



DATE: April 1, 2015
TO: Mayor, Council, and City Manager
FROM: Chief Financial Officer, Lori Economy-Scholler
RE: Proposed Charter Change Information

On Monday, March 23rd staff presented at the Study session a proposed charter change for Council consideration. The proposed charter change allows the City to have greater bonding flexibility. During the discussion of this item the Council indicated several questions they would like answered and edits included in the proposed charter change prior to directing staff to move this forward to the Charter Commission's agenda for May 7, 2015.

This memo provides Council with the information requested.

Items the Council wanted changed:

1. The Council requested language for a reverse referendum.
 - a) Within the Minnesota Statutes for Capital Improvement Bonds, the reverse referendum must be filed within 30 days of the public hearing.
 - b) Within Chapter 5 of the existing City Charter, there are several references to other petitions being filed within 30 days.
 - c) The notice for the public hearing for bond related items must be advertised in the Sun Current 10 days prior to the public hearing. The notice would include language regarding the reverse referendum process. In total, citizens would have 40 days to gather petition signatures.
 - d) Similar 30 day language has been included within revised proposed charter change.
2. The reverse referendum petition shall have 5% of signatures based on registered voters:
 - a) Registered Voters
 - a. As of the last election there are over 52,000 registered voters. At 5% of registered voters the total number of signatures would be 2,600.
 - b. Similar to other areas within the charter for petitions, the language used is "the petition is signed by 5% of registered voters or 2000 registered voters, whichever is less".
 - c. By utilizing registered voters, it is most easily recognizable that the signature and person are valid.
 - d. Similar registered voter language has been incorporated into the revised proposed charter.

The items on which the Council had questions or wanted additional information:

1. A question was asked on “voters in the last general election”.
 - a) In 2014 with state and federal officials, votes cast in Bloomington were 34,591, 5% of that amount equates to 1,730 signatures.
 - b) In 2013 with city and school officials, votes cast were 13,822, 5% of that amount equates to 691 signatures.
 - c) Due to the material inconsistency in the number of voters in a general election and to maintain consistency with the existing charter, registered voters has been included in the language of the revised proposed charter change.

2. A question was asked regarding the City’s previous Bond Referendum history and success. The following information describes each of the last five bond referendums spanning over four decades starting with the first in 1974 and ending with the most recent Special Election in 2000.
 - a) In 1974 voters approved a total of \$6,300,000 for improvement to parks and City buildings.
 - b) During a State Partisan Primary Election on September 13, 1988, voters approved a General Obligation Bond to finance the Hyland Ski Jump in the amount not to exceed \$2,550,000.
 - c) Two years later on September 11, 1990, the voters had two questions. Voters approved the General Obligation bonds to improve Parks not to exceed \$3,750,000. However, on the second question, voters chose not to pass the General Obligation bonds to improve City buildings at the cost of \$22,014,700.
 - d) On November 5, 1991 during the Special Election, two questions were asked of the voters. One, whether they would prefer to have the general obligations bonds sold with the purpose to acquire land used for the City’s Public Works facility at \$400,000 or two, to construct or improve fire stations facilities and related land at \$3,574,000. The voters agreed to improve the fire stations but not the public works facility.
 - e) Nine years later in a June 20, 2000 Special Election, voter approval was sought and attained to finance a Center for the Arts in an amount not to exceed \$7,200,000.

3. What is the interest rate difference and impact between a Port issued Lease Revenue Bond and City issue General Obligation tax supported bond?
 - a) Springsted ran two bond scenarios using today’s rates (Chaska just issued a lease revenue bond). The terms Springsted used were project costs of \$30 million for a Community Center and duration of 20 years. The actual interest rate difference was approximately 50 basis points. The most significant difference was that the Lease Revenue Bonds would have interest costs over the 20 year duration \$1.818 million greater than the General Obligation bonds interest costs.

4. For what types of capital improvements have these types of bonds been used for?
 - a) *Minneapolis*, due to its size, complexities and annual numerous projects that are financed by debt, uses this type of General Obligation debt as another revenue source. One new area in the General Obligation area will be street lighting.
 - b) *St. Louis Park* used it for the first time in 2014 for sidewalks and trails. Their current 10 year model for trails and sidewalks indicates similar bonds to be issued in 2015, 2017 and 2021.
 - c) *Columbia Heights* has used this type of General Obligation bonds for Public Facilities, Street Rehabilitation, and Public Safety Facility.
 - d) *Faribault* has used it for a Community Center and other Public Facilities.

The following is the revised proposed charter change for your consideration (prepared by John Utley):

[PROPOSED NEW SECTION OF THE CHARTER OF THE CITY OF BLOOMINGTON]

Sec. ~~7.18~~.7.17. General Obligation Bonds. By a vote of 5 of its members, the council can adopt a resolution to authorize the issuance of general obligation bonds that pledge the full faith and credit and taxing powers of the city. The general obligation bonds can be issued on such terms and conditions the council determines, without obtaining the approval of a majority of the electors voting on the question of issuing such general obligation bonds. The city can pledge to the payment of the general obligation bonds any other available revenues or assets of the city. The general obligation bonds can be issued for a public purpose to finance any capital improvement and related costs including, but not limited to, interest on the bonds, the costs of feasibility studies, design, and plans and specifications; publication costs; costs of issuance; and other capital costs of any capital improvement. **The general obligation bonds shall not be issued for at least 30 days after the publication in the official newspaper of the city of the council resolution determining to issue such bonds; and, if before the expiration of such 30 days, a petition requesting an election on the proposition to issue such bonds is filed with the city clerk of the city and such petition is signed by registered voters of the city equal to the lesser of 5 percent of the registered voters of the city as of the last general election, or 2,000 registered voters, then the city may not issue such general obligation bonds until the proposition has been approved by a majority of the votes cast on the question at a regular or special election.**

Recommendation:

- Staff is requesting Council's approval to move the revised proposed charter change to the Charter Commission's agenda for May 7, 2015.
- Should the Charter Commission recommend the revised proposed change, a public hearing will be advertised in the Sun Current for late June/early July. A unanimous vote with all members present is required for passage of the charter change.