



Request for Council Action

Originator Finance	Item 7.1 Public Comment Opportunity: Local Sales Tax Resolution
Agenda Section HEARINGS, RESOLUTIONS, AND ORDINANCES	Date January 24, 2022

Requested Action:

Motion by _____, seconded by _____ to adopt Resolution No. 2022- _____ approving a local sales tax and authorizing actions to be taken by the City in connection with such taxes.

Item created by: Briana Eicheldinger, Finance
 Item presented by: Jamie Verbrugge, City Manager
 Lori Economy-Scholler, CFO

Description:

The City Council is being asked to approve a local sales tax in the amount of 0.5% (one-half of one percent). As required by MN Statute 297A.99 this resolution would be submitted to the respective Tax Committee chairs of both the Minnesota House of Representatives and the Minnesota Senate. Should this request be placed into the 2022 Tax Bill and signed by the Governor, each project listed below would need to be approved by the Bloomington voters at a general election.

Based on analysis by the University of Minnesota Extension Center for Community Vitality, using 2016 and 2019 sales and use tax data, City staff estimate that a local sales tax of 0.5% would generate approximately \$11 million annually over 20 years for estimated total sales tax revenues of \$220 million. The anticipated total project costs are estimated at \$150 million before interest and financing costs. Total debt costs including interest and financing costs over 20 years is expected to be approximately \$220 million.

A study completed in July 2021 by the Minnesota Extension Service (UMN) suggests that Bloomington residents account for only 25% of the sales tax revenues generated in Bloomington. Our financial analysis based on the study estimates that a household would pay approximately \$72/year in additional sales tax. If the projects we are proposing to construct were done with general obligation bonds, the property tax impact to a Median Value Home would be approximately \$210/year. From a taxpayer perspective, the local option sales tax will relieve Bloomington taxpayers of a significant tax burden (about 2/3 of the impact) to make necessary improvements to assets that provide regional benefit.

Proposed Projects

- Bloomington Ice Garden - \$32M
- Community Health and Wellness Center - \$70M (Replacement of Public Health and Senior Center)
- Bloomington Center for the Arts Concert Hall Expansion - \$33M
- Dwan Golf Course Clubhouse Replacement - \$15M

Local Referendum Process

January 24, 2022 – Council is requested to pass resolutions for each of the projects.

January 31, 2022 – Deadline for resolutions requesting legislative approval of local option sales tax to be sent to members of the respective tax committees.

February-May 2022 – Council, Legislators and staff to provide education/information on the four projects.

June –November 2022 - Should the LOST legislation be successful, educational activities would continue through early November when residents will be asked to approve a local option sale tax at the individual project level at the general election. If any of the projects do not pass, the Minnesota Department of Revenue would recalculate the reduction needed.

January 2023 – Should all projects pass the general election, the Minnesota Department of Revenue will notify the businesses collecting the sales taxes to inform them of additional changes.

Attachments:

[Presentation](#)

[Resolution](#)

[Project_Flyers](#)

[Bloomington Sales Tax UMN Extension Report July 2021](#)

[Affidavit of Publication](#)