



CITY OF BAYPORT

294 NORTH 3RD STREET
BAYPORT, MN 55003

CITY COUNCIL WORKSHOP
City Hall - Council Chambers
March 4, 2013
4:30 p.m.

***** Please note: There will be no public comment taken at the workshop. *****

CALL TO ORDER

BUSINESS

- Discuss various financing options to purchase a new pumper truck for the Fire Department 4:30 – 5:00 p.m.
- Review the next steps and timeline to proceed with the hiring process for the City Administrator position 5:00 – 5:45 p.m.

ADJOURN

ECKBERG LAMMERS
MEMORANDUM

TO: Bayport City Council

FROM: Andy Pratt, City Attorney

DATE: February 27, 2013

RE: Bond Financing Options for Capital Equipment

A portion of the March 4 City Council workshop will be used to discuss various debt financing options that may be utilized to purchase a new pumper truck for the Fire Department. Steve Mattson from Northland Securities will be present at the workshop to discuss these items and give an overview to the Council. The purpose of this brief memorandum is merely to educate the Council on the basics of the debt financing process, as the last bond the City issued was back in 2001. The City also only has one bond outstanding, which will expire in 2016.

The current proposal before the Council is to issue a General Obligation Equipment Certificate of Indebtedness (referred to herein as "Certificate") to finance the pumper truck. State law authorizes the City to issue this kind of debt, and it is routinely used by municipalities throughout the state on these core purchases. The first payment on this financing would occur late in 2014, with the final payment scheduled for 2022. Northland Securities estimates this sort of financing would carry a 1.2%-1.6% interest rate, which is rock-bottom financing costs not seen in the market before.

I have served as a bond/public finance attorney on hundreds of financings done by dozens of municipalities across Minnesota and Wisconsin, so I am certainly familiar with these matters from a legal perspective. The following types of questions frequently arise in this area:

- Referendum: While there is technically a state law requirement that general obligation bond issues may only be issued by referendum approval, there are now so many exceptions that the rule is basically meaningless. The Certificate is not subject to a referendum requirement of the City's voters.
- "Reverse" Referendum: If the principal amount of the Certificates exceeds 0.25% of the City's taxable market value, the Council must publish its intention to issue the Certificates in its official newspaper. Within ten days of publication, an amount of voters equal to 10% of the number of voters at the last regular election may sign a petition seeking a referendum and file it with the City. If such a petition is filed, a referendum must be held before the debt is issued. Taking into account the City's current taxable market value, if the principal amount of the Certificate exceeds \$541,690, a "reverse" referendum may be required. If the Certificate does not exceed such amount, no referendum is required.

- Debt Limit: Municipalities in Minnesota may issue debt up to an amount equal to three percent (3%) of the municipality's taxable market value. The Certificate would be subject to the debt limit. The City has minimal debt already subject to the debt limit, and it has approximately \$216.7 million in market value. In short, there is no problem fitting the Certificate into the current debt limit.
- Term of Debt: State law limits the term of the Certificate to no more than 10 years.
- Payment Security: The full faith and credit of the City would be pledged to pay the Certificate. In other words, the City would levy a tax every year for payment of principal and interest. This debt service levy would be exempt from any levy limitations imposed by the Minnesota Legislature (levy limits are not currently in place).

The benefit to financing through the Certificate is that the City will have a set schedule of payments that can be planned and budgeted for at a minimal borrowing cost. If, for example, the City purchases the truck with cash on hand, that purchase may affect the long-term budget and cash flow of the City, thereby leaving less unencumbered revenues to pay for unknown events, like TCE contamination or street repairs. Additionally, most long-term capital purchases like public safety or public works equipment are financed over time. The drawback to financing is the City may have enough unencumbered and liquid cash on hand to buy the truck outright now. This approach would eliminate the need to borrow. Additionally, in a debt financing the City must pay interest (albeit at a remarkably low rate) and soft costs (i.e. bond rating fees, underwriter's discount, legal review). These soft costs are almost always amortized over the life of the bond. The cash versus finance debate is a policy matter for the Council, which Mr. Mattson can certainly address through his decades of experience working on these matters.

This memorandum has only addressed financing undertaken by the Certificate, but there are many other types of financings cities use, such as special assessment bonds (i.e. streets), street reconstruction bonds, utility revenue bonds (i.e. sewer/water improvements), capital improvement bonds (i.e. government buildings, libraries), and more. I would be happy to address this larger picture at a subsequent meeting if the Council desires. In the meantime, never hesitate to contact me directly at 651.351.2125 or apratt@eckbergglammers.com.

City of Bayport, Minnesota Next Steps

Next Steps

An executive search process involves a series of inter-related steps. The Springsted model allows us to adapt to meet the needs of the City. The first step is to identify the process needed to complete steps one through three. Step one is seamless and step two is underway. The immediate focus is on identifying a process and schedule to complete the Position Profile.

1. Create trust and strong working relationships
2. Project initiation
3. Develop Position Profile

We need to meet with the City Council and key department heads. Phone calls can work, but it is advisable to schedule one-on-one or small group interviews. I bring handouts and background information that organizes the discussion and collection of information. Based on the size of the City and the intent of the City Council I anticipate that no more than four hours are needed to collect the information.

We can begin collecting other background information right away and I will have Sunny Larsen connect with Sara Taylor to identify the necessary supporting data to include in the profile. Once all the information is collected and the on-site interviews are completed, a draft profile can be completed within three days. We need to know how the City Council wants to approve the profile (informally, for example via email or formally at a meeting).

I am available on the afternoon of March 4 to begin the discussions with city officials.

The Position Profile is the primary means of posting and advertising for the position. It is an important first step in the process.

The remaining steps are identified below. Step number four will be discussed during the position profile process. Steps five through nine are for upcoming discussions.

- 4. Job posting; identify and recruit candidates**
5. Candidate screening
6. Identify and present top candidates to the City
7. Reference checks and interviews
8. Background check
9. Offer of employment; negotiate agreement

Project Milestone	Deliverables	Proposed Date
Notice to proceed		By February 25
Position review and analysis	<ul style="list-style-type: none"> • On-site individual meetings with the City Council • On-site individual and team meetings with Department Heads • Meetings with key community leaders (discuss with City Council) • Compensation survey of comparable communities and recent placements 	Week of March 4 and 11
City Council approval of the position profile and job announcement	<ul style="list-style-type: none"> • Position and community profile • Job announcement 	Week of March 11
Recruitment and candidate outreach	<ul style="list-style-type: none"> • Placement of job announcement • Contact with prospective candidates • Acceptance / acknowledgement of applications • Status reports to the City 	March 18 – April 15
Applicant screening / telephone interviews	<ul style="list-style-type: none"> • Supplemental questionnaire • Candidate screening interviews • Identify candidates to further screen 	April 15 – April 26
Candidate presentation / selection of applicants to interview	<ul style="list-style-type: none"> • Written candidate profiles, resumes and questionnaires • On-site meeting with the City Council • Notification to applicants not advancing in the selection process 	Week of April 29
Interview design	<ul style="list-style-type: none"> • Interview design, questions, schedule and candidate assessment forms 	Week of April 29
References	<ul style="list-style-type: none"> • Contact references • Prepare and distribute reference reports to the City Council 	Prior to the first round interviews
First and second interviews	<ul style="list-style-type: none"> • Consultant attendance at interview process • Training for interview participants 	May 6 – May 17
Comprehensive background check completed for finalist	<ul style="list-style-type: none"> • Candidate background report 	Upon identification of top candidate

Project Milestone	Deliverables	Proposed Date
Offer made / accepted	<ul style="list-style-type: none"> • Draft employment offer and agreement • Thank you letter to candidates not selected 	Upon completion of interviews
Projected start date	<ul style="list-style-type: none"> • City Administrator starts • Action plan for a successful transition 	Mid June
First year check-ins	<ul style="list-style-type: none"> • On-going follow-ups (informal and formal) 	December, June, December