

Borrowing (Chapter 12 of the Caro Charter)

Section 1 - General Power

Subject to the applicable provisions of state law, the city may borrow money for any purpose within the scope of its powers, and may issue bonds, or other evidence of indebtedness therefore.

Section 2 - Limits of Borrowing Authority

- (a) The net bonded indebtedness incurred for all public purposes shall not at any time exceed the maximum amount permitted by state law, provided that in computing such bonded indebtedness there shall be excluded special assessment bonds, even though they are a general obligation of the city, mortgage bonds, revenue bonds, bonds in anticipation of state-retained revenues to the extent permitted by state law, and any other bonds or indebtedness excluded by state law from such limitation. The amount of funds accumulated for the retirement of any outstanding bonds shall also be deducted from the amount of bonded indebtedness.
- (b) The amount of emergency borrowing which may be incurred under the provisions of this charter may not exceed the maximum amount permitted by state law.
- (c) No bonds shall be sold to obtain funds for any purpose other than that for which they were specifically authorized, and if such bonds are not sold within the time limited by state law, such authorization shall be null and void.
- (d) The issuance of any bonds not requiring the approval of the electorate shall be subject to applicable requirement of state law with reference to public notice in advance of authorization of such issues, filing of petitions for a referendum on such issuance, holding such referendum, and other applicable procedural requirements.

Section 3 - Use of Borrowed Funds

Each bond or other evidence of indebtedness shall contain on its face a statement of the purpose for which the same is issued and no officer of the city shall use the proceeds thereof for any other purpose, except that whenever the proceeds of any bond issue, or a part thereof, remain unexpended and unencumbered for the purpose for which said bond issue was made, the council may authorize the use of such expended and unencumbered funds as provided in this section, which use shall be subject to the approval of the Michigan Department of Treasury where required:

- (a) For an additional extension or improvement of facility or project for which the bond issue was made;
- (b) For the retirement of such bond issue;

- (c) If such bond issue has been fully retired or funds are segregated which are adequate for such purpose, then for the retirement of other bonds or obligations of the city;
- (d) If there is no other indebtedness or funds are segregated which are adequate for such purpose, then for such other purposes as may be permitted by state law.

Section 4 - Separation of Special Assessment Collections; Payment of Deficiency in Special Assessments

All collection on each special assessment roll or combination of rolls, in anticipation of which bonds have been issued, shall be set apart in a separate fund (but not necessarily in a separate bank account) and shall be used for the purpose for which levied and for the payment of the principal and interest on such bonds. If there is any deficiency in a special assessment fund to meet the payment of the principal or interest to be paid therefrom, money shall be advanced from the general funds of the city to meet such deficiency and shall be replaced in the general fund when the special assessment fund shall be sufficient therefore.

Section 5 - Bond Interest Rates

No bond or other evidence of indebtedness of the city shall bear interest at a rate that exceeds a rate ceiling imposed by state law.

Section 6 - Execution of Bonds

All bonds issued by the city shall be signed by the Mayor and countersigned by the City Clerk and shall bear the corporate seal of the city. Said signatures of the Mayor and the City Clerk and the seal of the city may be by facsimile if permitted by state law.

Section 7 - Record of Bonds and Other Evidence of Indebtedness; Cancellation

The City Treasurer shall keep a detailed record of all bonds and other evidence of indebtedness. Upon payment of bonds or other evidence of indebtedness the same shall be cancelled.

Section 8 - Preparation and Records of Bonds

Each bond or other evidence of indebtedness shall contain a statement specifying the purpose for which it is issued and it shall be unlawful for any officer of the city to use the proceeds thereof for any other purpose. Any officer who shall violate this provision shall be deemed guilty of a violation of this charter, except that, whenever the proceeds of any bond issue or parts thereof shall remain unexpended and unencumbered for the purpose for which said bond issue was made, the council may authorize the use of said funds for the retirement of bonds of said issue or for any other purpose permitted by state law.

Section 9 - Unissued Bonds (from the Chelsea Charter)

Any authorization by the electors for the issuance of bonds by the city shall be void if such bonds shall not be issued within three years from the date of authorization.