



Legislation Text

File #: RES 14-559, **Version:** 1

Declaring the official intent of the City of Saint Paul to reimburse certain expenditures from the proceeds of a Water Revenue Note, Series 2014 to be issued by the City, and giving preliminary approval to the issuance by the City of its Water Revenue Note, Series 2014.

WHEREAS, the Internal Revenue Service has issued Treas. Reg. § 1.150-2 (the "Reimbursement Regulations") providing that proceeds of tax-exempt bonds used to reimburse prior expenditures will not be deemed spent unless certain requirements are met; and

WHEREAS, the City of Saint Paul, Minnesota (the "City"), a duly organized and existing home rule charter city organized and existing under its charter and the Constitution and laws of the State of Minnesota, has received a request from the Board of Water Commissioners of the City of Saint Paul (the "Water Board") for the City to issue a Water Revenue Note, Series 2014 (the "Series 2014 Note"), in the original aggregate principal amount estimated not to exceed \$2,200,000; and

WHEREAS, the request of the Water Board for the City to issue the Series 2014 Note was formally made pursuant to a resolution of the Water Board adopted on March 12, 2013; and

WHEREAS, the Water Board will fund the purchase and installation of a sludge filter press and appurtenances with proceeds of the sale of the Series 2014 Note (the "2014 Project"); and

WHEREAS, the City expects to incur certain expenditures for the 2014 Project that may be financed temporarily from sources other than proceeds of the Series 2014 Note and reimbursed from the proceeds of the Series 2014 Note; and

WHEREAS, the City has determined to make this declaration of official intent to reimburse certain costs from proceeds of the Series 2014 Note or other tax-exempt bonds or other obligations in accordance with the Reimbursement Regulations; and

WHEREAS, the Director, Office of Financial Services and City Debt Manager in consultation with Springsted Incorporated ("Springsted"), financial advisor to the City, and Water Board staff have determined that it is beneficial to the City to enter into negotiations with the Minnesota Public Facilities Authority (the "PFA") to purchase the Series 2014 Note; and

WHEREAS, the PFA has indicated to City staff, Water Board staff and Springsted, that the PFA will purchase the Series 2014 Note at an interest rate than is substantially less than the interest rate that the City could achieve for the Series 2014 Note if it were to be offered for sale to the public; and

WHEREAS, the PFA provides below market loans to municipalities such as the City pursuant for certain drinking water projects and the Water Board has made an application to the PFA for the 2014 Project; and

WHEREAS, the PFA will purchase the Series 2014 Note pursuant to the terms of a Bond Purchase and Project Loan Agreement (the "MPFA Loan Agreement") between the City and the PFA, and, if necessary, the Water Board; and

WHEREAS, the Director, Office of Financial Services recommends the City proceed to issue the Series 2014 Note in an amount not to exceed \$2,200,000; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SAINT PAUL, MINNESOTA, AS FOLLOWS:

1. The City proposes to pay all or a portion of the costs of the 2014 Project from proceeds of the Series 2014 Note in an amount not to exceed \$2,200,000.
2. The City reasonably expects to reimburse the expenditures made for certain costs of the 2014 Project from the proceeds of the Series 2014 Note. All reimbursed expenditures will be capital expenditures, costs of issuance of the Series 2014 Note, or other expenditures eligible for reimbursement under Section 1.150-2(d)(3) of the Reimbursement Regulations.
3. This Resolution has been made not later than 60 days after payment of any original expenditure to

be subject to a reimbursement allocation with respect to the proceeds of the Series 2014 Note or other obligations, except for the following expenditures: (a) costs of issuance of bonds or other obligations; (b) costs in an amount not in excess of \$100,000 or 5 percent of the proceeds of an issue of bonds or other obligations; or (c) "preliminary expenditures" up to an amount not in excess of 20 percent of the aggregate issue price of the issue or issues that finance or are reasonably expected by the City to finance the project for which the preliminary expenditures were incurred. The term "preliminary expenditures" includes architectural, engineering, surveying, bond issuance, and similar costs that are incurred prior to commencement of acquisition, construction or rehabilitation of a project, other than land acquisition, site preparation, and similar costs incident to commencement of construction.

4. This Resolution is an expression of the reasonable expectations of the City based on the facts and circumstances known to the City as of the date hereof. The anticipated original expenditures for the 2014 Project and the principal amount of the Series 2014 Note described herein are consistent with the City's budgetary and financial circumstances. No sources other than proceeds of tax-exempt bonds or other obligations to be issued by the City are, or are reasonably expected to be, reserved, allocated on a long-term basis, or otherwise set aside pursuant to the City's budget or financial policies to pay expenditure for the 2014 Project.

5. This Resolution is intended to constitute a declaration of official intent for purposes of the Reimbursement Regulations.

6. Preliminary approval is hereby granted for the issuance of the Series 2014 Note, in an original aggregate principal amount not to exceed \$2,200,000. The Director, Office of Financial Services and the City Debt Manager, and Springsted are hereby authorized to enter into negotiations with PFA as to the terms of and interest rate for the Series 2014 Note. The Series 2014 Note shall be issued as a fixed rate debt instrument with a final maturity date of not more than 21 years. The City Council of the City will consider a final bond resolution at a later date setting forth the final terms of the Series 2014 Note and formally authorizing the issuance and sale thereof to PFA.

7. Any of the Mayor (or his designee), the Director, Office of Financial Services (or his designee) and other officers of the City, as required, are authorized to execute any documents necessary (including the MPFA Loan Agreement) in order to establish the interest rate with respect to the Series 2014 Note so that the City may achieve the lowest cost of financing for the 2014 Project. In the event that the Mayor (or his designee), or the Director, Office of Financial Services (or his designee) are unavailable to execute such necessary documents, any other councilmember, officer or employee of the City is authorized to execute such documents as determined by the Saint Paul City Attorney's Office.

8. Springsted is hereby appointed financial advisor to the City with respect to the Series 2014 Note and Kennedy & Graven, Chartered is appointed to serve as Bond Counsel to the City with respect to the issuance of the Series 2014 Note.