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FINANCE & RECORDS

Memo

To: Gregg Mandsager, City Administrator

From: Nancy A. Lueck, Finance Director

Date: February 25, 2011

Re: Resolution Relating to Financing of Certain Proposed Projects through General Obligation Bonding

Introduction and Background:

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 2011/2012 budget, City Council identified a number of projects that will be funded in whole or in part from the City's next bond issue scheduled for the spring of 2012.

Recommendation:

The preliminary estimate for the bond issue in the spring of 2012 is \$4,550,000. Of this amount \$375,000 was included in a previous Resolution of Intent for the Clay Street Bridge project and \$98,500 has been included as estimated bond issuance costs/discount. Significant projects included in this issue are (1) Cedar Street Phase I for utility work, (2) Hershey Avenue street improvements, (3) Colorado Street improvements, (4) the local share of the southend Fire Station project, (5) additional funding for the Mad Creek Levee project, (6) the local share of the environmental impact and preliminary design for the Mississippi Drive Corridor project, and (7) the local share of various airport improvement projects.

Please include the attached resolution on the agenda for the March 3, 2011 City Council meeting.

RESOLUTION NO. _____

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 3rd day of March, 2011.

Richard W. O'Brien, Mayor

ATTEST:

Gregg Mandsager, City Administrator

EXHIBIT A

<u>PROJECT</u>	<u>APPROXIMATE AMOUNT</u>
Clay Street Bridge - Additional (\$375,000 in Previous Resolution)	\$ 8,000
Cedar Street Improvements - Parham to Houser Phase I	1,116,000
Hershey Avenue Improvements (Estimated Local Share)	1,210,000
Colorado Street Improvements (Estimated Local Share)	1,055,000
Corridor Project - Environmental Impact and Preliminary Design (Local Share)	216,000
Southend Fire Station (Local Share)	255,000
Mad Creek Flood Control Project (Estimate of Additional Local Share)	175,000
Airport Snow Removal Equipment (Additional Local Share)	2,800
Airport Runway Lighting Project (Local Share)	16,000
Airport Hangar Repairs (Local Share)	8,700
Airport Runway Blowup Repairs	14,000