

Public Works Facility Open House

August 27, 2009

Purpose of Open House

- Mayor Crosby Introduction
- Overview of Public Works Facility Scope and Project Schedule
- Financing Options for Project

Background of Project

- Existing City facility is 7,400 sq. ft.
- Outside storage, fueling, brush pile, and salt shed are also on site related to public works
- Project need identified as early as 2004 City CIP for 2007 implementation
- Citizens Advisory Panel provided report to Council in July 2007 outlining recommendation for new public works facility and City Hall/Police in future
 - Public Works Facility identified as Priority #1

Identified Need for Facility

- Current site and yard not sufficient to house equipment and operations
- Non-compliance with own city regulations
- Safety concerns (ventilation, work circulation, spacing between work functions, storage of tools/carts, parts open to spillage/contamination w/ lubricants)
- Lockers, showers, meeting/training space, lunchroom, offices all non-existent
- Area for cleaning & maintaining vehicles non-existent
- Lighting, heating and everyday environmental needs lacking

Initial Scope of Project (2007)

- Size = 45,000 sq. ft.
 - Phase I
- Land = 20 to 30 buildable acres
 - For full build out, but utilize 8 to 10 acres for Phase I
- Location = Near TH 55/Arrowhead
- Cost = \$8,000,000
 - Land and Facility
- Funding Source = G.O. Bonds w/ partial funding through water and sewer revenues

Initial Scope of Project (August 2009)

- Size = 30,000 to 35,000 sq. ft.
 - Phase I
- Land = 20 to 30 buildable acres
 - For full build out, but utilize 8 to 10 acres for Phase I
- Location = Near TH 55/Arrowhead
 - Close to Hennepin County Public Works to maximize cost savings in fueling, salt/brine facilities, etc.
- Cost = Less than \$8,000,000
 - Land and Facility
- Funding Source = G.O. Bonds w/ partial funding through water and sewer revenues

Project Schedule

- 2009
 - Negotiations on land acquisition
 - Further refine project scope, financing preference, funding distribution and cost estimate
- 2010
 - Bonding approval
 - Project design
- 2011
 - Public Bidding and Project construction



- **City of Medina**
- **Public Facilities**
- **Financing Options**
 - **Dave Callister**
 - **Ehlers & Associates**
 - **August 27, 2009**



EHLERS
LEADERS IN PUBLIC FINANCE

Types of Financing

- Lease Purchase Bonds – M.S.465.71
- Referendum Bonds – M.S.475.52 & 475.58
- Capital Improvement Plan Bonds – M.S. 475.521

Lease Purchase Bonds

M.S.465.71

- Process

- Establishment of EDA or HRA
- Public hearing to establish a project area

- Cost

- Rating from Aa3 to A1 – Not General Obligation
- Higher interest rates
- Possible Debt Service Reserve requirement

- Risk

- Lack of bidders

- Other

- 26% (33) of Ehlers Facilities Financing since 2003
- No Election required

Referendum Bonds

M.S. 475.52 & 475.58

- Process
 - Requires an election
 - 49 day notification to County Auditor
 - Ballot language requires debt service disclosure paid fully from property taxes
- Cost
 - Additional cost of election
 - Lowest Interest rates
 - General Obligation level of Aa3 rating
- Risk
 - Referendum may fail due to small turn out
- Other
 - Very few public facilities are financed through referendum since 2003

Capital Improvement Plan Bonds M.S. 475.521

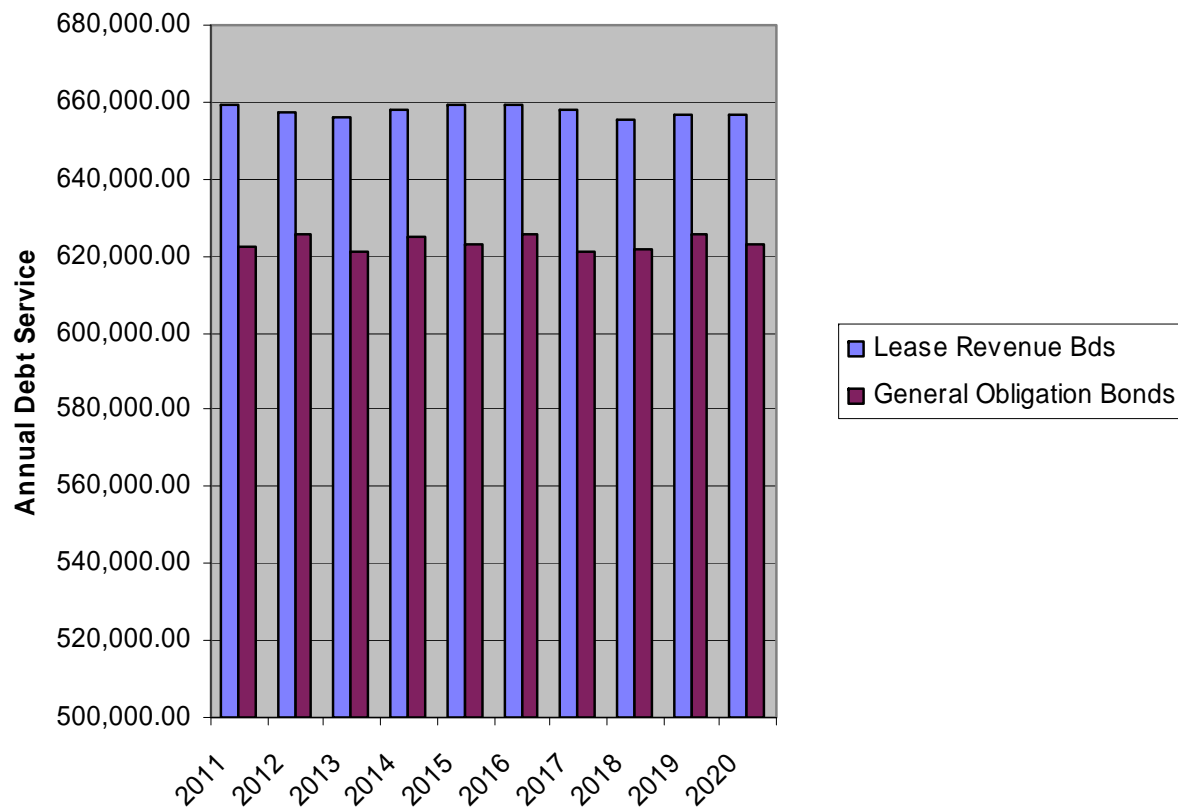
- Process
 - Requires approval of 5 year Capital Improvement Plan (“CIP”)
 - Plan is specifically for the planned issuance of CIP Bond
 - Public Hearing prior to approval of CIP
 - 30 day reverse referendum period prior to closing of bonds
 - 5% of voters in last general election (155)
 - Annual debt service limited to .16% of Taxable Market Value
- Cost
 - Lowest Interest rates
 - General Obligation level of Aa3 rating
 - Minimal cost of drafting CIP Document
- Risk
 - Receive petition within 30 days
 - Require election
 - May have to delay or scrap project
- Other
 - 74% (93) of Ehlers Facilities Financing since 2003

Public Works Facility - Assumptions

- ■ \$8M project costs
- 20 year payment schedule – equal P&I
 - Lease purchase 21 years – DSR pays final payment
 - GO payments include 105% per state law
 - Portion of debt service to be paid from utility funds
- ■ Current rates applied to estimated debt service
- ■ Rates could be higher or lower when bonds are sold

Debt Service Comparison

City of Medina - Comparison of Financing Options
for \$8M Public Works Building



Debt Service Comparison

Date	Lease Revenue Bds	General Obligation Bonds	Annual Difference
2/1/2011	659,195.93	622,078.19	37,117.74
2/1/2012	657,164.68	625,863.00	31,301.68
2/1/2013	655,784.68	620,817.75	34,966.93
2/1/2014	658,262.18	625,133.25	33,128.93
2/1/2015	659,264.68	623,159.25	36,105.43
2/1/2016	659,184.68	625,469.25	33,715.43
2/1/2017	657,939.68	621,397.88	36,541.81
2/1/2018	655,544.68	621,544.88	33,999.81
2/1/2019	656,917.18	625,534.88	31,382.31
2/1/2020	656,977.18	622,812.75	34,164.43
2/1/2021	655,852.18	624,190.88	31,661.31
2/1/2022	658,692.18	623,970.38	34,721.81
2/1/2023	660,037.18	622,710.38	37,326.81
2/1/2024	660,042.18	625,629.38	34,412.81
2/1/2025	658,667.18	621,744.38	36,922.81
2/1/2026	655,872.18	621,962.25	33,909.93
2/1/2027	656,617.18	621,017.25	35,599.93
2/1/2028	660,609.68	624,138.38	36,471.31
2/1/2029	657,542.18	625,818.38	31,723.81
2/1/2030	657,902.18	626,031.00	31,871.18

Options

Debt Structuring options

- Equal annual payments
- Delay of principal for up to 3 years
- “Wrap around” payments
- Increasing annual payments

■

Summary

- Determine level of need for facility
- Determine level of risk
- Determine type of bond
- Determine structure of bond
- Proceed with selected method

Questions?

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2010 Budget Open House

August 27, 2009

Mayor Crosby Introduction

- Purpose and Format of Open House
- Questions and Answers Welcome

How are Taxes determined?

- Class Rates – depending on use, properties have different class rates that determine the properties' relative share of the property tax burden as well as a property's tax capacity.
 - First \$500,000 of residential homestead & single-unit residential = **1.0 percent**;
 - Amount over \$500,000 = **1.25 percent**
 - First \$150,000 of commercial/industrial = **1.5 percent**;
 - Amount over \$150,000 = **2.0 percent**
 - Four or more units of rental residential = **1.25 percent**
- Tax Capacity – is the measure of property tax base value. Each parcel has a tax capacity. Tax capacity determined by multiplying class rate by property's assessed market value.
- For example, Tax Capacity of \$500,000 valued owner-occupied home would be: $\$500,000 \times 1 \text{ percent} = \$5,000$

How are Taxes determined? (continued)

- The sum of all individual parcel tax capacities is used to compute the local property tax.
- **Medina's 2009 Tax Capacity was \$16,170,282**
- Property Tax Levy – Cities certify a property tax levy for the following year in dollars, not at a specific rate. (The tax rate is computed by dividing tax capacity by tax levy). Property tax levy should be set at a level to raise adequate revenue for the operating budget, when combined with other expected revenues.
- **Medina's 2009 Tax Levy was \$2,724,719**
- **Medina's 2009 Tax Rate was 16.64% (Tax Capacity/Tax Levy)**

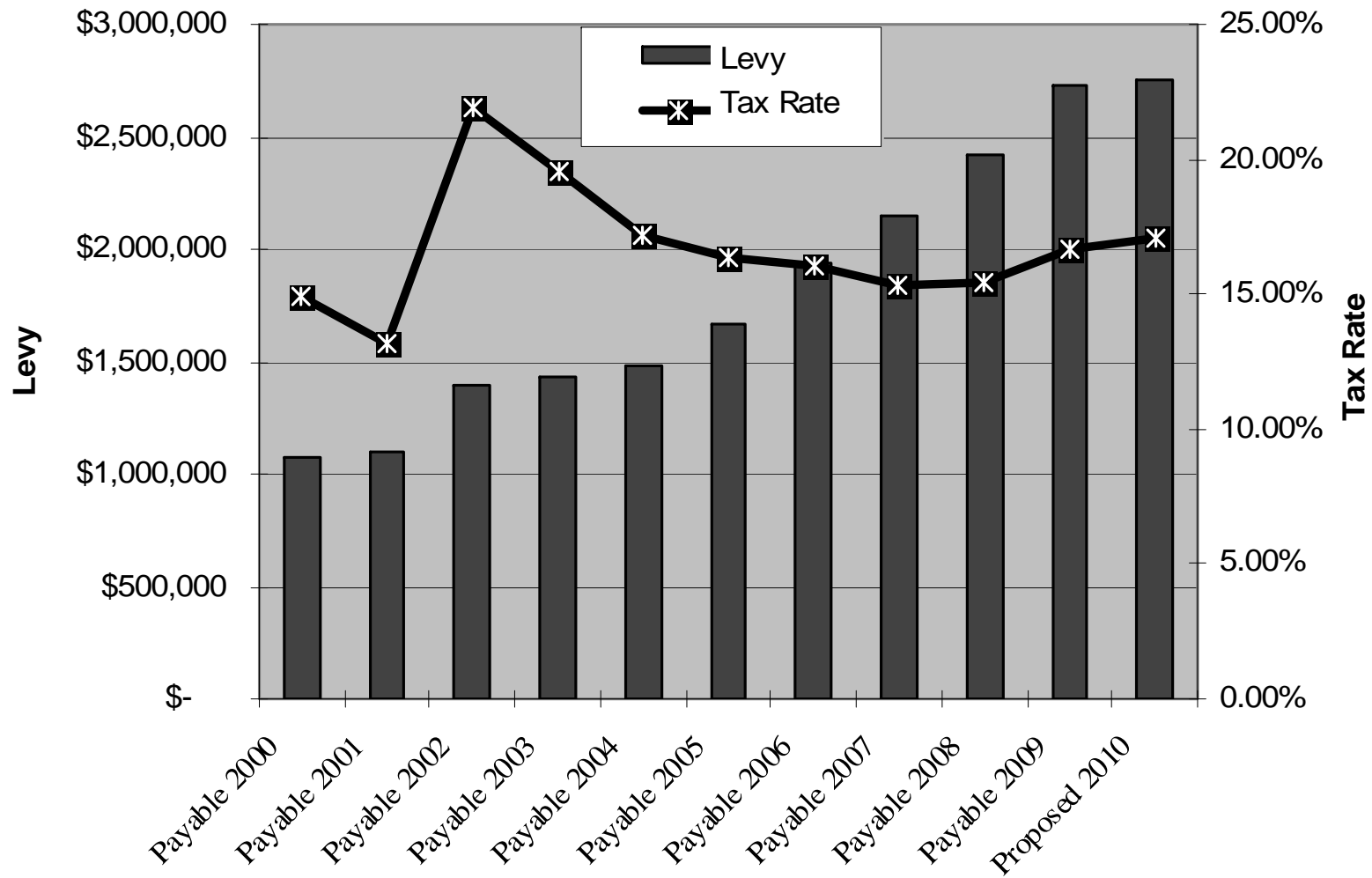
Comparison of City Tax Rate and Dollars

- Medina \$500,000 home x 1 percent class rate = \$5000 tax capacity x 16.64% city tax rate = **\$831.80** in taxes payable
- Minnetrista \$500,000 home x 27.46% city tax rate = **\$1,373.00** in taxes payable
- See Display Boards for additional analysis

Market Value History

- 2009 estimated market value = \$1,482,836,700
 - Decrease of 1.6%
 - Distribution of decrease
 - + \$25,499,800 of improvements
 - - \$49,030,000 w/o improvements
- 2008 estimated market value = \$1,506,928,100
 - Increase of 3.26% from 2007
 - Distribution of increase
 - 12% was increase from “improvements”
 - 88% was net increase w/o “improvements”
- 2007 estimated market value = \$1,459,331,800
 - Increase of 13.18% from 2006
 - Distribution of increase
 - 40.3% was from “improvements”
 - 59.7% was net increase w/o “improvements”

Taxes Payable and Tax Rate History – 2000 through 2009



Tax Rate Comparisons

- Medina's 2009 Tax rate was 16.64%
- Of eleven (11) closest neighboring cities to Medina, average tax rate in 2009 is 30.73%. Orono was lowest at 13.18%. Medina was second lowest.

Per Capita Tax Spending

Comparisons

- Medina's per capita spending (tax levy):
 - 2009 was \$552
 - 2008 was \$493
 - 2007 was \$447
 - 2006 was \$407
 - 2005 was \$353.

- 11 closest adjacent cities average is \$586 in 2009
 - Independence is \$772
 - Minnetrista is \$745
 - Orono is \$578

2009 Tax Levy Comparisons

■ Medina	\$2,724,719
■ Independence	\$2,874,012
■ Minnetrista	\$4,614,798
■ Orono	\$4,564,687

2010 Taxes Payable Examples

<u># of Properties</u>	<u>City Tax Levy</u>	<u>Avg. HH Tax</u>
2000	\$2,500,000	\$1,250
2020	\$2,500,000	\$1,238

<u>Market Value</u>	<u>City Tax Levy</u>	<u>Avg. HH Tax</u>
2000 @ \$500K	\$2,500,000	\$1,250
2000 @ \$450K	\$2,500,000	\$1,250

Major 2009 & 2010 Budget Issues

- 2009:
 - Tax Levy Caps
 - Street Improvement policy
 - Capital Equipment financing
 - Storm Water Utility and environmental mandates
- 2010:
 - Tax Levy Caps
 - Shortfall of other revenues and need to cut expense budget
 - Street Improvement funding
 - Storm Water Utility and environmental mandates

Mandates/Legislative Changes for 2010 Budget

- Levy Limits for three years (2009 – 2011) are capped at 1.96% for 2010 (not including special levies)
- PERA rates (employer) increase and Workers Comp. increases for Police and Public Works
- Local Government Aid of \$0
 - City can special levy for LGA lost in 2008
- Market Value Homestead Credit decrease of \$16,340
 - City can special levy for MVHC lost in 2008 and 2009
- Truth In Taxation repealed – City not required to hold public hearing in December, but must announce discussion of budget. Staff proposes December 1 Council meeting.

Budgeting Strategies for 2010

- Compliance with levy limits
- Decrease overall budget expenditures because of revenue shortfalls
- Target no average tax increase on Medina properties
- Maintain pace with City growth and infrastructure
 - Long-term Financial Management Plan
 - Capital Improvement Plan incorporated into analysis
- Historical reliance on annual surpluses, Special Revenue Fund reserves and Capital Project Fund reserves is no longer feasible as an on-going option.
- Transfers from Storm Water Utility, Water Utility and Sewer Utility continue to support 2010 General Fund due to needed administrative resources and overhead.

2010 Proposed Budget & Tax Levy

- Proposed Tax Levy
 - General Fund = \$2,606,100 or 1.00% increase
 - Debt Service (Special Levy) = \$150,058
 - Total Tax Levy = \$2,756,158 or 1.15% increase from 2009
- Proposed General Fund Budget
 - \$3,889,685
 - 2009 Budget was \$3,982,429
 - Decrease of \$92,744 attributable to not back filling vacant FT planning position, PT police community service officer, PT Administration intern and several other equipment, training, and other line item cuts

FMP and Revenues

- Financial Management Plan (FMP)
 - See Display Board which demonstrates forecasting of City operations, equipment, facilities, tax rates, etc.
 - The FMP represents forecasting of revenue sources and identified needs, not actual approved plans
 - Both Public Works Facility and City Hall projects have been deferred in the CIP the last few years
- Revenues
 - Local Government Aid and MVHC discontinued
 - Building Permit and planning reimbursable revenues decreasing

Expenditures

- Road Improvements

- Pavement management program - future road needs
 - Average \$671,000 of improvements needed per year.
 - Street Assessment Policy effective 2009
 - Road Improvement Bonds instead of general tax levy to fund needed 2010 road projects

- Capital Equipment Needs

- Council approved debt service bonds to meet needs

- Transfers

- Eliminated to other funds as tool to support future needs

Expenditures

- Staff Resources

- No new staff hiring requested for 2010
- Backfill of planning position contingent on activity increasing
- No backfill of Police CSO
- Administration Intern in fall to backfill for election support

- Employee Compensation

- 0% Cost of Living Proposed
- 0% Step Increases Proposed
- Police Union Contract being re-negotiated
- Health Insurance premiums will increase up to 16% and will be funded at plan levels comparable to 2009.

Other Information

- Field House project completed for 2010 operations to be funded through user revenues and donations set aside for project (for next 3 to 5 years). Taxpayer money not being proposed to support operations of facility.
- German Liberal Cemetery acquisition by November 2010 to include perpetual fund revenue and existing cash transfers to City to fund operational activities perpetually

End

- September 1st, 2009 Council meeting
 - Approve preliminary 2010 Tax Levy
 - Approve preliminary 2010 Budget