Request for City Council Committee Action
From the Department of Community Planning & Economic Development

Date: December 13, 2005

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways and Means/Budget Committee

Prepared by: Bob Lind, Manager, Business Finance, Phone 612-673- 5068
Presenter in Committee: Bob Lind

Approved by: Chuck Lutz, Deputy CPED Director _____

Subject: Request for Authorization of Actions by City Staff Relating to the Issuance of Tax-exempt Revenue Bonds in 2006.

RECOMMENDATION: The CPED Director recommends that the City Council authorizes the City staff to take certain actions throughout 2006 in order to utilize tax-exempt revenue bond financing for various City industrial/manufacturing projects.

Previous Directives: Since 1986, the City Council on an annual basis has authorized the appropriate City staff to take certain actions in regards to obtaining tax-exempt allocations from the State of Minnesota for Minneapolis revenue bond projects.

Financial Impact (Check those that apply)

____ No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)

____ Action requires an appropriation increase to the Capital Budget

____ Action requires an appropriation increase to the Operating Budget

____ Action provides increased revenue for appropriation increase

____ Action requires use of contingency or reserves

_X_ Other financial impact (Explain): Funds necessary to make the reservation deposits with the State for an allocation of tax-exempt bonding authority are paid by the company on whose behalf the bonds are issued. At no time are City funds at risk, the risk of not closing on the revenue bonds and thereby losing the reservation deposit is borne by the company. If the project does go forward and the bonds are issued, the City receives an annual administrative fee for the term of the bonds that is used to support the small business assistance programs of the City.

____Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: N.A.

Neighborhood Notification: N.A.

City Goals: The revenue bond programs are consistent with the City Goal of creating an environment that maximizes economic development opportunities.

Comprehensive Plan: N.A.

Zoning Code: N.A.

Living Wage/Job Linkage: Job Linkage Agreements are generally a part of each revenue bond project based on a review of the development objective and the project being proposed.

Background/Supporting Information

In 1993 Congress passed the 1993 Tax Bill which included a permanent extension of the authority to issue tax-exempt revenue bonds for industrial/manufacturing projects. This was the first time since the early 1980's that the use of tax-exempt financing for industrial/manufacturing projects was on more than a temporary year-to-year extension. Even with the permanent extension, the State volume cap and other restrictions on the use of tax-exempt bonds are still in place. The annual authorization put in place by this report is in response to the volume cap as imposed by the 1986 Tax Bill.

In order to maintain the issuance authority of the City of Minneapolis, CPED staff must perform several actions during the year. The two general areas of action are to inform the State, by certain deadlines, of intended actions on the issuance of revenue bonds, and to pay various Allocation Deposits to the State.

The payment of the various Allocation Deposits by the City of Minneapolis may involve the receipt and payout of funds with several potential entities, including the State, other entitlement issuers and bond applicants.

All necessary actions of the City will be based on actual bond applications under consideration, and on the requirement that City funds not be subject to any non-refund conditions without specific City Council authorization.

RECOMMENDATION:

It is recommended that the Minneapolis City Council authorize:

1. The establishment of an Accounts Receivable – Bond Commitment Fees – to allow CPED staff to perform all necessary transactions regarding State-required Allocation Deposit payments on behalf of the City of Minneapolis.

At no time will City funds be at risk in relation to these payments; net cost to the City of these transactions is zero. Any interest earnings on such deposits will be kept by the State.

Said Accounts Receivable – bond Commitment Fees – is to be established in Fund SED0 or such fund as is determined by the CPED Director. The maximum payments are to be sufficient to secure necessary issuance authority. Authorized payment/reimbursement may involve the City, the State, bond applicants and other entitlement issuers.

2. The CPED Director is to inform the State of the City of Minneapolis' intent to issue bonds, to use Joint Power Agreements, to pay or refund Allocation Deposits, and all other notices necessary to ensure the ability of the City of Minneapolis to issue bonds throughout the year.

3. That full reimbursement to the City, of all Allocation Deposits, be required of bond applicants and of other entitlement issuers under Joint Power Agreements.

4. Staff is to charge bond applicants a pro rata share of legal and other expenses associated with the City's execution of Joint Power Agreements, if such bond is issued under bond issuance authority gained by the City with a Joint Powers Agreement.

5. The CPED Director is to negotiate and enter into Joint Power Agreements with other entitlement issuers, for the exchange of bond issuance authority to benefit the City of Minneapolis by increasing/decreasing bond issuance authority. Such Joint Power Agreements will allow for proper payment/receipt of fees and expenses required for the exchange of issuance authority. Payments will be made from such fund as may be determined by the CPED Director.

6. The CPED Director is to approve City of Minneapolis applications to State bond issuance authority pools and payments of any additional Allocation Deposits required.