

# Essential Operations and Equipment Bonding



## EXPLANATION OF PROBLEM:

No local government entities should be utilizing bonding or indebtedness for salaries or benefits, and therefore the prohibition on this activity is a welcome codification of best practice. However, the current language is vague enough to cause concern that public safety equipment, infrastructure, and capital improvement projects would be prevented from being bonded by cities.

## IMPACTS OF THE PROBLEM:

Without including an explicit allowance for cities to bond for large equipment (e.g., firetrucks, police vehicles, ambulances, or other heavy vehicles) or capital costs for infrastructure or capital improvement projects, cities would have no ability to pay for these essential services or activities.

Cities often use bonding to pay contractors for project-specific, one time capital work (e.g., infrastructure and improvement projects). Without clarification, the current language could unintentionally restrict this standard practice, limiting cities' ability to complete essential projects.

## SOLUTION:

a. *“General operations” means services or activities generally funded from the governmental entity’s general fund, which are necessary for the operation of the governmental entity, including salaries and benefits, or which are for the health and welfare of the governmental entity’s citizens or primarily intended to benefit all residents of the governmental entity, but excluding direct and indirect capital costs properly allocable under the Internal Revenue Code of 1986, as amended, capital leases, and services financed by statutory funds other than a debt service fund.”*