

FINANCE COMMITTEE

13-0475R

RESOLUTION TRANSFERRING MONIES TO STREET IMPROVEMENT DEBT SERVICE FUND FROM THE COMMUNITY INVESTMENT TRUST FUND TO CANCEL 2014 DEBT SERVICE TAX LEVY AND TO REPLENISH THE COMMUNITY INVESTMENT TRUST FUND.

BY COUNCILOR HARTMAN:

WHEREAS, the city of Duluth, Minnesota, has issued several series of general obligation street improvement bonds (the "bonds") to finance the city's street improvement program, with a portion of the principal of and interest on the bonds being payable from special assessments on benefitted property and a portion being payable from a debt service tax levy; and

WHEREAS, the bonds were issued before the Fond du Lac Band unilaterally ceased payment to the city under the agreement reached in 1986 and reaffirmed in 1994; and

WHEREAS, the city administration has proposed to cancel a portion of the 2014 debt service tax levy with a transfer of monies from the Community Investment Trust Fund 256 (the "CIT fund"); and

WHEREAS, the city has to pay for the bonds by utilizing the CIT fund, utilizing the general fund reserve, increasing the general fund levy or cutting the city's budget; and

WHEREAS, the council has worked to restore a healthy general fund reserve and is concerned about the negative impact to the city's bond rating if it simply pays for the bonds with the general fund reserve; and

WHEREAS, paying for the bonds with the CIT fund is the least damaging of all options before the council; and

WHEREAS, the council pledges to replenish these amounts from the \$12,000,000 currently pending before the federal court on the Fond du Lac Band's motion or other funds recovered from the Band at a future date.

NOW, THEREFORE, BE IT RESOLVED, that the city council hereby transfers \$2,223,491 from the CIT fund to the bond accounts within the street improvement debt service fund (the "debt service fund") for payment of a portion of the

principal of and interest on the bonds due on August 1, 2014, and February 1, 2015. The monies hereby appropriated shall be transferred to the debt service fund within 30 days of passage and approval of this resolution.

Approved as to form:

  
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Attorney

CCREQ/ATTY      GBJ:cjh      9/5/2013

STATEMENT OF PURPOSE: This resolution provides for the transfer of \$2,223,491 from the community investment fund to the street improvement debt service fund to cancel a portion of the debt service tax levy for 2014 on the outstanding general obligation street improvement bonds.

A transfer from the city's general fund reserve could impact the city's AA bond rating. Rating agencies are currently under pressure to reduce bond ratings. Should the city's bond rating be reduced it would result in a higher cost of borrowing for the city, essentially the city gets less for the same amount of money. It is also difficult to reclaim a higher rating. This transfer is the least fiscally damaging for the city.

This resolution will require at least seven affirmative votes of the councilors.