

A U S T I N C I T Y C O U N C I L

AGENDA



Monday, September 11, 2006

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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 in the future for acquisition and construction costs in an aggregate maximum principle amount of \$89,101,000 related to electric utility capital improvement projects.

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

Additional Backup Material

(click to open)

Resolution

For More Information: Vickie Schubert, Deputy Chief Financial Officer, 974-7822

A city must provide a source of budgeted funds in order to enter into a contract. For the City to spend money today, but reimburse itself from debt obligations to be issued in the future, a reimbursement resolution is required by state and federal law.

In order for the City to reimburse itself at a later date for costs currently incurred, 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 obligations to be issued in the future for current costs related to acquisition and construction costs for Fiscal Year 2006-2007 Austin Energy 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.

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 from 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 DESCRIPTION 3230 E-Transmission Capital 3240 E-Distribution Substations Capital 3250 E-Distribution Capital 3260 E-Customer Service, Billing & Metering 3290 E-Support Services

RESOLUTION NO.

WHEREAS, the City of Austin (the "Issuer") is a home rule city authorized to issue obligations to finance its activities, the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt obligations") pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the Issuer will make, or has made not more than 60 days before this date, expenditures in an aggregate principle amount not to exceed \$89,101,000 for acquisition and construction costs related to electric utility capital improvement projects; and

WHEREAS, the Issuer has concluded that it does not currently desire to issue tax-exempt obligations to finance this payment; and

WHEREAS, the Issuer desires to reimburse itself for these expenditures from the proceeds of tax-exempt obligations to be issued subsequent to this date; and

WHEREAS, the Issuer reasonably expects to issue tax-exempt obligations to reimburse itself; **NOW, THEREFORE**,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

The Issuer reasonably expects to reimburse itself for all costs that have been paid during the 60 days preceding this date or that will be paid after this date from the proceeds of tax-exempt obligations to be issued at a future date for expenditures in an aggregate principle amount not to exceed \$89,101,000 for acquisition and construction costs related to electric utility capital improvement projects; and

The Issuer reasonably expects that the maximum principal amount of tax-exempt obligations issued to reimburse the Issuer for the above-stated costs will not exceed \$89,101,000.

ADOPTED:

, 2006

ATTEST:

Shirley A. Gentry
City Clerk