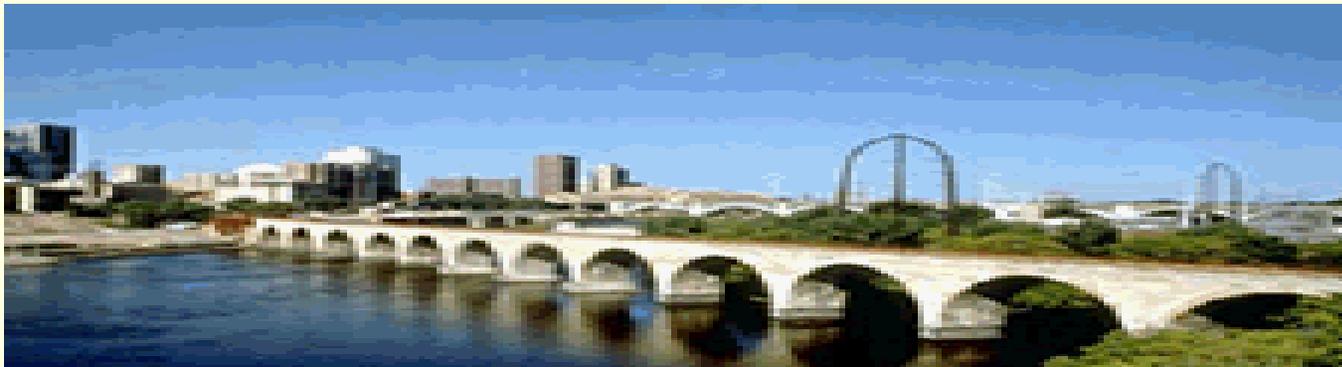
2011 & 2012 Pension Bond Prepayments

Type of Debt	Prepayment Amount	Future Interest Savings
12/1/11 MERF Pension Bonds 2012 - 2026	\$36,000,000	\$20,075,300
12/1/12 MERF & MPRA Pension Bonds 2013 – 2026	\$49,190,000	\$25,824,657
Totals	\$85,190,000	\$45,899,957



2011 Variable Rate Bond Prepayments

Type of Debt	Prepayment Amount
Library Referendum Bonds – Yrs 2030	\$2,025,000
November 2003 Imp Bonds – Yrs 2012-2013	\$300,000
Block E Bonds – Yrs 2023	\$650,000
Totals	\$2,975,000
Prepayments possible from 2011 interest savings	

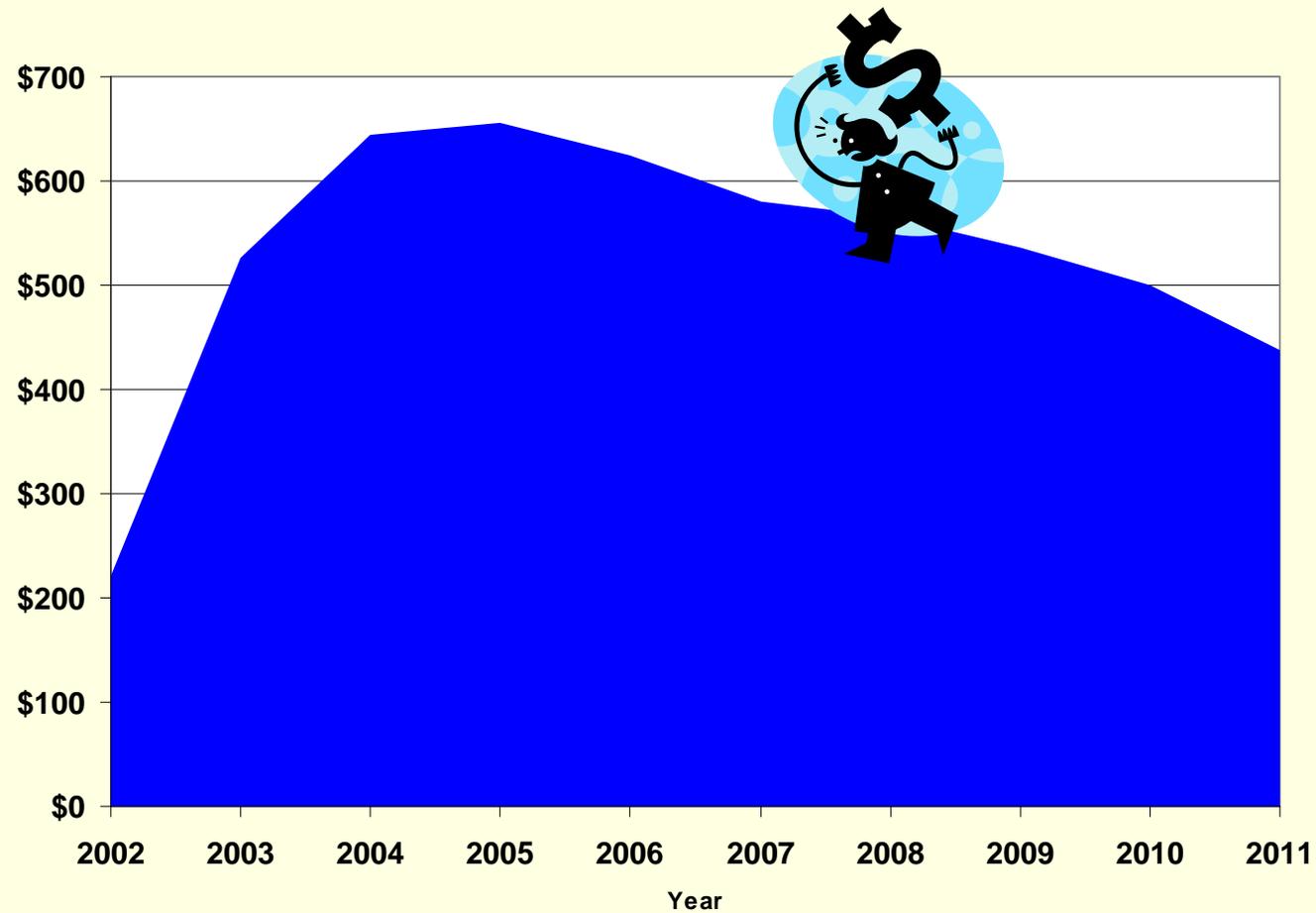


Variable Rate Debt

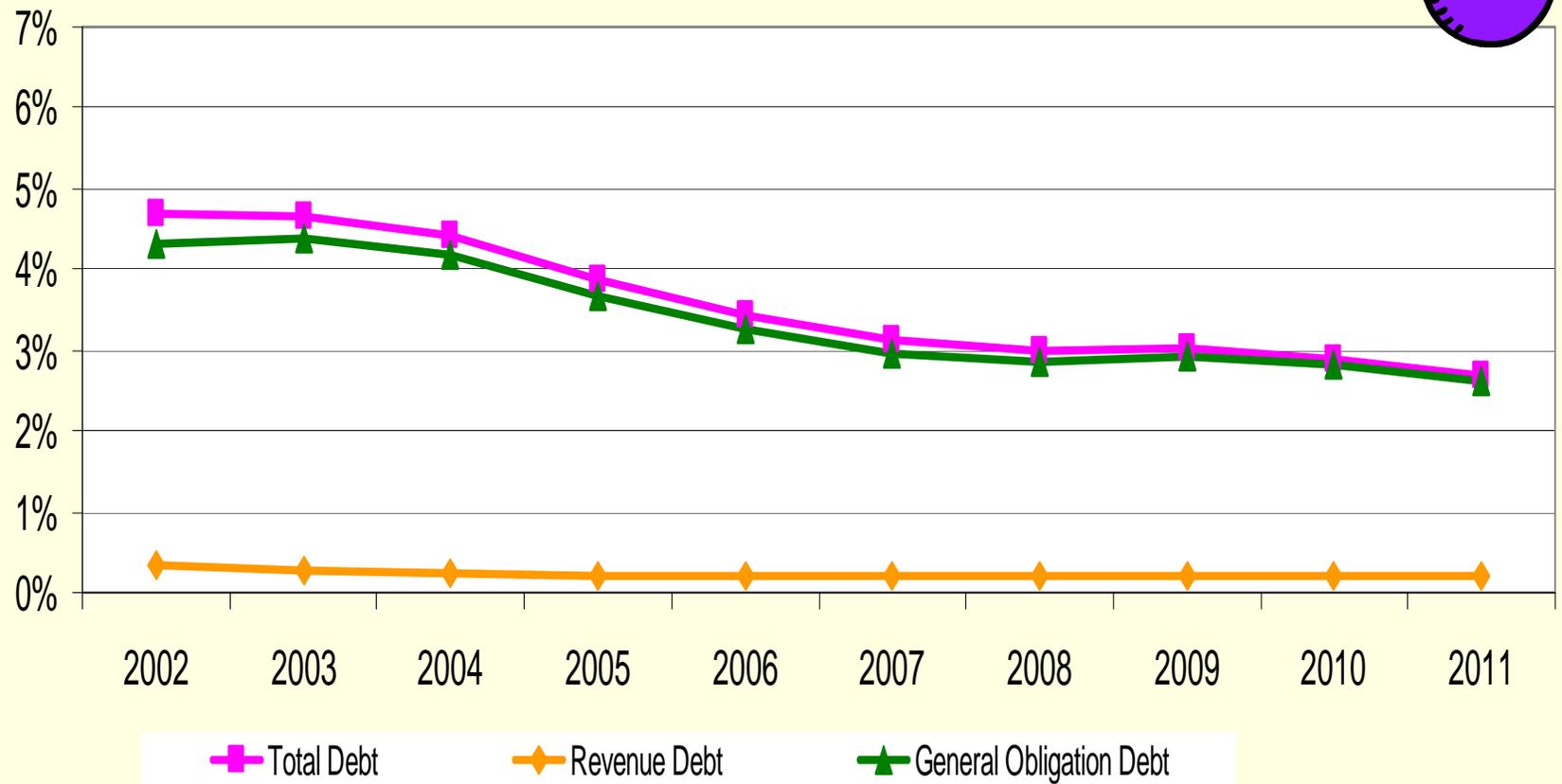
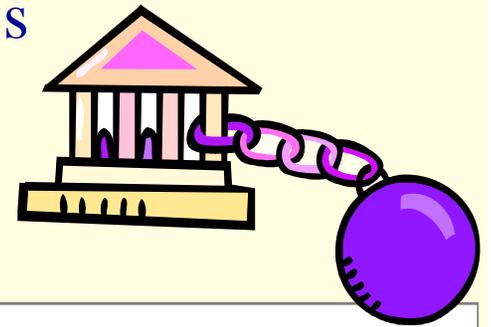
- Current Variable Rate Debt = \$129.225 M ~ 13%
- Taking action now to replace our liquidity provider Dexia Credit Local due to financial problems at the bank.
- Recent rates have been around .50 to .60% but Dexia's problems could cause rate spikes.
- Issuing \$81.5 M of fixed rate refunding bonds on 11/8/11 to pay off variable rate bonds on 12/1/11.
- Prepaying \$2.975 M on 12/1/11 with interest savings realized in 2011.
- Replacing remaining \$44.75 M of Dexia backed debt with a Direct Purchase Loan with a bank leaving approximately 5% in variable rate mode.

City of Minneapolis

Property Supported Debt Per Capita Debt (in dollars) 2002-2011



City of Minneapolis Total Debt as a Percentage of Assessor's Estimated Market Value 2002 - 2011



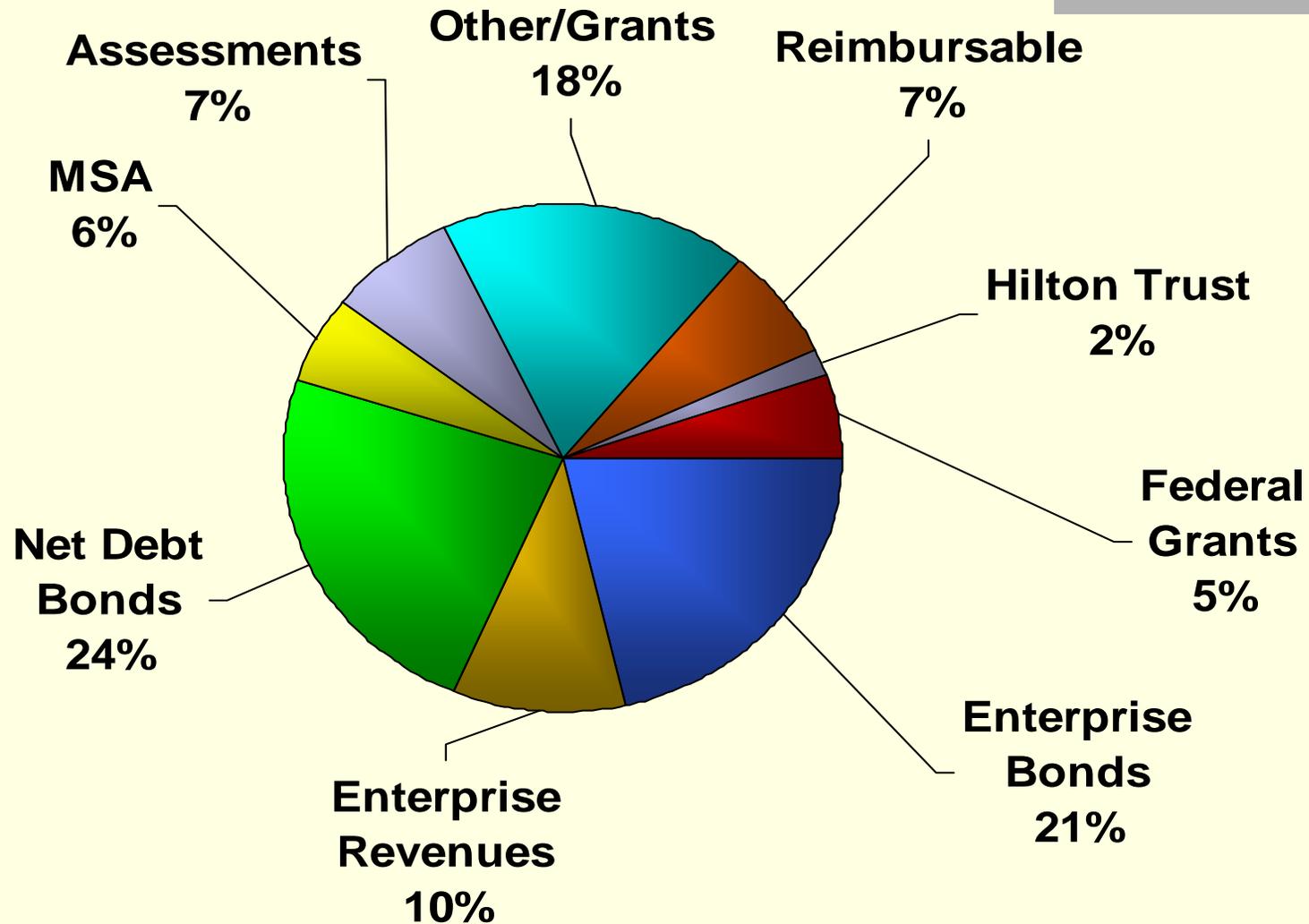
Mayor's Recommended 2012 - 2016 Five-Year Capital Investment Allocation \$640.4 M – pg 212

Commission/Board/Department	5-Year Funding	% Total
Municipal Building Commission	\$7.40 M	1.1%
Park Board	\$25.40 M	4.0%
Public Works	\$584.47 M	91.3%
Technology Projects	\$5.30 M	.8%
Miscellaneous Projects	\$17.79 M	2.8%
Total	\$640.36 M	100.0%



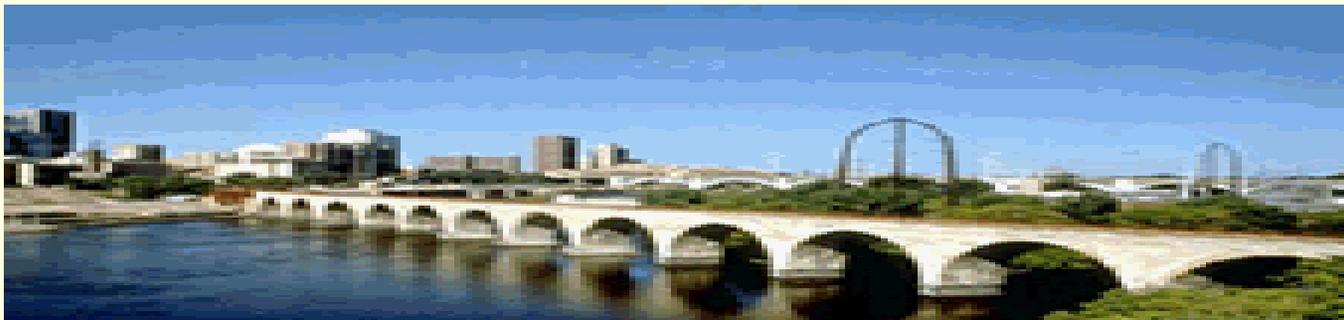
Funding Sources for Five-Year Capital Program

\$640.4 M – pg 213



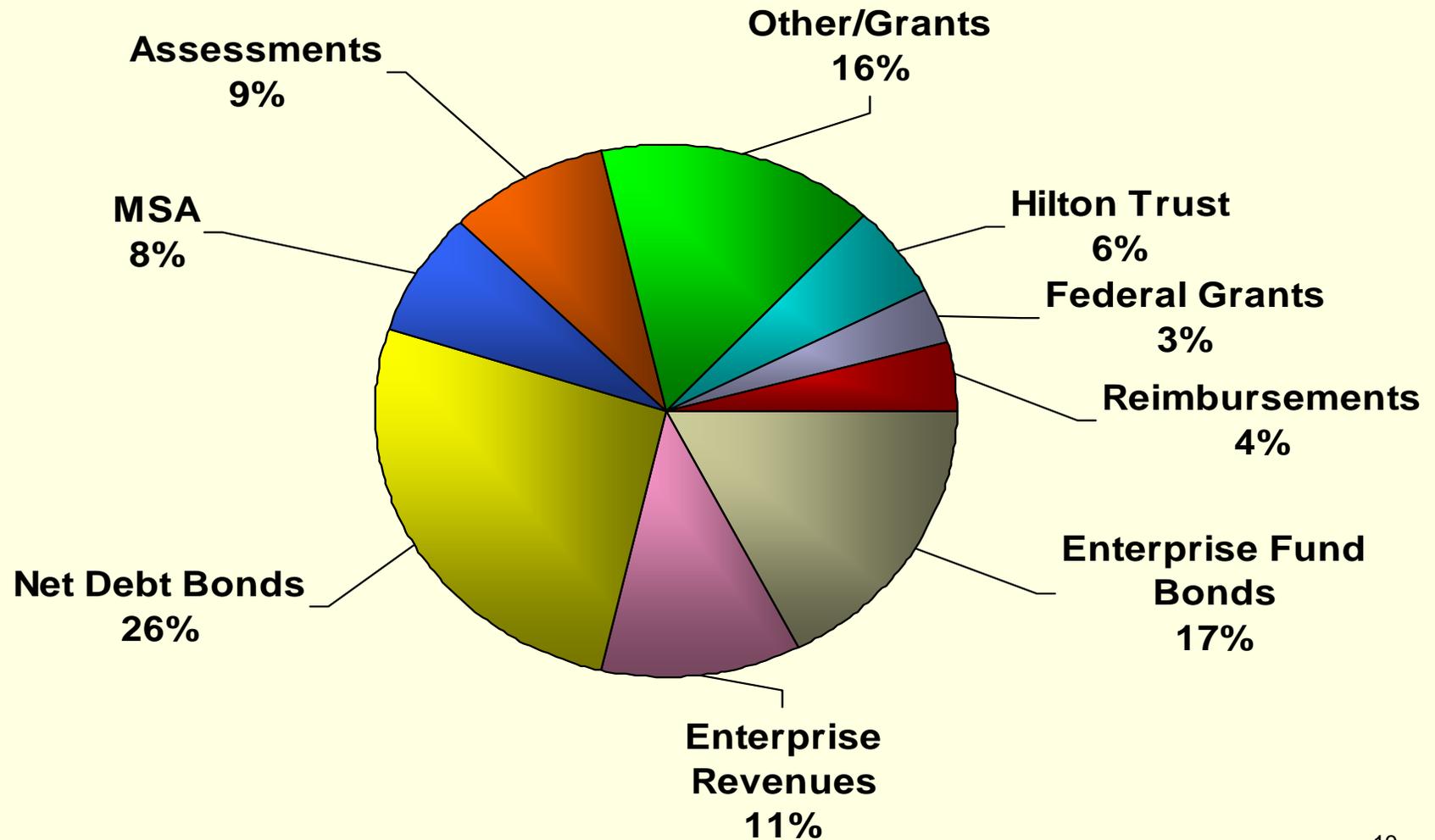
Mayor's Recommended 2012 Capital Investment Allocation \$98.8 M - pg 212

Commission/Board/Department	2012 Funding	% Total
Municipal Building Commission	\$1.1 M	1.1%
Park Board	\$5.0 M	5.1%
Public Works	\$85.0 M	86.0%
Technology Projects	\$1.3 M	1.3%
Miscellaneous Projects	\$6.4 M	6.5%
Total	\$98.8 M	100.0%



Funding Sources for 2012 Capital Program

\$98.8 M – pg 213





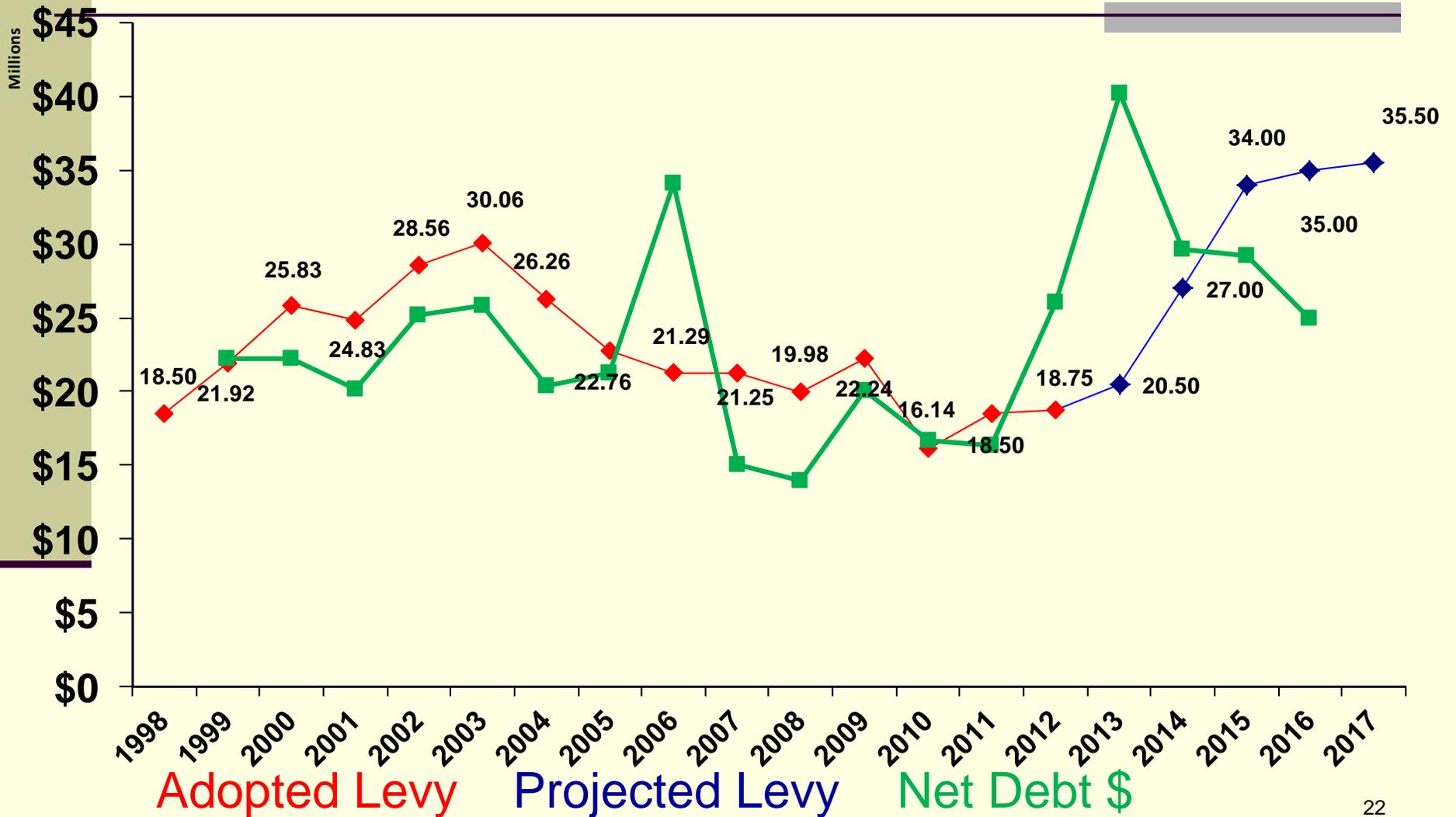
2011 - 2015 CIP Reductions Resulting from Lower LGA Levels approved by State in July 2011

Project Description	Council 2011	2012 – 2015
PV006 Alley Renovation Program	(\$0.80) M	(\$3.20) M
PV056 Asphalt Resurfacing Program	(\$4.20) M	(\$16.80) M
PV059 Major Pavement Maintenance Program	(\$2.00) M	(\$8.00) M
PV061 High Volume Corridor Reconditioning Program	(\$2.00) M	(\$8.00) M
Total	(\$9.00) M	(\$36.00) M
Note: The loss of these capital allocations from the Adopted 2011 – 2015 Capital Program which would have been funded with general fund resources gave rise to the need to expand the net debt bond program to address critical infrastructure needs.		

2012 - 2016 Mayor's Expanded Capital Program

Recommended Resources by Category	2012	2013	2014	2015	2016	Totals (000's)
Available Resources:						
Net Debt Bond (NDB) Authorizations	18,310	18,675	19,050	20,000	20,400	96,435
City Council Adjustment for 2012-2014	-1,000	-1,000	-1,000	0	0	-3,000
2012-2016 CLIC NDB Resources	17,310	17,675	18,050	20,000	20,400	93,435
Mayor's Expanded NDB Resources for Capital:						
Net Debt Bond increases by year	8,690	22,570	11,550	9,155	4,600	56,565
2012-2016 Mayor's Recommended NDB Resources	26,000	40,245	29,600	29,155	25,000	150,000
Infrastructure Acceleration Program:						
Transfer from Hilton Trust Legacy Fund	5,500	4,800	0	0	0	10,300
Total Mayor's Recommendation for Capital Programs	31,500	45,045	29,600	29,155	25,000	160,300
<p>Note: In last year's Adopted 2011 – 2015 program, with the expanded general fund resources, the total provided for capital was \$149,813.</p>						

Bond Redemption Levy 1998 – 2017



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

Mayor's Net Changes to CLIC resulting from Expanded NDB Resources by Year:	2012	2013	2014	2015	2016	Totals (000's)
MBC Elevators	370	245	245	0	0	860
Neighborhood Parks Capital Infrastructure	500	3,100	500	500	(-100)	4,500
Street Renovation Program	1,175	1,175	2,415	2,180	1,685	8,630
Asphalt Pavement Resurfacing Program	710	0	0	0	0	710
High Volume Corridor Reconditioning Program	1,710	6,675	2,350	2,025	1,501	15,302
Unpaved Alley Construction	150	150	150	150	150	750
Nawadaha Blvd & Minnehaha Ave	0	0	1,250	0	0	1,250
Penn Ave S (50 th to Crosstown)	0	5,000	2,350	0	(1,000)	6,350
26 th Ave N (W Broadway to Lyndale Ave N)	0	300	0	0	(300)	0
TH121/Lyndale Ave S	0	300	300	0	0	600
Development Infrastructure Program	500	3,700	1,200	2,500	960	8,860
Central Corridor Station Area Improvements	500	0	0	0	0	500
10 th Ave SE Bridge Arch Rehabilitation	0	0	(1,090)	0	0	(1,090)
Traffic Signals	1,500	1,500	1,500	1,500	1,500	7,500
Bluff Street Bike Trail Project	800	0	0	0	0	800
Enterprise Infrastructure Modernization	300	300	200	100	0	900
Mobile Computing Framework	125	125	0	0	0	250
Art in Public Places	173	177	180	200	204	934
Pioneers & Soldiers Cemetery Fencing – Phase II	177	(177)	0	0	0	0
Total Expanded NDB Implications by Year	8,690	22,570	11,550	9,155	4,600	56,565
Red Color indicates new projects added.						

2012 Property Tax Supported CIP (Net Debt Bond Allocation) - pg 216

Commission/Board/Department	Mayor's Allocation	Change from CLIC
Municipal Building Commission	\$1.11 M	\$.37 M
Park Board	\$2.50 M	\$.50 M
Public Works	\$19.87 M	\$7.05 M
Technology Projects	\$1.27 M	\$.43 M
Miscellaneous Projects	\$1.25 M	\$.35 M
Total	\$26.00 M	\$8.70 M



2012 Non-Property Tax Supported CIP

Funding Source Description	Mayor's Allocation	Change from CLIC
Municipal State Aid	\$7.60 M	-
Assessments	\$8.68 M	-\$1.73 M
Parking Fund	\$1.70 M	-
Sanitary Sewer Fund	\$6.50 M	-
Stormwater Fund	\$11.85 M	-
Water Fund	\$8.21 M	-
Transfer From Special Revenue Fund	\$5.50 M	-
Transfer From General Fund	-	-\$9.00 M
Other	\$22.79 M	+\$6.20 M
Total	\$72.83 M	\$4.53 M

Assessments – Decrease due to PV056 Asphalt Pavement Resurfacing Program -\$2.2 M, PV003 Street Renovation Program +\$325 K, PV006 Alley Renovation Program -\$150 K, PV061 High Volume Corridor Reconditioning Program +\$150 K, and PV063 Unpaved Alley Construction +\$150 K.

Transfer From General Fund – Funding reduced in several projects due to LGA reductions from State.

Other - +\$5.0 M Convention Center Bonds, +1.2 M State Grants in BIK25 Bluff Street Bike Trail Project.



2012 - 2013 CIP

Infrastructure Acceleration Program

pg 215

Project Description	Mayor's 2012	Mayor's 2012-2013
PRK03 Shelter – Pool – Site Improvements Program	\$0.50 M	\$1.00 M
PV001 Parkway Paving Program	\$0.15 M	\$0.30 M
PV006 Alley Renovation Program	\$0.20 M	\$0.40 M
PV056 Asphalt Pavement Resurfacing Program	\$1.00 M	\$3.00 M
PV059 Major Pavement Maintenance	\$1.00 M	\$1.80 M
PV061 High Volume Corridor Reconditioning Program	\$0.50 M	\$0.50 M
PV075 Development Infrastructure Program	\$0.50 M	\$0.50 M
PV078 Central Corridor Station Area Improvements	\$0.50 M	\$0.50 M
TR008 Parkway Street Light Replacement	\$0.15 M	\$0.30 M
TR011 City Street Light Renovation	\$0.90 M	\$1.80 M
BIK24 Major Bike Maintenance Program	\$0.10 M	\$0.20 M
Total	\$5.50 M	\$10.30 M

2012 - 2016 CIP

Municipal Building Commission

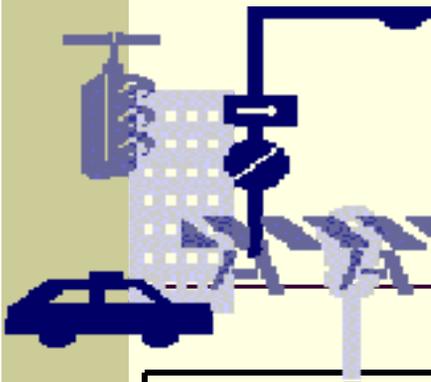
\$7.4 M - pg 217

Project	Mayor's 2012	Change from 2012 CLIC	Mayor's 5 yr
Life Safety Improvements	\$0.20 M	-	\$1.36M
Mechanical Systems Upgrade	\$0.50 M	-	\$2.34 M
MBC Elevators	\$0.37 M	\$.37 M*	\$0.86 M
Clock Tower Upgrade	\$0.036 M	-	\$0.88 M
Critical Power Capital Project	\$0.00 M	-	\$1.96 M
Restoration of Historic Reception Room	\$0.00 M	-	\$0.00 M
Total	\$1.11 M	\$.37 M	\$7.40 M
*Mayor added \$860,000 to MBC Elevators with Expanded NDB dollars.			



2012 - 2016 CIP Park Board \$25.4 M – pg 217

Projects	Mayor's 2012	Mayor's 5 yr	CLIC's 5 yr
Recreation Center and Site Improvements Program	\$2.3 M	\$4.9 M	\$4.9 M
Playground and Site Improvements Program	\$0.3 M	\$2.7 M	\$2.7 M
Shelter – Pool – Site Improvements Program	\$1.1 M	\$3.6 M	\$3.6 M
Athletic Fields and Site Improvements Program	\$0.2 M	\$6.1 M	\$6.2 M
Parking Lot and Lighting Improvement Program	\$0.0 M	\$0.1 M	\$0.1 M
Neighborhood Parks Capital Infrastructure*	\$0.6 M	\$5.5 M	\$0.9 M
Diseased Tree Removal	\$0.5 M	\$2.5 M	\$2.5 M
Total	\$5.0 M	\$25.4 M	\$20.90 M
* Mayor added \$4.5 M of net debt bond resources for 5 year period with Expanded NDB dollars.			



2012 – 2016 Public Works Projects affected by Mayor’s NDB Expansion pg 226-232

Amounts represent net incr/(decr) to NDB Funding	Mayor’s 2012	Mayor’s 5 Yr
Street Renovation Program	\$1.2 M	\$8.6 M
Asphalt Pavement Resurfacing Program	\$.7 M	\$.7 M
High Volume Corridor Reconditioning Program	\$1.7 M	\$15.3 M
Unpaved Alley Construction	\$.2 M	\$.8 M
Nawadaha Blvd & Minnehaha Ave	\$0.0 M	\$1.3 M
Penn Ave S (50 th to Crosstown)	\$0.0 M	\$6.3 M
TH121/Lyndale Ave S	\$0.0 M	\$0.6 M
10 th Ave SE Bridge Arch Rehabilitation	\$0.0 M	(\$1.1 M)
Traffic Signals	\$1.7 M	\$7.5 M
Bluff Street Bike Trail Project	\$.8 M	\$.8 M
Total	\$6.3 M	\$40.8 M
(Development projects not included above)		29



2012 - 2016 CIP

Public Works Department

\$584.5 M – pg 226-232

The top ten total \$303.0 M or 52% of the five-year Public Works capital program

Top Ten PW Projects in the 5-Year CIP Program	Mayor's 2012	Mayor's 5 yr
University Research Park/Central Corridor	\$0.0 M	\$84.1 M
Storm Drains and Tunnels Rehabilitation Program	\$8.5 M	\$44.7 M
Fridley Filter Rehabilitation	\$0.1 M	\$37.1 M
High Volume Corridor Reconditioning Program	\$2.9 M	\$25.4 M
Water Distribution Improvements	\$4.0 M	\$24.0 M
Treatment Infrastructure Improvements	\$4.0 M	\$23.0 M
Sanitary Tunnel & Sewer Rehabilitation Program	\$3.5 M	\$19.3 M
Defective Hazardous Sidewalks	\$3.1 M	\$16.9 M
Infiltration & Inflow Removal Program	\$3.0 M	\$14.5 M
Nicollet Ave (Lake St E to 40 th St E)	\$7.0 M	\$14.0 M
Total	\$36.1 M	\$303.0 M



2012 - 2016 CIP

BIS Technology Projects

\$5.3 M – pg 232

Project	Mayor's 2012	Mayor's 5 yr	CLIC's 5 yr
Enterprise Content Management	\$0.40 M	\$1.30 M	\$1.30 M
Enterprise Infrastructure Modernization	\$0.75 M	\$3.75 M	\$2.85 M
Mobile Computing Framework	\$0.13 M	\$0.25 M	\$0.00 M
Total	\$1.28 M	\$5.30 M	\$4.15 M
Mayor funded Enterprise Infrastructure Modernization and Mobile Computing Framework at department requested levels with Expanded NDB dollars and moved up schedule for Mobile Computing project by 3 years.			



2012 - 2016 CIP Miscellaneous Projects \$17.79 M – pg 232-233

Project	Mayor's 2012	CLIC's 2012	Mayor's 5 yr	CLIC's's 5 yr
Art in Public Places ^{1.}	\$0.35 M	\$0.17 M	\$1.87 M	\$0.94 M
Convention Center Domes Repair ^{2.}	\$5.00 M	\$0.00 M	\$5.00 M	\$0.00 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	\$5.72 M	\$5.72 M
Facilities – Space Improvements	\$0.50 M	\$0.50 M	\$3.50 M	\$3.50 M
Pioneers & Soldiers Cemetery Fencing – Phase II	\$0.45 M	\$0.27 M	\$0.95 M	\$0.95 M
CLIC Unallocated Net Debt Bonds ^{3.}	\$0.0 M	\$0.00 M	\$0.00 M	\$1.04 M
Totals	\$6.45 M	\$1.09 M	\$17.79 M	\$12.90 M

1. Art in Public Places – Mayor restored 2% from CLIC's 1% of NDB on original \$93.435 M.

2. Convention Center Domes Repair – Mayor added project.

3. CLIC Unallocated Net Debt Bonds - Mayor allocated 1.04M to PV061 High Volume Corridor Reconditioning Program.

Mayor's Recommended 2012 Budget Sanitary Sewer Utility Rates *Average Bills and Revenue*



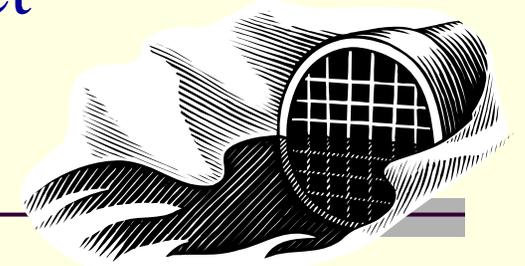
Year	Average Monthly Bill	% Increase from Prior Year	Total Planned Revenue to the City ¹
2012	\$20.22	10.5%	\$49.8 M
2013	\$20.82	3.0%	\$50.8 M
2014	\$21.42	2.9%	\$51.7 M
2015	\$22.08	3.1%	\$52.8 M
2016	\$22.74	3.0%	\$53.9 M

- 1 Total estimated fee revenue to the city from all fee payers
- 2 Average bill is 6 units @ \$3.37/unit = \$20.22 Unit = 100 cu ft
- 3 The Sanitary Sewer Dept will be proposing an adjustment to this for 2012 to incorporate a fixed cost charge and variable rate charge based on water usage.

Mayor's Recommended 2012 Budget

Stormwater Rates

Average Bills and Revenue



Year	Rate per ESU (Equivalent Stormwater Unit)	% Increase from Prior Year	Total Planned Revenue to the City¹
2012	\$11.70	2.5%	\$36.3 M
2013	\$11.93	2.0%	\$37.0 M
2014	\$12.17	2.0%	\$37.8 M
2015	\$12.41	2.0%	\$38.5 M
2016	\$12.65	1.9%	\$39.2 M

- 1 Total estimated fee revenue to the city from all fee payers
- 2 An ESU = 1,530 sq ft of impervious hard surface area



Mayor's Recommended 2012 Budget Water Utility Rates *Monthly Cost for Average Consumer*

Year	Average Monthly Bill	% Increase from Prior Year	Total Planned Revenue to the City¹
2012	\$26.88	5.0%	\$76.4 M
2013	\$27.84	3.6%	\$78.2 M
2014	\$28.80	3.4%	\$79.9 M
2015	\$29.68	3.1%	\$82.7 M
2016	\$30.56	3.0%	\$85.7 M

- 1 Total estimated fee revenue to the city from all fee payers
- 2 Average is 8 units @ \$3.36 = \$26.88 Unit = 100 cu ft
- 3 Water Dept will be proposing an adjustment to this for 2012 to incorporate a fixed cost charge and variable rate charge based on water usage.

Mayor's Recommended 2011 Budget
 Combined Utility Bill
Monthly Cost for Average Consumer

pg 234



Year	2011	2012 Recomm.	Dollar Change	Percent Change
Sanitary Sewer	\$18.30	\$20.22	\$1.92	10.5%
Stormwater	\$11.42	\$11.70	\$0.28	2.5%
Water	\$25.60	\$26.88	\$1.28	5.0%
Solid Waste	\$24.00	\$24.00	\$0.00	0.0%
Total	\$79.32	\$82.80	\$3.48	4.4%

Operating Cost Implications

- Exceedingly important as budgets are cut!
- Estimated for all capital proposals but not added to or subtracted from Operating Budgets
- 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 implications within their 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 Recommended Budget Upcoming Dates

- November 30, 6:05 p.m. Public Comment on Budget and Levy
- December 14, 6:05 p.m. Public Comment on Budget and Budget Adoption

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!