



# City of Muscatine



## AGENDA ITEM SUMMARY

DATE: 8-19-21

City Council

### STAFF

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Nancy A. Lueck, Finance Director

### SUBJECT

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Resolution Relating to Financing of Certain Proposed Projects to be Undertaken by the City; Establishing Compliance with Reimbursement Bond Regulations under the Internal Revenue Code

### EXECUTIVE SUMMARY

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Internal Revenue Service regulations require that cities identify projects that may be financed in whole or in part through the issuance of general obligation bonds. During the development of the 2021/2022 budget, City Council identified a list of projects that will be funded in whole or in part from the City's next bond issue scheduled for the spring of 2022. These projects are listed in the Background/Discussion section of the agenda item summary and are an attachment to the Resolution.

### STAFF RECOMMENDATION

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Staff recommends approval of this resolution.

### BACKGROUND/DISCUSSION

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The City traditionally issues bonds every other year. A list of the projects budgeted to be funded from the spring 2022 issue and the estimated bond funding requirements were included in the 2021/2022 budget and are listed below. The actual bond funding amounts for each project may vary from these estimates based on the bids received for the projects. Projects include:

**Street Improvements:**

Local Share of Conversion of Portion of Park Avenue from 4-Lanes to 3-Lanes (Series B)	\$ 400,000
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Grandview Avenue Reconstruction	2,500,000
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**Community Development:**

Building Demolition Projects	100,000
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**Flood Damage Improvements:**

Former Range Site - Environmental Remediation (net of flood insurance proceeds)

60,000

Police Range Replacement – Series A (site selection, design, etc.)

150,000

**Parks:**

Playground Repair Projects

112,000

**Deferred Building Maintenance Projects:**

Roofs, Windows, Doors, etc.

200,000

**Other Building Systems:**

Public Safety Telephone System

50,000

**Transfer Station Project:**

Tipping Floor Replacement (Assumes \$200,000 from Transfer Station fund balance)

450,000

**Fire Department:**

Fire Engine

660,000

Ambulance

210,000

The spring 2022 bond issue will also include \$105,000 for the purchase of the former Kum and Go property at the corner of 5<sup>th</sup> and Cedar Streets. A separate resolution was passed for that project at the time the property was purchased. An allocation of \$60,000 is also included in the above list for the environmental cleanup of the former Police pistol range site. That cost was not available at the time the budget was prepared.

The above amounts may vary of the estimates shown based on actual bids received for the projects. There could also be other projects added to the bond issue for the local share of projects that may receive grant funding prior to the bond issue (Vehicle Wash Bay).

**CITY FINANCIAL IMPACT**

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The 2021/2022 budget was based on the issuance of approximately \$5.5 million in general obligation bonds in the spring of 2020. Debt service payments on the bonds will be made over a 10-year period.

#### ATTACHMENTS

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1. Resolution Relating to Financing of Certain Proposed Projects to be Undertaken by the City; Establishing Compliance with Reimbursement Bond Regulations under the Internal Revenue Code

RESOLUTION NO. 2021-0301

RESOLUTION RELATING TO FINANCING OF CERTAIN PROPOSED PROJECTS TO BE UNDERTAKEN BY THE CITY OF MUSCATINE, IOWA; ESTABLISHING COMPLIANCE WITH REIMBURSEMENT BOND REGULATIONS UNDER THE INTERNAL REVENUE CODE

BE IT RESOLVED by the City Council (the “Council”) of the City of Muscatine, Iowa, (the “City”) as follows:

1. Recitals

(a) The Internal Revenue Service has issued Section 1.103-18 of the Income Tax Regulations (the “Regulations”) dealing with the issuance of bonds, all or a portion of the proceeds of which are to be used to reimburse the City for project expenditures made by the City prior to the date of issuance.

(b) The Regulations generally require that the City make a prior declaration of its official intent to reimburse itself for such prior expenditures out of the proceeds of a subsequently issued borrowing, that the borrowing occur and the reimbursement allocation be made from the proceeds of such borrowing within one year of the payment of the expenditure or, if longer, within one year of the date the project is placed in service, and that the expenditure be a capital expenditure.

(c) The City desires to comply with requirements of the Regulations with respect to certain projects hereinafter identified.

2. Official Intent Declaration

(a) The City proposes to undertake the projects described on Exhibit A attached hereto.

(b) Other than (i) expenditures to be paid or reimbursed from sources other than a borrowing or (ii) expenditures permitted to be reimbursed pursuant to the transition provision of Section 1.103-18(1)(2) of the Regulations or (iii) expenditures constituting preliminary expenditures as defined in Section 1.103-18(i)(2) of the Regulations, no expenditures for the foregoing projects as identified on Exhibit A have heretofore been made by the City and no expenditures will be made by the City until after the date of this Resolution.

(c) The City reasonably expects to reimburse the expenditures made for costs of the designated projects out of the proceeds of debt (the “Bonds”) to be incurred by the City after the date of payment of all or a portion of the costs. All reimbursed expenditures shall be capital expenditures as defined in Section 1.150-1(h) of the Regulations.

(d) This declaration is a declaration of official intent adopted pursuant to Section 1.103-18 of the Regulations.

3. Budgetary Matters. As of the date hereof, there are no City funds reserved, allocated on a long-term basis or otherwise set aside (or reasonably expected to be reserved, allocated on a long-term basis or otherwise set aside) to provide permanent financing for the expenditures related to the projects, other than pursuant to the issuance of the Bonds. This resolution, therefore, is determined to be consistent with the City’s budgetary and financial circumstances as they exist or are reasonably foreseeable on the date hereof, all within the meaning and content of the Regulations.

4. Filing. This resolution shall be filed within 30 days of its adoption in the publicly available official books and records of the City. This resolution shall be available for inspection at the office of the City Clerk at the City Hall (which is the main administrative office of the City) during normal business hours of the City on every business day until the date of issuance of the Bonds.

5. Reimbursement Allocations. The City's financial officer shall be responsible for making the "reimbursement allocations" described in the Regulations, being generally the transfer of the appropriate amount of proceeds of the Bonds to reimburse the source of temporary financing used by the City to make payment of the prior costs of the projects. Each allocation shall be evidenced by an entry on the official books and records of the City maintained for the Bonds, shall specifically identify the actual prior expenditure being reimbursed or, in the case of reimbursement of a fund or account in accordance with Section 1.103-18, the fund or account from which the expenditure was paid, and shall be effective to relieve the proceeds of the Bonds from any restriction under the bond resolution or other relevant legal documents for the Bonds, and under any applicable state statute, which would apply to the unspent proceeds of the Bonds.

Adopted this 19th day of August 2021.

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Diana Broderson, Mayor

ATTEST:

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Carol Webb, City Administrator

## EXHIBIT A

<u>PROJECT</u>	<u>APPROXIMATE AMOUNT</u>
<b>Street Improvements:</b>	
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Grandview Avenue Reconstruction	2,500,000
<b>Community Development:</b>	
Building Demolition Projects	100,000
<b>Flood Damage Improvements:</b>	
Former Range Site - Environmental Remediation (net of flood insurance proceeds)	60,000
Police Range Replacement (site selection, design, etc.)	150,000
<b>Parks:</b>	
Playground Repair Projects	112,000
<b>Deferred Building Maintenance Projects:</b>	
Roofs, Windows, Doors, etc.	200,000
<b>Other Building Systems:</b>	
Public Safety Telephone System	50,000
<b>Transfer Station Project:</b>	
Tipping Floor Replacement (Assumes \$200,000 from Transfer Station fund balance)	450,000
<b>Fire Department:</b>	
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