



STAFF REPORT

DATE: August 8, 2018

REGULAR

ITEM #4 - Consent

MOTION

TO: City Council
FROM: Sue Iverson – Finance Director
AGENDA ITEM: Approve Reimbursement Resolution
REVIEWED BY: Kristina Handt, 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 2018 Capital Projects to be reimbursed through 2019 bonding and 2018 equipment purchases to be reimbursed through Equipment Certificates obtained in 2018?

DISCUSSION:

The City is planning to use Equipment Certificates to finance the Fire Engine and the Dump Truck previously authorized. Equipment Certificates follow the same regulations as stated above. It is planned to finance both the 2018 Capital Improvement projects and the 2019 Capital Improvement projects in 2019 with one bond issue.

FISCAL IMPACT:

The City will recognize savings by combining the 2018 and 2019 projects into one bond issue by saving issuance costs and the ability to get a better interest rate with a larger bond issue. The City has the capacity to cash flow the costs for 2018 until the issuance of the bonds without it impacting its bond rating.

RECOMMENDATION:

If removed from the consent agenda:

Motion to Resolution 2018-085, a resolution establishing procedures relating to the compliance with reimbursement bond regulations under the Internal Revenue Code in connection with the General Obligation Bond Issues or Equipment Certificates.

ATTACHMENTS:

- 1) Resolution 2018-085.

**CITYOF LAKE ELMO
WASHINTON COUNTY
STATE OF MINNNESOTA**

RESOLUTION NO. 2018-085

**RESOLUTION ESTABLISHING PROCEDURES RELATING TO COMPLIANCE
WITH REIMBURSEMENT BOND REGULATIONS UNDER THE INTERNAL
REVENUE CODE IN CONNECTION WITH THE GENERAL OBLIGATION BOND
ISSUES OR EQUIPMENT CERTIFICATES**

BE IT RESOLVED by the City Council (the "Council") of the City of Lake Elmo, Minnesota (the "City"), as follows:

1. Recitals.

(a) The Internal Revenue Service has issued Treasury Regulations, Section 1.150-2 (as the same may be amended or supplemented, the "Regulations"), dealing with "reimbursement bond" proceeds, being proceeds of bonds used to reimburse the City for any project expenditure paid by the City prior to the time of the issuance of those bonds, including without limitation, General obligation bonds or equipment certificates, or other obligations (collectively, the "bonds") in one or more series.

(b) The Regulations generally require that the City (as the issuer of or the primary obligor under the Bonds) make a declaration of intent to reimburse itself for such prior expenditures out of the proceeds of the Bonds, that such declaration be made not later than 60 days after the expenditure is actually paid, and that the bonding occur and the written reimbursement allocation be made from the proceeds of the Bonds within 18 months after the later of (1) the date of payment of the expenditure or (2) the date the project is placed in service (but in no event more than 3 years after actual payment).

(c) The provisions of this Resolution are intended to have no application, to payments of City project costs first made by the City out of the proceeds of bonds issued prior to the date of such payments.

2. Official Intent Declaration. The Regulations, in the situations in which they apply, require the City to have declared an official intent (the "Declaration") to reimburse itself for previously paid project expenditures out of the proceeds of the Bonds. This Declaration relates to the following projects (collectively, the "Project") and the costs thereof to be financed:

2018 Improvement projects	\$ 2,338,000
Water projects	374,000
Sewer projects	460,000
Storm Sewer projects	24,600
Fire Truck	700,000
Dump Truck	<u>240,000</u>
Total	\$ 4,136,600

3. The City reasonably expects to reimburse itself for the payment of certain costs of the Project out of the proceeds of the Bonds to be issued after the date of payment of such costs. As of the date hereof, the City reasonably expects that \$4,136,600 is the maximum aggregate principal amount of the Bonds which will be issued to finance the Project, from time to time.

4. Each expenditure to be reimbursed from the Bonds is or will be a capital expenditure or a cost of issuance, or any of the other types of expenditures described in Section 1.150-2(d)(3) of the Regulations.

5. As of the date hereof, the statements and expectations contained in this Declaration are believed to be reasonable and accurate.

Adopted on August 8, 2018, by the City Council of the City of Lake Elmo, Minnesota.

CERTIFICATION

The undersigned, being the duly qualified and acting Clerk of the City of Lake Elmo, Minnesota, hereby certifies the following:

The foregoing is true and correct copy of a Resolution on file and of official, publicly available record in the offices of the City, which Resolution relates to procedures of the City for compliance with certain IRS Regulations on reimbursement bonds. Said Resolution was duly adopted by the governing body of the City (the "Council") at a regular meeting of the Council held on _____, 2018. The Council meeting was duly called, regularly held, open to the public, and held at the place at which meetings of the Council are regularly held. Councilmember _____ moved the adoption of the Resolution, which motion was seconded by Councilmember _____. A vote being taken on the motion, the following members of the Council voted in favor of the motion to adopt the Resolution:

and the following voted against the same:

Whereupon said Resolution was declared duly passed and adopted. The Resolution is in full force and effect and no action has been taken by the Council which would in any way alter or amend the Resolution.

WITNESS MY HAND officially as the Clerk of the City of Lake Elmo, Minnesota, on _____, 2018.

Clerk
City of Lake Elmo, Minnesota