

## **RESOLUTION NO. 2010-542**

Adopted by the Sacramento City Council

September 7, 2010

### **AUTHORIZE THE EXPENDITURE OF FUNDS IN AN AMOUNT NOT TO EXCEED \$680,000.00 TO PAY ARBITRAGE REBATE TO THE INTERNAL REVENUE SERVICE (IRS) FOR THE 1995 GAS TAX REVENUE BONDS**

#### **BACKGROUND:**

- A. In April 1995, City Council authorized the issuance and sale of the 1995 Gas Tax Revenue Bonds. Proceeds of the sale were used to pay costs of acquisition and construction of the 1995 Street Improvement Project and related costs of issuance.
- B. Federal regulations require that positive arbitrage earnings be rebated to the federal government. Every five years, the City is required to report any arbitrage liability to the IRS and to pay the rebate amount owed. Failure to comply with federal rebate requirements could lead to substantial late-filing penalties and interest, as well as the potential loss of tax-exempt status for the bonds. (26 C.F.R. § 1.148-3.)
- C. Approval of this funding permits the City Treasurer to comply with federal regulations and the 1995 Gas Tax Bonds Tax Certificate.

#### **BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1. The City Council hereby authorizes the expenditures of funds in an amount not to exceed \$680,000.00 from the Gas Tax Fund (2002) to pay the accumulated rebate liabilities and interest to the IRS.
- Section 2. The City Treasurer is hereby authorized to modify the payment to the IRS based on the actual rebate liability and interest due at the time of payment and as needed to carry out the intent of the payment in accordance with IRS regulations and City Policy.
- Section 3. The Finance Director is hereby authorized to: 1) allocate funds as deemed necessary to equitably distribute the liability between the Gas Tax (2002) and other benefitting funds as identified in the future; and 2) adjust project budgets in the Gas Tax Fund (2002) as may be necessary to make the required payment.
- Section 4. This resolution takes effect immediately upon its adoption.

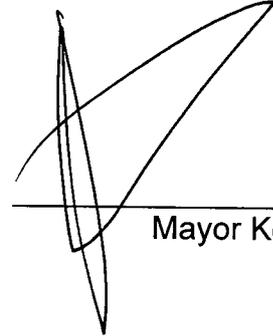
Adopted by the City of Sacramento City Council on September 7, 2010 by the following vote:

Ayes: Councilmembers Cohn, Hammond, McCarty, Pannell, Tretheway, and Mayor Johnson.

Noes: None.

Abstain: None.

Absent: Councilmembers Fong, Sheedy, and Waters.



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Mayor Kevin Johnson

Attest:

*Shirley Concolino*  
Shirley Concolino, City Clerk