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Title: Adopt the resolution of Official Intent for Reimbursement of Capital Projects

Sponsors:

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Attachments: 1. 2019 Reimbursement Resolution

Date	Ver.	Action By	Action	Result
1/15/2019	1	City Council	adopted	Pass

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 2019 bond issuance has three components. The first component is the standard capital borrowing which includes investment in technology, roadways, and buildings. The second and third component of the planned bond issuance are connected to the proposed special service areas in the downtown for streetscape projects.

Unfunded Capital Projects

The City Council at the workshops held on October 29, 2018 and November 13, 2018 reviewed the proposed 2019-2023 Capital Improvement Program (CIP). The original unfunded project listing totaled \$7,020,000. Based upon questions and proposals provided by City Council, staff deferred the replacement of a ladder truck, reducing the projected borrowing by \$1.3 million. The current unfunded projects for the 2019 CIP total \$5,720,000.

Special Service Area No. 30

As part of improving the downtown streetscape, the City was approached by several property owners along Main Street who desire to replace their streetscape improvements in 2019. They would like to improve the streetscape and parking on the south side of Jefferson Avenue between Webster and Main along with both sides of Main Street between Jefferson and Jackson. The improvements would

also include small portions of Webster and Jackson adjacent to the previously noted areas.

The property owners would have the improvements designed, contract for the work, and then seek reimbursement from the City. The City would borrow for the improvements on behalf of the property owners at an amount of \$2.22 million. The full amount plus interest will be repaid to the City over the fifteen-year term of the special service area.

Special Service Area No. 31

Jefferson & Main LLC is redeveloping the building at 41 W. Jefferson Avenue, located at the northeast corner of Jefferson and Main Street. Per the redevelopment, the property owner will be upgrading the streetscape adjacent to their property to the current standards including concrete and brick paving, raised planters, decorative lights, and converting the angled parking spaces on the east side of Main Street to parallel spaces so that a wider parkway can be accommodated.

The property owner would contract and pay for the initial improvements. After the establishment of the special service area, the City would borrow an estimated \$292,000 and reimburse the property owner for the public improvements. The full amount plus interest will be repaid to the City over the fifteen-year term of the special service area.

DISCUSSION:

The 2019 budget approved by City Council authorized staff to spend dollars associated with capital projects starting January 1, 2019. Additionally, as part of the same budget approval, Council tentatively authorized staff to pursue issuing bonds for the payment of any and all unfunded capital projects, with 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 2019 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 amongst 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 the Treasury Departments’ 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 number one by only utilizing its general obligation issuance for projects approved through the CIP. Requirement number two 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 2019 issuance.

Project Listing	Estimated Costs
E-government Initiatives	\$1,273,000
Building Maintenance and Upgrade Programs	\$127,000
Traffic Improvement Programs	\$4,320,000
Special Service Area No. 30	\$2,219,200
Special Service Area No. 31	\$292,300
Total	\$8,231,500

Each January at a 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 2019 bond sale:

- Financial Advisory Board (FAB) - end of August
- Rating Agency Meetings - September
- City Council Approval of Bond Ordinance - September
- Bond Sale - October
- Bond Closing - October

FISCAL IMPACT:

N/A

