



# City of San Antonio

## Agenda Memorandum

**File Number:**17-6111

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**Agenda Item Number:** 29.

**Agenda Date:** 11/30/2017

**In Control:** City Council A Session

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**DEPARTMENT:** Finance

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** City-wide

### **SUBJECT:**

A Resolution authorizing reimbursement of funds previously expended from the proceeds of a future Master Tax-Exempt Lease/Purchase Agreement for equipment for various departments to be entered into by and between the City of San Antonio and a financial institution selected by the City; and enacting other provisions incident and related to the subject and purpose of this Resolution

### **SUMMARY:**

This Resolution authorizes reimbursement of funds previously expended from the proceeds of a future Master Tax-Exempt Lease/Purchase Agreement for equipment for various departments to be entered into by and between the City of San Antonio and a financial institution selected by the City; and enacts other provisions incident and related to the subject and purpose of this Resolution.

### **BACKGROUND INFORMATION:**

Approval of this Reimbursement Resolution will enable the City to reimburse itself for project expenditures of up to \$17,000,000 for Fire equipment, Solid Waste equipment, and a police helicopter to be funded by proceeds of a 2018 Master Tax-Exempt Lease Purchase Agreement but expended prior to receipt of lease proceeds.

The Texas Government Code, as amended, provides that proceeds from the sale of public securities, such as the lease proceeds, that are issued to finance the acquisition, construction, equipping, or furnishing of any project or facilities, may be used to reimburse the issuer, for costs attributable to such project or facilities paid or incurred before the date of issuance of such obligations.

The United States Department of Treasury Regulation Section 1.150-2 establishes when the proceeds of

obligations are spent and therefore are no longer subject to various federal income tax restrictions contained in the Internal Revenue Code of 1986, as amended (the “Code”). This Reimbursement Resolution is necessary to meet the requirements of the Code as the City intends to reimburse itself for the prior lawful capital expenditure of funds from the proceeds of the 2018 Master Tax-Exempt Lease.

The City is planning to release a Request for Bid for Tax-Exempt Equipment Lease/Purchase financing in January 2018 to fund bunker gear, direct capture filtration systems, an ambulance, and fire trucks for the Fire Department; trucks and trailers for the Solid Waste Department; and a helicopter for the Police Department. The Lease will be awarded to the firm that provides the lowest interest rate producing the lowest interest cost to the City over the life of the Lease and whose terms and conditions are consistent with the City’s objectives.

**ISSUE:**

The aforementioned resolution will fund equipment that has been approved in the FY 2018 Adopted Capital Budget and amendments. The payments for the Lease have been budgeted in each respective departmental operating budget.

**ALTERNATIVES:**

The costs could be absorbed into the City’s operating budget; however, this alternative is not budgeted and would negatively impact funding for other services and improvements.

**FISCAL IMPACT:**

All costs pertaining to the 2018 Master Tax-Exempt Lease Purchase Agreement will be reimbursed from the proceeds received by the City from the transaction. Therefore, there is no impact on the City’s Operating Budget.

**RECOMMENDATION:**

Staff recommends approval of this Reimbursement Resolution.