



CITY OF LE SUEUR
REQUEST FOR COUNCIL ACTION

TO: Mayor and City Council

FROM: Joe Roby, Interim City Administrator

SUBJECT: Resolution Establishing Bond Expense Reimbursement Procedures

DATE: For the City Council meeting of April 11, 2022

PURPOSE/ACTION REQUESTED

Evaluate a resolution for purchases that follow Internal Revenue Service regulations allowing the City to reimburse itself for expenditures related to projects using bond sale proceeds.

SUMMARY

The City of Le Sueur anticipates the sale of bonds and/or equipment certificates to fund future capital projects. The attached resolution follows Internal Revenue Service regulations allowing the City to reimburse itself using debt sale proceeds before the sale of said bonds/certificates for expenses related to such projects.

Past practice has been for the City Council to consider a specific resolution for each bond/certificate sale. The attached resolution authorizes the City Administrator or delegate to make the City's formal Official Intent Declaration for each bond/certificate issuance. Said declaration does not obligate the City to issue debt; it simply allows the City to begin proper documentation related to potential issuance of debt, and to plan for the reimbursement of related expenses, without the need for specific City Council action.

ACTION REQUESTED

Staff is recommending the approval of Resolution R2022-019.

CITY OF LE SUEUR, MINNESOTA
CITY COUNCIL RESOLUTION **R2022-019**

RESOLUTION ESTABLISHING PROCEDURES
RELATING TO COMPLIANCE WITH REIMBURSEMENT BOND
REGULATIONS UNDER THE INTERNAL REVENUE CODE

BE IT RESOLVED by the City Council (the "Council") of the City of Le Sueur, Minnesota (the "City"), as follows:

1. Recitals.

(a) The Internal Revenue Service has issued Treasury Regulations, Section 1.150-2 (as the same may be amended or supplemented, the "Regulations"), dealing with "reimbursement bond" proceeds, being proceeds of the City's bonds used to reimburse the City for any project expenditure paid by the City prior to the time of the issuance of those bonds.

(b) The Regulations generally require that the City make a declaration of intent to reimburse itself for such prior expenditures out of the proceeds of subsequently issued bonds, that such declaration be made not later than 60 days after the expenditure is actually paid, and that the bonding occur and the written reimbursement allocation be made from the proceeds of such bonds within 18 months after the later of (1) the date of payment of the expenditure or (2) the date the project is placed in service (but in no event more than 3 years after actual payment).

2. Official Intent Declaration. The Regulations, in the situations in which they apply, require the City to have declared an official intent (the "Declaration") to reimburse itself for previously paid project expenditures out of the proceeds of subsequently issued bonds. The Council hereby authorizes the City Administrator to make the City's Declarations or to delegate from time to time that responsibility to other appropriate City employees. Each Declaration shall comply with the requirements of the Regulations, including without limitation the following:

(a) Each Declaration shall be made not later than 60 days after payment of the applicable project cost and shall state that the City reasonably expects to reimburse itself for the expenditure out of the proceeds of a bond issue or similar borrowing. Each Declaration may be made substantially in the form of the Exhibit A which is attached to and made a part of this Resolution, or in any other format which may at the time comply with the Regulations.

(b) Each Declaration shall (1) contain a reasonably accurate description of the "project," as defined in the Regulations (which may include the property or program to be financed, as applicable), to which the expenditure relates and (2) state the maximum principal amount of bonding expected to be issued for that project.

(c) Care shall be taken so that the City, or its authorized representatives under this Resolution, not make Declarations in cases where the City doesn't reasonably expect to issue reimbursement bonds to finance the subject project costs, and the City officials are hereby authorized to consult with bond counsel to the City concerning the requirements of the Regulations and their application in particular circumstances.

(d) The Council shall be advised from time to time on the desirability and timing of the issuance of reimbursement bonds relating to project expenditures for which the City has made Declarations.

3. Reimbursement Allocations. The designated City officials shall also be responsible for making the "reimbursement allocations" described in the Regulations, being generally written allocations that evidence the City's use of the applicable bond proceeds to reimburse the original expenditures.

4. Effect. This Resolution shall amend and supplement all prior resolutions and/or procedures adopted by the City for compliance with the Regulations (or their predecessor versions), and, henceforth, in the event of any inconsistency, the provisions of this Resolution shall apply and govern.

PASSED by the City Council of the City of Le Sueur on this 11th day of April, 2022.

ATTEST

Shawn Kirby, Mayor

Stacy Lawrence, City Clerk

VOTE: ___HUNTINGTON ___KIRBY ___KROGMANN
___SCHLUETER ___SULLIVAN ___SWANBERG

EXHIBIT A

Declaration of Official Intent

The undersigned, being the duly appointed and acting Finance Director of the City of Le Sueur, Minnesota (the "City"), pursuant to and for purposes of compliance with Treasury Regulations, Section 1.150-2 (the "Regulations"), under the Internal Revenue Code of 1986, as amended, hereby states and certifies on behalf of the City as follows:

1. The undersigned has been and is on the date hereof duly authorized by the Le Sueur City Council to make and execute this Declaration of Official Intent (the "Declaration") for and on behalf of the City.

2. This Declaration relates to the following project, property, or program (the "Project") and the costs thereof to be financed:

Project Name & Costs: _____

3. The City reasonably expects to reimburse itself for the payment of certain costs of the Project out of the proceeds of a bond issue or similar borrowing (the "Bonds") to be issued by the City after the date of payment of such costs. As of the date hereof, the City reasonably expects that \$_____ is the maximum principal amount of the Bonds which will be issued to finance the Project.

4. Each expenditure to be reimbursed from the Bonds is or will be a capital expenditure or a cost of issuance, or any of the other types of expenditures described in Section 1.150-2(d)(3) of the Regulations.

5. As of the date hereof, the statements and expectations contained in this Declaration are believed to be reasonable and accurate.

Date: _____, 2022

Joe Roby, Interim City Administrator
City of Le Sueur, Minnesota

CERTIFICATION

The undersigned, being the duly qualified and acting City Clerk of the City of Le Sueur, Minnesota, hereby certifies the following:

The foregoing is true and correct copy of a Resolution on file and of official, publicly available record in the offices of the City, which Resolution relates to procedures of the City for compliance with certain IRS Regulations on reimbursement bonds. Said Resolution was duly adopted by the governing body of the City (the "Council") at a regular meeting of the Council held on _____, 2022. Said meeting was duly called, regularly held, open to the public, and held at the place at which meetings of the Council are regularly held. Councilmember _____ moved the adoption of the Resolution, which motion was seconded by Councilmember _____. A vote being taken on the motion, the following members of the Council voted in favor of the motion to adopt the Resolution:

and the following voted against the same:

Whereupon said Resolution was declared duly passed and adopted. The Resolution is in full force and effect and no action has been taken by the Council which would in any way alter or amend the Resolution.

WITNESS MY HAND officially as the City Clerk of the City of Le Sueur, Minnesota, this ____ day of _____, 2022.

City Clerk