



STAFF REPORT

DATE: May 7, 2024

CONSENT MOTION

TO: City Council
FROM: Clarissa Hadler – Finance Director
AGENDA ITEM: Approve Reimbursement Resolution
REVIEWED BY: Clark Schroeder, Interim City Administrator

BACKGROUND:

The Internal Revenue Service (IRS) regulations generally require that the City make a declaration of intent to reimburse itself for expenditures out of the proceeds of subsequently issued bonds or other financing and that such declaration be made not later than 60 days after the expenditure is actually paid

ISSUE BEFORE THE CITY COUNCIL:

- 1) Should the City Council approve a reimbursement resolution for various Capital Projects to be reimbursed through future bonding?

DISCUSSION:

The City is planning to use abatement bonds to finance two projects; 30th St. project and the UP Railroad Crossing - Village Parkway and Village East Watermain projects. Because of the timing of the expenses and projects, it is recommended that the attached reimbursement resolution be approved in order to finance appropriate expenses at the time of issuance, likely in 2025. Issuance of the abatement bonds is being postponed due to the unknown timing of the Village railroad crossing project as we await permit approvals.

FISCAL IMPACT:

The City will recognize savings by combining the projects into one bond future issue by saving issuance costs. The City has the capacity to cash flow the costs until the issuance of the bonds without it impacting its bond rating.

RECOMMENDATION:

If removed from the consent agenda:

Motion to Resolution 2024-056, a resolution declaring the official intent to reimburse certain capital expenditures from the proceeds of tax-exempt bonds and establishing compliance with reimbursement bond regulations under the Internal Revenue Code.

ATTACHMENTS:

- 1) Resolution 2024-056.

**CITY OF LAKE ELMO
WASHINGTON COUNTY
STATE OF MINNESOTA**

RESOLUTION NO. 2024 056

**RESOLUTION DECLARING THE OFFICIAL INTENT TO REIMBURSE
CERTAIN CAPITAL EXPENDITURES FROM THE PROCEEDS OF TAX-
EXEMPT BONDS AND ESTABLISHING COMPLIANCE WITH
REIMBURSEMENT BOND REGULATIONS UNDER THE INTERNAL
REVENUE CODE**

WHEREAS, the Internal Revenue Service has issued Treasury Regulations, Section 1.150-2 (the “Reimbursement Regulations”) under the Internal Revenue Code of 1986, as amended (the “Code”), providing that proceeds of tax-exempt bonds used to reimburse prior capital expenditures will not be deemed spent unless certain requirements are met; and

WHEREAS, the City of Lake Elmo, Minnesota, municipal corporation and a political subdivision of the State of Minnesota (the “City”), expects to incur certain expenditures that may be financed temporarily from sources other than tax-exempt bonds, and later reimbursed from the proceeds of tax-exempt bonds; and

WHEREAS, the City has determined to make a declaration of its official intent (the “Declaration”) to reimburse certain capital costs from the proceeds derived from the sale of tax-exempt bonds issued by the City or another political subdivision in accordance with the Reimbursement Regulations.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LAKE ELMO, MINNESOTA AS FOLLOWS:

1. The City may incur certain capital expenditures in connection with certain street improvements to be constructed commencing in 2024 and 2025, including without limitation the 30th St. project, the UP Railroad Crossing - Village Parkway project, and the Village East Trunk Watermain project (the “Project”).

2. The City reasonably expects to reimburse the expenditures made for certain costs of the Project from the proceeds of tax-exempt bonds in a principal amount currently estimated not to exceed \$2,000,000. All reimbursed expenditures related to the Project will be capital expenditures, costs of issuance of the tax-exempt bonds or other expenditures eligible for reimbursement under Section 1.150-2(d)(3) of the Reimbursement Regulations.

3. This Declaration has been made not later than 60 days after payment of any original expenditure to be subject to a reimbursement allocation with respect to the proceeds of tax-exempt bonds, except for the following expenditures: (a) costs of issuance of tax-exempt bonds; (b) costs in an amount not in excess of the lesser of \$100,000 or 5% of the proceeds of the tax-exempt bonds; or (c) “preliminary expenditures” up to an amount not in excess of 20% of the aggregate issue price of the tax-exempt bonds that are reasonably expected by the City to finance the Project. The term

“preliminary expenditures” includes architectural, engineering, surveying, soil testing, bond issuance and similar costs that are incurred prior to commencement of acquisition, construction, or rehabilitation of the Project, excluding land acquisition, site preparation, and similar costs incident to commencement of construction.

4. A reimbursement allocation with respect to tax-exempt bonds will be made not later than 18 months after the later of: (i) the date the original expenditure is paid; or (ii) the date the Project is placed in service or abandoned, but in no event more than 3 years after the original expenditure.

5. This Declaration is an expression of the reasonable expectations of the City based on the facts and circumstances known to the City as of the date hereof. The anticipated original expenditures for the Project and the principal amount of the tax-exempt bonds described in paragraph 2 are consistent with the City’s budgetary and financial circumstances. No sources other than proceeds of tax-exempt bonds are reasonably expected to be reserved, allocated on a long-term basis, or otherwise set aside pursuant to the City’s budget or financial policies to pay such expenditures for which bonds are issued.

6. The action is intended to constitute a declaration of official intent for purposes of the Reimbursement Regulations.

APPROVED by the Lake Elmo City Council on this 7th day of May, 2024.

By: _____
Charles Cadenhead
Mayor

ATTEST:

Julie Johnson
City Clerk

STATE OF MINNESOTA)
)
COUNTY OF WASHINGTON) SS.
)
CITY OF LAKE ELMO)

I, the undersigned, being the duly qualified and acting Clerk of the City of Lake Elmo, Minnesota (the “City”), DO HEREBY CERTIFY that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full and true and complete transcript of the minutes of a meeting of the City Council of said City, duly called and held on May 7, 2024, insofar as such minutes relate to a resolution declaring official intent.

WITNESS my hand on this _____ day of _____, 2024.

Clerk