



Legislation Text

File #: 21-0055, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Adopt the resolution of Official Intent for Reimbursement of Capital Projects

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Finance Director

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

The planned 2021 bond issuance has one component which is the standard capital borrowing and includes investment in technology, infrastructure, equipment, and buildings.

At the workshops held on October 26, 2020, November 9, 2020, and November 23, 2020 the City Council reviewed the proposed 2021-2025 Capital Improvement Program (CIP). The current unfunded projects for the 2021 CIP total \$35,215,488.

DISCUSSION:

The 2021 budget approved by the City Council authorized staff to spend dollars associated with capital projects starting January 1, 2021. Additionally, as part of the same budget approval, staff was tentatively authorized to pursue issuing bonds for the payment of any and all unfunded capital projects, with the Council having final approval on any bond sale.

This tight timeframe between budget adoption and the start date of the budget means the City does not have the opportunity to issue bonds before expenditures begin on capital projects. To ensure all 2021 capital projects can be included in any future bond issuance, the City needs to file an "Official Intent of Reimbursement Resolution." This resolution does not provide authorization to borrow, it only reserves the ability to fund current projects with future issuance of City debt.

This practice is typical among tax-exempt borrowers and federal guidelines have been developed to govern the practice of reimbursing an organization's prior expenditures using bond proceeds. The use of bond proceeds to reimburse prior expenditures is governed by Treasury Department regulation Section 1.150-2. To satisfy the federal regulation the reimbursement needs to meet three (3) requirements:

1. Nature of Expenditure

For the City's purposes, the expenditure to be reimbursed must be a capital expense or a cost of issuance.

2. Official Intent

a. General Rule

- This requirement is satisfied in not later than 60 days after the payment of the original expenditure, the bond issuer declares its intent to reimburse the expenditure with the proceeds of a borrowing.

b. Who Must Declare?

- The Bond issuer must declare the intent.

c. Requirements

- Source and Form
 - The official intent can be through a resolution of the governing body of the issuer.
- Project Description
 - The official intent must generally describe the projects.
- Maximum Principal Amount
 - The official intent must state the maximum principal amount of bonds expected to be issued for the projects.

d. Intent Must Be Reasonable

- The issuer must reasonably expect to reimburse the original expenditures from the proceeds of the borrowing.

3. Reimbursement Period

Bond proceeds must be allocated to reimburse the original expenditure within 18 months after the later of the date the original expenditure was paid or the date the project was placed in service.

The City meets requirement No. 1 by only utilizing its general obligation issuance for projects approved through the CIP. Requirement No. 2 would be satisfied through the adoption of this resolution. The resolution meets all items under requirement number two including the project descriptions and the maximum principal amount. If approved the City would be allowed to reimburse itself for any and all expenditures associated with the approved capital projects through the proceeds of future debt issuance. The summary table below indicates the project types and estimated amounts to be borrowed as part of a 2021 issuance.

Project Listing	Estimated Costs
E-government Initiatives	\$1,168,994
Building Maintenance and Upgrade Programs	\$6,439,100
Traffic Improvement Programs	\$11,085,000
Stormwater Improvements	\$1,265,000
Traffic Control & Street Lighting	\$800,000
Water/Wastewater Utility Infrastructure	\$14,457,394
Total	\$35,215,488

Each year, at a January City Council meeting, staff will seek approval of the “Official Intent of

Reimbursement Resolution” to provide authorization to reimburse the City for all planned capital projects in the following budget year.

The following is the preliminary timeline for the planned 2021 bond sale:

- Financial Advisory Board (FAB) - 2nd Quarter
- Rating Agency Meetings - 2nd Quarter
- City Council Approval of Bond Ordinance - 3rd Quarter
- Bond Sale - 3rd Quarter
- Bond Closing - 3rd Quarter

FISCAL IMPACT:

N/A