

**COUNCIL ACTION FORM**

**SUBJECT: ESSENTIAL CORPORATE PURPOSE GENERAL OBLIGATION BONDS FEDERAL REIMBURSEMENT REGULATION RESOLUTION FOR ISU RESEARCH PARK INFRASTRUCTURE IMPROVEMENTS AND AIRPORT TERMINAL PROJECTS**

**BACKGROUND:**

On November 10, 2014, City Council approved the Urban Renewal Plan and Tax Increment Financing Ordinance for the expansion of the Iowa State University Research Park (ISURP). The City's portion of the funding for this project will be from the proceeds of General Obligation bonds that will be issued in FY 2015/16 and a RISE Grant from the Iowa DOT. Due to the timing of the ISURP project, work is expected to begin well prior to the issuance of bonds.

The Airport Terminal Building project will be funded from bonds that will be issued in FY 2015/16. This work is also expected to begin work prior to the issuance of bonds.

Internal Revenue regulations place restrictions on the use of proceeds of non-taxable general obligation bonds, including the timing of spending. Limited spending is allowed to be reimbursed from bond proceeds for certain preliminary work related to planning capital projects. In the case of the ISURP and Airport Terminal projects, the City plans to begin project work prior to the bond issuance and to reimburse the expenses from the bond proceeds. To begin the project as early as possible and maintain the tax exempt status of the general obligation bonds used to fund the ISURP and Airport Terminal projects, the City Council may pass a reimbursement resolution not more than 60 days after beginning project construction work. Bonds must be issued not later than 18 months after the date of first expenditures.

Project expenditures expected to be reimbursed by a future bond issue are as follows:

	<b><u>ISURP</u></b>	<b><u>Airport Terminal</u></b>
Engineering and Design	\$ 480,000	\$ 140,000
Project Construction	\$ <u>446,100</u>	\$ <u>560,000</u>
Total	\$ 926,100	\$ 700,000

City staff plans for a G.O. Bond issue in early FY 2015/16 to fund CIP projects in the budget adopted by the Council at the March 3, 2015 meeting. Reimbursement for the ISURP and Airport Terminal project costs incurred prior to the bond issue will be reimbursed from proceeds of the G.O. bond issue. Please note that Council has held a

public hearing but has made no commitment to issue bonds. If a G.O. bond issue is not made to reimburse the ISURP and Airport Terminal expenditures, funding will need to come from another source. Additionally, staff is still working with the City's bond counsel and financial advisor to determine if a taxable or non-taxable issue will be the best option to fund the Airport Terminal Project.

**ALTERNATIVES:**

1. The City Council can adopt a reimbursement resolution providing official notice of intent to reimburse prior expenditures for the ISU Research Park and Airport Terminal projects from the proceeds of an upcoming bond issue.
2. The Council can reject the reimbursement resolution. Expenditures on the ISU Research Park and Airport Terminal projects will be limited to certain preliminary work and may delay completion of the projects. Delays in infrastructure improvements may also delay the addition of incremental property revenues used to repay the debt for the improvements at the ISU Research Park.

**MANAGER'S RECOMMENDED ACTION:**

Adoption of a reimbursement resolution will assure that City staff can proceed as quickly as possible with the ISU Research Park infrastructure improvements to accomplish the Council-adopted Urban Renewal Plan and support expansion of property tax base and employment in the ISU Research Park Tax Increment Financing district. Adoption will also provide for timely completion of the Airport Terminal project.

Therefore, it is the recommendation of the City Manager that the City Council approve Alternative No. 1 as stated above.