



Staff Report

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT REGARDING ITS INTENTION TO ISSUE TAX-EXEMPT SEWER REVENUE BONDS (REIMBURSEMENT RESOLUTION)

Honorable Mayor and Council Members:

Summary

Approval of the attached resolution will allow the City to reimburse itself for qualifying sewer facility expenditures from the proceeds of a future sewer revenue bond.

Background and Discussion

In July 1999, City Council established usage based sewer fees pursuant to a comprehensive rate study. The rate study, which has been updated annually thereafter, anticipated issuing long-term debt, or sewer revenue bonds, to pay for capital projects to improve the sewer and storm drain systems as called for in the City's Five Year Capital Improvement Plan.

In FY 2001, the first of the three planned bond issues was sold to help finance the cost of the improvements. The 2001 Series Bond was issued for \$7.5 million. As of October, \$1.3 million remains available for project expenditures that will be exhausted within the current fiscal year. In keeping with the plan to finance long-term assets with long term financing, the second issue or 2006 Series Bond, again for \$7.5 million, is in progress for a planned sale date in January or February 2006.

Since the potential exists that remaining bond proceeds (2001 Series Bond) could be exhausted in the near future, the resolution attached authorizes the City of Belmont to reimburse itself for qualifying sewer facility expenditures from the proceeds of the upcoming 2006 Series Bond.

Passage of the attached resolution does not irrevocably bind the City of Belmont to issue sewer revenue bonds. It merely spells out the City's intent to do so at some future date and preserves the City's right to reimburse itself for qualified expenditures. Furthermore, Treasury and Internal Revenue Code Regulations require adoption of the resolution as an "official action", which then qualifies the City to issue tax exempt debt, for purposes of reimbursing expenditures prior to the issuance of the bonds.

Lastly, this matter was discussed with the Finance Commission at their November 3rd meeting and they recommend adoption of the resolution.

Fiscal Impact

No financial impact as a result of adopting the resolution.

Public Contact

The agenda has been noticed.

Follow Up

1. Finalize specifics relative to planned sewer revenue bonds issue.
2. Present Finance Commission's recommend financing plan to City Council.

Recommendation

It is recommended that the City Council adopt the attached resolution consistent with the CIP and Rate Study.

Alternatives

1. Defer matter to staff and/or the Finance Commission for further study.

Attachments

- A. Resolution of the City Council of the City of Belmont Regarding its Intention to Issue Tax-Exempt Sewer Revenue Bonds (Reimbursement Resolution).

Respectfully submitted,

Thomas Fil
Finance Director

Jack R. Crist
Interim City Manager

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT
REGARDING ITS INTENTION TO ISSUE TAX- EXEMPT SEWER REVENUE BONDS
(REIMBURSEMENT RESOLUTION)**

WHEREAS, the City Council of the City of Belmont (the “City”) desires to finance the costs of acquiring, constructing, repairing, expanding, modernizing, and/or equipping of water treatment facilities, as provided in Exhibit A attached hereto and incorporated herein (the “Project”);

WHEREAS, the City intends to finance the acquisition, construction, repairing, expanding, modernizing, and/or equipping of the Project or portions of the Project with the proceeds of the sale of revenue bonds or other forms of debt, the interest upon which is excluded from gross income for federal income tax purposes (the “Bonds”); and

WHEREAS, prior to the issuance of the Bonds the City desires to incur certain capital expenditures (the “Expenditures”) with respect to the Project from available moneys of the City;

WHEREAS, the City Council has determined that those moneys to be advanced on and after the date hereof to pay the Expenditures are available only for a temporary period and it is necessary to reimburse the City for the Expenditures from the proceeds of the Bonds; and

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Belmont does hereby resolve, order and determine as follows:

SECTION 1. The City hereby states its intention and reasonably expects to reimburse Project costs incurred prior to the issuance of the Bonds with proceeds of the Bonds. Exhibit A describes either the general character, type, purpose, and function of the Project, or the fund or account from which Project costs are to be paid and the general functional purpose of the fund or account.

SECTION 2. The reasonably expected maximum principal amount of the Bonds is \$7,500,000.

SECTION 3. This resolution is being adopted not later than 60 days after the payment of the original Expenditures (the “Expenditures Date or Dates”).

SECTION 4. The City will make a reimbursement allocation, which is a written allocation that evidences the City’s use of proceeds of the Bonds to reimburse an Expenditure, no later than 18 months after the later of the date on which the Expenditure is paid or the Project is placed in service or abandoned, but in no event more than three years after the date on which the Expenditure is paid. If both the City and a licensed architect or engineer certify that at least 5 years is necessary to complete construction of the Project, the maximum reimbursement period is changed from 3 years to 5 years.

SECTION 5. Each Expenditure will be either (a) of a type properly chargeable to a capital account under general federal income tax principles (determined in each case as of the date of the Expenditure), (b) a cost of issuance with respect to the Obligations, (c) a nonrecurring item that is not customarily payable from current revenues, or (d) a grant to a party that is not related to or an agent of the City so long as such grant does not impose any obligation or condition (directly or indirectly) to repay any amount to or for the benefit of the City.

SECTION 6. This resolution is consistent with the budgetary and financial circumstances of the City, as of the date hereof. No moneys from sources other than the Obligations are, or are reasonably expected to be reserved, allocated on a long-term basis, or otherwise set aside by the City (or any related party) pursuant to their budget or financial policies with respect to the Project costs. To the best of our knowledge, this Board is not aware of the previous adoption of official intents by the City that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligations have not been issued.

SECTION 7. This resolution is adopted as official action of the City in order to comply with Treasury Regulation §1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of City expenditures incurred prior to the date of issue of the Obligations.

SECTION 8. The limitations described in Section 3 and Section 4 do not apply to (a) costs of issuance of the Obligations, (b) an amount not in excess of the lesser of \$100,000 or five percent (5%) of the proceeds of the Obligations, or (c) any preliminary expenditures, such as architectural, engineering, surveying, soil testing, and similar costs other than land acquisition, site preparation, and similar costs incident to commencement of construction, not in excess of twenty percent (20%) of the aggregate issue price of the Obligations that finances the Project for which the preliminary expenditures were incurred.

SECTION 9. All the recitals in this resolution are true and correct and this City Council so finds, determines and represents.

* * * * *

I hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of Belmont at a regular meeting thereof held on November 22, 2005 by the following vote:

AYES, COUNCILMEMBERS: _____

NOES, COUNCILMEMBERS: _____

ABSTAIN, COUNCILMEMBERS: _____

ABSENT, COUNCILMEMBERS: _____

CLERK of the City of Belmont

APPROVED:

MAYOR of the City of Belmont

EXHIBIT A

DESCRIPTION OF PROJECT

The project to be financed consists of the construction, reconstruction, expansion, repair, and renovation of sewer and wastewater facilities, and to pay all necessary legal, financial, architectural, environmental, engineering, planning and contingent costs in connection therewith.