



Legislation Text

File #: Res. 2018-064A, **Version:** 1

City Council Meeting Date: June 19, 2018

To: Mayor and City Council
City Administrator

From: Ben Martig, City Administrator
David E. Bennett, Public Works Director/City Engineer

Consider Resolution of the City of Northfield Relating to the Imposition of a Sales and Use Tax and the Issuance of Bonds for Purposes of a Civic Center and Certain Parks, and Trails, and Recreational Facilities and Calling a Special Election Thereon

Action Requested:

The Northfield City Council approves a Resolution of the City of Northfield Relating to the Imposition of a Sales and Use Tax and the Issuance of Bonds for Purposes of a Civic Center and Certain Parks, and Trails, and Recreational Facilities and Calling a Special Election Thereon.

Summary Report:

Staff is working on a summary PowerPoint presentation to share at the meeting. City Administrator Martig and Director of Public Works/City Engineer Bennett will be presenting. The following memo provides some prior information as well as updates from the June 12, 2018 Council Work Session.

Legal counsel has updated the resolution recommended for consideration following staff input to them from their last meeting. The resolution has been updated in item #11 of the "Now Therefore Be It Resolved" section that the Northfield referendum approval also requires approval in Dundas to move forward.

Staff has requested an updated financial summary from Ehlers that would include overall "source and use" page for the civic center along with a debt service repayment schedule by source of funds. This will include information on the total estimated cost of bond issuance and interest as well. We anticipate providing this information in a supplemental memorandum.

Staff did find statutory reference from a question last meeting to the terms "acquisition" and "betterment" that is included in the resolution as follows:

Minnesota Statutes 475.51 Definitions Subd.7 and 8

Subd. 7.Acquisition.

"Acquisition" includes purchase, condemnation, construction, and acquisition of necessary land, easements, buildings, structures, machinery or equipment.

Subd. 8.Betterment.

"Betterment" includes reconstruction, extension, improvement, repair, remodeling, lighting, equipping, and furnishing.

Staff did increase the maximum amount to be raised in the resolution and related referendum from \$10 million illustrated at the June 12, 2018 Work Session to \$17,800,000. The attached resolutions include a maximum of \$17,800,000 plus interest and costs of bonds to be allowed for the sales taxes generated. Staff conducted an updated forecast of sales tax growth of 2-3% per year that put the maximum total sales taxes at around the \$17.8 million amount. If the sales tax grew the amount generated could be used to reduce up to the full amount of property tax if this amount were used in the referendum. Additionally, staff felt it may actually reduce confusion of the project funding by using the same number within the question versus two different numbers. Therefore, we are recommending using \$17,800,000 within the resolution.

The following memo provides some additional information that was presented at the last Work Session:

Summary information on local sales and use tax authority in Minnesota

Generally, local governments must obtain approval from the Legislature before starting any local sales and use tax. (See Minnesota Statutes 297A.99 and 477A.016).

In order to impose a general local sales and use tax, the local government must receive authorization through the Legislature. To receive this authorization, the following steps must be completed:

1. The governing body must pass a resolution that states the:
 - a. proposed tax rate
 - b. intended use of the revenue
 - c. amount of revenue to be raised
 - d. anticipated expiration date
2. The proposed tax must be passed by a majority vote at a general election.
 - a. The election must be held at least 90 days after the resolution was passed.
 - b. The political subdivision cannot spend money to advertise or promote the proposed tax although it may disseminate information included in the resolution.
3. The proposed tax must pass through legislation as a special law that authorizes the imposition of the tax.

Note: All general local sales and use tax must be administered by the Department of Revenue.

There are statutory requirements that must be met in order for a tax to begin:

- The political subdivision must pass an ordinance imposing the tax and file a certificate of approval and a copy of the ordinance with the Secretary of State.
- The political subdivision must notify the Department of Revenue at least 90 days before the anticipated begin date. This must be done in writing.
- The tax must begin on the first day of a calendar quarter.
- The Department of Revenue must notify the public of the new tax at least 60 days before the tax begins.

Motor Vehicle Excise Tax

The proposed sales and use tax ballot question has a provision proposing to include "...a motor vehicle excise tax of up to \$20 per motor vehicle..." in addition to the general sales and use tax. In Minnesota, the sales tax on motor vehicles is at 6.875%. However, the .5% local sales and use taxes are not applicable to state law. Therefore, unless a local vehicle excise tax is implemented there would be no added tax on the sale of vehicles. This tax applies to the sales of motor vehicles registered for road use.

Motor vehicle means any self-propelled vehicle required to be licensed for road use vehicle propelled or drawn by a self-propelled vehicle required to be licensed for road use. Motor vehicles include: cars, vans, pickups, trailers, and motorcycles. They do not include snowmobiles or manufactured homes.

City staff in partnership with Ehlers & Associates are continuing to work on trying to estimate the annual dollar amount that this excise tax may generate.

For comparison, an excise tax of \$20 applies to sales of vehicles made by dealers located within Baxter, Brainerd, Clearwater, Hutchinson, Mankato, New Ulm, Rochester and Worthington. Additionally, the Counties of Anoka, Beltrami, Carlton, St. Louis, Carver, Dakota, Hennepin, Kandiyohi, Otter Tail, Ramsey, Scott and Washington does apply. This information is included in the attached Minnesota Department of Revenue Local Sales and Use Tax Fact Sheet 164.

Local Sales Taxes in Minnesota

See the attached Minnesota Department of Revenue Local Sales and Use Tax Fact Sheet 164 that provides some background of existing local sales taxes and uses in Minnesota.

General Obligation Bond Maximum and Private Fundraising Commitment

The attached resolution has highlighted a maximum of \$17,800,000 general obligation bonds to be issued plus cost of issuing the bonds and interest. The full \$17,800,000 would have a general obligation pledge in order to garner a lower interest rate. Of this amount, the following is a summary of the obligation of each:

Amount	Description
\$ 7.0 million	Sales Tax Funded with GO pledge only
\$ 8.8 million	Total expected to be supported by tax levy for the Cannon River Civic Center
<u>\$ 2.0 million</u>	<u>Contingency in event of shortfall or temporary financing</u>
\$17.8 million	Subtotal

A summary of this funding is included in this illustration.

Dundas Referendum Question

Legal Counsel Kennedy & Graven are also working on a draft referendum question for review by the City of Dundas. The resolution is not yet complete but will be shared when ready. The City of Northfield Resolution has added language on the proposed Dundas sales tax contributions and also added new language as referenced earlier that would obligate the Dundas and Northfield approvals to pass in order to receive authorization on the resolution. The proposed Dundas Resolution is intended to have additional language obligating sales tax proceeds to Northfield. Additionally, if the referendums are both approved there would be an additional agreement to further codify these requirements in conjunction with the City of Northfield's debt financing related to the Cannon River Civic Center project. Those agreements would not be drafted or approved until after the November 6, 2018 election.

Community Referendum Committee

A group of volunteer community members, including many who served on the Northfield Ice Arena Advisory Board, are meeting on a regular basis related to private education on the referendum as well as leading the private fundraising effort.

This group is researching some questions that have come up recently including some of the following:

- Exploring area civic centers and types of activities that occur there;
- Exploring opportunity of curling; and
- Commitments of events at the Cannon River Civic Center.

The fundraising leadership from this group has indicated that they are requesting the City not to assist in financing of the private fundraising efforts. They are intending on providing cash. Staff is continuing to determine the estimated date the cash would need to be received by the City in order to progress with design. The proposed draft resolution that includes \$17.8 million toward a bond would not have capacity to finance any pledges. If there is interest to do so, we would need to increase that amount up to a maximum of \$21.2 million to cover the full amount of planned funds necessary to construct the Cannon River Civic Center. Staff did not include this option as there wasn't interest expressed at the June 12, 2018 Work Session to do so.

Alternative Options:

- Legal counsel has updated the resolution recommended for consideration following staff input to them from last meeting. There is an alternative resolution attached for consideration that does not have the updated in item #11 of the "Now Therefore Be It Resolved" section that the Northfield referendum approval also requires approval in Dundas to move forward. This would allow flexibility to move ahead without the Dundas approval but within the parameters of the Northfield approval.

If this were approved it would be assumed that the additional cost would be financed by private fundraising.

Staff is not recommending this version due to concerns of having a separate sales tax rate in Dundas versus Northfield that could have a negative impact on consumer spending as well as potential recruitment of businesses with sales taxes to Northfield.

Financial Impacts:

Summary information being prepared.

Tentative Timelines:

- June 19 - City of Northfield Council Resolution of the City of Northfield Relating to the Imposition of a Sales and Use Tax and the Issuance of Bonds for Purposes of a Civic Center and Certain Parks, and Trails and Recreational Facilities and Calling a Special Election Theron.
- June 18th - City of Dundas review of Resolution Relating to the Imposition of a Sales and Use Tax and the Issuance of Bonds for Purposes of a Civic Center and Certain Parks, and Trails and Recreational Facilities and Calling a Special Election Theron.
- July 9 - City of Dundas Council Resolution Relating to the Imposition of a Sales and Use Tax and the Issuance of Bonds for Purposes of a Civic Center and Certain Parks, and Trails and Recreational Facilities and Calling a Special Election Theron.
- November 6 - Referendum Vote General Election
- November 12 - Northfield Council canvass vote
- November TBD - Dundas Council canvass vote
- January 8, 2019 - May 20, 2019 - Legislative bills to approve tax
- May 2019 - Northfield Council adopts ordinance establishing tax
- May 2019 - Dundas Council adopts ordinance establishing tax

Note: Project design and construction schedule as well as financial schedule under review.