

A G E N D A

**NORTH MANKATO CITY COUNCIL WORKSHOP
TUESDAY, NOVEMBER 13, 2012
NORTH MANKATO COUNCIL CHAMBERS
6:00 P.M.**

1. Call the meeting to order.

2. Continuation of 2013 Budget and Five-Year Capital Improvement Plan, 2013-2017.
 - a. Capital Improvement Plan - List of Equipment.
 - b. Recap of Debt Capacity.
 - c. Bond Refunding Feasibility Report.
 - d. Enterprise Fund Rate Study.

3. Adjourn.



Memorandum

To: Mayor and City Council Members
From: Clara Thorne, Finance Director
Subject: 2013 Budget
Date: November 8, 2012
Cc:

At the October 15, 2012 Budget Workshop, Council requested the following:

1. Capital Improvement Plan List of Equipment
2. Recap of Debt Capacity
3. Bond Refunding Feasibility Report

Capital Improvement Plan List of Equipment

Attached is a recap of the Capital Improvement Plan list of proposed equipment and capital improvements for bonding. Also attached is an estimate of debt service requirements based upon the proposed list. Annual levy requirements range from \$133,282 to \$145,756. Please note the HVAC is currently being installed using the savings in the Administration personnel budget for cash flow and can be included as part of the equipment certificates for a final funding source. The City is also committed to Nicollet County to purchase the chip spreader. The exterior doors and restrooms are capital facility improvements and will require capital improvement bonds for funding.

Recap of Debt Capacity

The City is well within its legal debt margin. State law sets the debt limit as 3.0% of total assessment value in the City. The City's debt margin as of December 31, 2011 is \$26,222,790. The general obligation debt subject to the limitation is \$2,488,000, well below or only 9.49% of the limit. Attached is a copy of the legal debt margin information over the last ten years and the most recent calculation from the 2012 bond transcript documents issued earlier this year.

Bond Refunding Feasibility Report

As you know, State law requires that for a bond to be refunded it must meet the test of a 3.0% or greater net present value benefit. Northland Securities in reviewing all City debt prepared the attached summary of refunding feasibilities listing eight bonds that show a positive savings and meet the State test. The savings is from the difference in the interest rates from when the current bonds were issued and the interest rates in the proposed refunding bonds. Since we basically have one shot to refund a bond this list should be considered in conjunction with a debt service study; the study will advise us as to what, if any, bond(s) may need to be restructured to match



Memorandum

City revenue sources. In that regard, the City has received four proposals for a debt service study:

Northland Securities, Inc.	\$4,500
Springsted Incorporated	\$4,500
Abdo, Eick & Meyers, Inc.	\$4,000 - \$5,000
Ehlers Incorporated	\$6,500

The funding for this cost can come out of the General Fund Administrative budget for 2012 as there has been significant savings in personnel costs.

Equipment Certificates			GO Capital Imp. Bonds		
2012	2013	Total	2012	2013	Total

Administration

Public Buildings

Replace Ext. Doors (ADA)-Muni Bldg		0	15,000	15,000
Remodel Restrooms-Muni Bldg		0	10,000	10,000
HVAC		0	100,000	100,000

Police

Vehicle Equipment	7,500	7,500		0
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Fire

SCBA Air Packs		123,795	123,795	0
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Civil Defense

Sirens	20,000	20,000		0
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Inspections

4 Wheel Drive Pickup		28,000	28,000	0
GPS-SPS Equipment & Software		30,000	30,000	0

Street

1 Ton Truck w/Box	34,800	34,800		0
Chip Spreader	125,000	125,000		0
1 Ton Trucks w/Box (2)		40,000	40,000	0
Street Sweeper		200,000	200,000	0
Tractor Backhoe		100,000	100,000	0

Park

Tractor		55,000	55,000	0
Mower		85,000	85,000	0

Library

Bookmobile		70,000	70,000	0
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Sanitation

Auto Tie Baler		75,000	75,000	0
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187,300	806,795	994,095	0	125,000	125,000
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ESTIMATED DEBT SERVICE ON EQUIPMENT PURCHASES AND CAPITAL IMPROVEMENTS

Date	Principal	Coupon	Interest	Total P&I	Fiscal Total	Levy @ 105%	Levy/Pay
8/1/2012							
8/1/2013			16,763.51	16,763.51			
2/1/2014	101,790.00	0.650%	8,381.75	110,171.75	126,935.26	133,282.00	2012/2013
8/1/2014			8,050.94	8,050.94			
2/1/2015	114,514.00	0.750%	8,050.94	122,564.94	130,615.87	137,147.00	2013/2014
8/1/2015			7,621.51	7,621.51			
2/1/2016	114,514.00	0.900%	7,621.51	122,135.51	129,757.02	136,245.00	2014/2015
8/1/2016			7,106.19	7,106.19			
2/1/2017	114,514.00	1.050%	7,106.19	121,620.19	128,726.39	135,163.00	2015/2016
8/1/2017			6,505.00	6,505.00			
2/1/2018	114,514.00	1.250%	6,505.00	121,019.00	127,523.99	133,900.00	2016/2017
8/1/2018			5,789.28	5,789.28			
2/1/2019	127,237.00	1.450%	5,789.28	133,026.28	138,815.57	145,756.00	2017/2018
8/1/2019			4,866.82	4,866.82			
2/1/2020	127,237.00	1.650%	4,866.82	132,103.82	136,970.63	143,819.00	2018/2019
8/1/2020			3,817.11	3,817.11			
2/1/2021	127,237.00	1.850%	3,817.11	131,054.11	134,871.22	141,615.00	2019/2020
8/1/2021			2,640.17	2,640.17			
2/1/2022	127,237.00	2.000%	2,640.17	129,877.17	132,517.34	139,143.00	2020/2021
8/1/2022			1,367.80	1,367.80			
2/1/2023	127,237.00	2.150%	1,367.80	128,604.80	129,972.60	136,471.00	2021/2022
	<u>1,196,030.00</u>		<u>120,674.87</u>	<u>1,316,705.87</u>	<u>1,316,705.87</u>	<u>1,382,541.00</u>	
Equip	994,095.00				Maximum	145,756.00	
Facility	125,000.00				Minimum	133,282.00	
	<u>1,119,095.00</u>						
Tax	1.06875						
	<u>1,196,032.78</u>						
Contingency	<u>1,196,032.78</u>						

SUMMARY OF DEBT AND DEBT STATISTICS

Statutory Debt Limit¹

Minnesota Statutes, Section 475.53 states that a city may not incur or be subject to a net debt in excess of three percent (3%) of its taxable market value. Net debt is, with limited exceptions, debt paid solely from ad valorem taxes.

Computation of Legal Debt Margin as of February 16, 2012:

2010/2011 Taxable Market Value	\$ 915,046,500
Multiply by 3%	<u> x .03</u>
Statutory Debt Limit	<u>\$ 27,451,395</u>

Outstanding bonds applicable to debt limit:

\$1,035,000 G.O. Street Reconstruction Bonds, Series 2004A	\$ 205,000
\$1,445,000 G.O. Capital Improvement Plan Bonds, Series 2004B	200,000
\$2,145,000 G.O. Capital Improvement Plan Bonds, Series 2008C	1,425,000
\$306,000 G.O. Equipment Certificates of Indebtedness, Series 2009A	188,000
\$1,830,000 G.O. Crossover Refunding Bonds, Series 2012A (portion of this issue)	<u>1,365,000</u>
Total debt applicable to debt limit	<u>\$ 3,383,000</u>
Legal debt margin	<u>\$ 24,068,395</u>

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¹ Effective June 2, 1997 and pursuant to Minnesota Statutes 465.71, any lease revenue or public project revenue bond issues/agreements of \$1,000,000 or more are subject to the statutory debt limit. Lease revenue or public project revenue bond issues/agreements less than \$1,000,000 are not subject to the statutory debt limit.

CITY OF NORTH MANKATO, MINNESOTA
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 13,503,172	\$ 15,883,998	\$ 16,336,858	\$ 17,051,200	\$ 17,039,185	\$ 16,049,306	\$ 24,497,850	\$ 27,804,603	\$ 27,714,156	\$ 26,222,790
Total net debt applicable to limit	750,000	450,000	305,000	885,000	1,380,000	1,090,000	2,940,000	2,771,000	2,963,000	2,488,000
Legal debt margin	\$ 12,753,172	\$ 15,433,998	\$ 16,031,858	\$ 16,166,200	\$ 15,659,185	\$ 14,959,306	\$ 21,557,850	\$ 25,033,603	\$ 24,751,156	\$ 23,734,790
Total net debt applicable to the limit as a percentage of debt limit	5.55%	2.83%	1.87%	5.19%	8.10%	6.79%	12.00%	9.97%	10.69%	9.49%
Total estimated market value										\$ 874,093,000
Debt limit (3% of total assessed value)										26,222,790
Debt applicable to limit:										2,488,000
General obligation bonds										
Legal debt margin										\$ 23,734,790

Note: Under state finance law, the City of North Mankato's outstanding general obligation debt should not exceed 3 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

City of North Mankato, Minnesota
 Summary of Refunding Feasibilities

Existing Issue	Refunding / Escrow Requirement	New Par Amount	Call Date	Type of Refunding	Negative Arbitrage	Net Savings	Net P.V. Savings	Net P.V. Benefit	Avg. Coupon	
									New	Old
Series 2005A Bonds	420,037	430,000	2/1/2015	Crossover	10,360	19,261	18,178	4.25%	0.85%	4.00%
Series 2006B Bonds	963,197	980,000	2/1/2014	Crossover	13,362	103,070	96,347	9.22%	0.99%	4.20%
Series 2006C Bonds	439,483	445,000	2/1/2015	Crossover	10,847	15,426	14,495	3.27%	0.73%	4.00%
Series 2007B Bonds	373,314	380,000	2/1/2018	Crossover	14,376	13,197	11,808	3.24%	1.34%	4.25%
Series 2008B Bonds	1,911,329	1,945,000	2/1/2018	Crossover	73,237	140,240	120,527	6.14%	1.71%	4.10%
Series 2009B Bonds	328,416	335,000	12/1/2017	Partial Crossover	12,977	10,287	9,816	3.03%	1.51%	3.71%
Series 2009C Bonds	1,271,551	1,295,000	12/1/2017	Partial Crossover	50,248	44,941	42,459	3.58%	1.50%	3.81%
Series 2009D Bonds	1,923,964	1,960,000	4/1/2017	Crossover	73,982	105,060	88,929	4.59%	1.42%	3.90%
Totals		\$ 7,770,000			\$ 451,482	\$ 402,559				