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City of Marshall, MN

Financing Options for  
Renovation of Marshall Aquatics  
Center

February 23, 2021



now joined with  
Springsted and Umbaugh





# Aquatics Center Project

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- Estimated Project cost range from \$7,000,000 to \$10,000,000
- Start of Construction: last half of 2021 or 2022



# Financing Options to Consider

- General Obligation (GO) Referendum Bonds
- General Obligation (GO) Abatement Bonds
- Lease Revenue Bonds issued by EDA

## GO Referendum Bonds

There are 11 exceptions to the voter approval rule in Chapter

- Improvement and tax increment bonds, where the assessments or tax increments are expected to pay at least 20 percent of the cost of the project (or debt service, in the case of tax increment bonds).
- All bonds secured wholly from the income of “revenue producing conveniences
- Bonds issued under any other law or city charter that permits issuance without voter approval.
- Bonds issued to fund certain pension, retirement fund, and other postemployment benefit liabilities.
- Abatement bonds (as long as they do not finance municipal buildings).



## GO Referendum Bonds

- For bonds that do require voter approval, state law requires that the ballot contain the following statement in bold face type: **“BY VOTING ‘YES’ ON THIS BALLOT QUESTION, YOU ARE VOTING FOR A PROPERTY TAX INCREASE.”**
- If the voters approve a bond issue, the city is not required to issue the bonds. But if it does issue the bonds, the issue may not exceed the amount authorized in the ballot question, and proceeds must be used for the purpose described in the ballot.
- If an election is held but it fails, the same question for the same amount may not be re-submitted to the voters for six months. If it fails a second time, a third election may not be held until one year after the second one.
- If a bond election is held, city officials and staff may not campaign in favor of the question. The city may distribute factual information about the bonds and the project, but must be careful not to cross the boundary to advocacy



## GO Referendum Bonds

### PROS

- Vote indicates community support of the Aquatics Center
- Lowest interest rate
- Ease of issuance after election results are canvassed

### CONS

- What happens to this amenity if the vote fails?
- Cost and administration
- Time to administer election
- Existing facility-multiple choice question-complicated



## GO Abatement Bonds



- Used to provide or help acquire or construct public facilities not specifically financed by other statutes
- Term is limited to 15 years if others participate; 20 years for city only
- No TIF in the same area while in abatement
- No back-to-back abatements and an 8-year waiting period
- Generally benefitted properties are selected for purposes of authority
- Taxes levied across all property regardless of abatement area

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## GO Abatement Bonds

### PROS

- Easy transaction to complete
- Lowest interest rate
- No reverse referendum
- Allows informed vote by elected officials

### CONS

- Must create and abatement area large enough to support 100% of principal
- Economic development tool





## Lease Revenue Bonds

- Any city operating a program of public recreation may acquire or lease, equip, and maintain land, buildings, and other recreational facilities, including, but without limitation, outdoor or indoor swimming pools, skating rinks and arenas, etc.;
- Ground lease to EDA;
- EDA issues bond;
- City pledges annual appropriation to EDA to pay lease payments equal to bond debt service;
- Facility and Land leased back to the City who completes improvements;
- City owns facility upon retirement of debt



## Lease Revenue Bonds

### PROS

- City has an EDA already established and used this tool before
- Low interest rate market environment
- Approved by EDA and City Council
- No abatement area or referendum process

### CONS

- Interest rate slightly higher than GO
- Lease transactions require ground lease, facility lease and trustee



## Debt Service Estimates By Project Cost and Type of Bonds

	GO Bonds	Lease Revenue
Term	20 years	20 years
Interest rate	1.55%	1.78%
Project Cost	Debt Service	Debt Service
\$7,000,000	\$415,989	\$426,670
\$9,000,000	\$533,962	\$547,718
\$10,000,000	\$593,210	\$608,243
\$13,000,000	\$770,370	\$789,570



## Debt Service Estimates \$7,000,000 Project Costs

	GO Bonds	Lease Revenue
Term	20 years	20 years
Interest rate	1.55%	1.78%
Residential Property	Incr. Annual Taxes	Incr. Annual Taxes
\$100,000	\$24	\$25
\$150,000	\$42	\$43
\$300,000	\$97	\$100
Commercial		
\$250,000	\$143	\$146
\$500,000	\$310	\$318
\$1,000,000	\$646	\$662



## Debt Service Estimates \$10,000,000 Project Costs

	GO Bonds	Lease Revenue
Term	20 years	20 years
Interest rate	1.55%	1.78%
Residential Property	Incr. Annual Taxes	Incr. Annual Taxes
\$100,000	\$34	\$35
\$150,000	\$60	\$62
\$300,000	\$139	\$142
Commercial		
\$250,000	\$203	\$208
\$500,000	\$442	\$454
\$1,000,000	\$921	\$944





# Questions and Discussion



ATTENTION

# DISCLAIMER

The information provided here is of a general nature and is not intended to address the specific circumstances of any individual or entity. In specific circumstances, the services of a professional should be sought.

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