

Meeting Date: 9/6/2016

Report Type: Consent

Report ID: 2016-00892

Title: Declaration of Official Intent to Reimburse the City from Bond Proceeds for Certain Expenditures Related to Wastewater-System Improvements

Location: Citywide

Recommendation: Pass a Resolution declaring the City's "official intent" to reimburse itself from bond proceeds for certain expenditures related to wastewater-system improvements.

Contact: John Colville, Interim City Treasurer, (916) 808-8297; Brian Wong, Debt Manager, (916) 808-5811, Office of the City Treasurer

Presenter: None

Department: City Treasurer

Division: City Treasurer

Dept ID: 05001011

Attachments:

1-Description/Analysis

2-Official-Intent Resolution for Wastewater Revenue Bonds

City Attorney Review

Approved as to Form

Joseph Cerullo

8/29/2016 4:52:48 PM

Approvals/Acknowledgements

Department Director or Designee: John Colville - 8/24/2016 9:15:28 AM

Description/Analysis

Issue Detail: On March 29, 2016, the City Council approved the Department of Utilities' proposal to raise wastewater rates by 9% annually during Fiscal Years 2016/17, 2017/18, 2019/19, and 2019/20. The rate increase will help pay debt-service obligations associated with bonds that may be issued to finance various projects that will rehabilitate and improve the City's wastewater-system infrastructure (the "**Wastewater Projects**"). For Fiscal Years 2017/18 through 2019/20, the Wastewater Projects to be financed include but are not limited to rehabilitation or replacement of combined- and separated-system pipes and appurtenances; rehabilitation of sumps and treatment facilities; and combined-system capacity improvements. The financing would also include support activities for the Wastewater Projects, and planning, project development, and design of the Wastewater Projects.

The City expects to pay certain expenditures in connection with the Wastewater Projects before bonds are issued and to use a portion of the bond proceeds to reimburse those expenditures. The proposed resolution declaring the City's "official intent" to reimburse itself from the bond proceeds is required by Section 1.150-2 of the Treasury Regulations ("**Section 1.150-2**") for the bonds to be exempted from federal rebate requirements and arbitrage-yield restrictions.

Policy Considerations: The sole purpose of the resolution is to comply with Section 1.150-2.

Environmental Considerations: Not applicable

Sustainability Considerations: None

Commission/Committee Action: Not applicable

Rationale for Recommendation: Adoption of the proposed resolution enables the City to reimburse itself for qualified costs paid any time on or after the 60th day *before the date of adoption* so long as reimbursement occurs no later than three years after the costs are incurred. Without the resolution, Section 1.150-2 restricts reimbursement to qualified Project costs incurred on or after the 60th day *before approval of the bonds*.

Financial Considerations: Adoption of the resolution will benefit the City by satisfying Section 1.150-2, thereby allowing the use of bond proceeds to reimburse the Wastewater Fund for all qualified costs incurred on or after the 60th day before adoption. Importantly, adoption does not entail any financial costs for the City and does not bind the City to make expenditures, incur any indebtedness, or proceed with the Wastewater Projects.

Local Business Enterprises (LBE): Not applicable

RESOLUTION NO. 2016-_____

Adopted by the Sacramento City Council

September 6, 2016

DECLARATION OF OFFICIAL INTENT TO REIMBURSE THE CITY FROM THE PROCEEDS OF AN OBLIGATION FOR CERTAIN EXPENDITURES RELATED TO WASTEWATER-SYSTEM IMPROVEMENTS

BACKGROUND

- A. The City, acting through its Department of Utilities, desires to finance the costs of certain improvements to its Wastewater System (the “**Project**”). The City intends to finance the Project or portions of the Project with the proceeds of wastewater-revenue bonds, the interest on which will be exempt from income taxation under the U. S. Internal Revenue Code (the “**Bonds**”). The aggregate maximum principal amount of the Bonds is not expected to exceed \$53,500,000.
- B. The City expects to pay, from the City’s Wastewater System Net Revenues, certain expenditures in connection with the Project before the Bonds are issued (the “**Original Expenditures**”) and to use a portion of the proceeds of the Bonds to reimburse itself for the Original Expenditures.
- C. Section 1.150-2 of the United States Treasury Regulations (“**Section 1.150-2**”) requires the City to declare its reasonable “official intent” to reimburse itself with the proceeds of the Bonds (i.e., the “proceeds of an obligation”) for Project expenditures it expects to pay before the Bonds are issued.
- D. The City Council is fully advised in this matter.

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

- Section 1. The City Council finds that the statements in the Background are true.
- Section 2. The City hereby declares its official intent to use proceeds of an obligation, i.e., proceeds of the Bonds, to reimburse itself for the Original Expenditures.
- Section 3. This resolution is adopted solely for purposes of establishing compliance with Section 1.150-2. It does not bind the City to make any expenditure, incur any indebtedness, or proceed with the Project.
- Section 4. This resolution takes effect when adopted.