



Legislation Text

File #: 20-026, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Pass the ordinance reserving the City's 2020 Volume Cap

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Director of Finance

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

The Tax Reform Act of 1986 established a unified state volume cap to regulate the activities permitted to be financed with tax-exempt private activity bonds. Private activity bonds are issued by states and local authorities to provide affordable financing for a wide range of public purpose projects, such as single-family mortgages, manufacturing facilities, multifamily housing, economic development, student loans, and certain non-profit and environmental facilities.

The Volume Cap Program is a federally authorized program, which allows the state to allocate tax-exempt bond authority to various projects throughout the state. With this authority, bond issuers are able to finance projects at interest rates below that of the conventional market.

DISCUSSION:

Every year each home rule municipality receives their allocation of the Volume Cap for the issuance of private activity bonds. The home rule municipality must allocate the volume cap or reserve it by May 1.

On January 1, 2020, the City received its allocation for the 2020 Volume Cap. The 2020 allocation remains at \$105.00 per capita. Based on a population of 148,304 under federal legislation through the State of Illinois for the issuance of private activity bonds, the total allocation the City received for 2020 is \$15,571,920. The bonding authority may be used for financing projects within the City or it may choose to sell or cede our volume cap for projects in other Illinois communities.

According to the Governor's Office of Management & Budget, the allocation approval letter to Home Rule units of government is valid for a period of 60 calendar days from the date of the letter or through December 31, 2020, whichever date comes first.

FISCAL IMPACT:

N/A