

CITY OF SHAKOPEE
Memorandum

TO: Mayor and City Council
Mark McNeill, City Administrator

FROM: Jamie Polley, Director of Parks, Recreation & Natural Resources

SUBJECT: Consideration of a Resolution Determining the Necessity for the Issuance of General Obligation Bonds and Calling a Special Election for Community Center Improvements – Res No. 7034

DATE: August 17, 2010

Introduction:

The Council is asked to determine whether to place the question of issuing \$7.855 million of General Obligation Bonds, to provide for improvements to the Shakopee Community Center, on the General Election ballot of November 2, 2010.

Background:

The City Council has been reviewing the Community Center Improvements since April, 2010. The City Council chose to research the improvements further by hiring an architectural consultant and a financial consultant to present the anticipated revenues and expenditures generated by the improvements, as well as a concept design of the Community Center. On August 2nd the City Council chose the (preliminary) final design of the improvements.

The facility improvements will include a Senior Center with a designated senior space, restrooms and two meeting rooms; a second floor to the fitness areas that will include programming and aerobics space; and a 2nd sheet of ice that will seat 200 people. The ice sheet will not include high school team rooms at this time. The estimated cost for the improvements totals \$7,855,000--see attached estimates.

Discussion:

The City Council must determine the importance of the Community Center Improvements and decide if now is the time to move forward in an effort to improve the Community Center and the quality of life for the residents of Shakopee. It has been determined that most if not all of the funding for the Community Center improvements would have to be approved through a referendum.

“Shakopee Recreation: Bringing People Together”, which is a group advocating for the improvements, has recommended that the referendum take place concurrent with this November’s elections, because of favorable current construction costs, and avoidance with anticipated future school referendums. The final date for the Council to make the call for a November 2nd referendum is August 17th, 2010.

Budget Impact/Homeowner Impact:

The total cost for the improvements is \$7,855,000. The cost to issue the bonds is \$155,000. Therefore, the total amount of the bond referendum is \$8,010,000.

The financial consultants/staff determined that the annual operating increase to the Recreation budget for the Community Center improvements is estimated at \$331,000--see attached documentation.

The City will make a determination at the time of issuing bonds as to whether they will be taxable or tax exempt bonds, based on Internal Revenue Service regulations—the annual difference in interest payments between taxable, and tax exempt bonds is \$82,000. The debt levy amount will be determined based on the bonds that are issued.

The impact on the City’s budget would be as follows:

If the bonds are tax exempt:

Operating levy	\$331,000	Operation and Maintenance
Debt levy	<u>\$613,000</u>	Bond repayment—20 yr
Total levy increase	\$944,000	Annual additional taxes

If the bonds are taxable:

Operating Levy	\$331,000	Operation and Maintenance
Debt Levy (Taxable)	<u>\$695,000</u>	Bond repayment—20 yr
Total levy increase	\$1,026,000	Annual additional taxes

The additional estimated annual payment for a typical Shakopee house with a value of \$231,000 would be \$36/yr for tax exempt bonds only, plus \$18 for operation & maintenance costs, for a total of \$54/yr. Those figures would be \$41/yr, \$18/yr for a total of \$59/yr, respectively, if the bonds are taxable.

The taxes levied would not be impacted for pay 2011 but would be implemented for taxes beginning in 2012 and continuing for 20 years.

Relationship to Visioning:

This supports Goal A, “Keep Shakopee a safe and healthy community, where residents can pursue active and quality lifestyles.”

Recommended Action:

If Council concurs, it should approve the following resolution:

Resolution No. 7034,
A Resolution Determining the Necessity for the Issuance of
General Obligation Bonds and Calling a Special Election Thereon.

Jamie Polley, CPRP
Director of Parks, Recreation & Natural Resources