
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: August 29, 2003

SUBJECT: **General Obligation Special Bond Election Resolution**

AFFECTED COUNCIL DISTRICTS: Citywide

STAFF REPORT BY: Michael Sears, Budget & Policy Analyst

ADMINISTRATIVE DEPT.

AND CONTACT PERSON: Management Services Department, Rocky Fluhart

KEY ELEMENTS:

The City Council reviewed the General Obligation Special Bond Election procedures as a written briefing agenda item during the August 7, 2003 work session and on August 12, 2003 during a briefing with the Administration. During the briefing on the 12th, the Council requested that the Administration work with the City's bond counsel and prepare a resolution that meets the necessary State statutes governing the issuance of a general obligation bond and holding a special bond election.

The attached transmittal from the Administration addresses the Council's request and provides three recommendations relating to the bond election.

The recommendations include listing the proposed projects on the ballot, setting a date for election and establishing the amount of bonding authorized to be issued. Each of these three issues will need to be discussed and decided upon by the Council. Also, the Administration is proposing that the actual authorization amount on the bonds be larger than the actual anticipated needs of each project. This would allow the City to issue bonds in the amounts needed after final engineering designs and specifications are completed. The City most recently chose to authorize an amount higher than the initial issuance when the General Obligation bond was issued for the City Library. The Authorization was for \$84 million but the initial issuance was for \$81 million. The remaining authorization amount was issued after the complete cost of the project was known and all anticipated bond interest income was accounted for. The transmittal from the Administration contains a memo that details the reasons for increasing the general obligation bond authorization amount.

➤ NEW ITEMS NOT INCLUDED IN TRANSMITTAL

The Administration has provided additional information for inclusion in the special bond election briefing. The Administration is recommending that the Utah Museum of Art & History (MUAH) project be included in the special bond election. The MUAH would be an educational facility that would cost approximately \$6.1 million. The funds generated by the issuance of a general obligation bond would be used to purchase buildings at 125 and 127 South Main,

renovate the exteriors of the buildings and complete the first phase of the galleries and displays. This is not a facility that is owned by the City.

It should be noted that individual Council Members have also been contacted by other entities interested in being included in the bond.

Council Members have asked that staff review the Capital Improvement Program short and long term plans and determine which of the proposed bond projects have been anticipated and included in the plans. After review of the plans, all of the proposed projects with the exception of the purchase of buildings at 125 and 127 South Main to house the Utah Museum of Art & History are included in the Capital Improvement Program planning documents. Some projects such as open space acquisition, Pioneer Park and upgrades to City owned buildings and facilities are planned for the immediate future, others such as the sports field complex are planned for design and construction in years 2006 and beyond. Anticipated available funding and the age and condition of the existing infrastructure seemed to be the two dominant criteria determining the timing of the proposed projects.

When reviewing the capital plans of the City, staff noted the following potentially costly projects that will likely require general obligation or municipal building authority funding for completion:

- Fleet and Street Facility reconstruction and updates
- Parks Building Updates
- Public Safety Building construction
- Fire Training Facility construction
- East Area Police Precinct construction

The Council may wish to include a third category in the special bond election to address the necessary public safety buildings. The Administration will need to review the proposed projects and determine the necessary bonding amounts before an accurate figure can be transmitted to the Council.

The Council might also wish to consider the new information and recommendation from the Wasatch Regional Front Council (WFRC). The WFRC formed a committee to look at transit needs and recommend a course of action for the region. The committee made a recommendation on August 28, 2003 that includes a ½ cent increase in mass transit's sales tax share and an increase of 5-cent-per-gallon in fuel taxes. Both increases are proposed for year 2006. A referendum to the electorate voters in 2006 on transit issues may affect City special bond elections in the near future.

➤ **RESOLUTION ISSUES**

The City's bond counsel has prepared a resolution for consideration by the Council that does not include the ballot proposition format or polling places. The resolution makes reference in Section 3 that this special bond election will be held in the consolidated voting precincts of the county where city electors may vote. Specific language concerning polling places is on page 2 of the resolution.

Bond counsel has also prepared three plans or scenarios relating to the ballot proposition format. Plan A lists each of the proposed projects separately. Plan B contains two options; one is a short form that lists recreational facilities and educational facilities and a long form that includes supplemental language. Plan C contains two ballots. The first ballot is for recreational facilities with a list of the proposed projects and the second ballot is for education facilities and

a listing of those proposed projects that are educational in nature. As noted on the transmittal, the Hansen Planetarium may be designated for either or both of these categories. **The Administration recommends that the Council adopt the Plan C format. The Council may wish to review the specific language of each Plan and determine which ballot style the Council prefers.**

➤ **ELECTION CANVAS DATE**

As noted in the transmittal the Council and Mayor will need to meet as the board of municipal canvassers to canvass the returns of the special bond election. It is not necessary to canvass the returns of the special bond election and the municipal election at the same time, but as a matter of convenience the Council may wish to schedule the meeting of the board of canvassers at the same time. The special bond election canvass meeting can be held within ten days of the election or until November 14, 2003. The municipal election canvass meeting can be held no sooner than three days and no later than seven days after the election. In year 2003 this means that the board of canvassers should meet aft Friday the 7th and no later that Tuesday the 11th. Because November 11 is a holiday, Utah State Code allows for a meeting of the canvassing board to be held on Wednesday November 12. **The Council may wish to consider holding a special meeting on either Monday, November 10 or Wednesday, November 12, 2003 to canvass the results of the general election and special bond election. The Council Chair and Vice Chair have suggested that the Council consider a noon meeting at the City and County Building.**

➤ **BOND PRINCIPAL AMOUNT AUTHORIZATION**

The recommended total amount of General Obligation bond funding is \$63,000,000. With a slight increase to account for additional authorization if needed, the total amount would be \$66,000,000. This amount reflects the final amounts for eight projects and \$10,000,000 in contributions from partners in the Regional Sports Complex. Each project and the requested authorization amounts are listed in the transmittal. The Council may wish to confirm the anticipated operating and maintenance costs for those projects that the City will maintain and determine if a property tax increase or other revenue source should be identified to address the increase in expenditures.

INFORMATION PREVIOUSLY PROVIDED TO THE COUNCIL:

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 forth 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 the 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 bond issue costs or other project related expenditures made more than 60 days before adoption cannot be financed with proceeds from the bonds.

➤ GENERAL OBLIGATION BOND PROPOSED PROJECTS

The Leonardo – The Administration is recommending that the old main library be renovated and leased to The Leonardo at Library Square. The facility would house a science, cultural and educational facility. Several different groups are anticipated to have a presence at the facility.

The requested bond amount is \$10.2 million dollars. Approximately \$4.5 million will be used for remodeling and interior improvements, \$4.5 million for seismic, electrical, plumbing, heating and air conditioning, and \$.05 million for joint space functions such as shops, ticketing and security.

The total cost of this project is anticipated to be \$25 million with the remaining \$15 million from fund raising.

Salt Lake City branch libraries – The Administration is recommending that the Salt Lake City Library system be enlarged to include two new branch libraries, one in the Glendale and one in the Capitol Hill area.

The requested bond amount is \$5.4 million dollars.

The total cost of this project is anticipated to be \$5.4 million.

Open Space – The Administration is recommending that the City create an Open Space Trust Fund to help purchase, receive and manage open space lands in Salt Lake City.

The requested bond amount is not noted in the transmittal from the Administration but the survey that was conducted on behalf of the City listed \$3 million dollars as a potential amount.

The total cost of this project is anticipated to be \$3.1 million.

Regional Sports Field Complex – The Administration is recommending that the City construct a multi-purpose regional sports complex on 212 acres at 2000 North and 2000 West. The facility could be used by several different entities and be constructed and managed in partnership with several municipalities and local government entities.

The requested bond amount is \$15 million dollars. The total cost of the project is \$25 million with \$10 million coming from project partners.

Pioneer Park – The Administration is recommending that the City renovate Pioneer Park by introducing new design elements and making the park a destination for City residents.

The requested bond amount is \$6.9 million dollars.

Hansen Planetarium – The Administration is recommending that the City renovate and preserve the historic Hansen Planetarium building.

The requested bond amount is \$6.1 million dollars. Bond proceeds will be used to renovate the building to pre-tenant condition.

Hogle Zoo – The Administration is recommending that the City contribute \$10.2million towards the renovation of animal exhibits at the Hogle Zoo.

Utah Museum of Art & History – The Administration is recommending that the City contribute \$6.1million towards the purchase and renovation of buildings to house the Museum of Art & History.

The total project is anticipated to be about \$18 million dollars.

➤ 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. 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 Mulé, Steve Fawcett, Gordon Hoskins, Rick Graham, Alison Weyher, Kevin Bergstrom, David Dobbins, David Nimkin and DJ Baxter

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