



City of Blaine Anoka County, Minnesota

Blaine City Hall
10801 Town Sq Dr NE
Blaine MN 55449

Legislation Text

File #: RES 17-144, Version: 1

ADMINISTRATION - *Joe Huss, Finance Director*

DECLARING THE OFFICIAL INTENT OF THE CITY OF BLAINE, MINNESOTA, TO REIMBURSE CERTAIN CAPITAL EXPENDITURES OF A PROJECT FROM THE PROCEEDS OF TAX-EXEMPT BONDS

Pursuant to IRS and U.S. Treasury regulations, in order for municipalities to pay for capital improvement costs that are incurred before the issuance of bonds that will be used to fund those capital improvements, a municipality must first declare this as its intent.

The City intends to issue General Obligation Water Revenue bonds in 2018 to fund improvements to the City's municipal water system including the design and construction of a new water treatment plant, the reconstruction and upgrading of well houses, and technology improvements in the utility's radio and SCADA systems. The following resolution, prepared by the City's bond counsel, Kennedy & Graven, declares the City's intent to reimburse certain capital costs incurred before the debt is issued with proceeds from the 2018 issue.

By motion, approve attached Resolution.

WHEREAS, the Internal Revenue Service has issued Treasury Regulations, Section 1.150-2 (the "Reimbursement Regulations") under the Internal Revenue Code of 1986, as amended (the "Code"), providing that proceeds of tax-exempt bonds used to reimburse prior capital expenditures will not be deemed spent unless certain requirements are met; and

WHEREAS, the City of Blaine, Minnesota, a municipal corporation and a political subdivision of the State of Minnesota (the "City"), expects to incur certain expenditures that may be financed temporarily from sources other than tax-exempt bonds, and later reimbursed from the proceeds of tax-exempt bonds; and

WHEREAS, the City has determined to make a declaration of its official intent (the "Declaration") to reimburse certain capital costs from the proceeds derived from the sale of tax-exempt bonds issued by the City or another political subdivision in accordance with the Reimbursement Regulations.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BLAINE, MINNESOTA AS FOLLOWS:

1. The City may incur certain capital expenditures in connection with improvements to the City's water utility system including without limitation, the construction of a new water treatment plant, the reconstruction of certain well houses, and certain technology improvements to the water system (collectively, the "Project")

2. The City reasonably expects to reimburse the expenditures made for certain costs of the Project from the proceeds of tax-exempt bonds in a principal amount currently estimated not to exceed \$30,000,000. All reimbursed expenditures related to the Project will be capital expenditures, costs of issuance of the tax-exempt bonds or other expenditures eligible for reimbursement under Section 1.150-2(d)(3) of the Reimbursement Regulations.

3. This Declaration has been made not later than 60 days after payment of any original expenditure to be subject to a reimbursement allocation with respect to the proceeds of tax-exempt bonds, except for the following expenditures: (a) costs of issuance of tax-exempt bonds; (b) costs in an amount not in excess of the lesser of \$100,000 or 5% of the proceeds of the tax-exempt bonds; or (c) "preliminary expenditures" up to an amount not in excess of 20% of the aggregate issue price of the tax-exempt bonds that are reasonably expected by the City to finance the Project. The term "preliminary expenditures" includes architectural, engineering, surveying, soil testing, bond issuance and similar costs that are incurred prior to commencement of acquisition, construction, or rehabilitation of the Project, excluding land acquisition, site preparation, and similar costs incident to commencement of construction.

4. A reimbursement allocation with respect to tax-exempt bonds will be made not later than 18 months after the later of: (i) the date the original expenditure is paid; or (ii) the date the Project is placed in service or abandoned, but in no event more than 3 years after the original expenditure.

5. This Declaration is an expression of the reasonable expectations of the City based on the facts and circumstances known to the City as of the date hereof. The anticipated original expenditures for the Project and the principal amount of the tax-exempt bonds described in paragraph 2 are consistent with the City's budgetary and financial circumstances. No sources other than proceeds of tax-exempt bonds are reasonably expected to be reserved, allocated on a long-term basis, or otherwise set aside pursuant to the City's budget or financial policies to pay such expenditures for which bonds are issued.

6. The action is intended to constitute a declaration of official intent for purposes of the Reimbursement Regulations.

The motion for the adoption of the foregoing resolution was duly seconded by member _____ and, after a full discussion thereof and upon a vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

Whereupon the resolution was declared duly passed and adopted.

STATE OF MINNESOTA)

COUNTIES OF ANOKA)
AND RAMSEY) SS.

CITY OF BLAINE)

I, the undersigned, being the duly qualified and acting Clerk of the City of Blaine, Minnesota (the “City”), DO HEREBY CERTIFY that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full and true and complete transcript of the minutes of a meeting of the City Council of said City, duly called and held on October 5, 2017, insofar as such minutes relate to a resolution declaring official intent.

WITNESS my hand on this 5th day of October, 2017.