

SOUTH LAKE MINNETONKA

PUBLIC SAFETY FACILITY

24100 - 24150 Smithtown Road, City of Shorewood

“Building For Today With A Vision For Tomorrow”



South Lake Minnetonka Police Department

2014 Financial Obligation

Prepared by Chief Bryan Litsey - Distributed August 2013

Cities of Excelsior, Greenwood, Shorewood and Tonka Bay



South Lake Minnetonka Public Safety Facility





2014 FINANCIAL OBLIGATION PUBLIC SAFETY FACILITY

Prepared by Bryan Litsey, Chief of Police

PRELUDE

The financial considerations of the South Lake Minnetonka Police Department (SLMPD) consist of the annual operating budget and the long-term debt service obligation for the public safety facility. These two components are addressed separately in the current Joint Powers Agreement (JPA). The SLMPD operating budget is subject to annual approval, which is proportioned between the member cities using percentages established through the most recent amendment to the Joint Powers Agreement. The SLMPD portion of the debt service owed on the public safety facility is a long-term obligation of each member city. The amount due by each city is based upon a tax capacity formula (*ad valorem*), which is subject to annual adjustments to reflect changes in property values. Included as part of this document are spreadsheets reflecting what the annual debt service payments will be for each member city in 2014. These are collected by the SLMPD and subsequently remitted to the Shorewood Economic Development Authority (EDA) for payment of the bonds and interest. The sources for the data used on the spreadsheets are so noted. *See Appendix A*. It should be noted that the debt service amounts contained in this document were previously provided to the member cities so they had the appropriate payment amounts to incorporate into their own budget discussions.

DEBT SERVICE PAYMENTS

The Shorewood EDA is the fiscal manager for the debt service owed on the lease-revenue bonds issued for construction of the public safety facility. This complex serves as headquarters for both the SLMPD and the Excelsior Fire District (EFD).

The first issuance of lease-revenue bonds to finance the project occurred in September 2002. The second issuance of lease-revenue bonds for the “clean up” financing occurred in April 2003. In accordance with the SLMPD Joint Powers Agreement, as amended in February 2002, each member city is obligated for its annual share of the debt service based on tax capacity (*ad valorem*). The debt service owed by the member cities commenced in 2003 with interest only payments required on the bonds. This schedule changed in 2004 to include principal and interest payments for the remaining term of the bonds.

Historically low interest rates toward the latter part of 2006 provided an attractive incentive to refinance the aforementioned lease-revenue bonds issued in 2002 and 2003. It was

**2014 Financial Obligation
Public Safety Facility
Page 2 of 2**

calculated that such a transaction, referred to as a crossover advance refunding issuance, could yield more than \$300,000 in total savings to the SLMPD. The savings to the EFD was even greater given their issuance of bonds also included the construction of a substation in Deephaven. The Shorewood EDA, acting through Northland Securities, initiated refinancing of the bonds in December 2006 after receiving authorization from the appropriate units of government. The savings derived from this refinancing were first realized in 2009 and continue thereafter until the refunding bonds mature in 2023. CPA Stuart Bonniwell, who is the SLMPD auditor, prepared the attached spreadsheets to help illustrate the cost saving benefits of this transaction. *See Appendix B.*

CAPITAL REPLACEMENT FUND

Deciding how to fund and manage capital replacement costs as the building ages continues to be in a state of flux. This is critically important in order to maintain the functionality of the facility as well as preserve this community asset. Currently, the routine maintenance of the building along with improvements and repairs are accounted for under operating expenses and funds in support of operations. Much of this is a shared cost with the EFD. Still in limbo is a full-fledged capital replacement fund for the major building components needing to be replaced upon reaching the end of their useful life. The Coordinating Committee made a renewed effort to establish such a fund in 2012, but the proposal failed to garner the support of all four member City Councils. This was the closest the member cities have come to reaching an agreement on what has been a lingering issue since the building was first occupied in 2004. Nothing is presently being contemplated to jump-start past efforts to create a capital replacement fund.

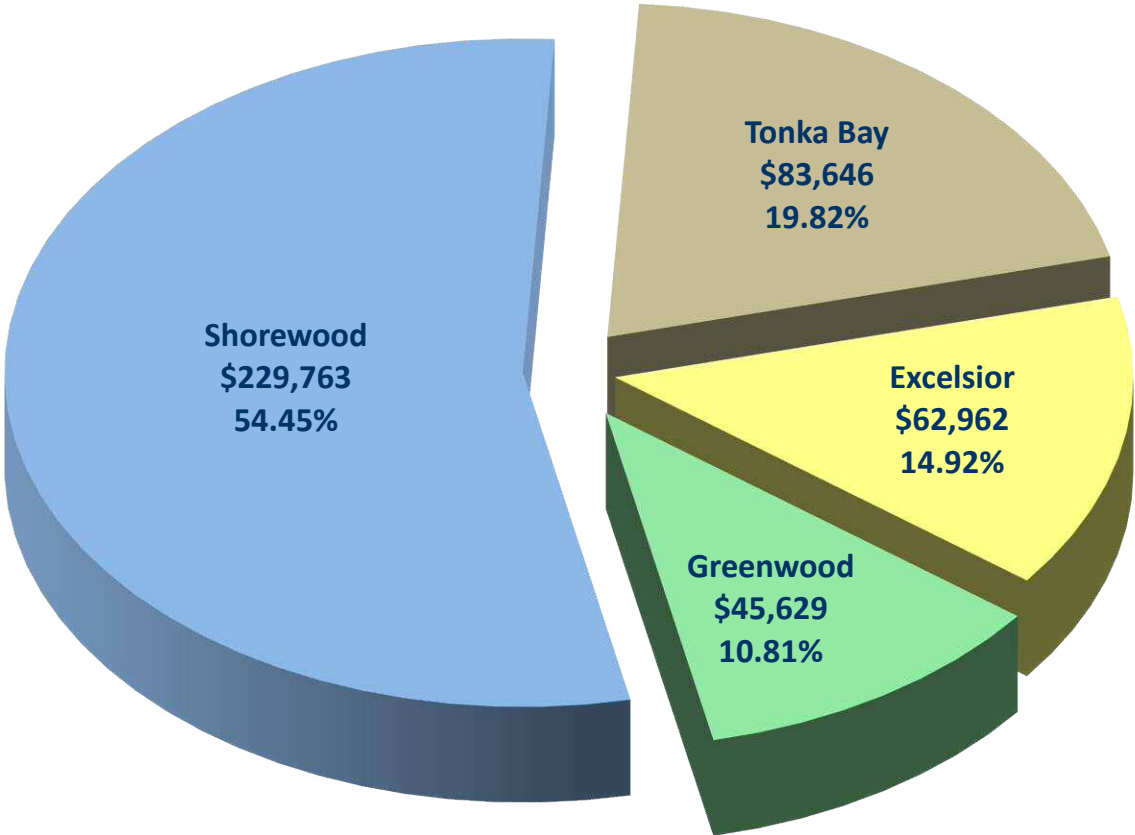
CONCLUDING REMARKS

It is hard to believe that as of January 2014 ten years will have elapsed since the SLMPD relocated to its present facility. This top-notch facility has served the organization well and will continue to do so for years to come. It is the source of immense organizational and civic pride and represents the tremendous value placed on public safety by members of the South Lake Minnetonka community. It is a testament to what can be accomplished through visionary leadership and a spirit of cooperation. This community asset not only enhances the delivery of public safety services, but strengthens the working relationship between the SLMPD and the EFD. I could go on, but suffice it to say that this capital investment is greatly appreciated by both organizations.

**South Lake Minnetonka
Public Safety Facility**

**Debt Service Payments
Year 2014**

**Police Portion
\$422,000**





2014 FINANCIAL OBLIGATION
for
PUBLIC SAFETY FACILITY

Appendix A

SOUTH LAKE MINNETONKA POLICE DEPARTMENT PUBLIC SAFETY FACILITY - POLICE PORTION

2014 DEBT SERVICE AMOUNTS

Amount Due to the Shorewood Economic Development Authority (EDA) - \$422,000

Member City	Tax Capacity	Percentage	Share of Cost
Excelsior	\$4,047,865	14.92%	\$62,962
Greenwood	\$2,933,530	10.81%	\$45,629
Shorewood	\$14,771,701	54.45%	\$229,763
Tonka Bay	\$5,377,736	19.82%	\$83,646
TOTAL	\$27,130,832	100.00%	\$422,000

NOTATIONS
2013 Tax Capacity Figures - Hennepin County Assessor's Office - <i>(Data Run: July 9, 2013)</i>
Percentages Rounded Based Upon Tax Capacity <i>(Ad Valorem)</i> Formula
Total Debt Service Costs Validated with the Shorewood EDA - <i>(Includes Anticipated Fiscal Agent Fees)</i>
Facility Debt Obligation Independent of the SLMPD Operating Budget

**SOUTH LAKE MINNETONKA POLICE DEPARTMENT
PUBLIC SAFETY FACILITY - POLICE PORTION**

2014 DEBT SERVICE PAYMENTS

Amount Due to the Shorewood Economic Development Authority (EDA) - \$422,000

		2014 Debt Service Payments (3)			
Member City	Share of Debt Service (1)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Excelsior	\$62,962	\$15,741	\$15,741	\$15,741	\$15,741
Greenwood	\$45,629	\$11,407	\$11,407	\$11,407	\$11,407
Shorewood	\$229,763	\$57,441	\$57,441	\$57,441	\$57,441
Tonka Bay	\$83,646	\$20,912	\$20,912	\$20,912	\$20,912
TOTAL (2)	\$422,000				

NOTATIONS

(1) Allocation of debt service based on tax capacity figures provided by the Hennepin County Assessor's Office

(2) Total debt service costs validated with the Shorewood EDA

(3) Quarterly payment figures rounded for consistency of payment amounts

SOUTH LAKE MINNETONKA POLICE DEPARTMENT
Public Safety Facility - Police Portion
Debt Service Payments - Years 2003 to 2014

Year 2003

Member City	Police Facility Debt Service	Police Facility Percentages
Excelsior	\$37,949	14.60%
Greenwood	\$24,329	9.36%
Shorewood	\$151,906	58.42%
Tonka Bay	\$45,817	17.62%
TOTALS	\$260,001	100.00%

Year 2004

Member City	Police Facility Debt Service	Police Facility Percentages
Excelsior	\$69,121	14.98%
Greenwood	\$43,917	9.51%
Shorewood	\$265,599	57.54%
Tonka Bay	\$82,969	17.97%
TOTALS	\$461,606	100.00%

Year 2005

Member City	Police Facility Debt Service	Police Facility Percentages
Excelsior	\$63,796	14.26%
Greenwood	\$43,133	9.64%
Shorewood	\$259,404	57.97%
Tonka Bay	\$81,115	18.13%
TOTALS	\$447,448	100.00%

Year 2006

Member City	Police Facility Debt Service	Police Facility Percentages
Excelsior	\$62,300	14.03%
Greenwood	\$44,950	10.12%
Shorewood	\$254,593	57.31%
Tonka Bay	\$82,357	18.54%
TOTALS	\$444,200	100.00%

Year 2007

Member City	Police Facility Debt Service	Police Facility Percentages
Excelsior	\$64,090	14.50%
Greenwood	\$45,305	10.25%
Shorewood	\$249,509	56.45%
Tonka Bay	\$83,096	18.80%
TOTALS	\$442,000	100.00%

SOUTH LAKE MINNETONKA POLICE DEPARTMENT

Public Safety Facility - Police Portion

Debt Service Payments - Page 2

Year 2008

Member City	Police Facility Debt Service	Police Facility Percentages
Excelsior	\$64,025	14.52%
Greenwood	\$47,394	10.75%
Shorewood	\$244,003	55.33%
Tonka Bay	\$85,578	19.40%
TOTALS	\$441,000	100.00%

Year 2009

Member City	Police Facility Debt Service	Police Facility Percentages
Excelsior	\$61,081	14.27%
Greenwood	\$47,649	11.13%
Shorewood	\$232,940	54.43%
Tonka Bay	\$86,330	20.17%
TOTALS	\$428,000	100.00%

Year 2010

Member City	Police Facility Debt Service	Police Facility Percentages
Excelsior	\$59,034	13.99%
Greenwood	\$47,901	11.35%
Shorewood	\$228,066	54.04%
Tonka Bay	\$86,999	20.62%
TOTALS	\$422,000	100.00%

Year 2011

Member City	Police Facility Debt Service	Police Facility Percentages
Excelsior	\$57,936	13.69%
Greenwood	\$47,263	11.16%
Shorewood	\$230,066	54.35%
Tonka Bay	\$88,035	20.80%
TOTALS	\$423,300	100.00%

Year 2012

Member City	Police Facility Debt Service	Police Facility Percentages
Excelsior	\$58,111	14.03%
Greenwood	\$45,469	10.98%
Shorewood	\$225,132	54.37%
Tonka Bay	\$85,388	20.62%
TOTALS	\$414,100	100.00%

SOUTH LAKE MINNETONKA POLICE DEPARTMENT

Public Safety Facility - Police Portion

Debt Service Payments - Page 3

Year 2013

Member City	Police Facility Debt Service	Police Facility Percentages
Excelsior	\$59,907	14.28%
Greenwood	\$47,294	11.28%
Shorewood	\$227,764	54.31%
Tonka Bay	\$84,435	20.13%
TOTALS	\$419,400	100.00%

Year 2014

Member City	Police Facility Debt Service	Police Facility Percentages
Excelsior	\$62,962	14.92%
Greenwood	\$45,629	10.81%
Shorewood	\$229,763	54.45%
Tonka Bay	\$83,646	19.82%
TOTALS	\$422,000	100.00%



2014 FINANCIAL OBLIGATION
for
PUBLIC SAFETY FACILITY

Appendix B

SOUTH LAKE MINNETONKA POLICE DEPARTMENT - DEBT SERVICE SAVINGS

Payment Date	Lease Revenue Refunding Bonds Series 2007B (Payment Schedule)			Original Lease Revenue Bonds Series 2002B and 2003B (Bond Payments Refinanced)			Estimated Future Savings
	Principal	Interest	Total	Principal	Interest	Total	
8/1/2015		\$ 57,476	\$ 57,476		\$ 73,719	\$ 73,719	\$ 16,243
2/1/2016	\$ 300,000	57,476	357,476	\$ 295,000	73,719	368,719	11,243
8/1/2016		49,976	49,976		66,336	66,336	16,360
2/1/2017	315,000	49,976	364,976	305,000	66,336	371,336	6,360
8/1/2017		43,913	43,913		58,605	58,605	14,693
2/1/2018	325,000	43,913	368,913	320,000	58,605	378,605	9,693
8/1/2018		37,575	37,575		50,398	50,398	12,823
2/1/2019	340,000	37,575	377,575	340,000	50,398	390,398	12,823
8/1/2019		30,775	30,775		41,573	41,573	10,798
2/1/2020	355,000	30,775	385,775	355,000	41,573	396,573	10,798
8/1/2020		23,675	23,675		32,293	32,293	8,618
2/1/2021	365,000	23,675	388,675	375,000	32,293	407,293	18,618
8/1/2021		16,193	16,193		22,160	22,160	5,968
2/1/2022	385,000	16,193	401,193	400,000	22,160	422,160	20,968
8/1/2022		8,300	8,300		11,350	11,350	3,050
2/1/2023	400,000	8,300	408,300	420,000	11,350	431,350	23,050
	<u>\$ 2,785,000</u>	<u>\$ 535,765</u>	<u>\$ 3,320,765</u>	<u>\$ 2,810,000</u>	<u>\$ 712,865</u>	<u>\$ 3,522,865</u>	<u>\$ 202,100</u>

Exhibit Prepared by CPA Stuart Bonniwell, SLMPD Auditor - (Updated August 2013)

SOUTH LAKE MINNETONKA POLICE DEPARTMENT - DEBT SERVICE SAVINGS
Estimated Debt Service Savings Realized from Refinancing of Original Bonds

Estimated Debt Service Savings by City:

Member Contribution By Year:	<u>Excelsior</u>	<u>Greenwood</u>	<u>Shorewood</u>	<u>Tonka Bay</u>	<u>Total</u>
2009	14.27%	11.13%	54.43%	20.17%	100.00%
2010	13.99%	11.35%	54.04%	20.62%	100.00%
2011	13.69%	11.16%	54.35%	20.80%	100.00%
2012	14.03%	10.98%	54.37%	20.62%	100.00%
2013	14.28%	11.28%	54.31%	20.13%	100.00%
2014	14.92%	10.81%	54.45%	19.82%	100.00%

Savings Allocated Among
Cities By Year:

2009	\$ 2,992	\$ 2,334	\$ 11,414	\$ 4,230	\$ 20,970
2010	3,517	2,853	13,586	5,184	25,140
2011	2,605	2,123	10,342	3,958	19,028
2012	3,261	2,552	12,635	4,792	23,240
2013	2,595	2,049	9,868	3,658	18,170
2014	2,680	1,942	9,782	3,561	17,965
	<u>\$ 17,650</u>	<u>\$ 13,853</u>	<u>\$ 67,627</u>	<u>\$ 25,383</u>	<u>\$ 124,513</u>

Future Savings Based on
Current Percentages:

2015	\$ 4,101	\$ 2,971	\$ 14,966	\$ 5,447	\$ 27,485
2016	3,390	2,456	12,371	4,503	22,720
2017	3,638	2,636	13,278	4,833	24,385
2018	3,826	2,772	13,964	5,083	25,645
2019	3,222	2,334	11,759	4,280	21,595
2020	4,063	2,944	14,830	5,398	27,235
2021	4,019	2,912	14,666	5,338	26,935
2022	3,894	2,822	14,211	5,173	26,100
	<u>\$ 30,153</u>	<u>\$ 21,847</u>	<u>\$ 110,045</u>	<u>\$ 40,055</u>	<u>\$ 202,100</u>

Assumption: Allocation of savings based on funding percentages applicable for 2009 through 2014.

Note: Savings realized by each member City will change as the funding percentage is adjusted annually. Figures presented above are exclusive of fiscal fees.

Exhibit Prepared by CPA Stuart Bonniwell, SLMPD Auditor - (Updated August 2013)