

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

2013 Financial Obligation

Prepared by Chief Bryan Litsey - Distributed August 2012

Cities of Excelsior, Greenwood, Shorewood and Tonka Bay



South Lake Minnetonka Public Safety Facility





2013 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 2013. 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 some of the spreadsheets 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 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

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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 minor improvements and repairs are accounted for under operating expenses and funds in support of operations. Much of this is a shared cost with the Excelsior Fire District (EFD). Not in place is a capital replacement fund for the major building components that will eventually reach the end of their useful life span and need to be replaced. A renewed effort by the Coordinating Committee to establish a capital maintenance fund is presently in the works with the member cities. The attached information explains what is being proposed and how it would be funded. *See Appendix C.* This work in progress was still pending at the time this document was prepared.

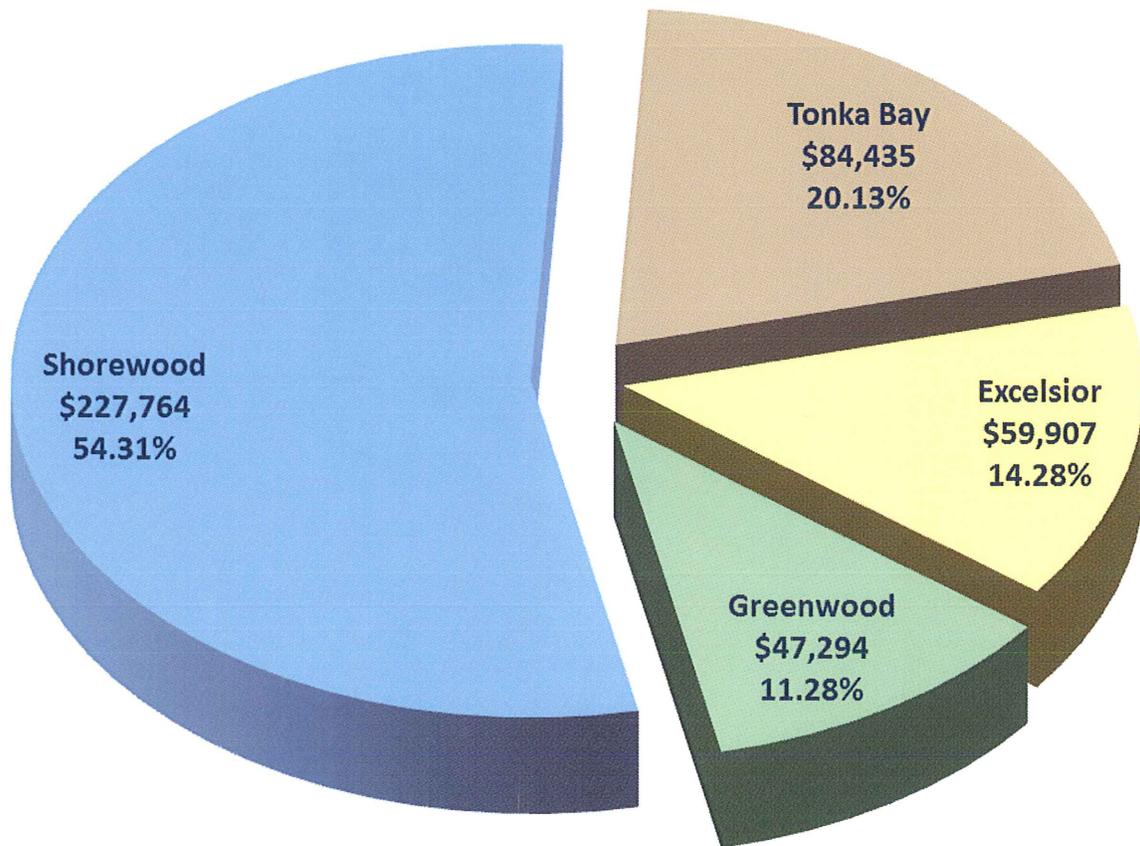
CONCLUDING REMARKS

It is hard to believe that as of January 2013 nine 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 2013**

**Police Portion
\$419,400**





2013 FINANCIAL OBLIGATION
for
PUBLIC SAFETY FACILITY

Appendix A

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

2013 DEBT SERVICE AMOUNTS

Amount Due to the Shorewood Economic Development Authority (EDA) - \$419,400

Member City	Tax Capacity	Percentage	Share of Cost
Excelsior	\$3,950,646	14.28%	\$59,907
Greenwood	\$3,118,858	11.28%	\$47,294
Shorewood	\$15,020,187	54.31%	\$227,764
Tonka Bay	\$5,568,116	20.13%	\$84,435
TOTAL	\$27,657,807	100.00%	\$419,400

NOTATIONS

2012 Tax Capacity Figures - Hennepin County Assessor's Office - (Data Run: July 1, 2012)

Percentages Rounded Based Upon Tax Capacity (*ad valorem*) Formula

Total Debt Service Costs Validated with the Shorewood EDA - (Includes Anticipated Fiscal Agent Fees)

Facility Debt Obligation Independent of the SLMPD Operating Budget

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

2013 DEBT SERVICE PAYMENTS

Amount Due to the Shorewood Economic Development Authority (EDA) - \$419,400

		2013 Debt Service Payments ***			
Member City	Share of Debt Service *	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Excelsior	\$59,907	\$14,977	\$14,977	\$14,977	\$14,977
Greenwood	\$47,294	\$11,824	\$11,824	\$11,824	\$11,824
Shorewood	\$227,764	\$56,941	\$56,941	\$56,941	\$56,941
Tonka Bay	\$84,435	\$21,109	\$21,109	\$21,109	\$21,109
TOTAL **	\$419,400				

NOTATIONS
* Allocation of debt service based on tax capacity figures provided by the Hennepin County Assessor's Office
** Total debt service costs validated with the Shorewood EDA
*** 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 2013

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%

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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%

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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%



2013 FINANCIAL OBLIGATION
for
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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	
8/1/2013		\$ 70,189	\$ 70,189		\$ 86,774	\$ 86,774	\$ 16,585
2/1/2014	\$ 275,000	70,189	345,189	\$ 260,000	86,774	346,774	1,585
8/1/2014		64,001	64,001		80,484	80,484	16,483
2/1/2015	290,000	64,001	354,001	275,000	80,484	355,484	1,483
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>\$ 3,350,000</u>	<u>\$ 804,145</u>	<u>\$ 4,154,145</u>	<u>\$ 3,345,000</u>	<u>\$ 1,047,380</u>	<u>\$ 4,392,380</u>	<u>\$ 238,235</u>

Exhibit Prepared by CPA Stuart Bonniwell, SLMPD Auditor - (Updated August 2012)

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%

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
	<u>\$ 14,970</u>	<u>\$ 11,911</u>	<u>\$ 57,845</u>	<u>\$ 21,822</u>	<u>\$ 106,548</u>

Future Savings Based on
Current Percentages:

2014	\$ 2,565	\$ 2,027	\$ 9,757	\$ 3,616	\$ 17,965
2015	3,925	3,100	14,927	5,533	27,485
2016	3,244	2,563	12,339	4,574	22,720
2017	3,482	2,751	13,243	4,909	24,385
2018	3,662	2,893	13,928	5,162	25,645
2019	3,084	2,436	11,728	4,347	21,595
2020	3,889	3,072	14,791	5,483	27,235
2021	3,846	3,038	14,629	5,422	26,935
2022	3,727	2,944	14,175	5,254	26,100
	<u>\$ 31,424</u>	<u>\$ 24,824</u>	<u>\$ 119,517</u>	<u>\$ 44,300</u>	<u>\$ 220,065</u>

Assumption: Allocation of savings based on funding percentages applicable for 2009 through 2013.

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 2012)



**2013 FINANCIAL OBLIGATION
for
PUBLIC SAFETY FACILITY**

Appendix C



SOUTH LAKE MINNETONKA POLICE DEPARTMENT
Serving Excelsior, Greenwood, Shorewood and Tonka Bay

BRYAN LITSEY
Chief of Police

24150 Smithtown Road
Shorewood, Minnesota 53331

Office (952) 474-3261
Fax (952) 474-4477

M E M O R A N D U M

TO: Member City Councils
Excelsior, Greenwood, Shorewood and Tonka Bay

FROM: Bryan Litsey, Chief of Police

DATE: July 24, 2012 - Tuesday

RE: Public Safety Facility - Capital Replacement Fund

The Coordinating Committee for the South Lake Minnetonka Police Department (SLMPD) is spearheading an effort to establish a capital replacement fund for the public safety facility. Currently, there is no reliable and consistent funding source for replacing major building components as the facility ages. The nomenclature previously used for describing such a fund has been a capital maintenance fund. This has apparently created an element of confusion, since the routine maintenance and repair of existing building components is accounted for under operating expenses and assigned funds supporting operations. A capital replacement fund is the next step in making sure there are reserves available for the eventual replacement of those costly items that have reached the end of their projected life span. This ensures that the initial capital investment made in the building is maintained well into the future.

The Coordinating Committee took up this matter at their quarterly meeting held on July 18, 2012. As requested, I prepared the attached memorandum and spreadsheet for inclusion in the meeting packet. This provided the backdrop for the discussion that ensued when this item came up on the agenda. There was agreement among Committee members that the proposed capital replacement (maintenance) fund outlined in my memorandum be brought back to their respective City Councils with a recommendation for approval. It was also agreed that a total assessment of \$10,000 proportioned between the member cities at agreed upon percentages was a reasonable starting point for 2013. This would be separate from what each member city contributes toward operations and the debt service obligation on the building. This was put in the form of a motion, which passed unanimously. Not included in the motion was an affinity toward applying the same percentages to the capital replacement fund as the percentages used for the debt service payments on the building. The rationale being both involve capital expenditures.

I will be appearing before the member City Councils in August to present the 2013 Operating Budget endorsed by the Coordinating Committee. I have been asked to make a separate presentation afterwards regarding the proposed capital replacement fund.



SOUTH LAKE MINNETONKA POLICE DEPARTMENT
Serving Excelsior, Greenwood, Shorewood and Tonka Bay

BRYAN LITSEY
Chief of Police

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M E M O R A N D U M

TO: Coordinating Committee Members

FROM: Bryan Litsey, Chief of Police

DATE: July 15, 2012 - Sunday

RE: Public Safety Facility - Capital Maintenance Plan

A renewed effort to fund a capital maintenance plan for the South Lake Minnetonka Public Safety Facility was discussed at the Coordinating Committee Work Session on June 20, 2012. I was asked to take the lead in developing such a proposal on behalf of the member cities for the South Lake Minnetonka Police Department (SLMPD). Such an effort was previously delegated to the administrators group for the member cities. Some progress was made in terms of funding options and a replacement plan/schedule for the major components in the facility. The latter of these resulted from a study conducted by the City of Shorewood at the request of the SLMPD and Excelsior Fire District (EFD). Corresponding materials concerning past efforts to address this issue have been attached to this memorandum dating back to October 2009.

The SLMPD currently maintains a number of special revenue and capital funds to support the operating budget. One of these funds is the Building Fund, which is used for unbudgeted expenses associated with maintaining, repairing and improving the functionality of the facility shared with the EFD. It is not supported through operations, other than when there has been a transfer of year-end surpluses. This last occurred in May 2012. The Building Fund also received a boost last year when the Shorewood EDA informed the SLMPD of unspent bond proceeds remaining in the construction fund for the public safety facility. These proceeds were subsequently transferred to the Building Fund. These stopgap measures have helped in the short-term, but do not support a reliable and consistent funding source for future needs as the building ages.

In order to move forward, there needs to be a commitment from the member cities to consistently fund a capital maintenance account over the life of the building. This is in addition to their annual contribution to SLMPD operations and debt service obligation on the building. The next step is determining how to assess and collect funds from each member city. What seems to make the most sense is adding this to the quarterly debt service payment each member city makes to the SLMPD. Both involve capital expenditures separate from operations, so the same protocol could be used for assessing, collecting and maintaining this separate capital maintenance account. Disbursement of these funds would be under the direction and control of the Coordinating Committee, although it would be advisable to give the Chief of Police limited authority to make decisions independent of

Memorandum to Coordinating Committee
Public Safety Facility - Capital Maintenance Plan
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the Coordinating Committee based on predetermined criteria. A good model to follow is the way change orders were handled during construction of the building. Circumstances and dollar amounts determined when just the Chief of Police could make the decision, when both the Chief of Police and Committee Chair could make the decision and when the entire Coordinating Committee needed to make the decision.

Initially, the amount earmarked for this fund could be set rather low. The most important factor early on is gaining the support of the member cities and establishing the fund. Once this is accomplished, future contribution amounts can be tied to a more solid assessment of the aging building components and infrastructure. The attached chart depicts three funding scenarios for a capital maintenance fund using the 2012 debt service percentages for each member city. These will likely change when the percentages for 2013 are recalculated based on current tax capacity data from Hennepin County. Nevertheless, this provides a good indication of what each member city can expect to contribute depending on the funding level.

This topic will be on the agenda for the upcoming Coordinating Committee Meeting on July 18, 2012.

SOUTH LAKE MINNETONKA POLICE DEPARTMENT
Public Safety Facility - Police Portion

Proposed Capital Maintenance Fund

Illustration Purposes Only

Total Assessment	\$10,000
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Member City	2012 Debt Service Percentages	Dollar Amount
Excelsior	14.03%	\$1,403
Greenwood	10.98%	\$1,098
Shorewood	54.37%	\$5,437
Tonka Bay	20.62%	\$2,062
TOTAL	100.00%	\$10,000

Total Assessment	\$15,000
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Member City	2012 Debt Service Percentages	Dollar Amount
Excelsior	14.03%	\$2,105
Greenwood	10.98%	\$1,647
Shorewood	54.37%	\$8,155
Tonka Bay	20.62%	\$3,093
TOTAL	100.00%	\$15,000

Total Assessment	\$20,000
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Member City	2012 Debt Service Percentages	Dollar Amount
Excelsior	14.03%	\$2,806
Greenwood	10.98%	\$2,196
Shorewood	54.37%	\$10,874
Tonka Bay	20.62%	\$4,124
TOTAL	100.00%	\$20,000