



Legislation Text

File #: 23-0011, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Pass the ordinance reserving the City's 2023 Volume Cap

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Finance Director

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 state 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 bonding authority to various projects throughout the state. With this authority, bond issuers can finance projects at interest rates below that of the conventional market.

DISCUSSION:

On an annual basis, each home rule municipality receives its allocation of the Volume Cap for the issuance of private activity bonds. The home rule municipality must either allocate the Volume Cap or reserve it by May 1 of each year.

On January 3, 2023, the City received its allocation for the 2023 Volume Cap. The 2023 allocation, which has been adjusted for inflation for the calendar year 2023, is \$120 per capita. Based on a population of 149,104, under federal legislation through the State of Illinois for the issuance of private activity bonds, the total 2023 allocation for the City is \$17,892,480. The bonding authority may be used for financing projects within Naperville, or the City may sell or cede its allocation to projects in other Illinois communities.

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, 2023, whichever date comes first.

Although the City has no plans to use the 2023 Volume Cap, the City has established a practice of reserving its allocation so that it may be used should a need arise or allocate to other jurisdictions.

FISCAL IMPACT:

This action does not obligate the City to issue tax-exempt private activity bonds. It merely reserves the right to do so. Thus, there is no fiscal impact in approving the ordinance.