

City of Minneapolis

Request for Committee Action

To: Ways & Means
Date: 11/14/2016
Referral: Charter Commission
From: Finance & Property Services
Lead Staff: Mark Ruff
Presented by: Mark Ruff
File Type: Action
Subcategory: City Policy

Subject:

Charter Language Amendment for the Use of Premiums Received in a Bond Sale

Description:

Requesting the Charter Commission to consider an amendment to Section 9.4 (c) of the City Charter to read "Any premium received from selling bonds shall be treated as additional bond proceeds or as may otherwise be required by state law."

Previous Actions:

None

Background/Analysis:

When individuals apply for a mortgage on their home, a mortgage company will often allow an individual to pay more up-front, known as points, in order to pay a lower rate over time. Similarly in a competitive bond sale, the City allows bidders to bid a premium, or up-front cash. Some bidders will include small premiums and other bidders will have large premiums, depending upon market conditions and tax laws. Currently, the Charter requires any premium to be deposited in the debt service fund. This limits the City's flexibility to adjust the size of bond issues on the day of a sale and can result in an inefficient bond sale.

State law and federal regulations on municipal bonds are more permissive of the use of premium. The charter language recommended is to conform to state law. The only complication of such a change, which is how the City sets interest rates for special assessments, has been changed in the past two years and will not be affected by this charter change. The City Attorney is recommending that the Council refer this issue to the Charter Commission prior to a final council vote in 2017.

Financial Review:

No financial impact.