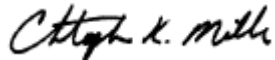



REQUEST FOR COUNCIL ACTION

Date: **2/11/2019**
Item No.: **9.d**

Department Approval



City Manager Approval



Item Description: Adopt a Financing Plan for the 2719 Lexington Avenue Property Acquisition

BACKGROUND

At the January 28, 2019 City Council meeting, the Council directed staff to bring forth a resolution authorizing the establishment of an internal loan to provide interim financing for the property acquisition at 2719 Lexington Avenue (Lexington Shoppes).

During the discussion, the Council indicated its preference to ultimately finance the acquisition (i.e. payoff the internal loan) using two primary sources:

- 1) Proceeds from the sale of the Fairview Fire Station property
- 2) Future operations surplus monies from the License Center

As noted in the previous Staff Report, the Fire Station sale is estimated to garner approximately \$850,000; while the License Center is projected to provide approximately \$120,000 annually. It should be noted that both of these projections are based on favorable economic conditions. A significant slowdown or downturn in the economy or other changing market conditions could have a negative impact on these projections.

The Council is reminded that there are tradeoffs associated with re-purposing existing reserves from one program to another, even if done in a temporary capacity. To mitigate these potential negative impacts, Staff recommends that the City also use a limited amount of existing reserves to reduce the internal loan amount.

The amount to be financed is \$2,271,000, which includes the net purchase price of \$2,245,500 plus \$25,500 in related expenses. Based on the previous Council discussion, as well as further staff analysis, staff recommends the following financing strategy:

Financing Plan	
	<u>Amount</u>
Initial Internal Loan	\$ 2,271,000
Less Equity Contribution: License Center Fund	(250,000)
Less Equity Contribution: Risk Management Fund	(521,000)
Net Internal Loan: Street Replacement Fund	\$ 1,500,000
Internal Loan Funding Sources	
Sale of Fairview Fire Station Property	\$ 850,000
License Center Surplus Monies	650,000
Total Funding Sources	\$ 1,500,000

27
28

29 Financing Plan Comments

30 A \$250,000 equity contribution from the License Center Fund would leave it with approximately
31 \$225,000 available for capital improvement and equipment purchases, as well as approximately \$275,000
32 for operating cash reserves. The operating reserve level would stand at 15% which is the targeted (high)
33 amount identified in the Operating Cash Reserve Policy.

34

35 A \$521,000 equity contribution from the Risk Management Fund would leave it with approximately \$1.9
36 million to provide for the City's workers compensation and property/liability insurance programs. While
37 this is a strong reserve level, Staff will note that the City is self-insured for workers compensation which
38 means it pays out all claims directly. And while the City's participation in the League of MN Cities-
39 sponsored property/liability insurance program offers considerable protection from large claim
40 settlements, there are a number of circumstances that can result in substantial out-of-pocket costs that
41 could surpass \$1 million or more.

42

43 With this Financing Plan, Staff further recommends temporarily using the Street Replacement Fund as
44 the *initial* source for the internal loan, to be repaid with the proceeds from the sale of the Fairview Fire
45 Station property and future License Center surplus monies.

46

47 The Council is asked to memorialize this financing plan in the form of a resolution which is included in
48 *Attachment A*. Staff will be available at the meeting to address any Council questions.

49

50 **POLICY OBJECTIVE**

51 Not applicable.

52 **FINANCIAL IMPACTS**

53 See above.

54 **STAFF RECOMMENDATION**

55 See above.

56 **REQUESTED COUNCIL ACTION**

57 Adopt the attached resolution authorizing a financing plan and internal loan for the property acquisition
58 at 2719 Lexington Avenue (Lexington Shoppes).

59

Prepared by: Chris Miller, Finance Director

Attachments: A: Resolution authorizing a financing plan and internal loan for the property acquisition at 2719 Lexington Avenue.

EXTRACT OF MINUTES OF MEETING OF THE CITY COUNCIL OF THE CITY OF ROSEVILLE

* * * * *

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Roseville, County of Ramsey, Minnesota was duly held on the 11th day of February, 2019 at 6:00 p.m.

The following members were present: and the following were absent:

Member introduced the following resolution and moved its adoption:

RESOLUTION _____

RESOLUTION APPROVING A 2018 CASH TRANSFER AND INTERNAL LOAN TO FINANCE THE ACQUISITION OF THE 2719 LEXINGTON AVENUE PROPERTY

WHEREAS, the City has acquired the property located at 2719 Lexington Avenue and incurred related costs in the amount of \$2,271,000 and intends to utilize excess cash reserves and an internal loan to finance the acquisition; and

WHEREAS, the City Council has evaluated its cash reserves and has determined that the License Center and Risk Management Funds have \$250,000 and \$521,000 respectively in available unrestricted cash reserves and those reserves are hereby transferred to finance the acquisition; and

WHEREAS, the City Council has further evaluated its cash reserves and has determined that the Street Replacement Fund shall provide an internal loan in the amount of \$1,500,000 to complete the initial financing package; and

WHEREAS, the City Council hereby pledges the proceeds from the future sale of the Fairview Fire Station property and future surplus monies from the License Center to repay the internal loan as funds become available.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Roseville, Minnesota that these transactions are to be carried out and recorded in the 2018 fiscal year.

The motion for the adoption of the foregoing resolution was duly seconded by member

and upon a vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

107 WHEREUPON, said resolution was declared duly passed and adopted.

108

109 State of Minnesota)

110) SS

111 County of Ramsey)

112

113

114 I, undersigned, being the duly qualified City Manager of the City of Roseville, County of Ramsey, State
115 of Minnesota, do hereby certify that I have carefully compared the attached and foregoing extract of
116 minutes of a regular meeting of said City Council held on the 11th day of February, 2019 with the original
117 thereof on file in my office.

118

119 WITNESS MY HAND officially as such Manager this 11th day of February, 2019.

120

121

122

123

124

125

126

Patrick Trudgeon
City Manager

Seal