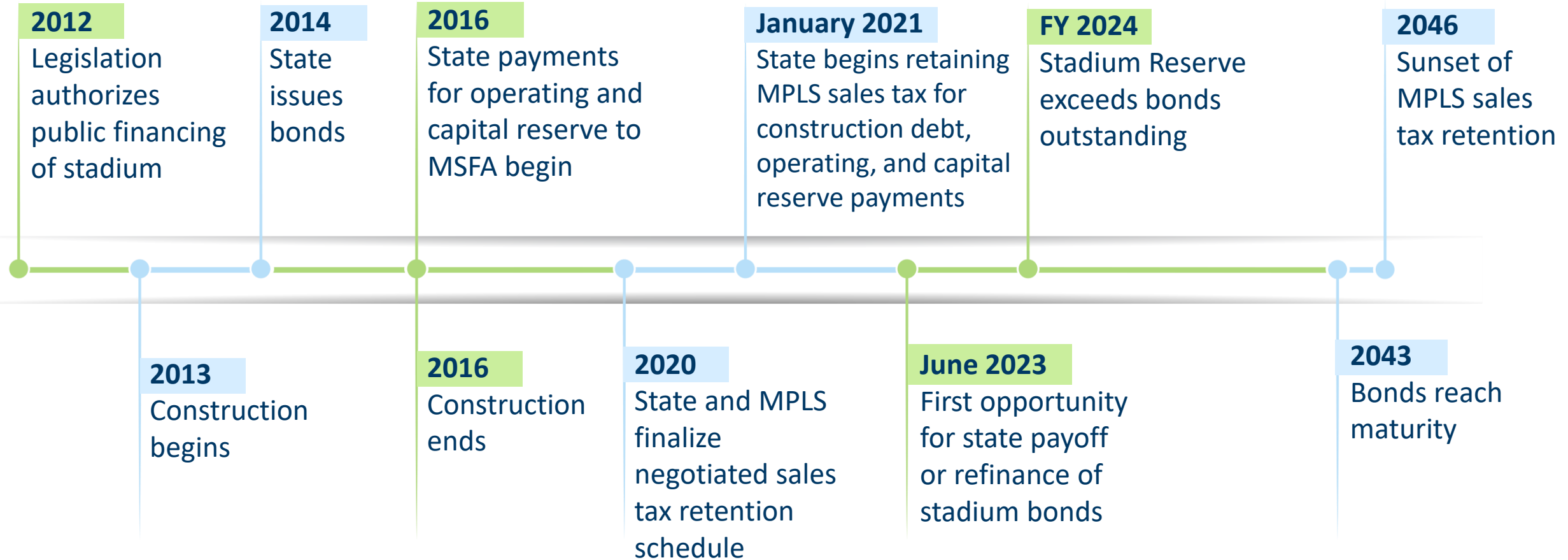




Stadium and Stadium Reserve

Jennifer Hassemer | Assistant Commissioner – Debt Management
Bryan Dahl | Financial Planning Director – Budget Division

Timeline



Stadium Financing Framework



Construction

Financing the construction of a new professional football stadium



Operations

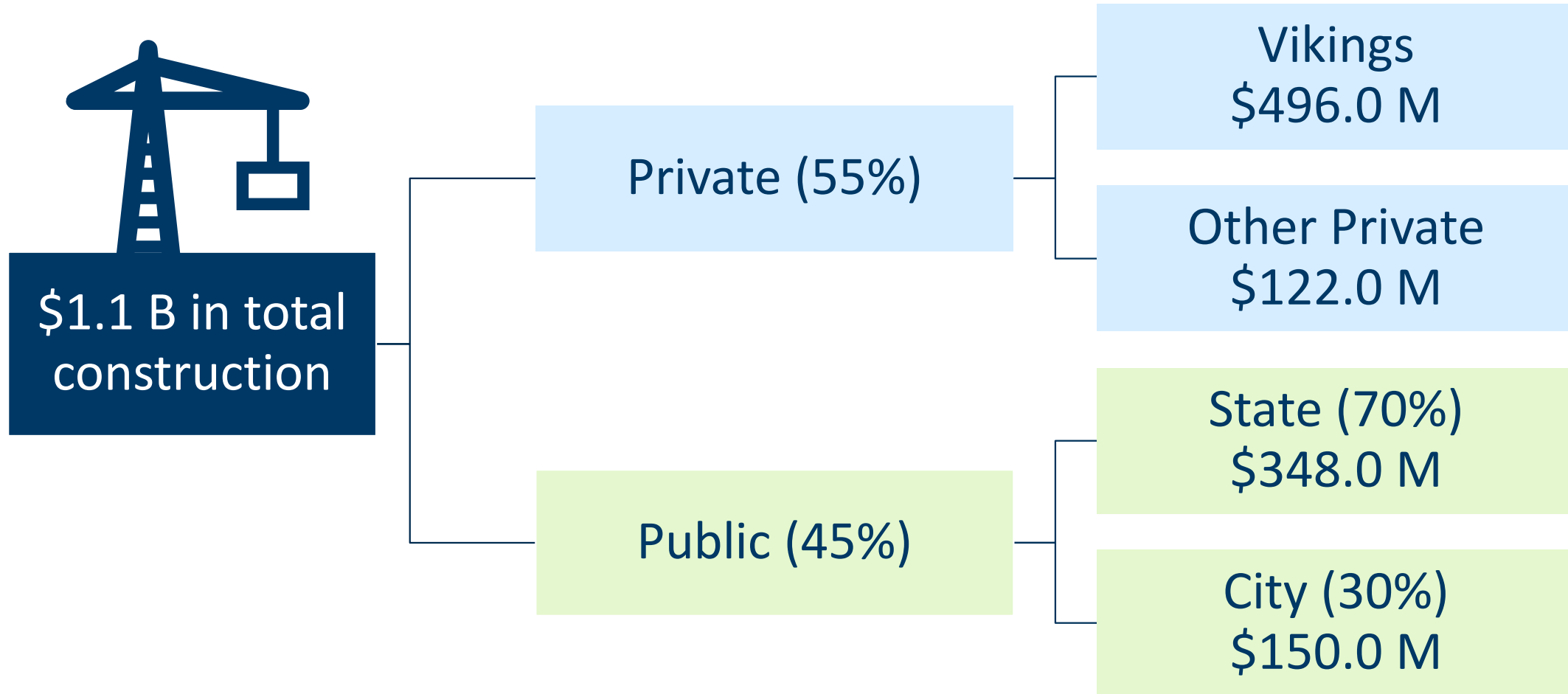
Payments to the Minnesota Sports Facilities Authority for operating expenses, beginning in 2016



Maintenance

Payments to the Minnesota Sports Facilities Authority's capital reserve fund, beginning in 2016

Financing Framework: Construction



The state issued bonds in 2014 on behalf of the state and city

\$882.0 million

Aggregate cost over 30 years, state and city share these costs based on original \$348/\$150 million construction cost share.

\$30.2 million

annual debt service for the city and state; which the state began paying in 2014

4.25%

bond interest rate

**State Stadium
Finance:
Debt Service**

\$388.0 million

outstanding debt

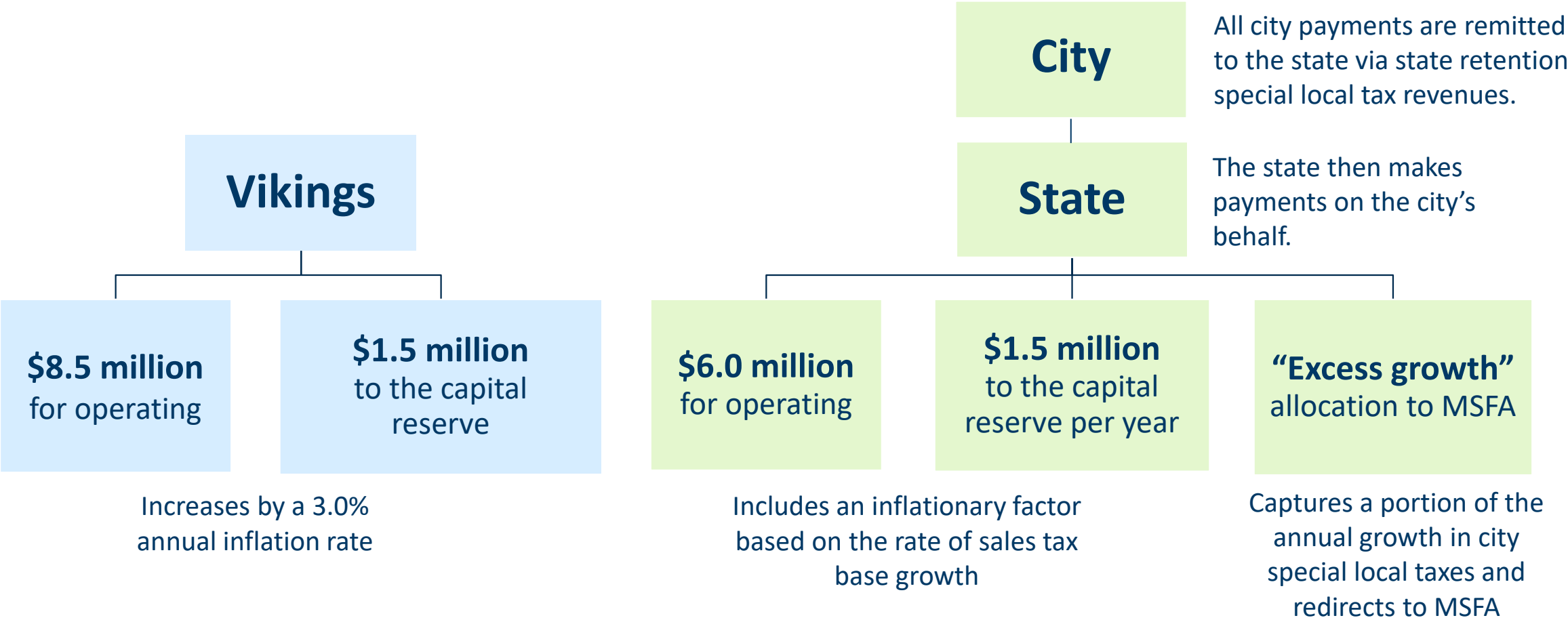
\$462.0 million

of the aggregate cost is principal

\$420.0 million

is interest

Financing Framework: Operations and Maintenance



City Stadium Finance: Total Obligations

\$ in millions	Annual Cost (FY 2024)	Aggregate Cost thru FY 2047	\$ Recaptured through FY 2023
Construction	\$12.8	\$333.3 ^a	\$32.1
Payback of 2016-20 State Operating/Cap Reserve Advances	\$2.5	\$66.1	\$6.4
Operating and Capital Reserve	\$9.6	\$333.0 ^b	n/a
Excess Growth Allocation	\$1.8	\$123.0 ^c	n/a
Total	\$26.7	\$855.4	\$38.5

a) Defined in statute as the net present value of \$150.0 million, discounted at the bond rate (4.25%) repaid through December 2046

b) Estimated; assumes 3.0% annual sales tax growth

c) Unknown; \$123.0 million estimate assumes 3.0% annual sales tax growth

City Stadium Finance: State Repayments

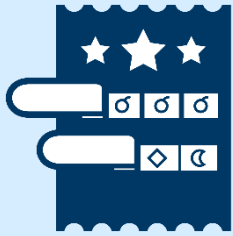
Construction Obligation: the city's share of construction costs, statute defines as the net present value of \$150.0 million, discounted at the bond rate (4.25%)



Pay Back FY 2016–20 Advances: the city's operating and capital reserve payments that were paid by the state, totaling \$39.5 million



State Stadium Finance: Revenue



Lawful Gambling Tax Revenue

- Total Gambling Tax receipts above \$36.9 million, electronic and paper, allocated to fund state stadium obligations with any remainder deposited in the stadium reserve
- \$159.0 million in lawful gambling tax revenue was available for stadium obligations in FY 2023; expected to grow to \$197.0 million in FY 2027



City Special Local Sales Tax Revenue

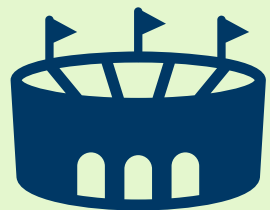
- \$26.7 million annually (FY 2024)
- Included in stadium reserve formula:
 - Construction Obligation: \$12.8 million
 - Operating and capital reserve payment to stadium: \$9.6 million
- *Not* included in stadium reserve formula:
 - Payback FY 2016-20 state advance: \$2.5 million
 - “Excess growth” allocated to MSFA: \$1.8 million in FY 2024

State Stadium Finance: Spending

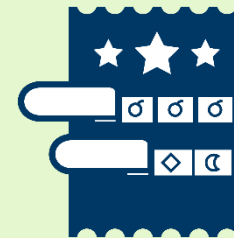


Payment for City obligation for operating and capital reserve:

FY 24 approximately \$9.6 million for city's current year obligation. Equal to city special local tax revenue retained each year for this purpose.



Payment to St. Paul for sports facilities grants:
\$2.7 million annually



Appropriation for problem gambling programs:

Approximately \$2.0 million annually allocated to DHS (1% of tax revenue)



Debt service to cover city and state share:
\$30.2 million annually

State Stadium Finance: Reserve Calculation

Revenues

- Lawful gambling tax revenue
- City special local sales tax revenue

Stadium-Related Expenses

- Debt service
- City obligation for Operating and capital reserve
- St. Paul for sports facilities grants
- Problem gambling programs appropriation

Stadium Reserve

- Difference between identified revenues and stadium related spending deposited into the stadium reserve in the general fund

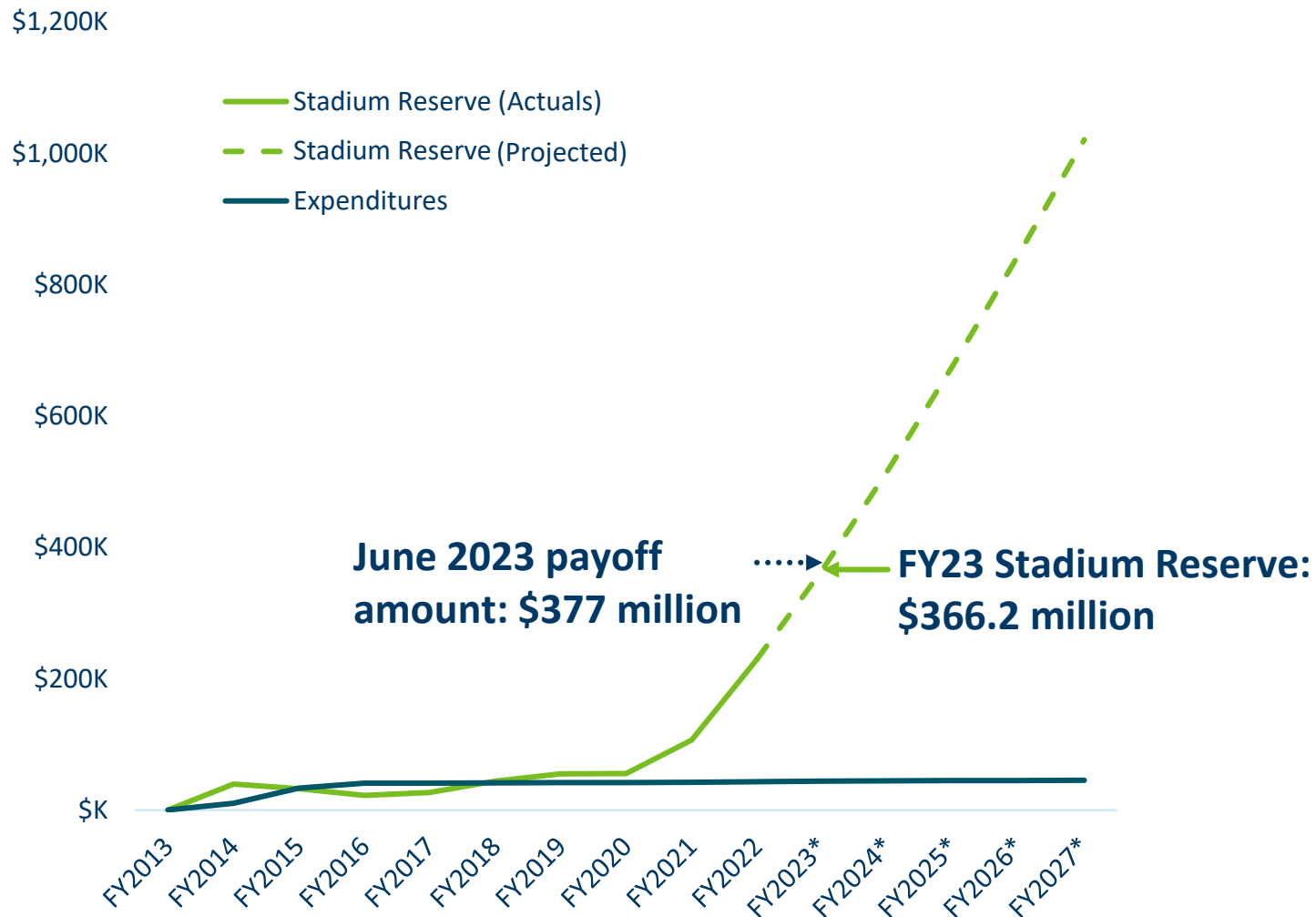
State Stadium Finance: Use of the Reserve

Stadium reserve uses governed by MS 297E.021 include:

- Cover shortfall in Minneapolis Sales Tax Receipts
- Stadium related uses including stadium capital and operating costs, refundings, and prepayment of debt after consultation with Legislative Commission on Planning and Fiscal Policy



State Stadium Finance: Bond Payoff



Full pay off would be \$377.0 million starting on June 1, 2023. This would eliminate \$226.0 million in aggregate interest costs.

Paying off debt would not cancel the city's obligation to pay their share of construction costs, which runs through 2046 under current law.

Forgiving the city's construction obligation would cost the state \$12.8 million each year through 2046.



Payoff construction debt:

Fully pay off the \$377.0 million outstanding bonds using the stadium reserve and an additional estimated general fund appropriation of \$10.8 million.

Forgive MPLS repayment of 2016-2020 operating and capital reserve advance:

State would forgive remaining annual \$2.5 million payback. Aggregate cost to state/savings to city through 2046: \$59.7 million.

Fund phase 1 of construction of stadium perimeter:

\$15.7 million in FY 2023 to fund phase 1 of project estimate by MSFA.

Repeal the stadium reserve:

After bond pay off repeal stadium reserve, allowing lawful gambling tax receipts to accrue to the general fund.

Governor's Recommendation: General Fund Impact

General Fund Impact (\$ in thousands)*	FY 2023	FY 2024	FY 2025	FY 2023-25	FY 2026	FY 2027	FY 2026-27
Payoff Bonds (June 1, 2023)	377,000			377,000			-
Fund Stadium Security Fence Phase 1	15,700			15,700			-
Forgive MPLS Loan Repayment		2,542	2,542	5,084	2,542	2,542	5,084
Debt Service Savings		(30,152)	(30,151)	(60,303)	(30,152)	(30,157)	(60,309)
Repeal Stadium Reserve After Bond Payoff	(366,179)	(150,783)	(161,353)	(678,315)	(167,784)	(174,518)	(346,544)
Total General Fund Net Impact Cost (savings)	26,521	(178,393)	(188,962)	(340,834)	(195,394)	(202,133)	(397,527)

*updated for February 2023 Forecast

Questions?

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