07 BUDGET DETAIL

KRAUS-ANDERSON®

City of Golden Valley - Master Planning
Overall Project Budget

OPTION B

Revision Date: 07-Dec-21

Description		Remote Fire Station 2, Near Term City Hall Reno & PD Reno/Additions	New Public Works Facility	Demo Existing Facilities & Add Site Infrastructure	Public Safety	New City Hall & Below Grade Parking	Remarks
		2024	2030	2030	2040	2050	
Initial City Revenue							
Utility Rebates							
Other Income							
Interest Earnings							
Total Available Dollars		**$0**	**$0**	**$0**	**$0**	**$0**	
Construction Costs							
							If Public Safety is scheduled beyond 2031 an intermediate renovation will be required within the existing structure between 2025 and 2032.
Building Construction							
Building		$5,336,385	$22,084,886		$20,302,292	$10,307,624	
Site		$394,774	$4,403,860	$2,960,000	$4,993,168	$1,200,000	
PD Renovations (10,220 GSF) & Additions (2,780 GSF)		$2,283,600					
Design Contingency	8%	$641,180.72	$2,119,099.68	$236,800.00	$2,023,637	$920,610	
Construction Contingency	5%	$432,797	$1,430,392.28	$159,840.00	$1,365,955	$621,412	
Construction Escalation	3.5%/Year From 2021	$954,317	$9,462,045	$1,057,342	$19,075,559	$13,245,390	
Subtotal		**$10,043,054**	**$39,500,283**	**$4,413,982**	**$47,760,611**	**$26,295,036**	
Soft Costs							
	25%	$2,510,764	$9,875,071	$1,103,495	$11,940,153	$6,573,759	
Architectural & Engineering Fees							In above
Construction Manager Fee							In above
Hazardous Material Removals							Allowance Included. To be Vetted with Future Study
Construction Manager Site Services							In above
Upgraded Xcel Service (Gas & Electric)							In above
Permitting							In above
Land Acquisition							Allowance Included. TBD Based on Location
SAC/WAC							In above
Construction Testing / Special inspections							In above
TAB & Commissioning							In above
Builders Risk Insurance							In above
Owner Soft Cost Contingency							In above
Subtotal		**$2,510,764**	**$9,875,071**	**$1,103,495**	**$11,940,153**	**$6,573,759**	
Owner Costs							
FFE	3.50%	$351,507	$1,382,510	$0	$1,671,621	$920,326	
Technology		$0	$0	$0	$0	$0	In FFE
Owner Moving Costs		$0	$0	$0	$0	$0	In above
AV Not Included in Plans		$0	$0	$0	$0	$0	In above
Misc. Fixtures (Fridges/Kiosks/Scanners etc.)		$0	$0	$0	$0	$0	In above
Owner Cost Contingency	5%	$17,575	$69,125	$0	$83,581	$46,016	
Subtotal		**$369,082**	**$1,451,635**	**$0**	**$1,755,202**	**$966,343**	
Total Project Costs		**$12,922,900**	**$50,826,989**	**$5,517,477**	**$61,455,966**	**$33,835,137**	
							Grand Total
Project Balance Available over / (under)		**$12,922,900**	**$50,826,989**	**$5,517,477**	**$61,455,966**	**$33,835,137**	**$164,558,470**

bakertilly
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September 8, 2021

Marc Nevinski
Physical Development Director
City of Golden Valley
7800 Golden Valley Road
Golden Valley, MN 55427

Dear Mr. Nevinski:

1. Introduction

Baker Tilly Municipal Advisors completed a fiscal impact analysis of the 2021 Municipal Facilities Master Plan. The purpose of the analysis is to provide policymakers financial information to assist with decision-making. Specifically, the analysis provides estimates and information of the following:

- Statutory authority and ability to finance the facility projects
- Estimated property tax levies and tax rates
- Impact on key debt ratios used by credit rating agencies

Financial projections beyond five to ten years are speculative and can be impacted by unforeseen events, such as service level and law changes at both the state and federal levels, macro-economic events, land-use and demographic changes, to name a few. Nonetheless, long-range financial planning is necessary to begin to understand the potential, broad impact of large capital improvements, with the understanding that assumptions need to be continually updated and refined.

2. Primary Assumptions

A financial impact analysis is highly dependent on assumptions. The primary assumptions in the analysis include:

- Estimated construction cost and timing of new facilities
- Repayment term of projects financed with bond proceeds and, to a lesser extent, interest rates
- Financing of existing capital improvement plan (CIP) using recent financing terms
- Estimated market value (tax capacity) changes from price appreciation and redevelopment
- Annual growth in General Fund and HRA levies

2.1 Facilities Cost and Financing Assumptions

The facilities projects, construction year and financing terms with the estimated annual debt service payment is shown in the tale below.

Project	Fire Hall #2 and City Hall Renovation	New Public Works Facility	Demo Existing Facilities & Add Site Infrastructure	Public Safety	New City Hall & Below Grade Parking
Construction/Bond Issue Year	2024	2030	2030	2040	2050
Total Development Cost	**$9.2M**	**$50.8M**	**$5.5M**	**$61.5M**	**$33.8M**
Repayment Term	30	30	30	30	30
Interest Rate	3.0%	5.0%	5.0%	5.0%	5.0%
Annual Payment	$471,000	$3,306,000	$359,000	$3,998,000	$2,201,000

2.2 Existing Capital Improvement Plan Cost and Financing Assumptions

The table below shows the existing CIP, financing terms and the estimated annual debt service. Beginning in 2026 the City will finance a smaller street infrastructure program of approximately $2.0 million with costs increasing 3.0% annually thereafter.

Construction/Bond Year	**2022**	**2023**	**2024**	**2025**	**2026**
Project Cost	$3.95M	$3.95M	$3.95M	$0.00M	$2.00M
Percent Assessed	20%	20%	20%	20%	20%
Repayment Term	20	20	20	20	20
Interest Rate	2.5%	3.0%	3.0%	4.0%	4.0%
Annual Payment	$203,000	$212,000	$212,000	$0	$118,000

2.3 Other Assumptions

Additional assumptions utilized in the analysis include:

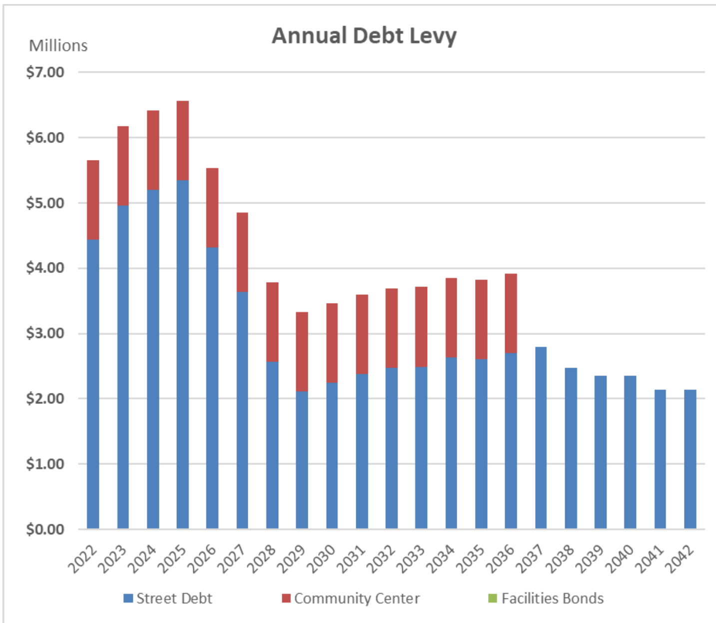
- Current debt service is paid off on schedule
- Annual market value growth from appreciation and redevelopment – 3.0%
- General Fund levy increase in 2022 of 13% and 3% annually thereafter
- HRA levy of $191,000 in 2022 and increasing 3% annually thereafter
- Existing TIF Districts are decertified, with Highway 55 West District adding approximately $640,000 of tax capacity in 2033.
- Current Police Station redeveloped in 2032 into apartments adding approximately $600,000 of tax capacity in 2032.
- No local option sales tax (A 0.50% sales tax would generate approximately $2.85 million annually in 2021.)

3.0 Fiscal Impact Analysis

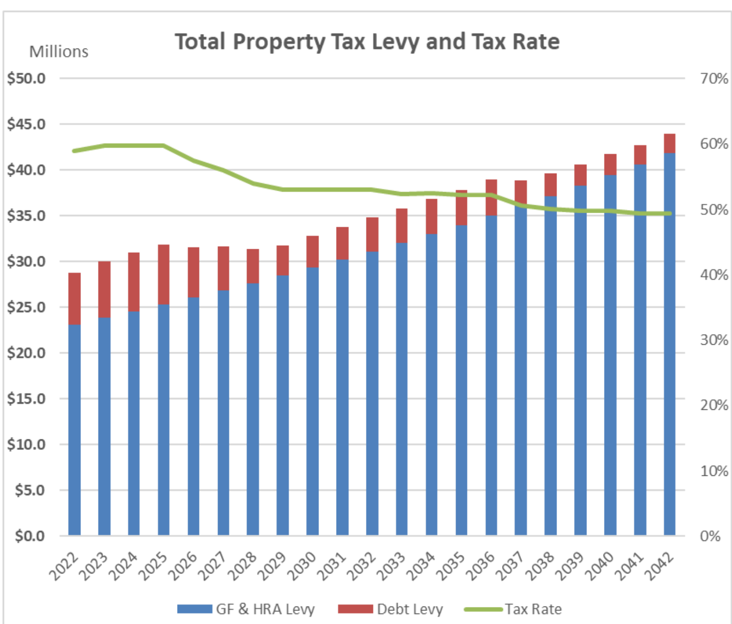
To better understand the fiscal impact of financing the Facilities Plan, we are providing two scenarios. The first is a Baseline Scenario that includes the current City CIP for street improvements and the other assumptions listed above, but *excludes the Facilities Plan*. The second scenario includes the Facilities Plan and is titled BKV Option B.

3.1 Baseline Scenario

As the table and graph below show, existing street debt increases over the next three years to $5.3 million in 2025 before falling to $2.1 million by 2029. The Brookview Community Center debt levy does not mature until 2036.

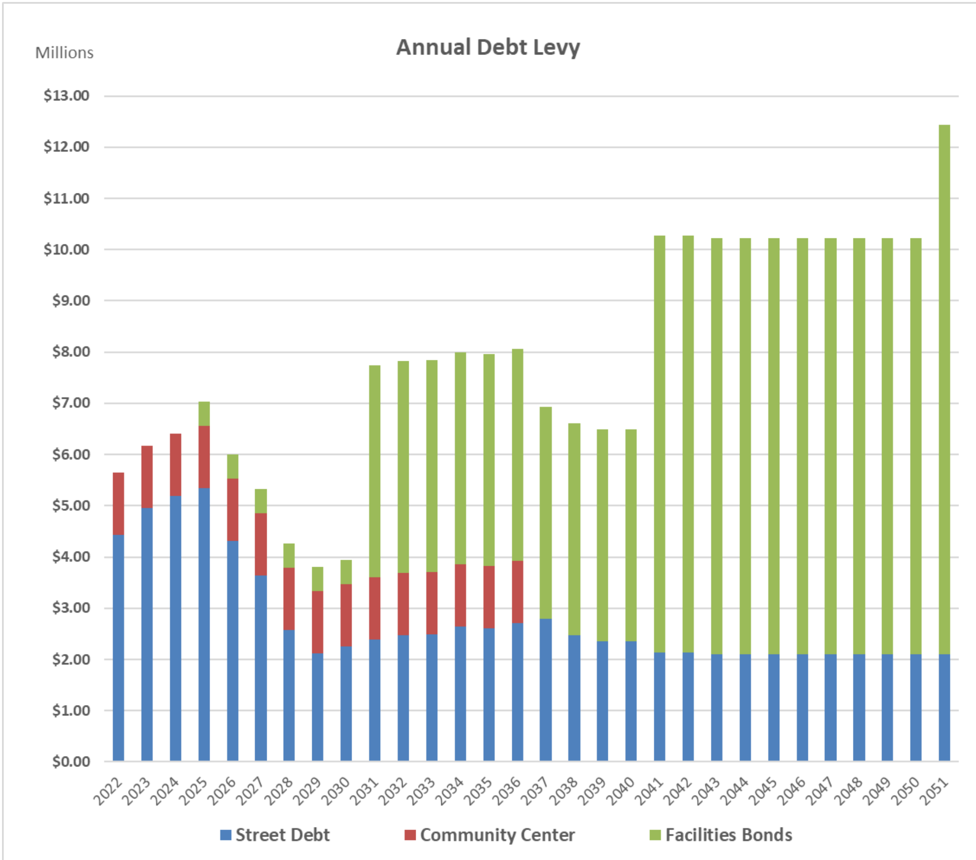


The projected property tax levy and tax rate includes the operating levies and market value changes. Given the assumptions in the Baseline Scenario, the City's property tax rate gradually declines as outstanding debt matures.

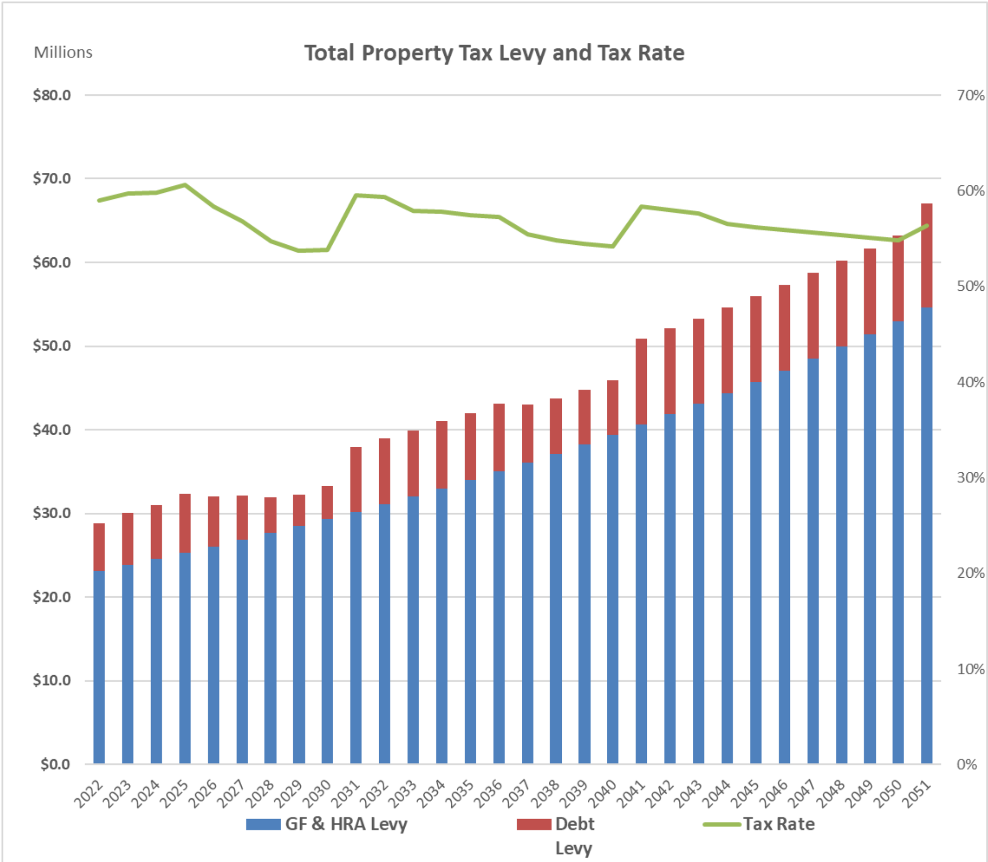


3.2 BKV Option B Scenario

The debt levy for the Facilities Plan begins in 2025 with the financing of Fire Hall #2 but almost doubles in 2032 following the financing of the Public Works Building. Once all the facilities are financed, the debt levy is expected to reach $12.5 million.



Despite the increase in the debt levy to finance the Facilities Plan, the City's projected tax rate fluctuates between 55%-60% over the planning period.



4.0 Property Tax Impact

The impact on property owners in the distant future is difficult to determine given the number of factors that could change during the planning period. For reference purposes, the property tax impact for various properties in the table below is based on the City's 2021 taxable net tax capacity.

Annual Levy Increase	$1,000,000	$2,000,000	$3,000,000	$4,000,000
Taxable Net Tax Capacity	$47,400,000	$47,400,000	$47,400,000	$47,400,000
Current Tax Rate	55%	55%	55%	55%
Added Tax Rate	***2.1%***	***4.2%***	***6.3%***	***8.4%***
New Tax Rate	57.1%	59.2%	61.3%	63.4%
Residential Market Value				
$350,000	$73	$145	$218	$291
$500,000	$105	$211	$316	$422
$750,000	$171	$343	$514	$686
$1,000,000	$237	$475	$712	$949
Commercial Market Value				
$1,000,000	$406	$812	$1,218	$1,624
Apartment Market Value				
$1,000,000	$264	$527	$791	$1,055

5.0 Statutory Authority and Debt Limits

Minnesota state statutes authorizes municipalities to incur debt obligations and dictates the type of project, process and, in certain circumstances, a limit on the amount of debt a municipality can have outstanding.

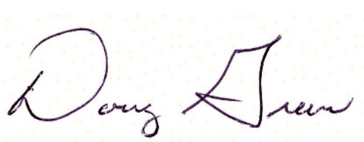
Minnesota Statutes 475.58, Subdivision 3 allows cities in Minnesota to issue general obligation bonds for public facilities without holding a referendum. However, the statute allows for a petition period whereby if five percent of the electors in the most recent general election sign a petition, the City must hold a referendum prior to issuing bonds.

There are two relevant debt limits that apply to the Facilities Plan:

1. Statutory Debt Limit – The outstanding debt of a city cannot exceed three percent of the estimated market value of the City. However, not all outstanding debt is included in the calculation. The City's street debt is not included but the facilities debt is included. Even given the most conservative assumptions for market value changes during the planning period, the City would remain significantly under the statutory debt limit.

2. General Obligation Capital Improvement Plan (M.S. 475.58, Subdivision 3) Debt Limit – The statute dictates that the maximum annual debt service for debt obligations issued under this authority cannot exceed 0.16% of the estimated market value in any year. Given the current assumptions used in the analysis, the City would remain under the limit.

Sincerely,



Doug Green
Director
Baker Tilly Municipal Advisors