



City of Minneapolis

Debt & Capital Improvement
Program Overview
For Years 2012 - 2016

October 19, 2011

Agenda

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

Review of Key Terms

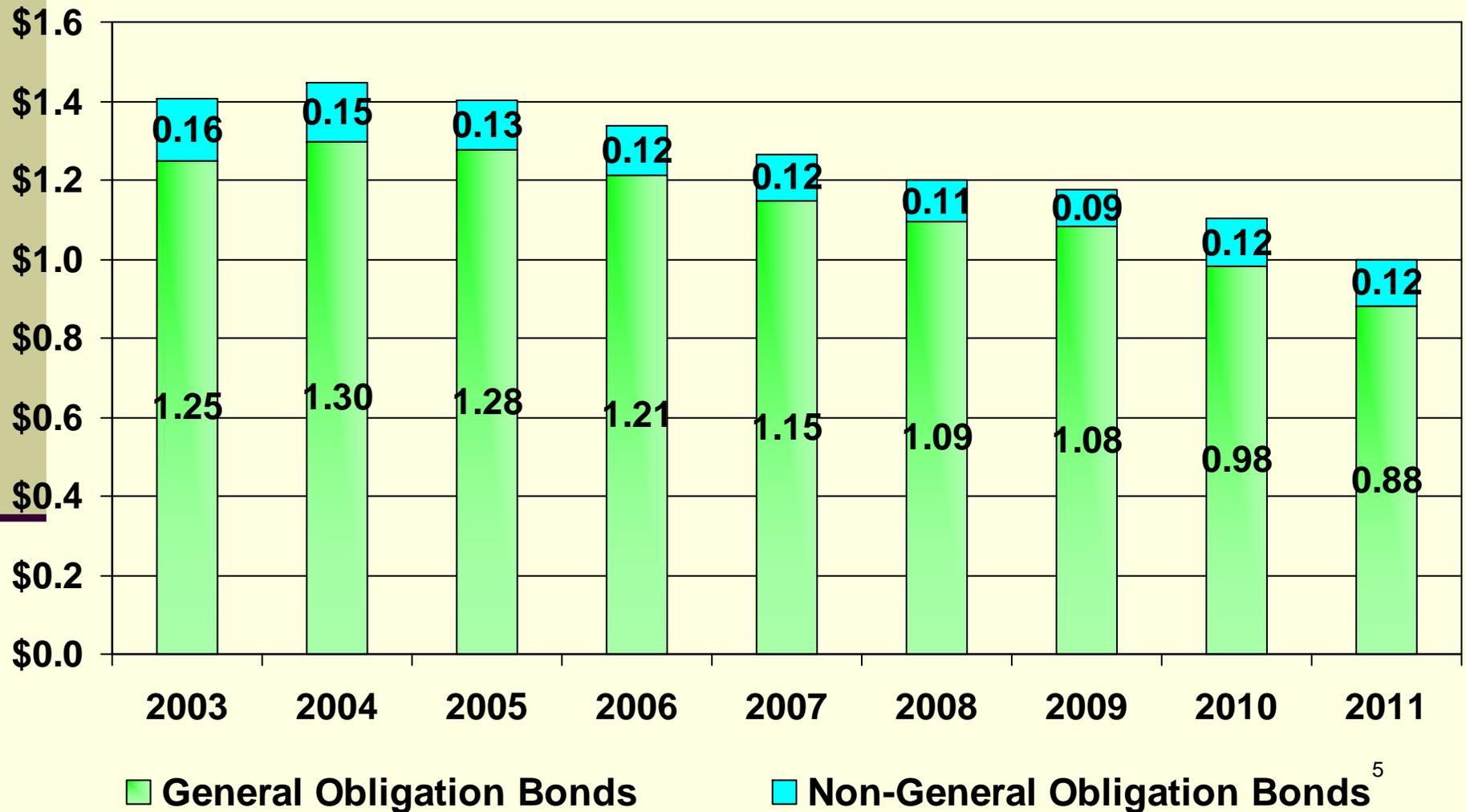
- **Debt Service:** Refers to payments made for principal and interest on outstanding bonds.
- **Net Debt Bonds:** Property tax supported bonds issued to finance general infrastructure improvements.
- **Bond Redemption Levy:** A dedicated tax levy used for the payment of principal and interest on property 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

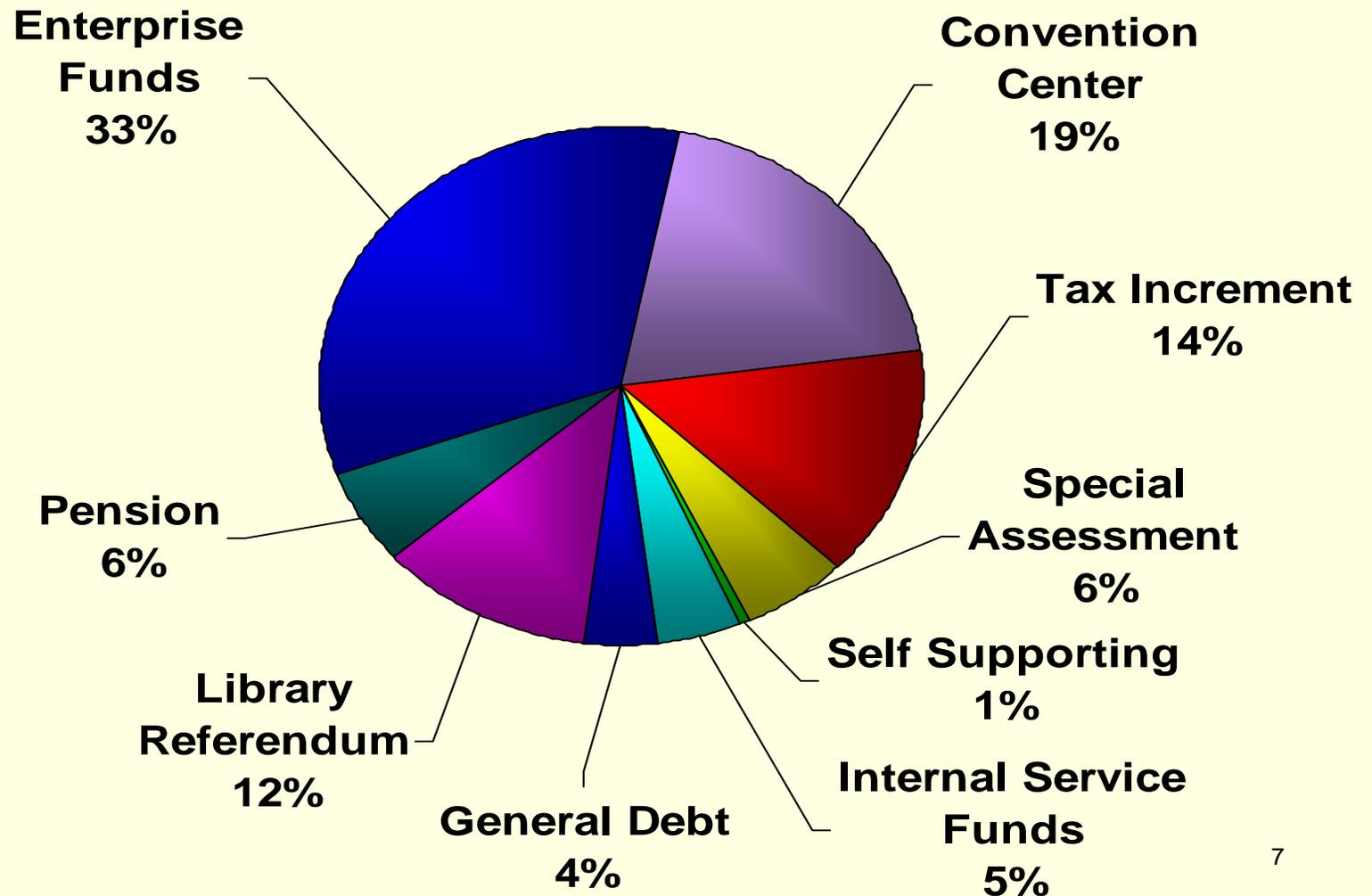
(in billions)



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

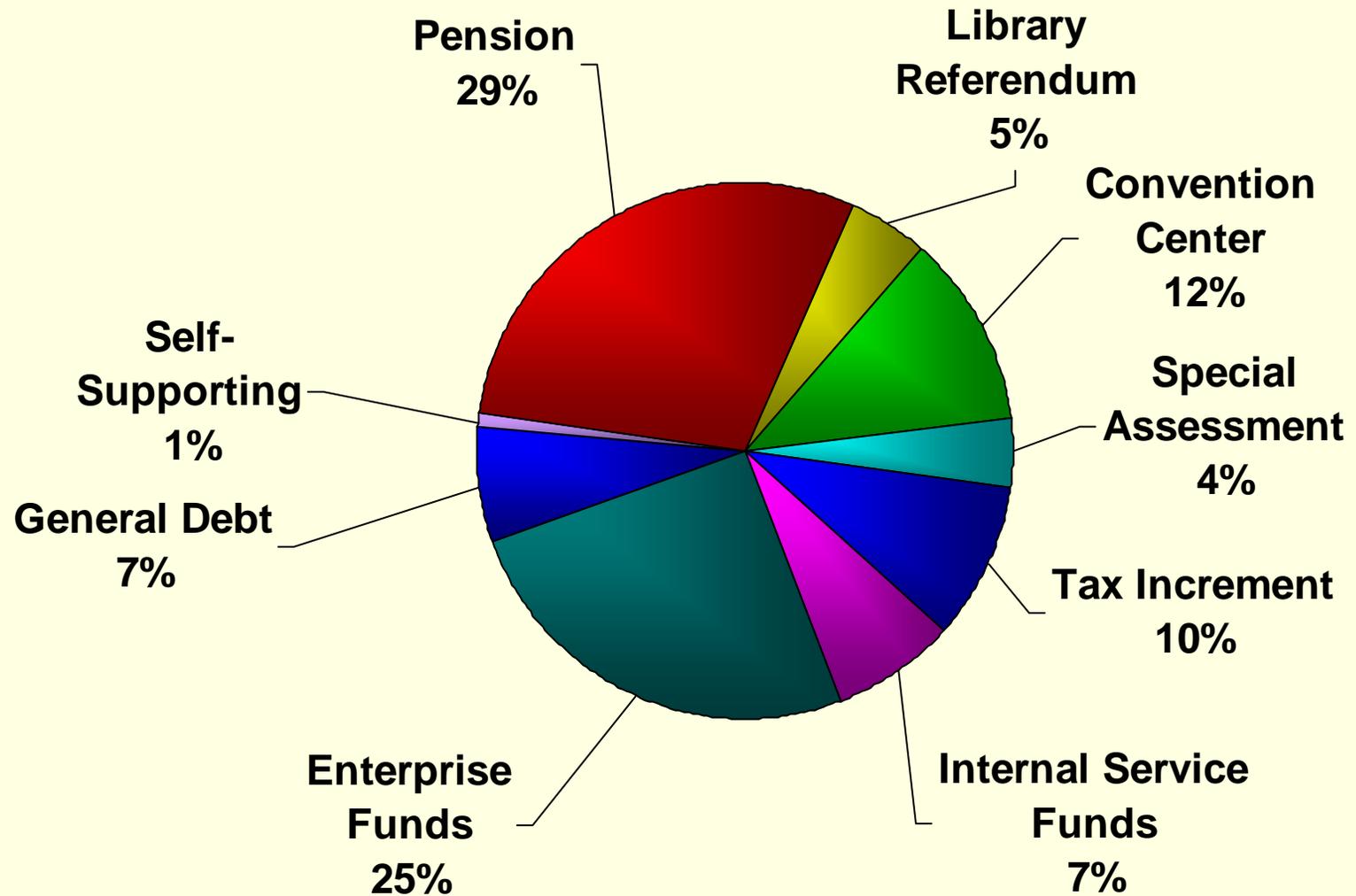


2012 Debt Service Budget

(Based on 12/31/11 Debt Outstanding)

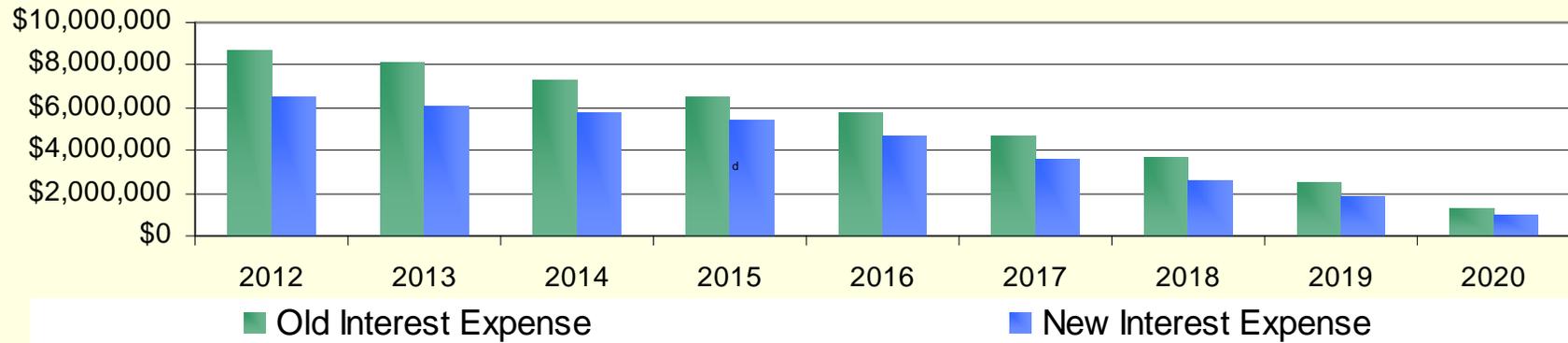
Debt Type	Principal	Interest	Total	% of Total
General Debt (NDB)	\$11.38 M	\$1.30 M	\$12.68 M	7%
Self Supporting	\$1.07 M	\$.48 M	\$1.55 M	1%
Pension	\$50.47 M	\$2.75 M	\$53.22 M	29%
Library Referendum	\$4.05 M	\$4.76 M	\$8.81 M	5%
Convention Center	\$14.74 M	\$6.49 M	\$21.23 M	12%
Special Assessment	\$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



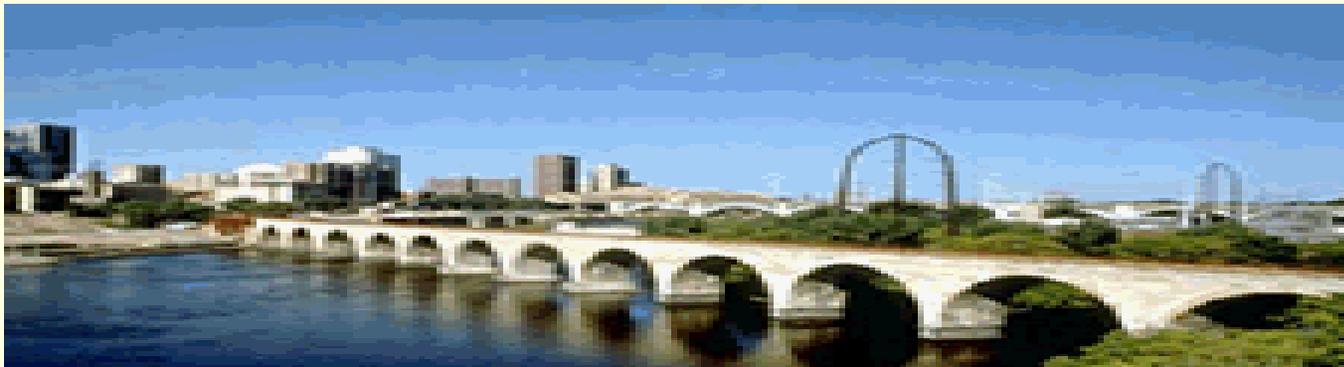
2011 Current Refunding Transaction

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



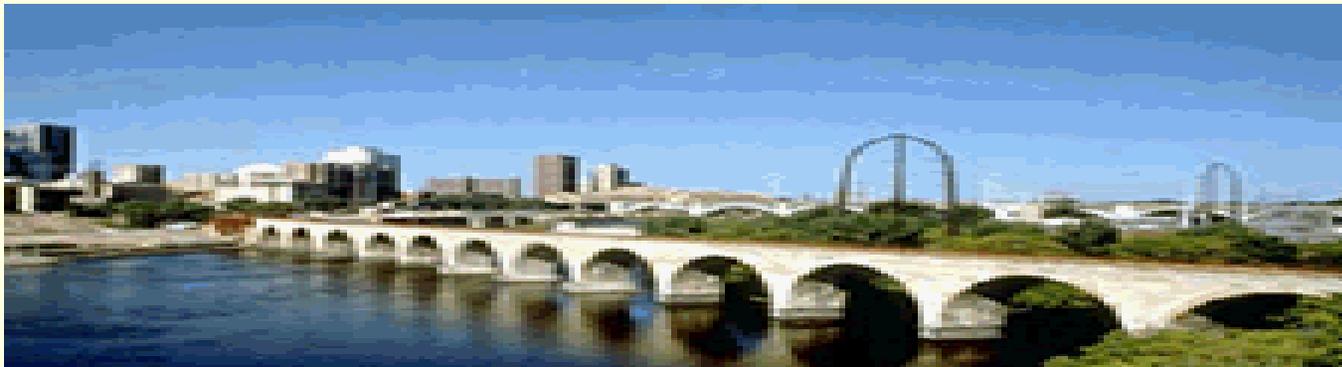
2011 & 2012 Pension Bond Prepayments

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	

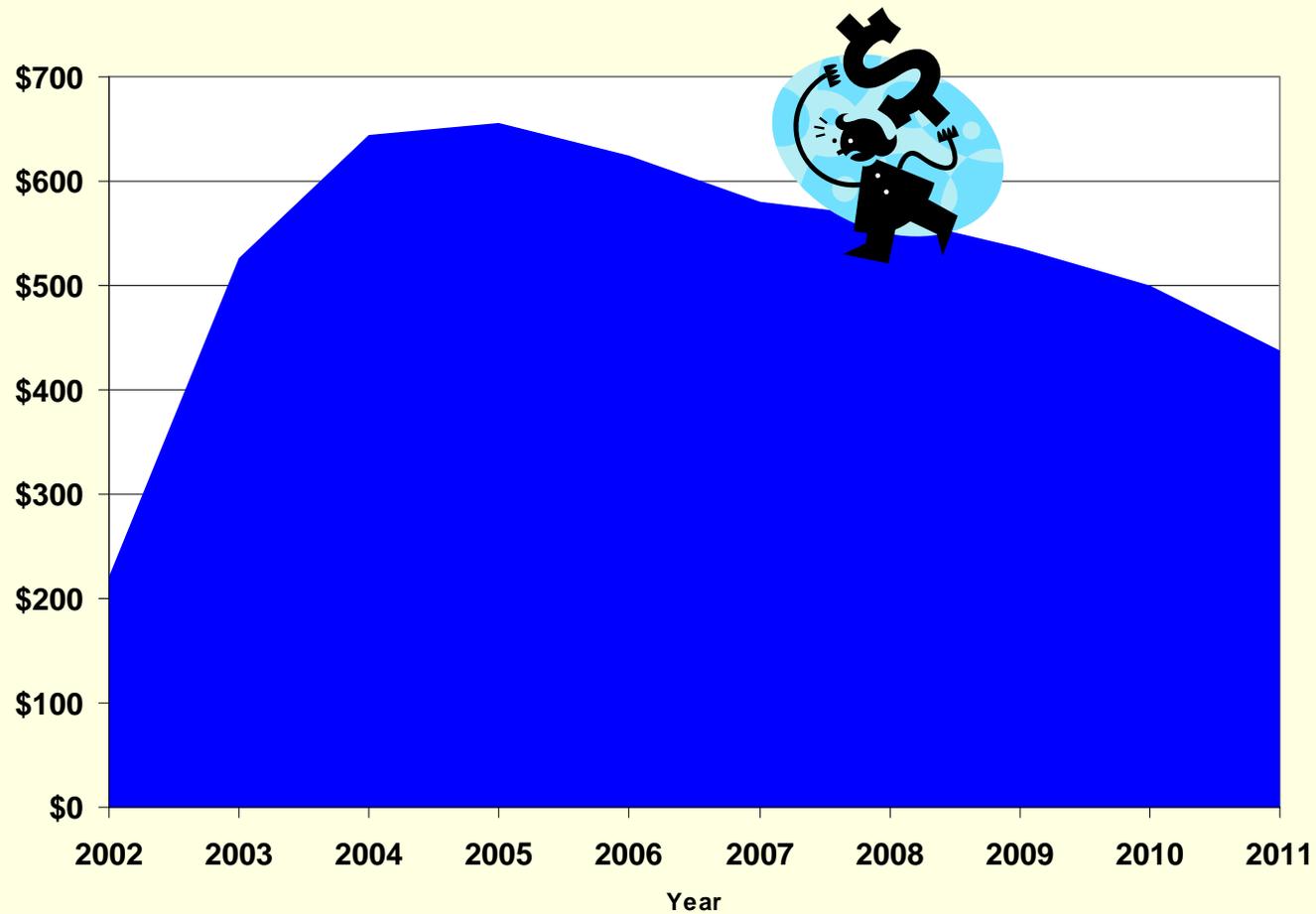


Variable Rate Debt

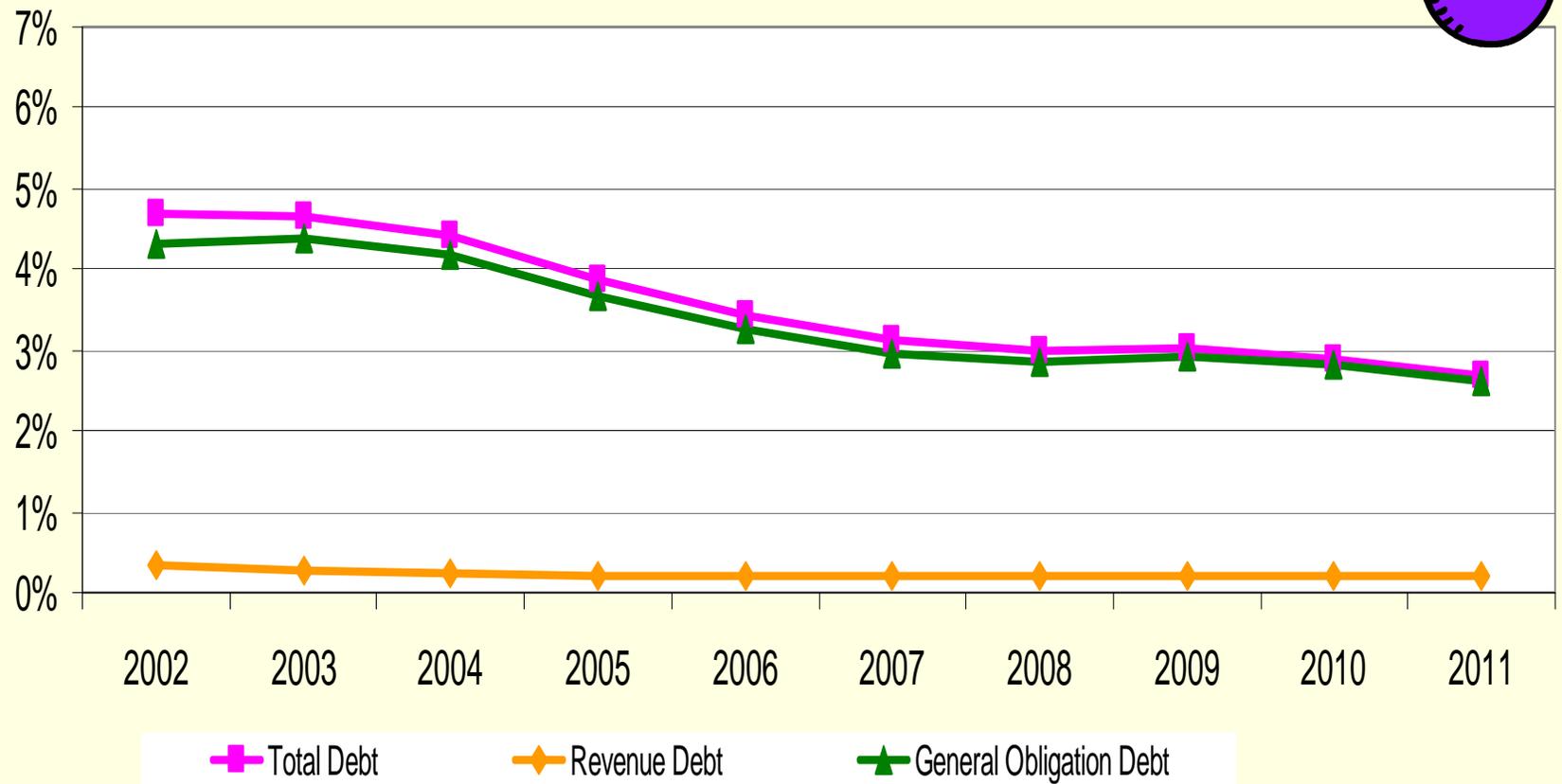
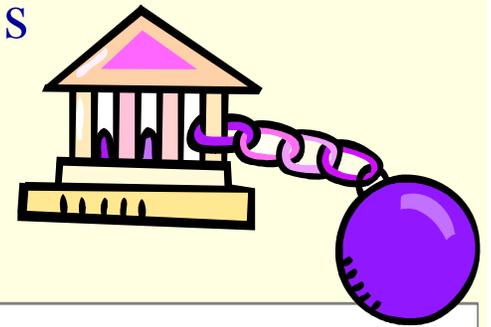
- Current Variable Rate Debt = \$129.225 M ~ 13%
- Taking action now to replace our liquidity provider Dexia Credit Local due to financial problems at the bank.
- Recent rates have been around .50 to .60% but Dexia's problems could cause rate spikes.
- Issuing \$81.5 M of fixed rate refunding bonds on 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



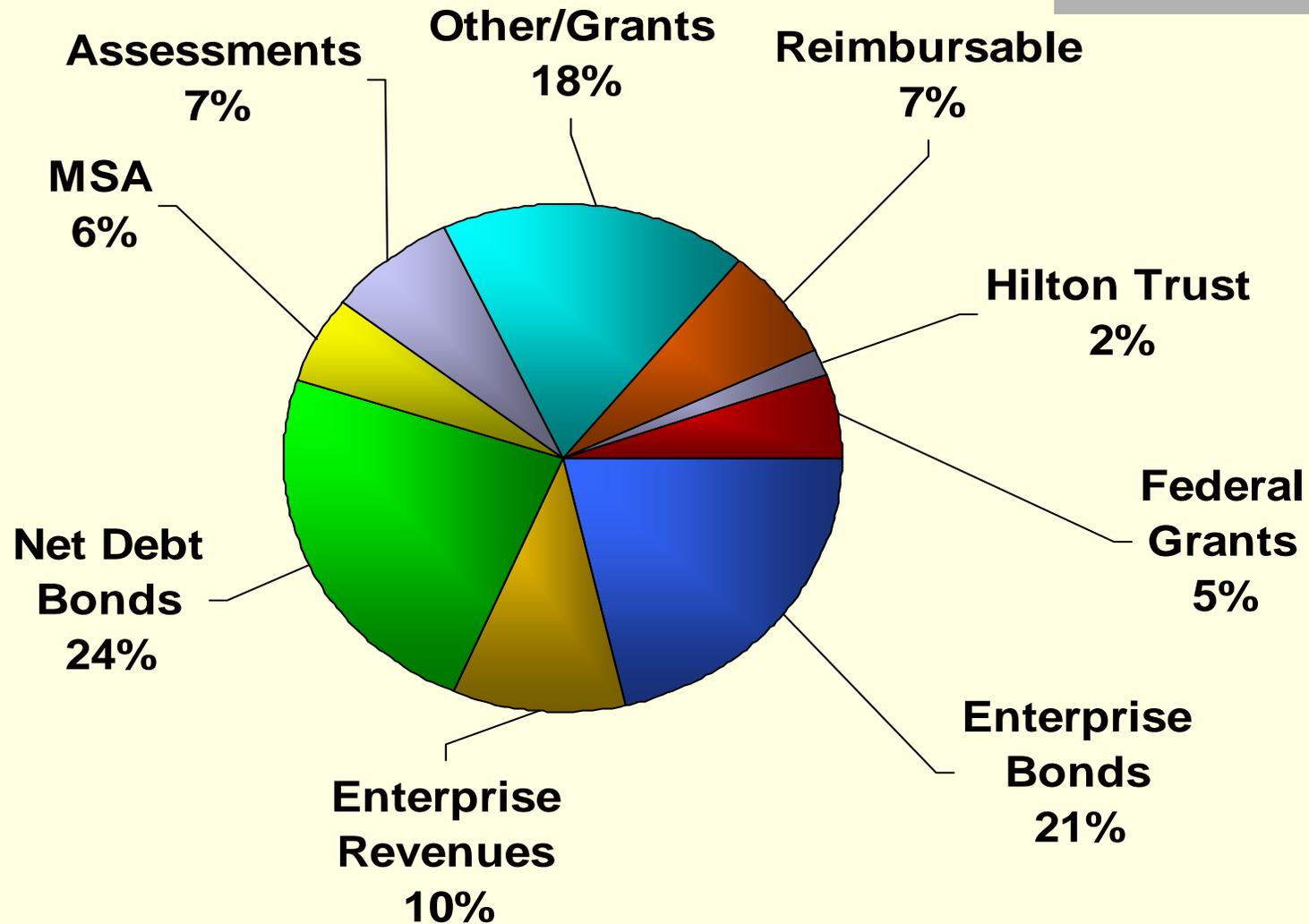
Mayor's Recommended 2012 - 2016 Five-Year Capital Investment Allocation \$640.4 M – pg 212

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



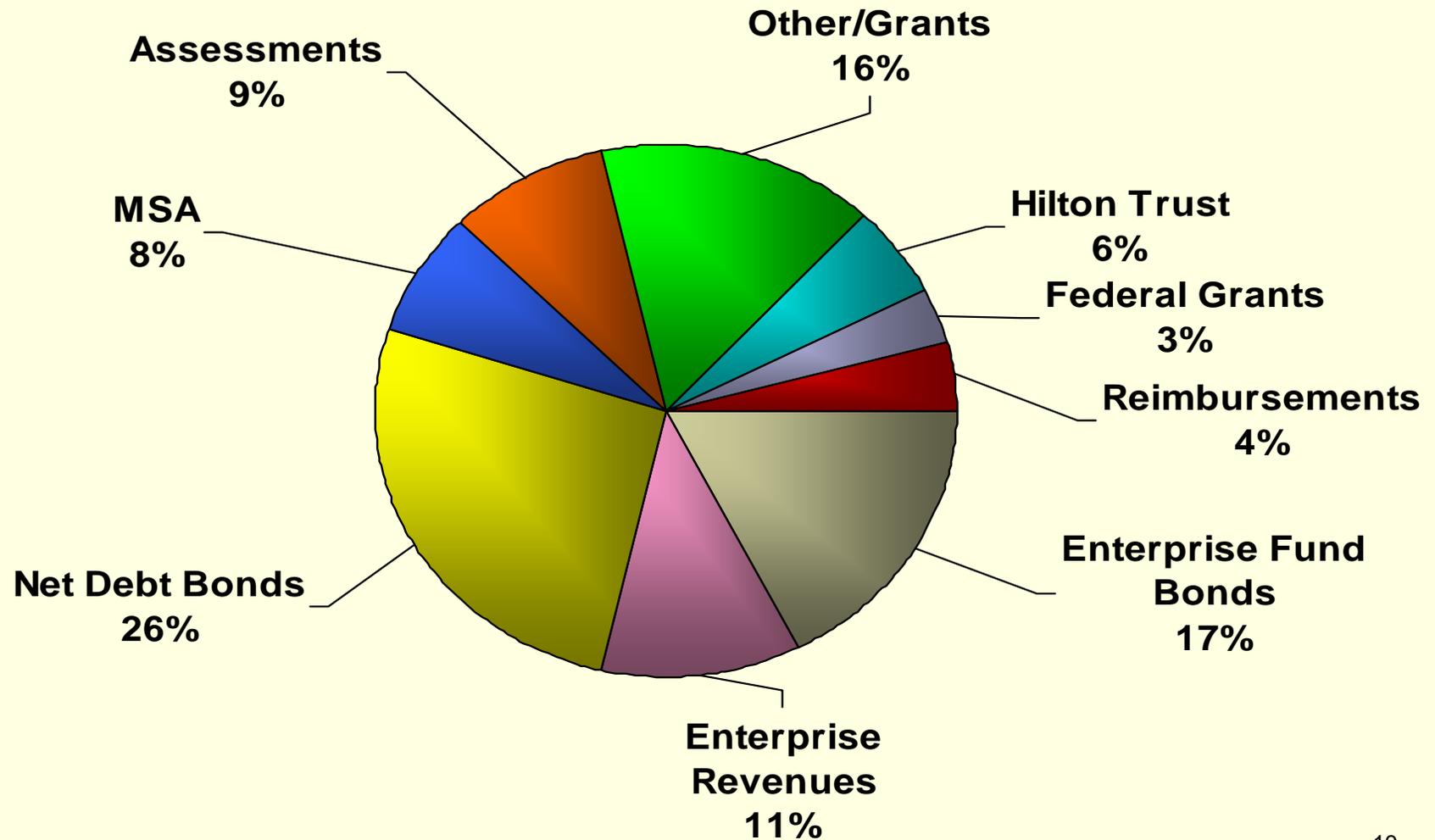
Mayor's Recommended 2012 Capital Investment Allocation \$98.8 M - pg 212

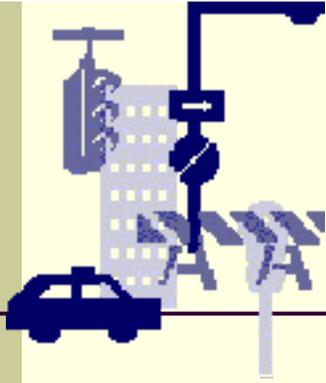
Commission/Board/Department	2012 Funding	% Total
Municipal Building Commission	\$1.1 M	1.1%
Park Board	\$5.0 M	5.1%
Public Works	\$85.0 M	86.0%
Technology Projects	\$1.3 M	1.3%
Miscellaneous Projects	\$6.4 M	6.5%
Total	\$98.8 M	100.0%



Funding Sources for 2012 Capital Program

\$98.8 M – pg 213





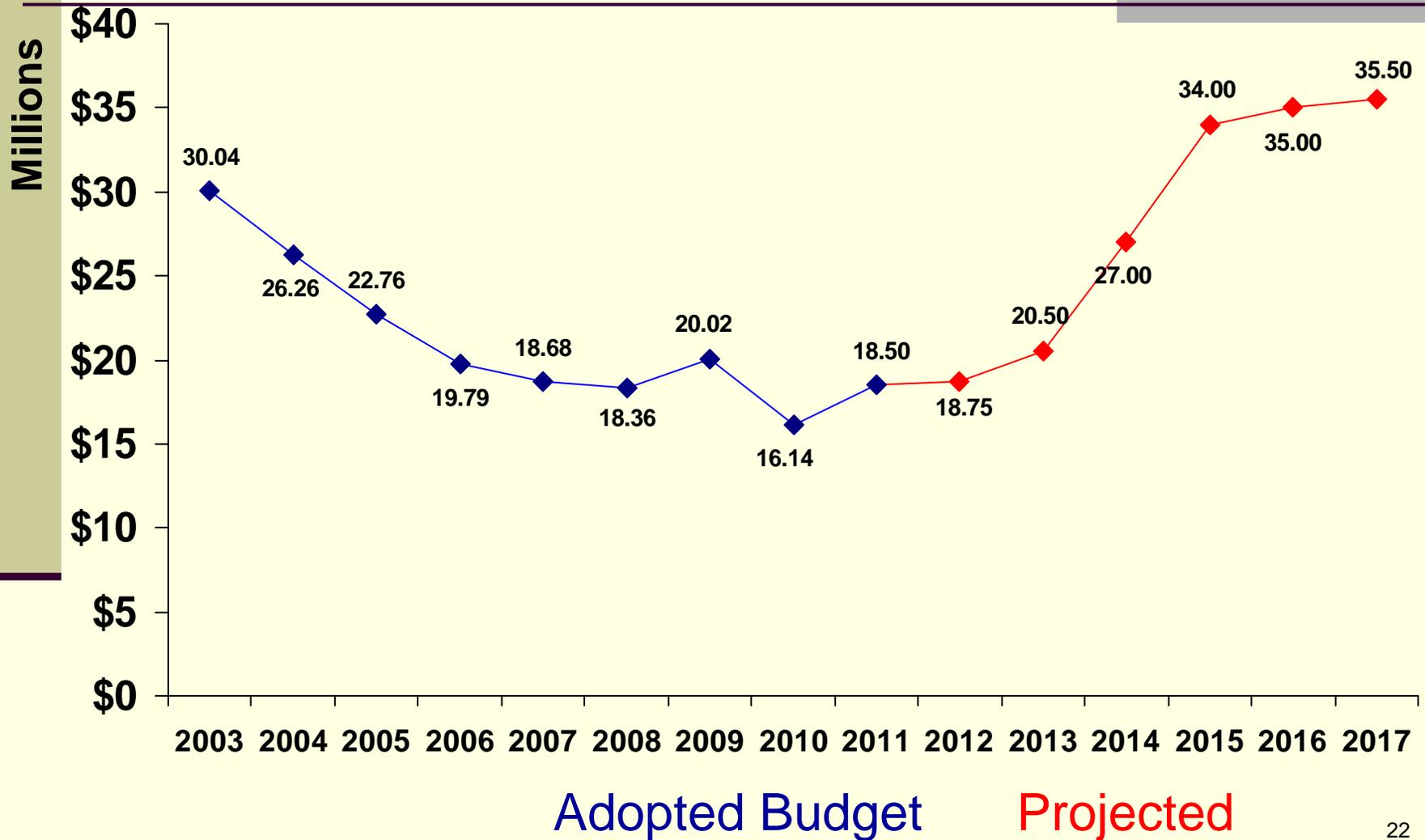
2011 - 2015 CIP Reductions Resulting from Lower LGA Levels approved by State in July 2011

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 2003 – 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

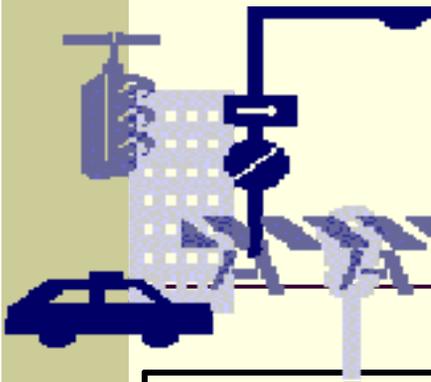
\$7.4 M - pg 217

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 \$4.6 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 City ¹
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!