

AGENDA



Monday, September 10, 2007

**Budget
RECOMMENDATION FOR COUNCIL ACTION****Item No. 14**

Subject: Approve a resolution declaring the City's official intent to reimburse itself from the proceeds of tax-exempt obligations to be issued in the future for acquisition and construction costs in an aggregate maximum principle amount of \$137,000,000 related to electric utility capital improvement projects.

Fiscal Note: There is no unanticipated fiscal impact. A fiscal note is not required.

For More Information: Greg Canally, Budget Officer, 974-2609

U. S. Treasury Regulations require that the City adopt an Official Declaration of Intent to Reimburse. By this action, Council is asked to declare the City's intent to reimburse itself from the proceeds of one or more series of tax-exempt obligations to be issued in the future for current costs related to acquisition and construction costs for Fiscal Year 2007-2008 Electric Utility Capital Improvement Projects. The City reasonably expects to incur debt on one or more series of obligations through October 2008, with an aggregate maximum principal amount equal to \$137,000,000 for the purpose of paying for costs incurred from October 1, 2007 through October 31, 2008, which are associated with Electric Utility Capital Improvement Projects. All costs to be reimbursed will be capital expenditures within the meaning of Section 1.103-18(c)(2)iii of the Treasury Regulations.

A city must have budgeted for and provided a source of funds in order to enter into a contract. For the City to spend money today, but reimburse itself from the issuance of debt obligations in the future, a reimbursement resolution is required by state and federal law. The resolution must contain certain information to protect the tax-exempt status of the future issuance. The resolution must be passed not more than 60 days after the date that the cost to be reimbursed is paid. Failure to adopt a qualified declaration of official intent will prohibit the City from reimbursing the costs with the proceeds of tax exempt obligations. Reimbursement bonds generally must be issued no later than 18 months after the later of the date the expenditure was made, or the date that the project with respect to which the expenditure was made is placed in service.

FUND and FUND DESCRIPTION:

3080 -- E-Fayette I & II Capital
3230 -- E-Transmission Capital
3240 -- E-Distribution Substations Capital
3250 -- E-Distribution Capital
3260 -- E-Metering Capital
3290 -- E-Support Services Capital