

## RESOLUTION 2013-27

### A RESOLUTION IN SUPPORT OF THE PRESERVATION OF TAX-EXEMPT FINANCING

**WHEREAS**, tax-exempt municipal bonds are the primary means by which state and local governments finance three quarters of the critical infrastructure of our nation, including roads, bridges, hospitals, schools, and utility systems; and

**WHEREAS**, through the tax exemption, the federal government continues to provide critical support for the federal, state and local partnership that develops and maintains essential infrastructure, which it cannot practically replicate by other means; and

**WHEREAS**, the municipal tax exemption has enabled state and local governments to finance more than \$1.65 trillion in infrastructure investment over the last decade; and

**WHEREAS**, this tax exemption is part of a more than century-long system of reciprocal immunity under which owners of federal bonds are, in turn, not required to pay state and local income tax on the interest they receive from federal bonds; and

**WHEREAS**, municipalities benefit from this tax exemption through substantial savings on the interest cost of borrowed money; and

**WHEREAS**, tax exempt bonds benefit state and local governments who need the support of investors to finance critical infrastructure, taxpayers across the country who depend on this infrastructure for reliable transportation systems, schools, public health facilities, energy, clean water and affordable housing, the federal government, who gets quite a bargain on their partnership with state and local government to provide the nation's infrastructure through the exemption; and investors who buy bonds for many reasons, including the safe nature of these financial products; and

**WHEREAS**, municipal bonds are the second safest investment, aside from U.S. Treasuries, with state and local governments having nearly a zero default rate; and

**WHEREAS**, 72.4 percent of the total outstanding muni debt is held by individual investors, either directly or through mutual funds and money market funds (Source - 2010 Thomson Reuters); and

**WHEREAS**, Congress and the President have proposed legislation to reduce or repeal the tax exemption on municipal bonds; and

**WHEREAS**, these proposals to reduce or repeal the tax exemption would have severely detrimental impacts on national infrastructure development and the municipal market, raising costs for state and local borrowers and creating uncertainty for investors; and

**WHEREAS**, if the proposal to cap the exemption on municipal bonds at 28 percent had been in place over the last 10 years it would have cost state and local governments an additional \$173 billion in interest costs; and

**WHEREAS**, total repeal of the exemption over the last decade would have cost state and local governments over \$495 billion in additional interest costs; and

**WHEREAS**, the municipal tax exemption has a long history of success, having been maintained through two world wars and the Great Depression, as well as the recent Great Recession, and it continues to finance the majority of our nation's infrastructure needs for state and local governments of all sizes when no other source exists to do so;

**NOW, THEREFORE, BE IT RESOLVED** that the CITY OF FRANKLIN opposes any efforts by Congress and the White House to reduce or repeal the federal tax exemption on interest earned from municipal bonds; and

**BE IT FURTHER RESOLVED** that we oppose any action that would reduce or repeal the exemption on tax-exempt bond interest, and affirm that there should be no legislative action to apply any changes retroactively to current outstanding bonds; and

**BE IT FURTHER RESOLVED** that a copy of this resolution shall be sent to our Congressional Representatives and key members of the Administration.

**IT IS SO RESOLVED AND DONE THIS 14<sup>TH</sup> DAY OF MAY, 2014.**

**ATTEST:**

**CITY OF FRANKLIN, TENNESSEE**

By: \_\_\_\_\_

By: \_\_\_\_\_

**ERIC S. STUCKEY**

**DR. KEN MOORE**

**City Administrator/City Recorder**

**Mayor**



*Draft – Not for distribution*

## **Opposition Growing to Proposals to Cap or Eliminate Tax-exempt Status of Municipal Bonds**

Washington, D.C. (April 9, 2013) – Municipal Bonds for America (MBFA) today unveiled a list of thirty five influential organizations that have joined MBFA’s growing national coalition in opposing efforts to cap or eliminate the tax-exempt status of municipal bonds.

Opposition to capping or eliminating the tax exempt status of municipal bonds continues to grow as local leaders review the impact on critical infrastructure such as schools, roads, bridges, water and sewer systems, airports, and public housing.

The new list unveiled today by Municipal Bonds for America includes several leading national organizations, including the Associated General Contractors, Association of Metropolitan Water Agencies, Council of Development Financial Agencies, Education Finance Council, National Association of Local Housing Finance Authorities, National League of Cities, and the National School Boards Association.

Statewide groups joining the effort include Business Oregon, California Special Districts Association, Colorado Municipal League, Florida League of Cities, Kentucky School Boards Association, the League of Minnesota Cities, South Carolina Jobs Economic Development Authority, and Texas Association of Local Housing Finance Agencies.

“Municipal bonds are the primary method used by public entities like the Regional Transportation Authority to finance vital capital improvements,” said Joseph G. Costello, Regional Transportation Authority Executive Director. “Eliminating or capping the deduction would increase the borrowing cost of local infrastructure improvements, which in turn could lead to higher taxes for residents and less funding for public employees, and much needed infrastructure projects.”

“Curtailing or eliminating the municipal bond tax exemption would raise costs for financially-strapped communities and ultimately local taxpayers,” said Russell Truell, CFO at City of Franklin, TN. “Shifting this burden would result in less investment in infrastructure at a time when jobs continue to be scarce and the state of our public works is deteriorating.”

**Organizations joining effort to oppose proposals  
to cap or eliminate elimination of the municipal bond tax exemption:**

Airports Council International – North America  
American Public Gas Association  
The Associated General Contractors  
Association of Metropolitan Water Agencies  
Bay Area Toll Authority  
Business Oregon  
California Special Districts Association  
Chester County Economic Development Council  
Chicago Regional Transportation Authority  
Cleveland-Cuyahoga County Port Authority  
Colorado Municipal League  
Council of Development Financial Agencies  
CPS Energy  
CSDA Finance Corporation  
Education Finance Council  
Escambia County Housing Finance Authority  
Florida League of Cities  
International City/County Management Association (ICMA)  
International Economic Development Council  
Investment Company Institute  
Kentucky School Boards Association  
Large Public Power Council  
The League of Minnesota Cities  
National Association of Local Housing Finance Authorities  
National League of Cities  
National School Boards Association  
South Carolina Jobs Economic Development Authority (SCJEDA)  
Texas Assn. of Local Housing Finance Agencies

Below is a list of individuals who helped launch Municipal Bonds for America and currently serve on the coalition's Executive Committee:

Marc Jahr , President, NYC Housing Development Corporation President  
Mayor Steve Benjamin, Columbia, SC  
Harry Black, Director of Finance, City of Baltimore  
Joseph G. Costello, Executive Director, (Chicago-area) Regional Transportation Authority  
Lars Etzkorn, Program Director, National League of Cities  
Marc S. Gerkin, PE, President, American Public Power President  
John Murphy, Executive Director, National Association of Local Housing Finance Agencies  
Toby Rittner, President & CEO, Council of Development Finance Agencies  
Vince Sampson, President, Education Finance Council  
Russell Truell, Chief Financial Officer, Franklin, TN

**About Municipal Bonds for America**

MBFA is a rapidly expanding coalition of organizations and individuals interested in the preservation of tax-exempt bonds. The coalition is educating the Administration and Congress on the municipal market and advocating for sensible rules for municipal bonds. To learn more or to become involved in MBFA activities, please visit the coalition's website at [www.munibondsforamerica.org](http://www.munibondsforamerica.org).