

FINANCE COMMITTEE

12-058-0

ORDINANCE NO. _____

AN ORDINANCE EXEMPTING GO AIRPORT IMPROVEMENT BONDS FROM THE PROVISIONS OF SECTION 20-19 OF THE DULUTH CITY CODE, 1959, AS AMENDED, RELATED TO THE COMMUNITY ARTS SET-ASIDE.

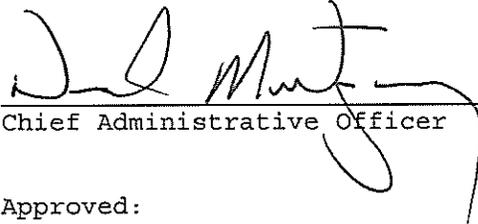
CITY PROPOSAL:

The city of Duluth does ordain:

Section 1. Notwithstanding the provisions of Section 20-19 of the Duluth City Code, 1959, as amended, the proceeds of the general obligation airport improvement bonds being issued to construct a new parking ramp, aprons and access road at the Duluth International Airport shall not be deemed to be "city funds" as that term is defined in Section 20-19(b) of the Duluth City Code, 1959, as amended, related to the community arts set-aside.

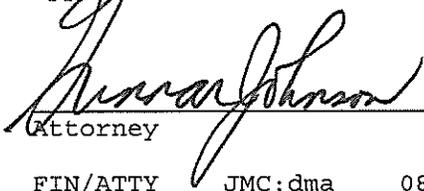
Section 2. That this ordinance shall take effect 30 days from and after its passage and publication.

Approved for presentation to council:



Chief Administrative Officer

Approved as to form:



Attorney

Approved:



Auditor

FIN/ATTY JMC:dma 08/23/2012

STATEMENT OF PURPOSE: As part of the new terminal project, the Duluth Airport Authority is constructing a new parking ramp, aprons and an access road which is being funded from proceeds of general obligation airport improvement bonds in the amount of \$7,650,000. The bonds are being issued by the city and will be

repaid by the Airport Authority's customer facility charges and passenger facility charges, and to the extent not covered by the foregoing, by general revenues of the Airport Authority. The city does not have discretion over these funds, and the city's general fund budget shows no funds being allocated to the project.

Under the community arts set-aside provisions, funds passing through the city's treasury for which the city is required to account under general accepted accounting principles are deemed to be "city funds" which are subject to the one percent community arts set-aside for new building construction. The attorney's office opined that because the Airport Authority will be required to account for these bond funds under its books, the bond funds do not fall within the definition of "city funds" and are not subject to the one percent set aside. The State Auditor's Office has taken the position that the bonds should be reported on the city's books with an offsetting loan receivable from the Duluth Airport Authority. This technical accounting issue creates confusion regarding whether the proceeds of the bonds are deemed "city funds" subject to the one percent set aside. The purpose of this Ordinance is to clarify that the proceeds of the general obligation airport improvement bonds are deemed exempt from the requirements of the community arts set-aside since the bonds will be repaid from sources other than the city.