

AGENDA



Monday, September 8, 2008

Budget
RECOMMENDATION FOR COUNCIL ACTION**Item No. 11**

Subject: Approve a resolution declaring the City of Austin's official intent to reimburse itself from the proceeds of tax-exempt obligations to be issued through October 2009 for acquisition and construction costs in an aggregate maximum principle amount of \$240,000,000 related to Fiscal Year 2008-2009 Austin Water Utility Capital Improvement Projects.

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

For More Information: Greg Canally, 974-2609

The Austin Water Utility requests approval, in accordance with federal Treasury Regulations, of an Official Declaration of Intent to Reimburse acquisition and construction costs of the Fiscal Year 2008-2009 Capital Improvement Projects. The Austin Water Utility reasonably expects to incur debt as one or more series of obligations through October 2009, with an aggregate maximum principal amount equal to \$240,000,000 for the purpose of paying for costs incurred from October 1, 2008 through October 31, 2009, which are associated with Austin Water Utility Capital Improvement Projects. All costs to be reimbursed will be capital expenditures within the meaning of applicable 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 cost 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 paid for with the funds is placed in service.

(This resolution is required pursuant to Section 103 of the Internal Revenue Code, to ensure the tax-exempt status of the funds.)