
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: August 5, 2003

SUBJECT: General Obligation Bond Election Procedures

AFFECTED COUNCIL DISTRICTS: Citywide

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KEY ELEMENTS:

The Administration is proposing that the City Council call and hold an election for the approval of general obligation bonds. The bonds would be used for City projects such as renovation of existing City buildings and construction of new recreation facilities. The Administration recently commissioned a survey of City residents to gauge the potential support of the proposed general obligation bond election. The survey and responses are attached. The Council will discuss the specifics of each of the proposed projects during the August 12 or September 2, 2003 Council work session.

The Council has the authority to call a special bond election. This report details the major steps involved in holding a general obligation bond election and the necessary resolutions to make the election valid and the bonds tax-exempt.

➤ ELECTION PROCEDURES

The following are the procedures necessary to call and hold a general obligation bond election and the federal requirements the City would have to follow with regard to the issuance of the bonds.

Step 1 – Choose an Election Date. Under Section 20A-1-204 of the Utah Code, local special elections to authorize issuance of bonds (indebtedness) are limited to five dates. They are:

1. The first Tuesday after the first Monday in February;
2. The first Tuesday after the first Monday in May;
3. The fourth Tuesday in June in even-numbered years;
4. The first Tuesday after the first Monday in August; or
5. The first Tuesday after the first Monday in November.

The only available date in calendar year 2003 is November 4, 2003.

Step 2 – Adopt a resolution regarding the election. The City Council must adopt a resolution that provides for holding the bond issuance election. The Council should adopt the resolution at

least 30 days (preferably 45 to 90 days) before the date of election. There are a number of items such as purpose, maximum principal, maximum bond maturity, identification of voting precincts, etc that should be included in the resolution.

Step 3 – The City Recorder becomes involved in the process and furnishes copies of the resolution to the County Clerk for preparation that takes place in the County Clerk’s office. The Recorder then coordinates the printing of ballots and other special bond election forms and advertises the election and provides sample ballots etc. as required by law. Because the only available date this year is same as a regular general election the City does not have to send special notifications by mail.

Step 4 – The City then holds the special bond election on November 4, 2003.

Step 5 – The City Council and Mayor must then convene as the Board of Canvassers within ten days after the election to canvass the election and declare the results. The election may be challenged or contested within 40 days of the meeting of the Board of Canvassers. No other contests on the validity of the election are allowed after the 40 day period.

➤ **REIMBURSEMENT RESOLUTION**

The City Council must adopt a reimbursement resolution in order for the bonds to be tax-exempt. This resolution should be adopted as soon as possible and if necessary the resolutions for the holding the special bond election and reimbursement of the bonds may be combined.

The reimbursement resolution must contain items such as maximum principal amount of the bonds, descriptions of the projects, and language saying that the City intends to issue bonds for the project expenditures. The timing of the reimbursement resolution is important because expenditures made more than 60 days before adoption cannot be financed with proceeds from the bonds.

➤ **POLICY CONSIDERATIONS AND ANALYSIS**

The City Council has several policy questions related to the issuance of bonds. Because the proposed projects relate to several of the policy questions the Council may have, the survey that was conducted for the City is attached. Further discussion of the specific projects will occur during a briefing at the August 12 or September 2, 2003 Council work Session. Questions relating to policy concerns could include:

Will the issuance of general obligation bonds for the proposed projects affect the bond rating of the City?

Are recreation related projects suitable for bond financing?

What is the acceptable debt per capita of the residents and businesses of the City and what is the current debt per capita ratio?

Will this bond issuance inhibit new construction or population growth in the City?

Will companies choose to locate outside of the City because of this additional tax obligation?

Will the proposed projects fulfill Master Plan objectives and recommendations?

Would the City Council be fulfilling its fiduciary responsibilities by supporting or not supporting a special bond election and general obligation bond issuance?

How will the City finance the operations and maintenance of any new facilities or expanded programs?

Are the programs and facilities being suggested by the bond the Council's top policy priorities for which the Council wishes to exercise taxing authority?

Are there other projects that the City Council considers funding priorities, for example projects that have been identified on the City's CIP list?

How do the proposed projects compare to the other projects?

Would bonding for the proposed projects be consistent with the City's current focus and policy direction, or would bonding move the City into programs beyond the City's traditional scope?

➤ **BUDGET RELATED FACTS**

The proposed projects will be funded by the general obligation bonds. The bonds will cover only the construction and installation costs associated with the project. Project operating and maintenance costs will not be funded with general obligation bond revenue and will need to be appropriated in future year budgets. Some of the operating costs associated with the proposed project may be covered by contributions from Salt Lake County, the Hogle Zoo and other municipalities or private groups.

When the City Council authorized the City Library general obligation bonds they also decided to identify the potential operating and maintenance costs of the new facility and implement a property tax increase to cover the costs. The goal was to give the public a complete understanding of the financial impact of the project and to ensure that operating funds were available once the project was built. **The Council may wish to carefully identify any of the proposed projects that may have on-going expenses and identify the funding mechanisms for those costs prior to the bond election.**

cc: Rocky Fluhart, Cindy Gust-Jenson, Dan Mule', Steve Fawcett, Gordon Hoskins, Rick Graham, Alison Weyher, Kevin Bergstrom, David Dobbins, David Nimkin and DJ Baxter

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