

AGENDA



Tuesday, September 14, 2010

Budget
RECOMMENDATION FOR COUNCIL ACTION**Item No. 10**

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 2011 for acquisition and construction costs in an aggregate maximum principal amount of \$250,000,000 related to Fiscal year 2010-2011 Austin Water Utility Capital Improvement Projects.

Fiscal Note: A fiscal note is not required.

For More Information: Greg Canally, Deputy Chief Financial Officer, 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 FY 2010-2011 Capital Improvement Program. The Austin Water Utility reasonably expects to incur debt as one or more series of obligations through October 2011, with an aggregate maximum principal amount equal to \$250,000,000 for the purpose of paying for costs incurred from October 1, 2010 through October 31, 2011, which are associated with Austin Water 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, state and federal law require the City to approve a reimbursement resolution. The resolution must contain certain information and protect the tax-exempt status of the future issuance. 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 with respect to which the expenditure was made, 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.)