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MEMORANDUM

TO: Common Council
FROM: Jason Kaczmarek, Finance Director/Comptroller
DATE: February 1, 2021
SUBJECT: Ordinance O-2021-0015

The purpose of the proposed ordinance amendment is to properly document authority that has likely existed for decades.

As a matter of background, when a municipality sells bonds with the intention of reimbursing prior expenditures, favorable tax-exempt funding cannot be used unless certain federal laws are followed. In other words, if the City starts spending existing cash on capital projects, it cannot come back afterwards and sell *non-taxable* bonds to cover those costs without first following the reimbursement laws. *Taxable* bonds could be issued regardless of procedure, albeit at a higher rate. Historically the City has used the bond reimbursement process on a regular basis.

The laws under IRS 26 CFR § 1.150-2 require that the City officially document its intention to reimburse expenditures no later than 60 days after payment is made. Authority to make these declarations comes from the laws and policies governing each municipality. In December 1993, the City passed Resolution 24143 (attached) authorizing officials who could make such declarations. However, upon examination, Section 1 was not completed, making the authority ambiguous.

Over the past couple of years, the City Administrator has authorized the City's Declarations of Intent to be Reimbursed. It is also my experience that the Finance Director has such authority. The proposed ordinance amendment clearly defines both positions having this authority, removing the ambiguity of the previous resolution.

Sincerely,

Jason Kaczmarek
Finance Director/Comptroller

Enclosure: *Resolution 24143*

CC: Rebecca Grill, City Administrator
Kail Decker, City Attorney

RESOLUTION NO. 24143

RESOLUTION DESIGNATING OFFICIALS AUTHORIZED TO DECLARE
OFFICIAL INTENT UNDER REIMBURSEMENT BOND REGULATIONS

By Administration & Finance Committee

WHEREAS, The Department of the Treasury has issued final regulations (Treas. Reg. Section 1.150-2) (the "Reimbursement Bond Regulations") that, for the purpose of determining whether interest on certain obligations of a state or local government is excluded from gross income for federal income tax purposes, permit the use of the proceeds of tax exempt obligations to reimburse capital expenditures made prior to the date such obligations are issued, only if the state or local government, within sixty (60) days of the date of expenditure, declares its official intent to reimburse the expenditure with proceeds of a borrowing; and,

WHEREAS, The Reimbursement Bond Regulations apply to tax exempt obligations issued after July 1, 1993, except that such Reimbursement Bond Regulations do not apply to preliminary expenditures, such as architectural, engineering, surveying, soil testing and other similar costs, but not including land acquisition, site preparation and similar costs incident to the commencement of construction, so long as such preliminary expenditures are less than twenty percent (20%) of the issue price of the obligations issued for such property, project or program; and,

WHEREAS, The Reimbursement Bond Regulations require that if a current expenditure is to be permanently financed by a later issue of tax exempt obligations, a state or local government must declare its intention to reimburse itself for the expenditure from proceeds of a borrowing within sixty (60) days from when the expenditure is made (the "Declaration of Official Intent"); and,

WHEREAS, The Reimbursement Bond Regulations permit a state or local government to designate an official or employee to make a Declaration of Official Intent on its behalf; and,

WHEREAS, The Common Council (the "Governing Body") of the City of West Allis (the "Issuer") deems it to be necessary, desirable and in the best interest of the Issuer to authorize an official or officials, or employee or employees, of the Issuer to make a Declaration of Official Intent on its behalf when the Issuer reasonably expects to reimburse itself from the proceeds of a borrowing for certain expenditures for a specific property, project or program, which it pays from other funds prior to the receipt of the proceeds of the borrowing with respect to such expenditures, the nature of these expenditures being one of the following: a capital expenditure, a cost of issuance for a bond, an expenditure relating to certain extraordinary working capital items, a grant, a qualified student loan, a qualified mortgage loan or a qualified veterans' mortgage loan; and,

WHEREAS, The Governing Body hereby finds and determines that designating an official or officials, or employee or employees, with the authority to make a Declaration of Official Intent, will facilitate compliance with the Reimbursement Bond Regulations.

NOW, THEREFORE, BE IT RESOLVED By the Governing Body of the Issuer, pursuant to Treas. Reg. Section 1.150-2(e)(1), that:

Section 1. Authorization to Declare Official Intent. The following officials or employees of the Issuer are hereby authorized and designated to make a Declaration of Official Intent, pursuant to the above referenced Reimbursement Bond Regulations:

Section 2. Form of Declaration. Any such Declaration of Official Intent shall be made in substantially the form attached hereto.

Section 3. Public Availability. Any Declaration of Official Intent shall be maintained in the files of the Issuer and shall be made available for public inspection, in compliance with applicable state law governing the availability of records of official acts of the Governing Body, including Subchapter II of Chapter 19 of the Wisconsin Statutes (the "Public Records Law").

Section 4. Further Authorizations. The officials or employees authorized and designated above are each hereby further authorized to take such other actions as may be necessary or desirable to comply or evidence compliance with the Reimbursement Bond Regulations.

Section 5. Effective Date. This Resolution shall take effect immediately upon its adoption and approval.

Adopted: Dec. 21, 1993

Eldon M. Briska
City Clerk

Approved: 12-22, 1993

John Innes
Mayor