

City of Sacramento

Legislation Text

File #: 2019-01269, **Version:** 1

Title:

Declaration of Official Intent to Reimburse the City from Bond Proceeds for Certain Expenditures Related to the North Natomas Aquatic Center Complex

File ID: 2019-01269

Location: District 1

Recommendation:

Adopt a Resolution declaring the City's "official intent" to reimburse itself from bond proceeds for certain expenditures associated with the North Natomas Aquatic Center Complex.

Contact: Brian Wong, Debt Manager, (916) 808-5811, Office of the City Treasurer

Presenter: None

Attachments:

1-Description/Analysis

2-Resolution

Description/Analysis

Issue Detail: On August 13, 2019, the City Council approved the plans and specifications, contract supplement, funding agreement, and budgetary adjustments for the North Natomas Aquatic Center Complex (the Project). The City Council also discussed three options for addressing a \$14.4 million gap in funding for the Project, selecting Option 2: a short-term loan from the Water Fund that will be repaid from the proceeds of lease-revenue bonds to be issued in calendar year 2020.

To take advantage of a proposed "guaranteed maximum price" contract for the Project, construction must begin, and the City must start paying the Project costs, long before the planned issuance of bonds. After the bonds are issued next year, the City intends to reimburse itself for those costs from the bond proceeds.

Under these circumstances, interest on the bonds will be exempt from federal taxation only if the

City Council adopts the proposed resolution declaring the City's "official intent" to reimburse itself from the bond proceeds, as required by section 1.150-2 of the Treasury Regulations (Section 1.150-2). Adoption of the resolution will allow the City to reimburse itself for Project costs paid after a date that is 60 days before the resolution is adopted.

Policy Considerations: The resolution is needed solely to comply with Section 1.150-2. It does not bind the City to make any expenditure, incur any indebtedness, or proceed with the Project.

Economic Impacts: Not applicable.

Environmental Considerations: Not applicable.

Sustainability: Not applicable.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: If the City desires to reimburse itself for Project costs it pays before issuance of the bonds, then under Section 1.150-2 the interest on the bonds will be exempt from federal taxation only if the City Council has declared its "official intent" to reimburse those costs.

Financial Considerations: There are no financial considerations with the proposed actions. Any reimbursement to the City will only occur after the lease-revenue bonds have been issued. The Project contracts will comply with the City's procurement policy.

Local Business Enterprise (LBE): Not applicable.