

**CITY OF LEXINGTON  
COUNTY OF ANOKA  
STATE OF MINNESOTA**

**RESOLUTION NO. 22-03**

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

BE IT RESOLVED by the City of Lexington (the "City"), Minnesota, as follows:

1. Recitals.

(a) The Internal Revenue Service has issued final Treasury Regulations Section 1.103-18 (the "Regulations") dealing with reimbursement bond proceeds, which would include those proceeds of the City's bonds to be 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 make a prior declaration of its official intent to reimburse itself for such prior expenditures out of the proceeds of subsequent borrowings, that such declaration generally be made on or before the date the expenditure is actually paid, that the bonding occur and the reimbursement allocation be made from the proceeds of such bonds within one year of the payment of the expenditure (or not later than one year after the project is placed in service, if that is a longer period), and that the expenditure be a capital expenditure.

(c) The City desires to comply with the Regulations and to establish certain procedures relating thereto.

(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 made an official declaration of its reasonable intention (hereinafter referred to as the "Official Intent Declaration" or the "Declaration") to reimburse itself for previously paid project expenditures out of the proceeds of subsequent bonds or other borrowings. The City hereby authorizes the City Administrator to make the City's Official Intent 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 on or before the date the City pays the applicable project cost and shall state that the City reasonably intends and expects to reimburse itself for the expenditure with proceeds of a borrowing. Each Declaration may be made substantially in the form of the "Declaration of Official Intent" which is attached to and made a part of this Resolution.

(b) Each Declaration shall specifically contain the following statement: "This Declaration is a declaration of official intent under Treasury Regulations Section 1.103-18."

(c) Each Declaration shall and is hereby declared to be made and filed in the publicly available official books, records, or proceedings of the City, which shall be reasonably available for public inspection at the City Courthouse during normal business hours of the City on every business day during the period beginning on the earlier of ten days after the making of the Declaration or the date of issuance of the reimbursement bonds and ending on the day after the issuance of such bonds.

(d) Each Declaration shall, at a minimum, contain a general functional description of the property, project, or program for which the expenditure to be reimbursed is paid (for example, "sewer, water, street equipment, etc." or other specific, identifiable project of the City) or, in the alternative, shall identify the particular fund or account of the City from which the expenditure to be reimbursed is paid, including a description of the general functional purpose of that fund or account (for example, "park and recreation fund -- recreational facility capital improvement program").

(e) Each Declaration shall also contain a statement of the maximum principal amount of debt expected to be issued for the subject project.

(f) Care shall be taken so that the City, or its authorized representatives under this Resolution, not make Declarations in cases where the City does not reasonably expect that it will ultimately issue reimbursement bonds to provide long-term financing for 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 in general and the application in particular circumstances. It is the City's intention that Declarations not be made (i) when available funds of the City have been or are reasonably expected to be dedicated or otherwise reserved to fund on a long-term basis the particular expenditures involved or (ii) when it is not reasonably expected that reimbursement bonding will occur.

(g) The City 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 Official Intent Declarations, including recommendations on the timing of the issuance of such bonds so that the "reimbursement allocation" described in the Regulations and in paragraph 3 below can be made within the one year time limits prescribed in the Regulations.

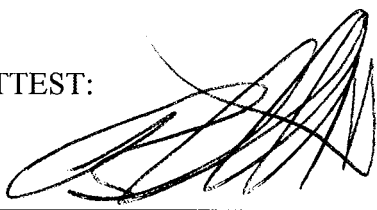
(h) This Resolution shall supplement and amend all prior determinations and policies adopted by the City in regard to complying with the Regulations, as initially proposed, and in the event of any inconsistency between the terms provided in this Resolution and said prior determinations or policies, the provisions of this Resolution shall govern.

3. Reimbursement Allocations. The designated City officials shall also be responsible for making the "reimbursement allocations" described in the Regulations, being generally the transfer of the appropriate amount of reimbursement bond proceeds to reimburse the source of temporary financing used by the City to make payment of the prior expenditure. Each allocation shall be evidenced by an entry on the official books or records of the City maintained for such reimbursement bonds; shall specifically identify the actual prior expenditure being reimbursed or, in the case of the reimbursement of a particular fund or account, the fund or account from which the expenditure was paid; and shall be effective to relieve the bond proceeds involved from any restriction under the bond resolution or other relevant legal documents for those bonds and under any applicable state statute applicable to unspent proceeds of such bond issue.

**PASSED** and adopted by the Lexington City Council this the 6<sup>th</sup> day of January, 2022.

  
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Mayor

ATTEST:

  
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City Administrator