CITY OF AUSTIN
RECOMMENDATION FOR BOARD ACTION

AGENDA ITEM NO. 5
AGENDA DATE: 09/16/2009

Subject: Approve a resolution declaring the Mueller Local Government Corporation's official intent to reimburse itself from long-term tax-exempt debt to be issued by or on behalf of the City through the Mueller Local Government Corporation not to exceed $18,000,000 for expenditures related to the design and construction of public infrastructure for the Mueller Redevelopment Project.

Amount and Source of Funding: $18,000,000 in tax-exempt long-term debt expected to be issued by or on behalf of the City through the Mueller Local Government Corporation.

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

Agenda Category: Economic Growth & Redevelopment Services

For More Information: Rodney Gonzales, Acting Director, EGRSO / 974-2313; Tom Nuckols, Attorney, Legal / 974-2568; Jeff Knodel, Deputy Chief Financial Officer, Financial & Administrative Services / 974-2589.

Prior Council Action:

A Local Government Corporation (LGC) must have budgeted for and provided a source of funds in order to enter into a contract. For the LGC to spend money today, and reimburse itself from future long-term debt, a reimbursement resolution is required by state and federal law and requires the LGC to approve a reimbursement resolution. Failure to adopt a qualified declaration of official intent will prohibit the LGC from reimbursing the cost with the proceeds of tax-exempt obligations.

The resolution must contain certain information to protect the tax-exempt status of the future issuance. The reimbursement resolution must be adopted not more than 60 days after the date that a project expenditure is made. The tax-exempt obligations must be issued not later than 18 months after the date that the expenditure was made, or if later, the date the project is placed into service, but in no case, no more than three years after the date that a project expenditure is subject to the reimbursement is paid.

By this action, the Mueller Local Government Corporation Board expresses the LGC's intent to reimburse itself for costs incurred in Fiscal Years 2009-2012, not to exceed $18,000,000 for all or a portion of the design, consulting, and construction costs of public infrastructure including demolition, utility relocation, roads, sidewalks, storm sewers, detention facilities, water quality facilities, utility infrastructure, street lights and lighting distribution systems, irrigation systems and landscaping in the public rights of way, traffic light facilities, and parkland and trail development related to the Mueller Redevelopment Project.

This resolution is necessary for the City to meet its obligations under the Master Development Agreement with Catellus. In order to be able to reimburse Catellus for project costs incurred prior to the next bond sale, a reimbursement resolution must be in place. It is anticipated that debt will be issued in 2011 or 2012 and will be repaid from property taxes generated in Tax Increment Financing Reinvestment Zone Number 16 which is the Mueller property.

RESOLUTION NO. MLCG _____

WHEREAS, the Mueller Local Government Corporation (Corporation) plans to issue tax exempt obligations to finance expenditures related to the design and construction of public infrastructure for the Mueller Redevelopment Project (the Mueller Redevelopment Project); and

WHEREAS, prior to the issuance of the tax exempt obligations, the City of Austin, Texas (City) or the Corporation will make expenditures for the Mueller Redevelopment Project from existing funds on hand, and it is the intent of the Corporation to reimburse these funds with the proceeds of the sale of the tax exempt obligations; and

WHEREAS, under Treas. Reg. § 1.150-2 (Regulation), an official intent to reimburse expenditure with the proceeds of tax exempt obligations must be made within 60 days of the date of the original expenditure; and

WHEREAS, the Corporation desires to preserve its ability to reimburse the expenditures with proceeds of tax-exempt obligations. **NOW, THEREFORE,**

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MUELLER LOCAL GOVERNMENT CORPORATION:

The Corporation reasonably expects to reimburse capital expenditures with respect to the Mueller Redevelopment Project paid with funds on hand from the proceeds of sale of the tax exempt obligations to be issued, and this resolution shall constitute a declaration of official intent under the Regulation. The maximum principal amount of tax exempt obligations expected to be issued for the Mueller Redevelopment Project is $18,000,000.

ADOPTED: _____, 2009 **ATTEST:** _____
Rodney Gonzales
Secretary