

Department of Finance Legislative Summary

ORDINANCE NO.: **131-2026**

Authorizing Declarations of Official Intent With Respect to Reimbursements from Note or Bond Proceeds

DESCRIPTION:

This is an ordinance authorizing the Director of Finance, or anyone designated by the Finance Director for this purpose, to complete declarations required by the IRS for the reimbursement of funds that have been used to pay capital expenditures.

This will allow the expenditures to be reimbursed from the proceeds of future tax-exempt bonds or notes.

In the past, the City of Cleveland passed its general obligation bond ordinances in advance of any expenditures for projects that were being bond financed. The bond ordinances included language allowing the City to reimburse itself from bond proceeds for any capital improvement expenditures made 60 days before the passage of the bond ordinance and the closing of the bond issue. However, the City has now changed its bond financing program in order to pay for expenditures for capital improvement projects throughout the year from appropriations of the General Fund and then the City will issue bonds (or notes) at the end of the year to reimburse the General Fund for those project expenditures that were made. In order for the City to make that reimbursement of the General Fund with tax-exempt bond proceeds, the Internal Revenue Code requires the City's Director of Finance to fill out declarations of official intent to reimburse if a bond (or note) ordinance has not already been passed.

These declaration forms need to be completed within 60 days of the expenditure. They will be attached to the tax certificate for the bond issue as evidence of what was anticipated to be spent in order for the City to use tax-exempt bond proceeds to reimburse the General Fund. After this ordinance is passed, it allows the Director of Finance to complete these declaration forms to ensure he will be able to reimburse the General Fund with the bond proceeds received at the end of the year.