

CITY OF MINNEAPOLIS

Capital & Debt Overview For Years 2017 – 2021

Capital Program found on pages G1 – G55 in Mayor’s Budget Book

Presentation to the Ways and Means Budget Subcommittee

October 6, 2016

Agenda

- 2017 – 2021 Capital Improvement Program
- Debt Service Statistics and 2017 Budget
- Questions/Conclusions

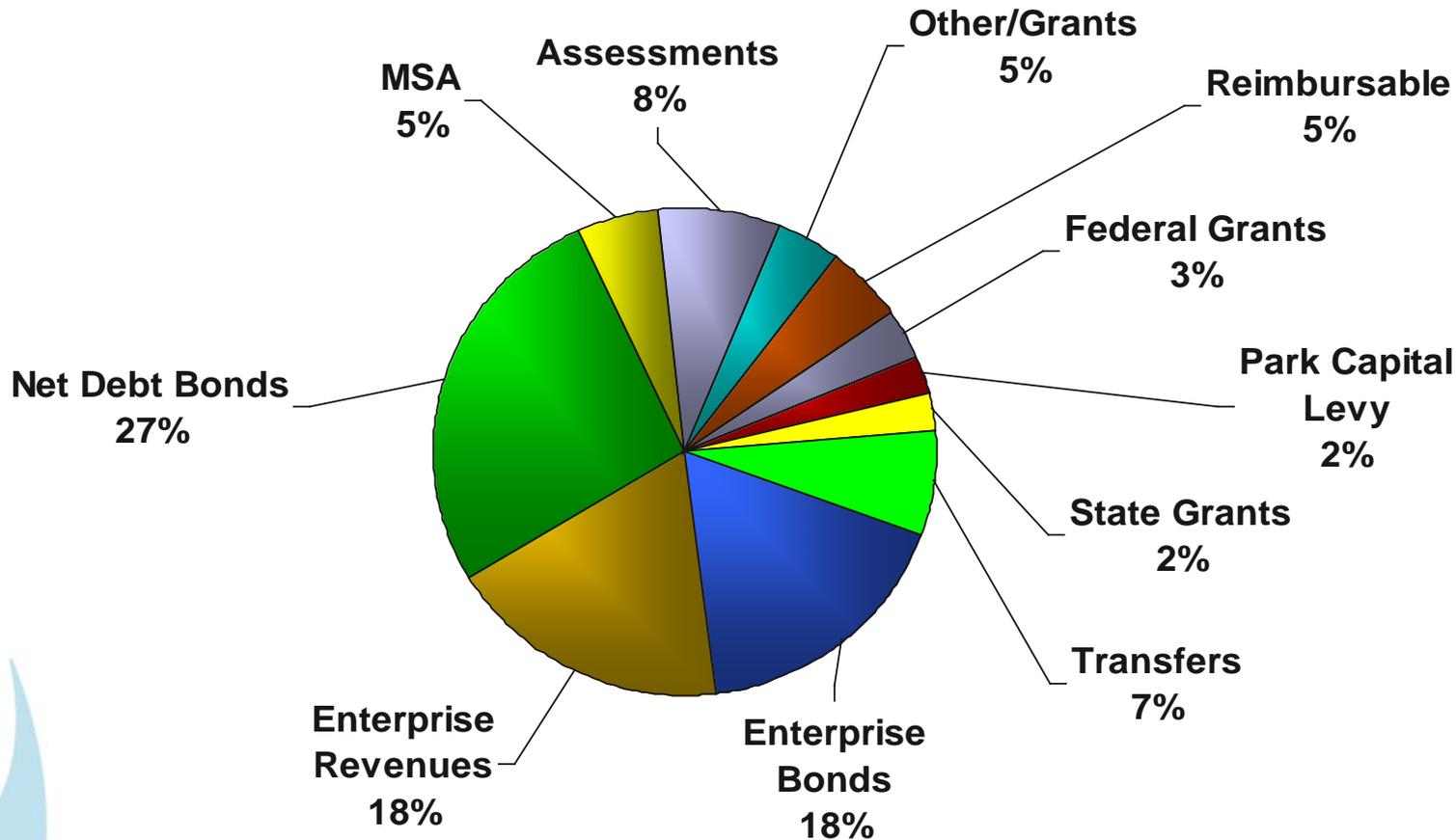


Mayor's Recommended Five-Year Capital Investment Allocation \$906.9 M – pg G15 (in millions)

Commission/Board/Department	5-Year Funding	% Total
Municipal Building Commission	\$15.84	1.8 %
Park Board	\$64.53	7.1 %
Public Works	\$753.83	83.1 %
Public Grounds & Facilities	\$59.80	6.6 %
Miscellaneous Projects	\$12.94	1.4 %
Total	\$906.94	100.0 %

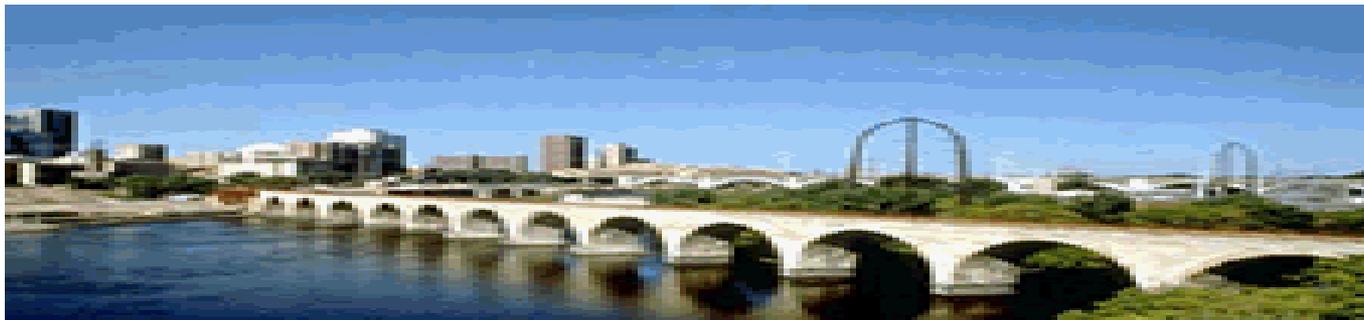


Mayor's Recommended Funding Sources for Five-Year Capital Program \$906.9 M – pg G16

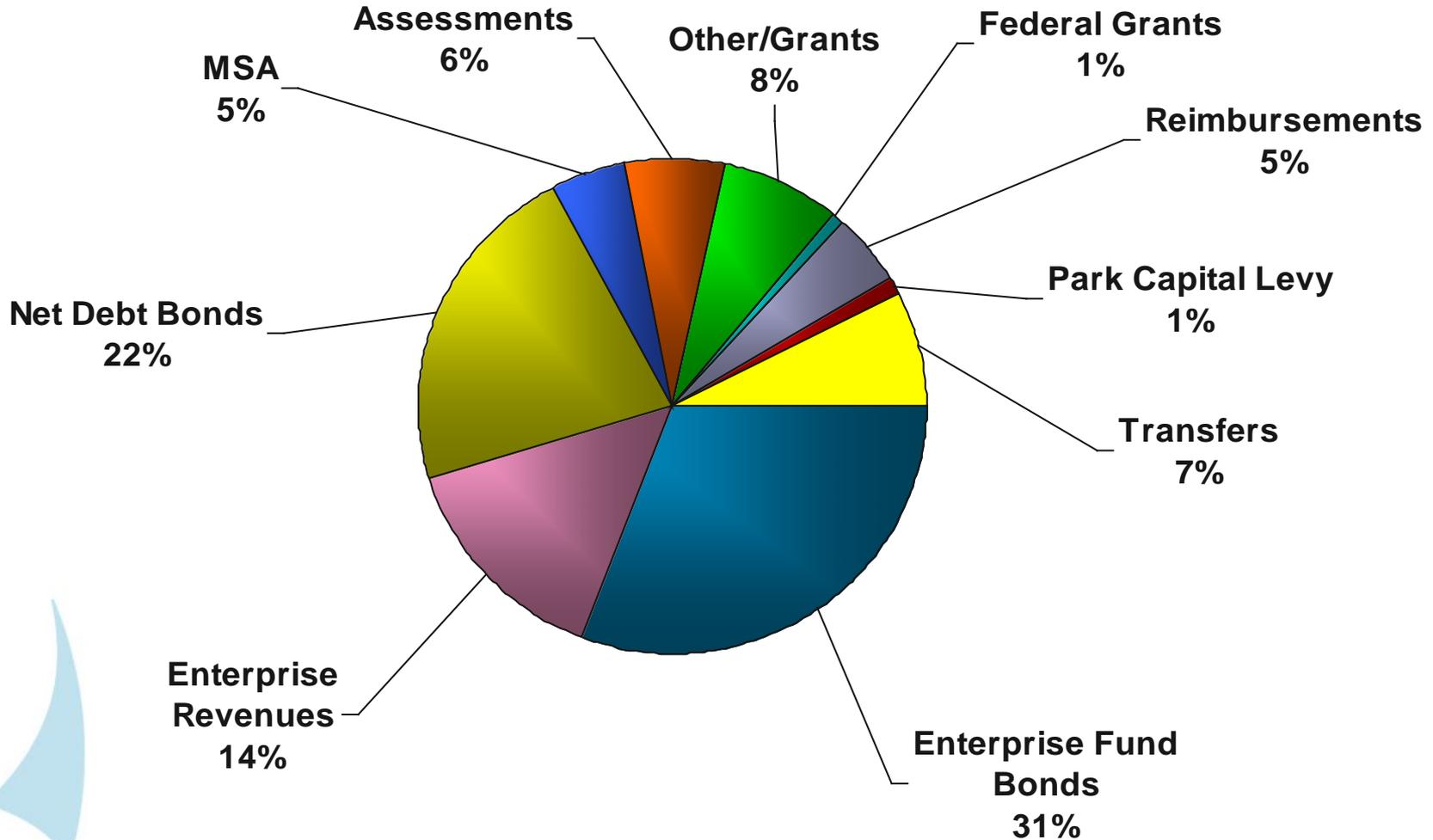


Mayor's Recommended 2017 Capital Investment Allocation \$197.0 M - pg G15 (in millions)

Commission/Board/Department	2017 Funding	% Total
Municipal Building Commission	\$8.5	4.3 %
Park Board	\$13.2	6.7 %
Public Works	\$138.7	70.4 %
Public Grounds & Facilities	\$25.6	13.0 %
Miscellaneous Projects	\$11.0	5.6 %
Total	\$197.0	100.0 %



Mayor's Recommended Funding for 2017 Capital Program \$197.0 M - pg G16-17



2017 Property Tax Supported CIP (Net Debt Bond Allocation) \$43.4 M- pg G21 (in millions)

Commission/Board/Department	Mayor's Allocation
Municipal Building Commission	\$4.28
Park Board	\$10.50
Public Works	\$22.96
Public Grounds & Facilities	\$5.19
Miscellaneous Projects	\$.45
Total	\$43.38



2017 Non-Property Tax Supported CIP

\$153.6 M- pg G16-17

(in millions)

Funding Source Description	Mayor's Allocation
Municipal State Aid	\$9.60
Assessments	\$12.08
Sanitary Sewer Fund	\$8.25
Stormwater Fund	\$14.21
Water Fund	\$46.10
Parking Fund	\$5.40
Solid Waste Fund	\$15.00
Other	\$42.95
Total	\$153.59

Street Infrastructure and Neighborhood Parks Plan (in millions)

Infrastructure Category	2017	2018	2019	2020	2021	TOTAL
Neighborhood Parks	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00	\$40.00
Street Infrastructure	\$21.20	\$21.63	\$22.06	\$22.49	\$22.95	\$110.33
Total Expanded Capital	\$29.20	\$29.63	\$30.06	\$30.49	\$30.95	\$150.33

Street & Neighborhood Parks Funding Plan (in millions)

Funding Source	2017	2018	2019	2020	2021	TOTAL
Neighborhood Parks	See Park Project PRKCP – G26					
Net Debt Bonds	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00	\$40.00
Street Infrastructure	See Paving Project PV056 – G27					
Net Debt Bonds	\$5.20	\$6.20	\$7.50	\$9.50	\$10.10	\$38.50
Stormwater Revenue	\$1.50	\$1.52	\$1.53	\$1.54	\$1.56	\$7.65
Transfer From Conv Ctr	\$6.00					\$6.00
Transfer From Gen Fund	\$5.50	\$5.91	\$5.53	\$4.95	\$11.29	\$33.18
TSF From Intergovtl Fund	\$3.00					\$3.00
TSF From Self Ins Fund		\$8.00				\$8.00
TSF From Spec Rev Fund			\$7.50	\$6.50		\$14.00
Total Funding Sources	\$29.20	\$29.63	\$30.06	\$30.49	\$30.95	\$150.33

2017 - 2021 CIP
Municipal Building Commission
\$15.8 M - pg G22
(in millions)

Project	Mayor's 2017	Mayor's 5 yr
Life Safety Improvements	\$1.23	\$2.13
Mechanical Systems Upgrade	\$0.90	\$3.15
Capital Power Capital Project	\$5.00	\$5.00
Exterior Improvements	\$1.23	\$5.38
Exterior Upgrades and Modernization	\$.18	\$.18
Total MBC	\$8.54	\$15.84
Note that these amounts include both the City and Hennepin County share at approximately 50% each.		

2017 - 2021 CIP
 Park Board
 \$64.5 M – pg G22
 (in millions)



Projects	Mayor's 2017	Mayor's 5 yr
Building Improvements Program	\$0.6	\$0.6
Playground and Site Improvements Program	\$2.3	\$7.8
Shelter – Pool – Site Improvements Program	\$0.0	\$2.8
Athletic Fields and Site Improvements Program	\$0.0	\$1.0
Bossen Park Field Improvements	\$0.9	\$0.9
Bryn Mawr Meadows Field Improvements	\$0.0	\$2.9
Neighborhood Parks Capital Infrastructure	\$9.1	\$47.0
Diseased Tree Removal	\$0.3	\$1.5
Total	\$13.2	\$64.5



2017 - 2021 CIP Public Works Department \$753.8 M – pg G22 – 24 (in millions)

The top ten total \$405.4 or ~ 54% of the five-year Public Works capital program

Top Ten PW Projects in the 5-Year CIP Program	Mayor's 2017	Mayor's 5 yr
Asphalt Pavement Resurfacing Program	\$28.1	\$144.9
Fridley Filter Plant Rehabilitation	\$18.5	\$44.5
Storm Drains and Tunnels Rehab Program	\$6.5	\$42.0
Water Distribution Improvements	\$7.3	\$37.2
Central City Parallel Storm Tunnel	\$1.0	\$25.0
Nicollet Ave over Minnehaha Creek Bridge	\$0.0	\$24.8
Sanitary Tunnel & Sewer Rehab Program	\$4.7	\$23.8
Water Treatment Infrastructure Improvements	\$3.0	\$22.0
Defective Hazardous Sidewalks	\$3.8	\$21.2
Water Distribution Facility	\$7.5	\$20.0
Total	\$80.4	\$405.4



2017 - 2021 CIP

Public Grounds & Facilities

\$59.8 M – pg G24

(in millions)

Project	Mayor's 2017	Mayor's 5 yr
New Fire Station No. 11	\$0.89	\$4.35
Fire Station No. 1 Renovation & Expansion	\$0.00	\$3.00
Fire Station No. 4 Apparatus Bay Addition	\$0.00	\$0.75
Property & Evidence Warehouse	\$4.20	\$4.20
Farmers Market Improvements	\$0.10	\$0.10
East Side Storage and Maintenance Facility	\$15.00	\$30.00
Impound Lot Facility	\$5.40	\$5.40
Public Safety Radio System Replacement	\$0.00	\$12.00
Totals	\$25.59	\$59.80



2017 - 2021 CIP Miscellaneous Projects \$12.9 M – pg G24 (in millions)

Project	Mayor's 2017	Mayor's 5 yr
Art in Public Places	\$0.46	\$2.44
Convention Center Plaza & Streetscape	\$10.50	\$10.50
Totals	\$10.96	\$12.94

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
- Capital requests score best when they save on operating costs after a capital expenditure is made
- CLIC ratings 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 for most projects

Debt Service Statistics and 2017 Budget

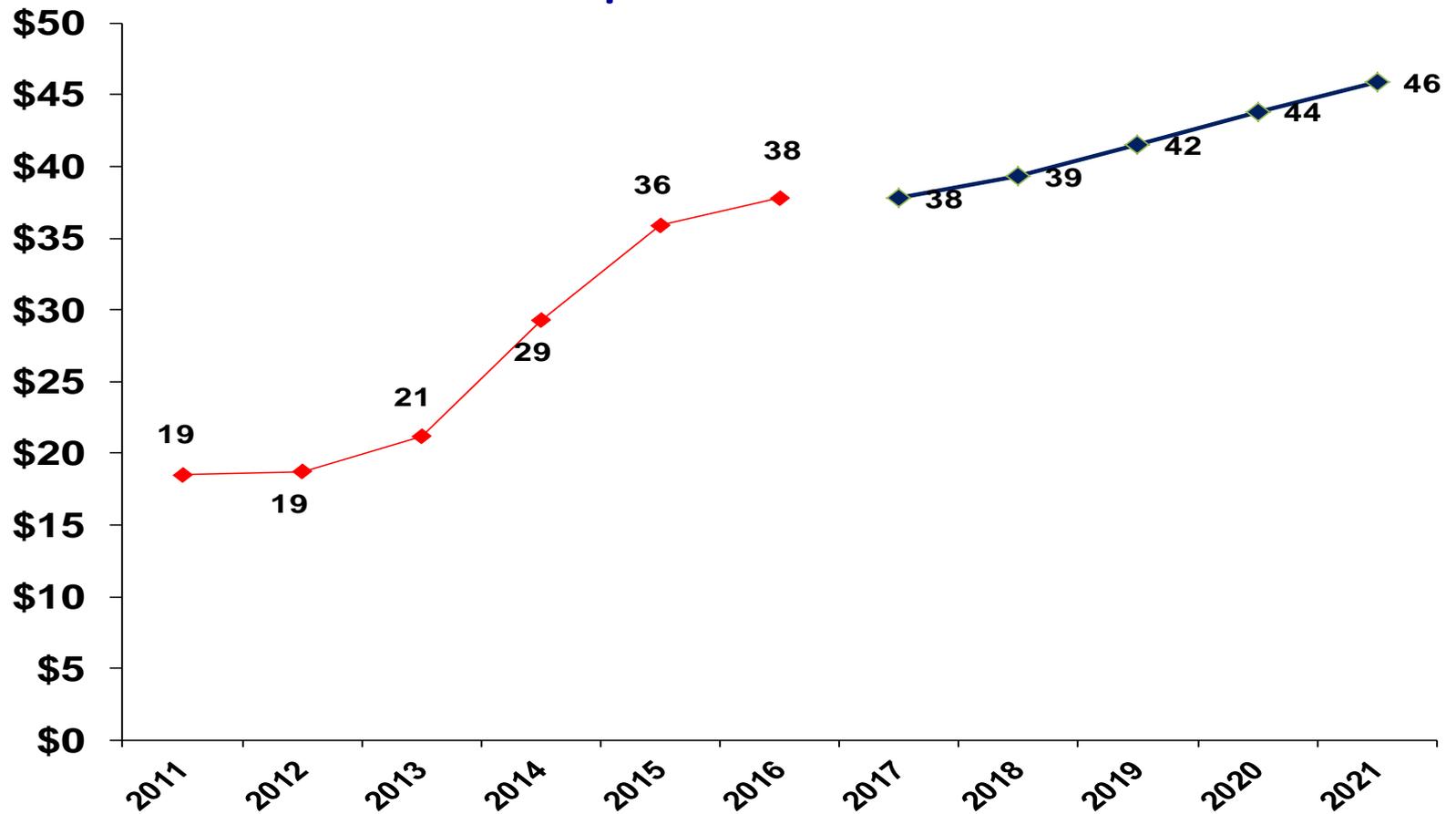
- Get ready for a Good Story!
- Sold \$120 million of bonds yesterday with maturities from 12/1/2017 – 12/1/2026
- True Interest Cost was – drum roll please ... 1.45809%
- Bond Ratings for City of Minneapolis were Fitch AAA, Standard and Poors Global AAA and Moody's Aa1 – with all agencies indicating a Stable Outlook



Review of Key Debt 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.

Bond Redemption Levy 2011 – 2021 in \$millions



Adopted Levy

Projected Levy*

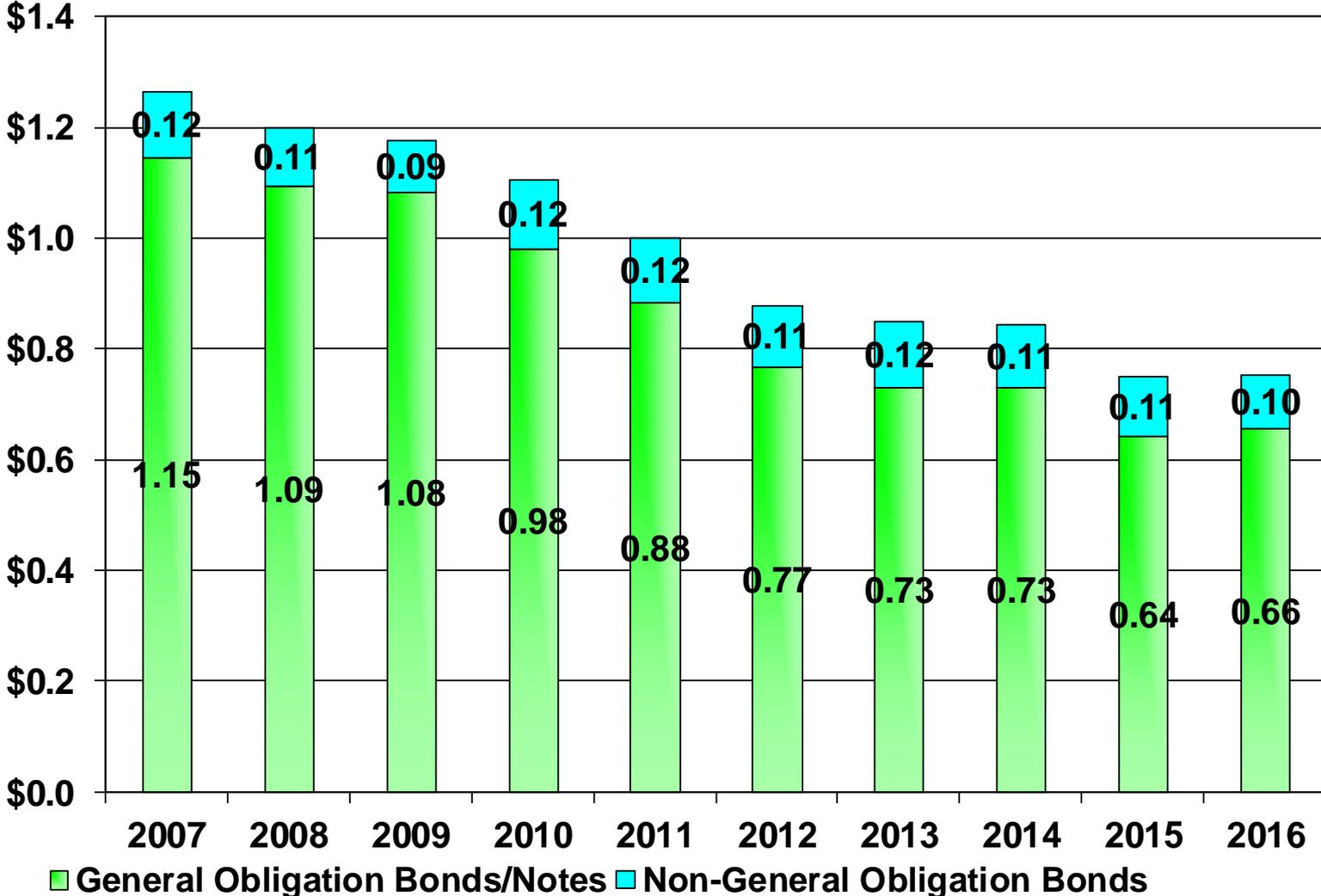
City Debt Capacity

- 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 2015, legal debt margin was \$1.11 billion and usage was \$.11 billion, leaving \$1.00 billion 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

Year Ending 2007 to 2016

(in billions)



12/31/2016 Estimated GO Debt Outstanding (in millions)

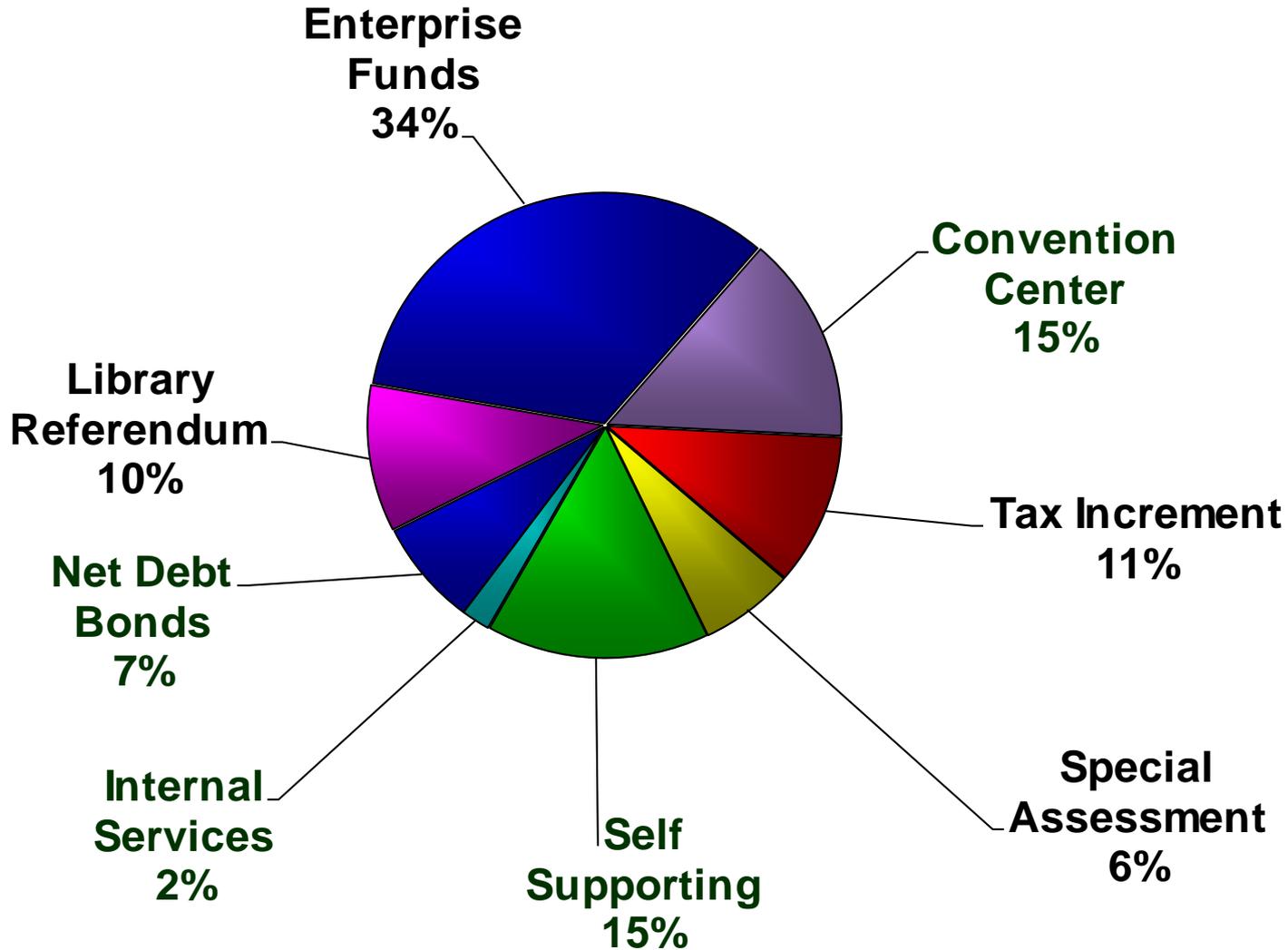
Debt Types with 2004 Peak Debt Balances*	2004 Peak Debt Balances*	12/31/16 Balances**	Change from 2004
Enterprise Funds -	\$407.28	\$219.44	(\$187.84)
Convention Center -	\$244.09	\$94.90	(\$149.19)
Tax Increment -	\$206.31	\$69.38	(\$136.93)
Special Assessment -	\$49.30	\$42.68	(\$6.62)
Other Self Supporting -	\$22.70	\$100.81	\$78.11
Internal Service Funds -	\$101.16	\$12.97	(\$88.19)
Library Referendum -	\$93.40	\$66.94	(\$26.46)
Net Debt Bonds -	\$56.85	\$48.38	(\$8.47)
Pension -	\$117.87	\$0.00	(\$117.87)
Total GO 2004 vs 2016	\$1,298.96	\$655.50	(643.46)

- Peak GO Debt was reached in 2004, 1996 was \$766 or \$532 less.

** Includes \$85.61 for new 2016 issuances for NDB, Special Assessment, Water and Sanitary Sewer for bonds sold yesterday.

Estimated Outstanding Principal @ 12/31/16

\$655.5 M

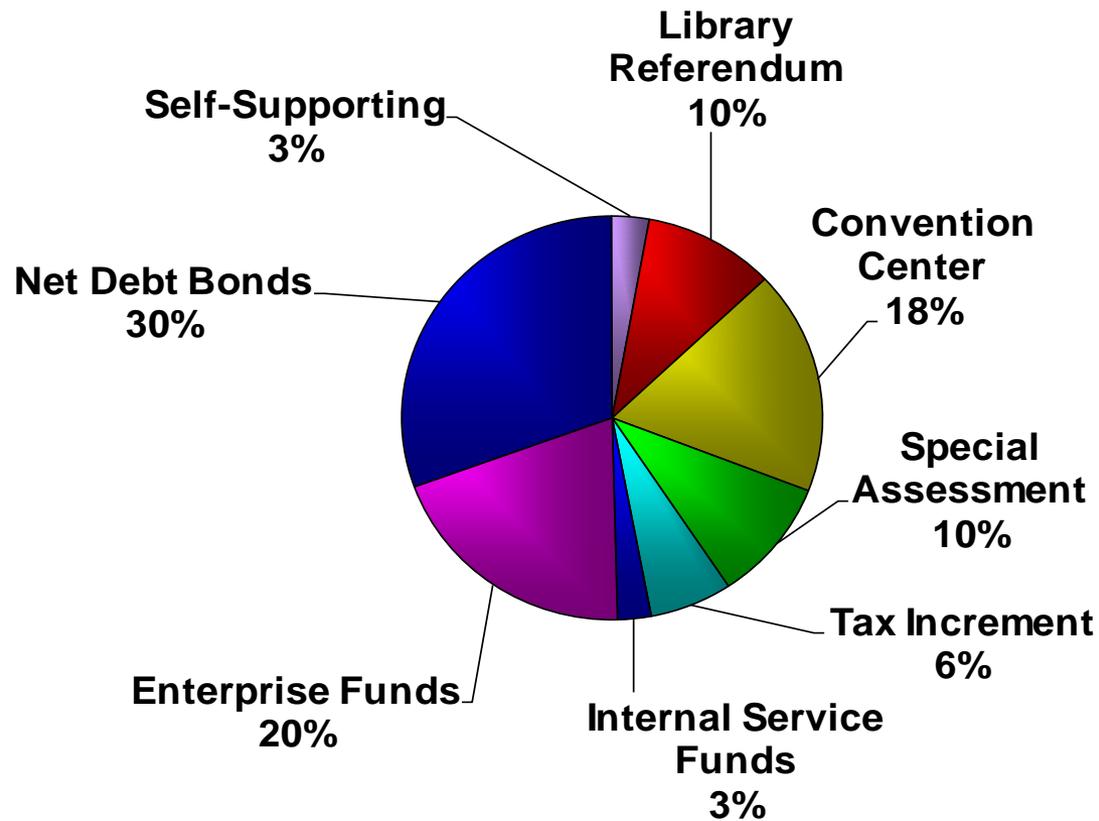


2017 Debt Service Budget

(Based on estimated 12/31/16 Debt Outstanding)
(in millions)

Debt Type	Principal	Interest	Total
Enterprise Funds	\$21.62	\$5.67	\$27.29
Convention Center	\$21.65	\$3.02	\$24.67
Net Debt Bonds	\$40.73	\$1.22	\$41.95
Tax Increment	\$5.91	\$2.80	\$8.71
Library Referendum	\$12.52	\$1.36	\$13.88
Special Assessment	\$12.43	\$1.05	\$13.48
Internal Services	\$3.16	\$.39	\$ 3.55
Self Supporting	\$.94	\$3.02	\$3.96
Total Debt Service Budget	\$118.96	\$18.53	\$137.49
	86.5% Principal	13.5% Interest	

2017 Debt Service Budget \$137.5 M

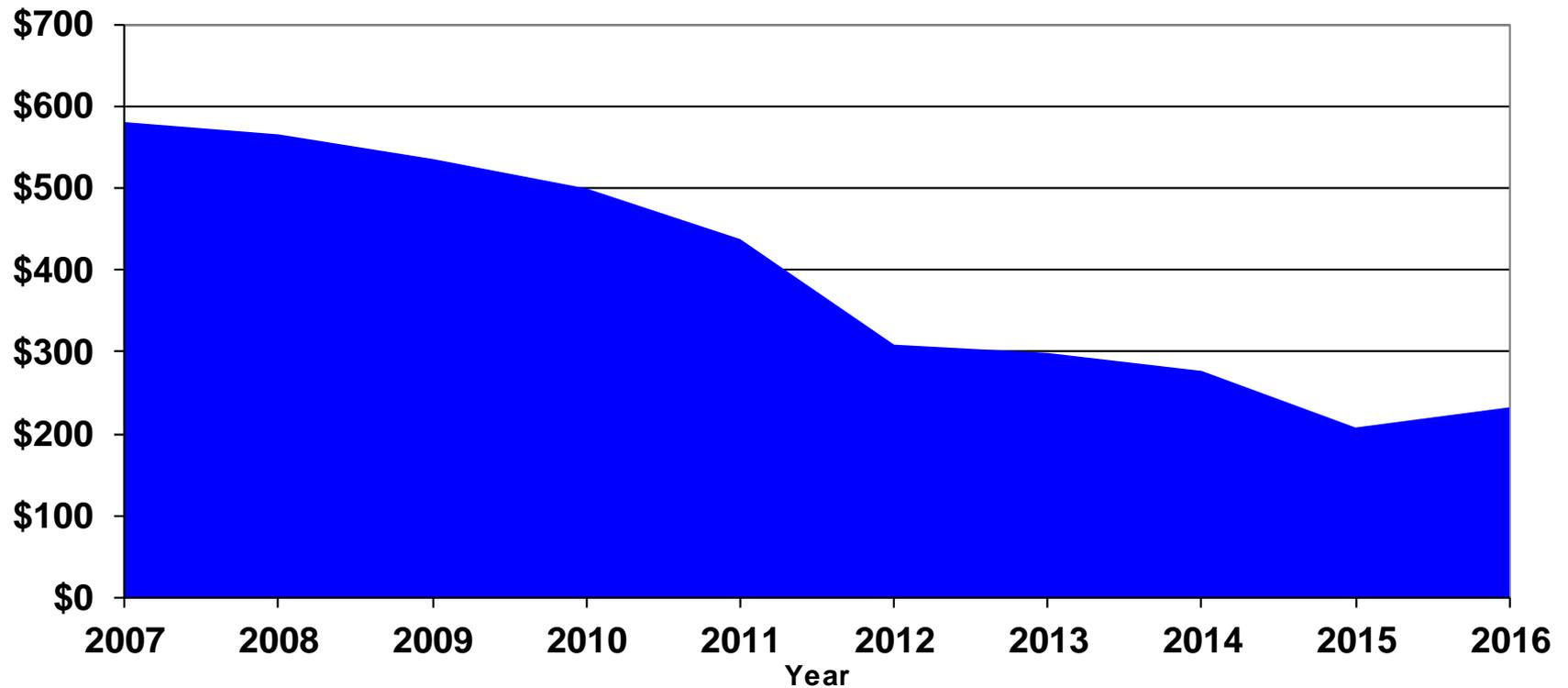


2014 – 2017 Budgeted Interest Expense Comparison (in millions)

Debt Type	2014	2015	2016	2017
Enterprise Funds	\$10.90	\$9.41	\$7.15	\$5.67
Convention Center	\$4.66	\$4.25	\$3.46	\$3.02
Tax increment	\$4.20	\$3.67	\$3.57	\$2.80
Library Referendum	\$1.81	\$1.66	\$1.52	\$1.36
Special Assessment	\$1.56	\$1.36	\$1.18	\$1.05
Net Debt Bonds	\$.96	\$.96	\$.62	\$1.22
Internal Services	\$.70	\$.58	\$.52	\$.39
Self Supporting	\$.67	\$3.31	\$3.05	\$3.02
Total Interest Expense Budget	\$25.46	\$25.20	\$21.07	\$18.53
Ave Interest Rate on Portfolio	3.48 %	3.44 %	3.06 %	2.82 %

City of Minneapolis

Property Tax Supported Debt Per Capita Debt (in dollars) 2007 - 2016



2016 Prepayments / Refunding Transactions

Debt Prepaid / Refunded	Par Amount of Bonds Prepaid / Refunded	Estimated Total Interest Savings from prepaying / refunding
GO Taxable Block E Rfdg Bonds, 2005	\$3,975,000	\$1,777,752
GO Tax Increment Bonds (Midtown Exch), 2008	\$1,250,000	\$816,760
GO Tax Incr Rfdg Bonds (St. Thomas Ramp), 2009	\$4,100,000	\$1,188,000
GO Various Purpose Bonds, 2009*	\$29,450,000	\$3,980,867
GO Various Purpose Rfdg Bonds, 2009B	\$4,440,000	\$564,699
Totals	\$43,215,000	\$8,328,078

*With bond premiums received, the City issued \$28,845,000 to refund these bonds.

Variable Rate Debt

- Estimated Variable Rate Debt will be ~ \$86 million or 13% of GO Debt.
- Variable rate debt is held by US Bank and Wells Fargo and resets weekly based on the SIFMA (tax-exempt) or LIBOR (taxable) Index plus a spread.
- Recent rates have been around .65% - 1.11%.
- This debt is primarily Parking Ramp related and has helped with the financial performance of the Parking fund due to the low rates experienced.
- A taxable drawdown facility is being used for the Target Center Renovation project and a tax-exempt facility is being used as an interim financing mechanism for the Nicollet Mall project.

2016 Important Budget Dates

- November 30, 6:05 p.m. Public Comment on Property Tax Levy and Budget
- December 7, 6:05 p.m. Public Hearing on Budget and Budget Adoption for 2017



Questions/Conclusions?

If you have any follow up questions, contact:

Michael Abeln

Director of Capital & Debt Management

Thanks for your participation!

