

MEMORANDUM



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MEMO TO: Minneapolis City Council Members

FROM: Bob Lind, Manager, Business Finance, CPED

RE: Amending Chapter 424 of the Minneapolis Code of Ordinances relating to the tax levy to secure revenue bonds to facilitate the transitioning of the Common Bond Fund Program to the City of Minneapolis.

On December 16, 2003 the Community Development Committee and on December 22 the Ways & Means/Budget Committee approved actions authorizing the execution and delivery of an assignment and assumption agreement with the MCDA transitioning to the City of Minneapolis the Minneapolis Common Bond Fund Program and related matters. The City Council is scheduled to take up the committee actions at its December 29, 2003 meeting.

On a related matter, another part of the transitioning of the Common Bond Fund to the City of Minneapolis are the necessary changes to a City Ordinance, Chapter 424, dealing with the limited tax capacity pledge to secure CBF Bonds. On May 22, 1987 the City Council adopted Ordinance 87-OR-084 which established a limited mill levy pledge of the City to secure revenue bonds issued through the Common Bond Fund (CBF). The pledge of a limited mill levy of up to one-half (.5) mill as security behind any new bond issue within the Common Bond Fund. On April 13, 1990 the City Council adopted Ordinance 90-OR-096 which amended Chapter 424 to conform to changes in the property tax system by the Minnesota Legislature. The term "mill levy" was replaced with the new term of "tax capacity". The City's one-half (.5) tax capacity pledge is just one of many levels of security behind all the bonds in the CBF. In front of the City's limited tax capacity pledge are the debt service reserves on all bonds in the CBF, the funds held in the various accounts at Wells Fargo Bank as trustee for the CBF including the balances in the IDB Account, and the \$10 million letter of credit provided by U.S. Bank.

The proposed amendments to the ordinance would be the final step in transitioning the Common Bond Fund Program to the City of Minneapolis.