



Legislation Text

File #: 15-1390, **Version:** 1

Resolution Assigning all of the City of Ann Arbor's Qualified Energy Conservation Bonds Allocation to the State of Michigan

A Qualified Energy Conservation Bond (QECB) is a bond that enables qualified state, tribal, and local government issuers to borrow money to fund energy conservation projects. A QECB is supposed to be among the lowest-cost public financing tools because the U.S. Department of the Treasury subsidizes the issuer's borrowing costs. Like Build America Bonds, QECBs are taxable bonds-meaning that investors must pay federal taxes on QECB interest they receive. The federal government allocated QECB issuance capacity to local governments. The City of Ann Arbor was allocated a capacity of \$1,184,118.00.

Staff has determined that it would be unwise and unnecessary to use the allocated capacity for several reasons:

The allocation is very small. Fixed costs for an issue this size would erode any potential savings.

The City has excellent credit, and can issue debt at very low rates. The federal subsidy does not materially enhance our borrowing cost.

Interest or other subsidies are not guaranteed.

The Michigan Department of Treasury is working with the Michigan Agency for Energy to help ensure that Michigan's Qualified Energy Bond (QECB) allocation is utilized to its fullest potential. Treasury has asked the City waive its QECB allocation to the State for use in completing energy projects in other Michigan communities.

According to federal guidelines, to formally waive an allocation to the State, a municipality must:

- (a) Approve a resolution affirmatively waiving the allocation; and
- (b) Complete the QECB Waiver Form, which must be signed by an Authorized Officer as named in the resolution.

Staff recommends waiving the entire allocation of QECB capacity to the State.

Prepared by: Matthew V. Horning, Treasurer and Interim CFO

Approved by: Tom Crawford, Interim City Administrator

Whereas, Section 54D of the Internal Revenue Code of 1986, as amended (the "Code") and the American Recovery and Reinvestment Act of 2009, Public Law 111-5 authorize the issuance of Qualified Energy Conservation Bonds to finance expenditures for purposes of energy conservation and efficiency;

Whereas, The City of Ann Arbor has been allocated Qualified Energy Conservation Bonds

capacity;

Whereas, Pursuant to Section 54D of the Code, the City may assign all or a portion of such allocation to another entity; and

Whereas, The City desires to assign its full allocation of Qualified Energy Conservation Bonds to the State of Michigan (the "State");

RESOLVED, That the State of Michigan be and is hereby assigned all of the City's Qualified Energy Conservation Bonds allocation in the amount of One Million One Hundred Eighty Four Thousand One Hundred Eighteen Dollars (\$1,184,118.00);

RESOLVED, That the Interim City Administrator, Interim Chief Financial Officer/ Treasurer are each individually authorized to execute any documents necessary to effectuate the foregoing assignment; and

RESOLVED, That all resolutions and parts of resolutions insofar as the same conflict with the provisions of this resolution be and the same hereby are rescinded.