



MEMORANDUM

March 17, 2014

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator *Eric*
Russ Truell, Assistant City Administrator/CFO

SUBJECT: Reimbursement Resolution regarding 2014-2018 Capital Investment Program

Purpose

The purpose of this memorandum is to provide the Board of Mayor and Aldermen (BOMA) with information to consider Resolution 2014-24, a reimbursement resolution identifying capital investment projects approved by the BOMA in the 2014-18 Capital Investment Funding Plan.

Background

The Internal Revenue Service has certain requirements about the timing of expenditures made from tax exempt bond issues. To avoid complications from arbitrage (investing tax exempt bond proceeds at taxable rates), cities must either borrow in advance of a construction project or meet one of three exceptions. The most favorable exception provides that funds be spent on a progressive schedule and must be completely expended within two years.

The City of Franklin staff believes that it is advantageous to issue bonds after a project has begun and, in some cases, long after the project has begun. This allows the City the flexibility of selecting the time in which bond issues are taken to market, and the opportunity to select the size of the issue to minimize the cost of issuance.

The best way to accomplish City borrowing goals and the IRS requirements is to adopt a resolution stating that the City wishes to reimburse itself from future bond proceeds for expenditures that occur prior to issuance of the bonds. The proposed resolution satisfies the requirements of the Internal Revenue Service.

Financial Implications

There is no change in the proposed financing of the CIP projects. This resolution only allows the City the opportunity to reimburse itself from bond proceeds if and when the bonds are issued.

Recommendation

Staff recommends approval of the reimbursement resolution.

Resolution 2014-24

A RESOLUTION DECLARING THE INTENT OF THE CITY OF FRANKLIN TO REIMBURSE ITSELF FOR CERTAIN EXPENDITURES RELATING TO PUBLIC WORKS PROJECTS WITH THE PROCEEDS OF BONDS OR OTHER DEBT OBLIGATIONS TO BE ISSUED BY THE CITY OF FRANKLIN, TENNESSEE IN AN APPROXIMATE AMOUNT OF \$5,000,000.

WHEREAS, it is the intention of the Board of Mayor and Aldermen (the "Governing Body") of the City of Franklin, Tennessee (the "Municipality") to provide funds for the (i) construction of and improvements to roads and sidewalks; (ii) acquisition of land and site development for and the design, construction, renovation, repair and equipping of a fire station; and (iii) payment of legal, fiscal, administrative, architectural and engineering costs incident thereto (the "Projects"); and

WHEREAS, it is the intention of the Governing Body to pay all or a portion of the costs of the Projects by the sale of general obligation bonds (the "Bonds") or other debt obligations of the Municipality; and

WHEREAS, it is anticipated that it will be necessary to make expenditures in payment of costs of the Projects prior to the issuance of the Bonds or other debt obligations of the Municipality; and

WHEREAS, the Governing Body wishes to state its intentions with respect to reimbursements for said expenditures in accordance with the requirements of final regulations applicable thereto promulgated by the United States Department of the Treasury.

NOW, THEREFORE, BE IT RESOLVED by the Board of Mayor and Aldermen of the City of Franklin, Tennessee, as follows:

Section 1. It is reasonably expected that the Municipality will reimburse itself for certain expenditures in an amount not to exceed \$5,000,000 made by the Municipality in connection with the Projects. The Municipality intends to reimburse all such expenditures through issuance of the Bonds or other debt obligations of the Municipality. The expenditures made prior to the issuance of the Bonds or other debt obligations of the Municipality are expected to be paid from the Municipality's General Fund and reimbursement shall be made to said fund. Debt service on the Bonds or other debt obligations issued for the purposes herein is expected to be paid from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality.

Section 2. The approximate principal amount of the Bonds, or other debt obligations of the Municipality, are expected to be issued to finance the Projects is \$5,000,000.

Section 3. This resolution shall be placed in the minutes of the Governing Body and shall be made available for inspection by the general public at the office of the City Recorder.

Section 4. It is the Municipality's reasonable expectation that it will reimburse the original expenditures for the Project, or a portion thereof, from the proceeds of the Bonds or other debt obligations of the Municipality.

2. Section 5. This resolution constitutes a declaration of official intent under Treas. Reg. §1.150-

Section 6. All resolutions or parts of resolutions in conflict herewith are hereby repealed, and this resolution shall be in immediate effect from and after its adoption.

Adopted and approved this 25th day of March, 2014.

Mayor

ATTEST:

City Administrator/Recorder

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