

INTERGOVERNMENTAL RELATIONS COMMITTEE

14-054-O

REPLACEMENT

ORDINANCE NO. _____

AN ORDINANCE ALLOCATING ½ OF 1% OF FOOD AND BEVERAGE TAX AND ½ OF 1% OF HOTEL-MOTEL TAX PROCEEDS TO \$18 MILLION RECREATION AND TOURISM BOND ISSUE FOR WEST DULUTH, AMENDING SECTION 42A-44 OF THE DULUTH CITY CODE, 1959, AS AMENDED.

CITY PROPOSAL:

The city of Duluth does ordain:

Section 1. That section 42A-44 of the Duluth City Code, 1959, as amended, is hereby amended to read as follows:

Sec. 42A-44. Allocation and distribution of revenues produced by tax.

(a) All proceeds realized from the taxes imposed by this Chapter, except those amounts described in subsections (b) and (c), shall be paid into the general fund and distributed as provided in this Subsection. After the payment of all expenses of collection and enforcement of the taxes authorized under this Chapter, and after making refunds provided for in this Chapter, the remainder of the taxes levied and collected under this Chapter shall be allocated and distributed in accordance with the annual budget submitted by the mayor and approved by the city council;

(b) Taxes realized as the result of "sale and purchase" as defined in paragraph (e) of the definition thereof shall be paid into the tourism tax ~~a special account in the general fund~~, the proceeds of which will be devoted to one or more of the following recreational, cultural or civic projects:

- Spirit Mountain recreation area;
- Arena-auditorium complex;
- Duluth Convention and Visitors Bureau;
- St. Louis County Heritage and Arts Center;
- An account for civic or tourist projects.

The distribution of these proceeds shall be determined by the budget process described in subsection (a);

(c) Revenues received from one percent of the tax authorized by Section 42A-2(b) in this Chapter shall be used to pay for activities conducted by the city or by other organizations which promote tourism in the city of Duluth, and to subsidize the Duluth arena-auditorium and the Spirit Mountain recreation area. Distribution of said revenues shall be approved by the city council at least once annually, and shall be made in accordance with the provisions of this subsection. Revenue received from one and one-quarter percent of the tax authorized by said Sections 42A-2(b) and 42A-49 shall be used to pay the debt service on bonds as follows:

(1) One-half of one percent of such taxes ~~for~~ shall be used to pay the debt service on bonds in a principal amount of no more than \$18,000,000, plus issuance and discount costs, to finance capital improvements to public facilities to support tourism and recreational activities in that portion of the city west of 34th Avenue West; and

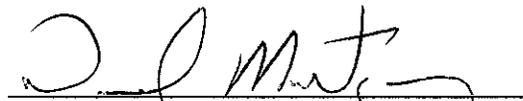
~~(A) Bonds originally issued in the principal amount of \$8,000,000 for capital improvements to the Duluth Entertainment Convention Center, and~~

~~(B) Bonds originally issued in the principal amount of \$4,970,000 to finance capital improvements to the Great Lakes Aquarium, and~~

(2) Three-quarters of one percent of such tax for bonds to be issued in the principal amount of \$40,285,000 plus issuance and discount costs for capital improvements at the Duluth Entertainment Convention Center, including a new arena.

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

Approved:



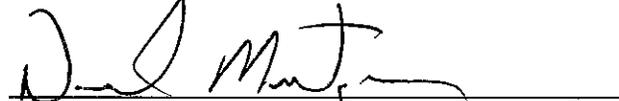
Department Director

Approved as to form:



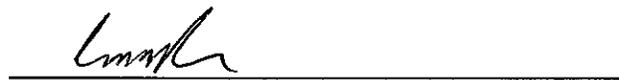
Attorney

Approved for presentation to council:



Chief Administrative Officer

Approved:



Auditor

ADM/ATTY REA:de 07/09/2014

STATEMENT OF PURPOSE: The purpose of this ordinance is to dedicate ½ of 1% of the food and beverage and hotel and motel taxes to pay principal and interest on up to \$18 Million in bonds to fund recreational and tourism-related activities in that part of the City lying west of 34th Avenue West.

The tax in question was authorized by the State Legislature in 2014 for this purpose and is dedicated to that use as provided for in the legislation.

The City ordinances had previously authorized the imposition of such a tax related to now-retired bond issues for the benefit of the DECC and Lake Superior Aquarium, but the legislative authority to collect them had expired with the funding of that debt. The ordinances imposing the tax had not been repealed and so, with the re-authorization by the Legislature in 2014, the City is once again authorized by statute to impose the tax for the authorized purpose. This ordinance amends the Code to direct the proceeds to the authorized uses.