

AGENDA



Thursday, November 5, 2009

**Treasury Office
RECOMMENDATION FOR COUNCIL ACTION****Item No. 36**

Subject: Approve a resolution declaring the City of Austin's official intent to reimburse itself from Certificates of Obligation in an amount not to exceed \$30,000,000 related to construction projects to be completed by the City and reimbursed by the Capital Metropolitan Transportation Authority "Quarter Cent" and "Build Central Texas" programs.

Amount and Source of Funding: Up to \$30,000,000 in Certificates of Obligation to be issued in August 2010 or later subject to Council approval.

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

For More Information: Leslie Browder, Chief Financial Officer, 974-2283 or Greg Canally, Deputy Chief Financial Officer, 974-2609

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. Failure to adopt a qualified declaration of official intent will prohibit the City 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 or incurred. 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 that the project with respect to which the expenditure was made, 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 City Council expresses the City's intent to reimburse itself for costs incurred beginning in fiscal year 2009, not to exceed \$30,000,000, for construction projects to be completed by the City and reimbursed by the Capital Metropolitan Transportation Authority (Capital Metro) under its "Quarter Cent" program (as set forth in 2001 and 2003 interlocal agreements and future amendments) and its "Build Central Texas" program (as most recently set forth in 2005 interlocal agreement and future amendments and formerly known as the "Build Greater Austin" program). Major examples of the types of projects included in the program include roadway and intersection improvements, street reconstruction, expansion of the traffic signal network, sidewalk and bikeway improvements, streetscape improvements, and regional mobility projects. Costs of this nature paid in past years have been funded with moneys paid to the City by Capital Metro, but due to current cash flow difficulties, Capital Metro management has requested an alternative payment plan for the remainder of funds committed to the City of Austin under these programs. In order to continue moving forward on the projects funded through these Capital Metro programs, this reimbursement resolution preserves the City's ability to issue tax-exempt obligations in the future (e.g., tax-exempt Certificates of Obligation) to reimburse itself for incurred and future project expenses. Capital Metro is expected to make fixed, annual payments to the City of Austin under the terms of an amendment(s) to existing interlocal agreement(s) between the two entities that would be submitted to the City Council and the Capital Metro Board of Directors for approval prior to any issuance of tax-exempt obligations by the City.