



Legislation Text

File #: 21-0277R, **Version:** 1

RESOLUTION APPROVING A DEBT FORGIVENESS PLAN FOR SPIRIT MOUNTAIN RECREATION AREA AUTHORITY IN AN AMOUNT UP TO \$900,000.

CITY PROPOSAL:

Whereas; The City of Duluth (the “City”) has made available to Spirit Mountain Recreation Area Authority (the “Authority”) a revolving line of credit in the amount of \$1,200,000 to assist the Authority in the management of its cash flow.

Whereas; In July 2020, Mayor Emily Larson created the Spirit Mountain Task Force to develop a set of recommendations to put Spirit Mountain Recreation Area on a financially sustainable, long-term trajectory.

Whereas; The Spirit Mountain Task Force recommended the City of Duluth and the Authority enter into a debt forgiveness and repayment plan which would include forgiveness of some of the existing line of credit as part of a set of actions designed to achieve financial sustainability for the Spirit Mountain Recreation Area.

Whereas; The Spirit Mountain Task Force also identified strategic capital reinvestment in the Area as a priority.

RESOLVED, that to assist the Authority in achieving financial sustainability and strategic capital investment, the City agrees to forgive up to \$900,000 of the Authority’s existing debt to the City under the existing line of credit extended to the Authority subject to the following terms and conditions:

- A. During the calendar years 2021, 2022 and 2023 the Authority shall have made a total of at least \$900,000 in “capital investment” in physical facilities and capital equipment installed on the Area, “capital investment” being defined in accordance with generally accepted accounting practices and having a cost of at least \$500 and a useful life of not less than five years;
- B. On or before January 31st in each of the calendar years 2022, 2023 and 2024, the Authority shall have provided to the City documentation of the amount of “capital investment” as defined above made by the Authority in the Area in the prior calendar year;
- C. That the amount of forgiveness provided for in condition A above in any calendar year shall be limited to the amount of “capital investment” made by the Authority in the Area in the prior calendar year or \$500,000, whichever is less;
- D. In each of the calendar years 2021, 2022 and 2023, the Authority having made a payment of not less than \$100,000 to the City to be applied to the indebtedness arising out of the above-referenced line of credit.

STATEMENT OF PURPOSE: This resolution approves a debt forgiveness plan for Spirit Mountain Recreation Area Authority in an amount up to \$900,000 to assist Spirit Mountain in achieving financial sustainability and encouraging strategic capital investment. Mayor Emily Larson created the Spirit Mountain Task Force to

develop a set of recommendations to put Spirit Mountain on a financially sustainable, long-term trajectory. The Task Force recommended the City of Duluth and Spirit Mountain enter into a debt repayment plan, which would include the City forgiving some of Spirit Mountain's existing line of credit. It is in both the City's and Spirit Mountain's best interest for the City to forgive up to \$900,000 in the existing line of credit in exchange for Spirit Mountain's strategic investment in capital.