



## City Council Report

915 I Street, 1<sup>st</sup> Floor

Sacramento, CA 95814

[www.cityofsacramento.org](http://www.cityofsacramento.org)

---

**File ID:** 2019-01269

September 10, 2019

**Consent Item 05**

---

**Title:** Declaration of Official Intent to Reimburse the City from Bond Proceeds for Certain Expenditures Related to the North Natomas Aquatic Center Complex

**Location:** District 1

**Recommendation:** Adopt a Resolution declaring the City's "official intent" to reimburse itself from bond proceeds for certain expenditures associated with the North Natomas Aquatic Center Complex.

**Contact:** Brian Wong, Debt Manager, (916) 808-5811, Office of the City Treasurer

**Presenter:** None

**Attachments:**

1-Description/Analysis

2-Resolution

## Description/Analysis

**Issue Detail:** On August 13, 2019, the City Council approved the plans and specifications, contract supplement, funding agreement, and budgetary adjustments for the North Natomas Aquatic Center Complex (the Project). The City Council also discussed three options for addressing a \$14.4 million gap in funding for the Project, selecting Option 2: a short-term loan from the Water Fund that will be repaid from the proceeds of lease-revenue bonds to be issued in calendar year 2020.

To take advantage of a proposed “guaranteed maximum price” contract for the Project, construction must begin, and the City must start paying the Project costs, long before the planned issuance of bonds. After the bonds are issued next year, the City intends to reimburse itself for those costs from the bond proceeds.

Under these circumstances, interest on the bonds will be exempt from federal taxation only if the City Council adopts the proposed resolution declaring the City’s “official intent” to reimburse itself from the bond proceeds, as required by section 1.150-2 of the Treasury Regulations (Section 1.150-2). Adoption of the resolution will allow the City to reimburse itself for Project costs paid after a date that is 60 days before the resolution is adopted.

**Policy Considerations:** The resolution is needed solely to comply with Section 1.150-2. It does not bind the City to make any expenditure, incur any indebtedness, or proceed with the Project.

**Economic Impacts:** Not applicable.

**Environmental Considerations:** Not applicable.

**Sustainability:** Not applicable.

**Commission/Committee Action:** Not applicable.

**Rationale for Recommendation:** If the City desires to reimburse itself for Project costs it pays before issuance of the bonds, then under Section 1.150-2 the interest on the bonds will be exempt from federal taxation only if the City Council has declared its “official intent” to reimburse those costs.

**Financial Considerations:** There are no financial considerations with the proposed actions. Any reimbursement to the City will only occur after the lease-revenue bonds have been issued. The Project contracts will comply with the City’s procurement policy.

**Local Business Enterprise (LBE):** Not applicable.

## RESOLUTION NO. 2019-\_\_\_\_\_

Adopted by the Sacramento City Council

September 10, 2019

### DECLARATION OF OFFICIAL INTENT TO REIMBURSE EXPENDITURES FROM PROCEEDS OF AN OBLIGATION IN CONNECTION WITH THE NORTH NATOMAS AQUATIC CENTER COMPLEX PROJECT

#### BACKGROUND:

- A. The City desires to finance the construction of the North Natomas Aquatic Center Complex (the “**Project**”).
- B. To finance, on a long-term basis, the costs associated with the Project, the City reasonably expects to issue lease-revenue bonds or other obligations, the interest on which is to be exempt from income taxation under the United States Internal Revenue Code (the “**Bonds**”). The maximum principal amount of the Bonds is not expected to exceed \$125,000,000.
- C. The City reasonably expects (1) to pay from its general fund or other available funds, before issuance of the Bonds, certain costs in connection with the Project (the “**Original Expenditures**”); and (2) to use a portion of the proceeds of the Bonds (i.e., the “proceeds of an obligation”) to reimburse itself for the Original Expenditures.
- D. 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 for the Original Expenditures with the proceeds of the Bonds.
- E. 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 the proceeds of an obligation, i.e., the 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.