

## MEMORANDUM

TO: City Council

FROM: David J. Deutsch  
City Manager

SUBJECT: R-12-09, Declaration of Official Intent to reimburse from the proceeds of debt expenditures made in connection with the construction of the new City Hall

DATE: February 26, 2009

On February 23, 2009, the City Council was provided an overview of the bond issuance process by the City's Financial Advisor and Bond Counsel. The joint presentation described the necessary actions to be taken in connection with the issuance of general obligation bonds.

As part of the presentation, Bond Counsel advised the City Council to pass a resolution declaring the City's official intent to reimburse from bond proceeds prior expenditures made for the construction of the new City Hall. U. S. Treasury regulations state that local governments funding expenditures intended to be reimbursed from bond proceeds must make a declaration of official intent in order to qualify such expenditures for reimbursement.

Passage of Resolution R-12-09, Declaration of Official Intent (DOOI) will allow the City to reimburse itself from bond proceeds for expenditures incurred prior to the actual sale of the bonds. As was explained by Bond Counsel, this is a typical and customary action to be taken in anticipation of the issuance of general obligation bonds.

Resolution R-12-09 states a maximum principal amount of obligations to be issued of \$25 million. Passage of the DOOI does not commit the City or authorize the issuance of bonds in this amount. According to Bond Counsel, the maximum amount stated in the DOOI is typically larger than the final amount borrowed. The City Council preserves its flexibility in financing the project by setting a maximum amount that is larger than anticipated at this time. The tentative financing schedule anticipates the introduction of a bond ordinance in May 2009, at which time the actual maximum amount to be borrowed will be established by City Council.

The City's Financial Advisor will assist staff in developing a detailed financing plan for the project, including the recommended amount of the bond issue. These financing details will be provided in the FY2010 Proposed Budget, scheduled for distribution to the City Council on April 9, 2009.

Resolution R-12-09 declares the City's official intent to reimburse prior expenditures incurred for the construction of the new City Hall from the proceeds of a general obligation bond issue. Council's approval of Resolution R-12-09 is recommended.

DJD/rsp

**RESOLUTION**  
**OF THE COUNCIL OF THE CITY OF BOWIE, MARYLAND**  
**FOR THE PURPOSE OF MAKING A DECLARATION OF OFFICIAL INTENT**  
**PURSUANT TO U.S. TREASURY REGULATION SECTION 1.150-2 REGARDING THE**  
**CITY OF BOWIE’S INTENTION TO REIMBURSE FROM THE PROCEEDS OF ONE OR**  
**MORE OBLIGATIONS TO BE ISSUED BY THE CITY PRIOR EXPENDITURES MADE**  
**IN CONNECTION WITH THE ACQUISITION, CONSTRUCTION, IMPROVEMENT,**  
**FURNISHING AND EQUIPPING OF A NEW CITY HALL**

WHEREAS, The City of Bowie (the “City”) has determined to acquire, construct, improve, furnish and equip a City Hall and, in connection with the foregoing, to acquire or pay for, as applicable, necessary property rights and equipment, related site and utility improvements, related architectural, financial, legal, planning, design, engineering, acquisition, construction, improvement, installation and equipping expenses, and costs of issuance (collectively, the “Project”); and

WHEREAS, the City anticipates borrowing money to finance a portion of the overall Project costs, such borrowing to be evidenced by one or more general obligation bonds or other evidences of indebtedness (the “Bonds”) issued by the City; and

WHEREAS, the City reasonably expects to spend City funds on Project costs prior to issuance of the Bonds, and (i) to reimburse the City from proceeds of the Bonds for all or a portion of such moneys expended, and/or (ii) to use Bond proceeds to refinance any interim borrowing incurred by the City that is applied to reimburse the City for prior Project expenditures; and

WHEREAS, Section 1.150-2 of the U.S. Treasury Regulations (the “Reimbursement Regulations”) provides that local governments funding “original expenditures” intended to be reimbursed from the proceeds of “obligations” must make a declaration of “official intent” in

order to qualify such original expenditures for reimbursement from a “reimbursement bond”, all within the meaning of the Reimbursement Regulations; and

WHEREAS, the City wishes to adopt this Resolution for the purpose of evidencing the clear and official intent of the City to reimburse from reimbursement bond proceeds original expenditures made in connection with the Project.

NOW, THEREFORE, BE IT HEREBY RESOLVED by the City Council of the City of Bowie, Maryland, that:

1. In accordance with the Reimbursement Regulations, the City hereby makes this declaration of official intent to expend money on the Project prior to the issuance of the Bonds (or any interim financing incurred in anticipation of the Bonds) and to utilize the proceeds of the Bonds (or such interim financing) to reimburse such original expenditures.
2. This Resolution is intended to be a declaration of official intent within the meaning of the Reimbursement Regulations.
3. The maximum principal amount of obligations expected to be issued for the Project is Twenty-five Million Dollars (\$25,000,000.00).
4. This Resolution shall become effective immediately upon its adoption.

INTRODUCED AND PASSED by the Council of the City of Bowie, Maryland at their meeting on March 2, 2009.

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G. Frederick Robinson  
Mayor

Attest:

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Pamela A. Fleming  
City Clerk