

Plan of Finance for Payne Maryland (Rec/Library) Project

Background

In the October of 2009 in CF 09-1095 City Council approved the Finance Plan. The adopted 2010-2011 CIB budget includes \$ 14,000,000 for Payne/Maryland Project with completion in early 2013.

Project Description/Schedule/Jobs/Map/Budget

Build a combined 36,000 square foot Recreation Center and City Library and related parking on City owned land at Payne and Maryland. The public project is estimated at \$14,000,000 and it will leverage a second Town Centre phase for additional estimated \$21,000,000 of private funds on the adjacent City controlled land.

Payne Maryland Library/Rec Center —begins construction activity in the fall of 2010 and opens the new facility early in 2013. This construction will generate 562 jobs

The Payne/Maryland Project Map is shown on Attachment III and the Project Budget is on Attachment IV.

Recreation/Library Facility G.O. Bonds, (Payne Maryland Project), 2010 Series F

The OFS staff still recommends the following adopted Finance and Spending Plan for the Payne Maryland Project on June 2, 2010 as part of City Intent to Issue Recovery Zone Economic Development Bonds. This will take advantage of the continued low construction pricing, interest rate environment and maximize credits from the federal government by issuing before the end of 2010.

\$14 M RZED BONDS. Issue up to \$14,000,000 of City G.O. bonds in 2010 as Recovery Zone Economic Development Bonds, using the federally approved City entitlement of \$8,672,000, in combination with Build America Bonds and traditional tax exempt debt to have the lowest debt service costs. The RZED's which need to be issued by December 31, 2010 to take advantage of the 45 percent federal on the interest portion of the debt service.

For this issue the optimized debt service over 25 years would be approximately \$814,000 per year, after the direct payment credit from the IRS. These G. O. bonds will have net debt service is approximately \$816,400 in 2011 and \$812,600 in 2012. The estimated true interest cost is 3.26% (plus 50 basis point to the current market; see Attachment II).

Initial Finance Plan/Use of \$8M Tax Exempt ISP Bonds. In October 2009, City Council approved an initial Finance Plan which increased the Project from \$8,000,000 to \$14,000,000. As part of the approval of 2010 City Budget the 2010 CIB Bonds were reduced from \$11,000,000 to \$3,000,000 and \$8,000,000 in 2007 STAR Bonds, which was in a City Contingency (930-90320), to fund \$8M of CIB Projects in the adopted 2010 Budget.

Proposed City Council Actions/Financing Schedule

On June 2, 2010 there will be a City Resolution City to consider on the Finance and Spending Plan and the intent to issue a Payne/ Maryland Rec/Library Facility Bonds, 2010 Series F (RZED's and BAB's) for \$14,000,000. The bonds will be closed in September 2010. OFS staff will return in July for final bond resolution City Council to consider approval of the 2010 Series F issue and meet as the Library Board for the portion of the bond issue using Library Authority which is described in the next section.

Bond Timing/Legal Authority/Remaining Planned CIB Authority for 2010 and 2011

The Bonds need to be issued by December 31, 2010 to take advantage of the 45 percent federal on the interest portion of the debt service. The bonds will be issued the City Charter, MN Laws 1971 Chapter 773 and 475 which governs St, Paul CIB Authority for \$10,300,000 and Library Authority under City Library Ordinance, MN Laws 2002, Chapter 390, Secs. 36-39, Chapter 475 for the balance of \$3,700,000 (see Attachment V – Legal Authority).

The amount of Planned 2010 CIB bond authority remaining after these three public projects is \$0 for 2010 and \$11,000,000 for 2011 (See Attachment VI – Remaining Planned CIB Authority for 2010 and 2011).

Benefits of the Three Public Projects for Summer of 2010

The City will take advantage of

- Recovery Zone Economic Development Bonds and Build America and Recovery Zone Bonds, made available through the American Recovery and Reinvestment Act, that will reduce our overall debt service costs
- Historically low interest rates that will reduce our overall debt service costs
- Historically competitive construction market to further reduce our costs
- Efficiencies of combining these bond sales into one sale

Residents will benefit by

- Always having an open outdoor swimming pool. Highland Aquatic Center will be open for swimming next summer. Otherwise, both of the city's outdoor pools would be closed next season.
- 848 construction jobs from the city's \$23.6 million investment in public facilities (includes Como and Highland Aquatic Center Project).
- Lower overall costs for the projects