File #: 25-0096, **Version:** 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:
Pass the ordinance reserving the City's 2025 Volume Cap

DEPARTMENT: Finance Department

SUBMITTED BY: Raymond Munch, 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 federally authorized, allowing 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 the conventional markets.

DISCUSSION:
Each home rule municipality receives an annual allocation of the Volume Cap for the issuance of private activity bonds. Municipalities must either allocate or reserve the volume cap before May 1 of each year.

On January 2, 2025, the City received notice of its allocation for the 2025 Volume Cap. The 2025 allocation is $130.00 per capita. Based on a population of 150,245, under federal legislation through the State of Illinois for the issuance of private activity bonds, the total 2025 allocation for the City is $19,531,850. 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 60 calendar days from the date of the letter, or through December 28, 2025, whichever date comes first.

Although no current plans are in place to use the 2025 Volume Cap, the City has established a practice of reserving its allocation so it may be used should the need arise or be allocated to other jurisdictions.

FISCAL IMPACT:

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