

**TO: Mayor and City Council**

**FROM: Lanell Endres, Finance Director/Assistant City Administrator**

**SUBJECT: Reimbursement Resolution for Alexander Court**

**MEETING DATE: September 5, 2017**

### **BACKGROUND**

The City Council approved the construction of Alexander Court on April 18, 2017. The long-term financing plan for this project is to use the City portion of tax abatements from the GrandStay Hotel development plus assessments levied against Southview Acres. The short-term financing of the project will include an interfund loan from the General Fund to the construction fund with the option to include this project in a larger bond issuance if one were to occur within 18 months from the payment. If a bond issuance does not take place, the General Fund would be paid back through the tax abatements and special assessments for up to 15 years. If a bond issuance does occur, the General Fund would be paid back from the bond proceeds with the tax abatements and special assessments being used toward the bond payments. This financing plan requires adoption of two resolutions. The resolution authorizing the declaration of intent to reimburse expenditures from bonds is under consideration at this meeting due to the timeline requirements necessary to allow the City the option to include these costs in a future bond. The resolution regarding the interfund loan will be brought forward at a future meeting once additional information regarding the tax abatement and assessment annual amounts are received.

### **STAFF RECOMMENDATION AND REQUESTED COUNCIL ACTION**

Staff respectfully recommends Council adoption of the resolution establishing procedures relating to compliance with reimbursement bond regulations for the Alexander Court project.

Enclosed document:

Resolution

**CITY OF CANNON FALLS  
GOODHUE COUNTY, MINNESOTA**

**RESOLUTION NUMBER 2293**

**RESOLUTION ESTABLISHING PROCEDURES  
RELATING TO COMPLIANCE WITH REIMBURSEMENT BOND  
REGULATIONS UNDER THE INTERNAL REVENUE CODE**

BE IT RESOLVED by the City Council (the "Council") of the City of Cannon Falls, Minnesota (the "City"), as follows:

1. Recitals.

(a) The Internal Revenue Service has issued Treasury Regulations, Section 1.150-2 (as the same may be amended or supplemented, the "Regulations"), dealing with "reimbursement bond" proceeds, being proceeds of bonds used to reimburse the City for any project expenditure paid by the City prior to the time of the issuance of those bonds.

(b) The Regulations generally require that the City (as the issuer of or the primary obligor under the bonds) make a declaration of intent to reimburse itself for such prior expenditures out of the proceeds of subsequently issued bonds, that such declaration be made not later than 60 days after the expenditure is actually paid, and that the bonding occur and the written reimbursement allocation be made from the proceeds of such bonds within 18 months after the later of (1) the date of payment of the expenditure or (2) the date the project is placed in service (but in no event more than 3 years after actual payment).

(c) The City heretofore implemented procedures for compliance with the predecessor versions of the Regulations and desires to amend and supplement those procedures to ensure compliance with the Regulations.

(d) The City's bond counsel has advised the City that the Regulations do not apply, and hence the provisions of this Resolution are intended to have no application, to payments of City project costs first made by the City out of the proceeds of bonds issued prior to the date of such payments.

2. Official Intent Declaration. The Regulations, in the situations in which they apply, require the City to have declared an official intent (the "Declaration") to reimburse itself for previously paid project expenditures out of the proceeds of subsequently issued bonds. The Council hereby authorizes the Finance Director to make the City's Declarations or to delegate from time to time that responsibility to other appropriate City employees. Each Declaration shall comply with the requirements of the Regulations, including without limitation the following:

(a) Each Declaration shall be made not later than 60 days after payment of the applicable project cost and shall state that the City reasonably expects to reimburse itself for the expenditure out of the proceeds of a bond issue or similar borrowing. Each

Declaration may be made substantially in the form of the Exhibit A which is attached to and made a part of this Resolution, or in any other format which may at the time comply with the Regulations.

(b) Each Declaration shall (1) contain a reasonably accurate description of the "project," as defined in the Regulations (which may include the property or program to be financed, as applicable), to which the expenditure relates and (2) state the maximum principal amount of bonding expected to be issued for that project.

(c) Care shall be taken so that the City, or its authorized representatives under this Resolution, not make Declarations in cases where the City doesn't reasonably expect that reimbursement bonds will be issued to finance the subject project costs, and the City officials are hereby authorized to consult with bond counsel to the City concerning the requirements of the Regulations and their application in particular circumstances.

(d) The Council shall be advised from time to time on the desirability and timing of the issuance of reimbursement bonds relating to project expenditures for which the City has made Declarations.

3. Reimbursement Allocations. If the City is acting as the issuer of the reimbursement bonds, the designated City officials shall also be responsible for making the "reimbursement allocations" described in the Regulations, being generally written allocations that evidence the City's use of the applicable bond proceeds to reimburse the original expenditures.

4. Effect. This Resolution shall amend and supplement all prior resolutions and/or procedures adopted by the City for compliance with the Regulations (or their predecessor versions), and, henceforth, in the event of any inconsistency, the provisions of this Resolution shall apply and govern.

Adopted on September 5, 2017, by the City Council of the City of Cannon Falls, Minnesota.

**CITY OF CANNON FALLS**

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Lyman M. Robinson, Mayor

ATTEST: \_\_\_\_\_  
Ronald S. Johnson, City Administrator

### **CERTIFICATION**

The undersigned, being the duly qualified and acting Administrator of the City of Cannon Falls, Minnesota, hereby certifies the following:

The foregoing is true and correct copy of a Resolution on file and of official, publicly available record in the offices of the City, which Resolution relates to procedures of the City for compliance with certain IRS Regulations on reimbursement bonds. Said Resolution was duly adopted by the governing body of the City (the "Council") at a regular meeting of the Council held on September 5, 2017. The Council meeting was duly called, regularly held, open to the public, and held at the place at which meetings of the Council are regularly held.

Councilmember \_\_\_\_\_ moved the adoption of the Resolution, which motion was seconded by Councilmember \_\_\_\_\_. A vote being taken on the motion, the following members of the Council voted in favor of the motion to adopt the Resolution:

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and the following voted against the same: \_\_\_\_\_.

Whereupon said Resolution was declared duly passed and adopted. The Resolution is in full force and effect and no action has been taken by the Council which would in any way alter or amend the Resolution.

WITNESS MY HAND officially as the Administrator of the City of Cannon Falls, Minnesota, on September 5, 2017.

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Administrator  
City of Cannon Falls, Minnesota

## EXHIBIT A

### Declaration of Official Intent

The undersigned, being the duly appointed and acting Finance Director of the City of Cannon Falls, Minnesota (the "City"), pursuant to and for purposes of compliance with Treasury Regulations, Section 1.150-2 (the "Regulations"), under the Internal Revenue Code of 1986, as amended, hereby states and certifies on behalf of the City as follows:

1. The undersigned has been and is on the date hereof duly authorized by the City Council of the City to make and execute this Declaration of Official Intent (the "Declaration") for and on behalf of the City.

2. This Declaration relates to the following project, property or program (the "Project") and the costs thereof to be financed:

*The construction of Alexander Court at a cost not expected to exceed \$250,000.*

3. The City reasonably expects to reimburse itself for the payment of certain costs of the Project out of the proceeds of a bond issue or similar borrowing (the "Bonds") to be issued after the date of payment of such costs. As of the date hereof, the City reasonably expects that \$250,000 is the maximum principal amount of the Bonds which will be issued to finance the Project.

4. Each expenditure to be reimbursed from the Bonds is or will be a capital expenditure or a cost of issuance, or any of the other types of expenditures described in Section 1.150-2(d)(3) of the Regulations.

5. As of the date hereof, the statements and expectations contained in this Declaration are believed to be reasonable and accurate.

Date: September 5, 2017.

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Finance Director  
City of Cannon Falls, Minnesota