

FINANCE COMMITTEE

08-100-0

REPLACEMENT

ORDINANCE NO. _____

AN ORDINANCE PERTAINING TO CITY BONDING, AMENDING
CHAPTER 20 OF THE DULUTH CITY CODE, 1959, AS AMENDED, TO
ADD A NEW ARTICLE III.

BY COUNCILOR FEDORA:

The city of Duluth does ordain:

Section 1. That Chapter 20 of the Duluth City Code, 1959, as amended, is hereby amended by the addition of a new Article III which reads as follows:

Article III. Annual Bonding Plan and Information.

Sec. 20-33. Annual bonding plan--establishment.

Prior to the approval of any annual budget for any budget year, the city shall by resolution establish a plan for the city's anticipated general obligation bonding for said budget year including the estimated amount of general obligation bonds which the city intends to issue during that year and the principal amount of general obligation bonds which are scheduled or anticipated to be retired during the year in question; provided that nothing herein shall be deemed to limit the authority of the council to subsequently approve issuance of general obligation bonds in excess of such amount by approval of an ordinance or resolution authorizing such issuance.

Sec. 20-34. Information to be provided prior to sale.

Prior to or at the meeting at which the council calls for the sale of any general obligation bonds and establishes the terms of such sale, the chief administrative officer or his or her designee shall provide to the council, either by means of a resolution or an accompanying memorandum, a statement of the annual amount of general obligation bonds proposed for issuance pursuant to Section 20-33 above for the year in which the subject bonds are to be issued, the amount of general obligation bonds previously issued in that year,

the amount of said proposed issue and the amount of general obligation bonds remaining unissued for the subject year if the proposed general obligation bonds are in fact issued.

Sec. 20-35. Application of article--definitions.

(a) The provisions of this Article III shall be applicable only to the issuance of general obligation bonds;

(b) For the purposes of this Article, the term, "general obligation bonds" shall mean any indebtedness of the city which is a general obligation of the city, whether actual or contingent, including bonds, notes and certificates of indebtedness, but shall not include bonds which refund previously-issued debt, whether or not general obligation debt, or general obligation tax and aid anticipation certificates.

Section 2. That this ordinance shall take effect 30 days after its passage and publication.

Approved as to form:

Attorney

COUNCIL REQUEST/ATTY REA:blj 1/8/2009

STATEMENT OF PURPOSE: This ordinance insures that the council has information which will keep it abreast of the impact of bonds issued by the city on its overall indebtedness status.

Section 20-33 requires that the council establish a plan for the amount of general obligation bonds that the city intends to issue during any year and the amount general obligation debt the city expect to retire in that year. It will not prevent the city from exceeding that amount but it will serve to provide a gauge throughout the year to compare the impact of each issue against the yearly total established at the beginning of the year so that the council can keep track of "how the city is doing" on keeping within its originally-expressed intention.

Section 20-34 would simply require that with each issue, the council be provided with a running summary comparing the amount of general obligation bonds the city has issued as compared to how much of intended total for the year is left.

The provisions of the ordinance would not apply to refunding bond issues because they do not constitute new debt of the city, to revenue bonds because it is not "city" debt, or to tax and aid anticipation certificates because it is short-term, "cash flow" debt that is paid off when the semiannual property tax receipts are received.