



STAFF REPORT

DATE: February 18, 2025

TO: Mayor & Council
FROM: Clarissa Hadler, Finance Director
AGENDA ITEM: Interfund Loan and Transfers for Ballfield Property Purchase

BACKGROUND:

Attached is the draft of a resolution approving an interfund loan and fund transfers to pay for the recently approved land purchases for future ballfield development. The money will be used for the land, as well as closing costs.

Fund Transfer from Park Dedication

This transfer is in the amount of the contribution provided by Royal Golf for the purpose of ballfield development.

Interfund Loan from Sewer Fund

An interfund loan is a simple mechanism where we borrow money out of one fund to be used for purposes of a different fund. In this instance, from the Sewer Fund – which will not need this cash during this loan period – to the newly established Ballfield Fund. To do this, Council adopts a resolution that lays out where the funds are coming from, a repayment schedule, and a method for raising the revenue for that repayment.

Similar to how we lay out levies for each bond issuance, I recommend planning out a recommended levy for the life of this interfund loan. That levy amount is then incorporated into the budget and levy process each year. Which is not to say that those projected levy amounts can actually be adopted at this time; it is simply a plan for future levies. These levies are only visible in our levy resolution each year; not on the property tax statement.

While this method does spend down cash, it also provides a path and method for rebuilding that cash in whatever fund it is borrowed from. This tactic provides some reassurance to the rating agencies that the cash will, in fact or in theory, be replenished over time. Council should recognize that any large expenditures like this might affect our bond rating, which in turn might affect our interest rates.

The table below shows what the repayment schedule and the tax impact on a Median Value Home over a 10-year period. Over a 10-year straight-line repayment, it would add approximately .8 percentage points to the tax rate in the first year, and decrease over time, as tax capacity grows and the loan balance decreases. For 2026, this would add \$50 in property tax to the median value home.

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Tax Capacity/ MVH Increase	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Tax Capacity for Local Tax Rate	\$ 37.1 M	\$ 38.2 M	\$ 39.3 M	\$ 40.5 M	\$ 41.8 M	\$ 43 M	\$ 44.3 M	\$ 45.6 M	\$ 47 M	\$ 48.4 M
Annual Payback / Ballfield Levy	300,000	290,000	280,000	270,000	260,000	250,000	240,000	230,000	220,000	210,000
Ballfield Levy Rate	0.81%	0.76%	0.71%	0.67%	0.62%	0.58%	0.54%	0.50%	0.47%	0.43%
MVH	599,151	617,126	635,639	654,708	674,350	694,580	715,418	736,880	758,987	781,756
Est. Tax on MVH	\$ 50	\$ 49	\$ 48	\$ 46	\$ 45	\$ 43	\$ 42	\$ 40	\$ 39	\$ 37

These projections are purely theoretical; actual tax capacity and median home values will be determined by market conditions and county valuation practices.

RECOMMENDED MOTION

Motion to Approve Resolution 2025-016 Approving Interfund Loan and Fund Transfers for Land Purchases

ATTACHMENTS

1) Resolution 2025-016

**CITY OF LAKE ELMO
WASHINGTON COUNTY
STATE OF MINNESOTA**

RESOLUTION NO. 2025-016

**RESOLUTION APPROVING INTERFUND LOAN AND FUND TRANSFERS FOR
LAND PURCHASE**

WHEREAS, the City Council has approved for purchase two properties for the purpose of future development as park lands and ballfields (PIDs 15.029.21.41.0001 & 15.029.21.42.0004 ; and

WHEREAS, the City Council has determined that said purchase shall be paid via the combination of funds

1. \$ 1,000,000 provided by the Royal Golf development for the purpose of ballfields (originally deposited in the Park Dedication Fund).
2. \$ 2,000,000 interfund loan from the Sewer Fund

NOW THEREFORE BE IT RESOLVED by the City Council of the City of Lake Elmo, Washington County, Minnesota, as follows;

1. **Fund Transfer:** A transfer of \$ 1,000,000 shall be made from the Park Dedication Fund (Fund 404) to the newly established Ballfield Fund (Fund 412).
2. **Interfund Loan:** Interfund loans (the “Loan”) in the amount of \$2,000,000 shall be made from the Sewer Fund to the Ballfield Fund.
3. **Terms:** The Loan shall bear simple interest in the amount of 5% annually starting August 1, 2025 and shall mature on July 31, 2035.
4. **Repayment:** The Loan shall be repaid with transfers from the Ballfield Fund to the Sewer Fund as follows;

Payment Date	Principal	Interest	Total Payment
7/31/2026	200,000	100,000	300,000
7/31/2027	200,000	90,000	290,000
7/31/2028	200,000	80,000	280,000
7/31/2029	200,000	70,000	270,000
7/31/2030	200,000	60,000	260,000
7/31/2031	200,000	50,000	250,000
7/31/2032	200,000	40,000	240,000
7/31/2033	200,000	30,000	230,000
7/31/2034	200,000	20,000	220,000
7/31/2035	200,000	10,000	210,000
Total Payments	2,000,000	550,000	2,550,000

5. **Planned Levies:** To fund such repayment, levies in the amount of the Total Payment above shall be planned for the year in which the payment is due. Each levy should be incorporated into the annual Budget and Tax Levy for any given year and deposited into the Ballfield Fund.

Failure to levy the planned amounts shall result in the delay of repayment back to the Sewer Fund until such time as other payment arrangements are made.

6. **Prepayment:** The principal sum and all accrued interest payable under this Interfund Loan are prepayable in whole or in part at any time by the City without premium or penalty. No partial prepayment shall affect the amount or timing of any other regular payment otherwise required to be made under this Interfund Loan.
7. **Amendments:** The City may amend the terms of the Interfund Loan at any time by resolution of the City Council, including a determination to forgive the outstanding principal amount and accrued interest to the extent permissible under law.
8. **Note:** The loan shall not be evidenced by a note or writing other than this resolution.

ADOPTED, by the Lake Elmo City Council on the 18th day of February, 2025.

Charles Cadenhead
Mayor

ATTEST:

Julie Johnson
City Clerk