AGENDA
CITY COUNCIL
WORK SESSION
CITY OF WYOMING, MINNESOTA
OCTOBER 27, 2022
6:00 PM

CALL TO ORDER:

CALL OF ROLL:

DETERMINATION OF A QUORUM:

PLEDGE OF ALLEGIANCE:

NEW BUSINESS:

1. Public Safety Facility Financing Options

ADJOURN

bakertilly
MUNICIPAL ADVISORS

Memo

To:	Robb Linwood, City Administrator Mayor and City Council
From:	Paul T. Steinman, Director Lauren Volz, Manager
Date:	October 24, 2022
Subject:	Public Safety Facility Financing Options

The purpose of this memo is to explain the options and required steps to finance a new City Public Safety Facility (the “Project”); and to show the estimated tax impact of different bond scenarios. There are three primary ways to finance a project like this including 1) General Obligation Capital Improvement Plan (CIP) bonds, 2) General Obligation referendum bonds approved by referendum vote, and 3) lease-revenue bonds (non general obligation). General Obligation (GO) refers to the level of security for the issuance of bonds, GO being the highest security available to the city, resulting in the lowest possible interest rate on the bonds. For this memo we are concentrating our discussion on GO CIP bonds and lease-revenue bonds.

The issuance of GO CIP bonds has several unique requirements including:

1) City must adopt a special capital improvement plan specific to the CIP statute covering a five-year period and setting forth the schedule, timing, and details of specific capital improvements by year, together with the estimated cost, need for the improvement, and sources of revenue to pay for the improvement along with 8 other requirements:
   a) Condition of the City’s infrastructure
   b) Demand for the improvement
   c) Cost of the improvement
   d) Availability of public resources
   e) Level of overlapping debt in the city
   f) Relative benefits and costs of alternative uses of funds
   g) Operating costs of the proposed improvement
   h) Alternatives for providing services most efficiently through shared facilities with other municipalities or local government units

2) The municipality must publish a notice of its intention to issue the bonds under this statute and hold a public hearing to obtain public comment.
   a) Reverse referendum period:
      i) If 30 days have passed after the public hearing and a petition requesting a referendum vote on the issuance has not been received, the city may proceed with the CIP bond issuance.
      ii) The petition requesting a referendum vote needs to be signed by voters equal to five percent of the votes cast in the city in the last general election.

3) City's annual debt service on all CIP debt issued under this statute (475.521), cannot exceed 0.16% of the estimated market value (in the year the bonds are issued) of property in the city. Using the 2021/22 (most recent available) estimated market value (EMV) to approximate, the calculation is $969,753,600 X 0.16% which equates to a maximum $1,551,606 annual debt service payment. The City does not have any other debt issued under this statute so using the 2021/22 EMV as an estimate, the City's debt service payments on these bonds cannot exceed $1,551,606 per year.

Should the City seek to issue debt through a lease-revenue instrument under Minnesota Statutes, Section 465.71 there is no public hearing, election, or referendum requirement. The lease is secured by an annual appropriation pledge in which the city commits to consider an appropriation for debt service in each annual budget. The pledge is not binding beyond the current fiscal year; however, non-appropriation would have significant credit rating implications. In addition, rating agencies will rate a lease-revenue transaction one notch lower than a GO transaction which has higher interest rate implications for the bonds. The process of a lease revenue transaction includes:

- EDA sells the bonds
- City leases the facility from the EDA (lease payments equal to debt service payment on the bonds)
- When bonds mature EDA can transfer facility to the city

Financing scenarios are summarized below and assume bond terms of 20-25 years. All interest rate estimates use current rates plus an additional percentage to account for future market movement prior to the sale. To each of the scenarios we added costs of issuance (legal, financial, credit rating) and payment to an underwriter of 1.9% to market the bonds (Underwriter's Discount). The estimated tax impact is for a single-family residential homestead classification with an estimated market value of $300,000 using the City's 2021/2022 Taxable Net Tax Capacity (TNTC) and assuming no changes to future tax classification rates. These tax impacts will change as your Taxable Net Tax Capacity changes.

	CIP Bonds - 20 Year
Par	$14,515,000
Proceeds	$13,700,000
Average Debt Service Payment	$1,205,604
Total Interest Paid	$9,597,089
Term	20 Years
True Interest Cost	4.998%
First Levy Tax Impact	$160/year on $300k Residential Home
	CIP Bonds - 25 Year
Par	$14,540,000
Proceeds	$13,700,000
Average Debt Service Payment	$1,098,372
Total Interest Paid	$12,919,289
Term	25 Years
True Interest Cost	5.194%
First Levy Tax Impact	$168/year on $300k Residential Home
	Lease-Revenue Bonds - 25 Year
Par	$14,685,000
Proceeds	$13,700,000
Average Debt Service Payment	$1,151,858
Total Interest Paid	$14,111,438
Term	25 Years
True Interest Cost	5.638%
First Levy Tax Impact	$183/year on $300k Residential Home