



## CITY OF GRAND PRAIRIE RESOLUTION

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**MEETING DATE:** 03/04/2025

**PRESENTER:** Thao Vo, Director of Management Services

**TITLE:** Resolution declaring support for the preservation of the federal tax exemption of municipal bonds

**REVIEWING COMMITTEE:** (Reviewed by the Finance & Government Committee on 03/04/2025)

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### **PURPOSE OF REQUEST:**

The National League of Cities (NLC) is leading the effort to protect the federal tax-exempt status of municipal bonds. The NLC is requesting that all local governments pass a resolution in support and stress the importance of the federal tax-exempt status of municipal bonds in every congressional district nationwide.

This Resolution, if approved, will declare the City Council's support for preserving the federal tax exemption of municipal bonds.

Preserving the federal tax-exempt status of municipal bonds will continue to provide tax savings and lower risk for bond investors. The current tax-exempt status of municipal bonds is more appealing than other investment options, especially for high-income investors. Additionally, the interest rate paid on municipal bonds is generally lower than that of other investment instruments which makes municipal bonds extremely attractive to investors.

If the federal tax-exempt status is eliminated, the City would be severely hindered because its bonds would be less attractive to investors. The number of investors would be reduced, which could ultimately reduce the City's borrowing capacity. A reduced borrowing capacity directly impacts the citizens as the City would not be able to fund many projects such as streets, libraries, parks, public safety equipment and municipal facilities.

### **BODY**

**A RESOLUTION OF THE CITY OF GRAND PRAIRIE, TEXAS, DECLARING SUPPORT FOR THE PRESERVATION OF THE FEDERAL TAX EXEMPTION OF MUNICIPAL BONDS**

**WHEREAS**, the tax-exempt municipal bond market is a widely used source of capital for states, local governments, tribes, territories, and non-profit borrowers that finances a tremendous share of the nation's public infrastructure; and

**WHEREAS**, state and local governments finance about three-quarters of the public infrastructure in the United States and use tax-exempt bonds to do so, with the federal government providing only about one-quarter of the investment; and

**WHEREAS**, federal tax exemption for municipal bonds, dating back to the 1800s and incorporated into the modern tax code in 1913, has been crucial for state and local governments to affordably finance critical infrastructure projects; and

**WHEREAS**, tax-exempt bonds offer borrowers to achieve a multiplier effect of 2.11, meaning that for every dollar, borrowers achieve \$2.11 in borrowing cost savings thereby demonstrating the efficiency and effectiveness of this exemption in facilitating infrastructure investment; and

**WHEREAS**, tax-exempt bonds provide for essential infrastructure projects, such as roads, bridges, parks, public safety equipment, and public facilities which are vital to the health and well-being of our community such that without such bonds, the cost of borrowing would be more expensive thereby causing an increase in taxes and fees that would place an undue burden on taxpayers; and

**WHEREAS**, the City Council of the City of Grand Prairie ("Governing Body") finds and determines that tax-exempt municipal bonds provide an opportunity for economic development along its path, better facilitate the movement of agriculture products, equipment, and other goods, and increase safety.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GRAND PRAIRIE, TEXAS, THAT:**

**SECTION 1.** The Governing Body hereby encourages the Texas Congressional Delegation to assist the City of Grand Prairie, Texas in preserving the tax-exempt status of municipal bonds by supporting and ensuring the protection of the federal tax exemption of municipal bonds.

**SECTION 2.** Copies of this Resolution shall be furnished to all members of the Texas Congressional Delegation.

**PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF GRAND PRAIRIE, TEXAS, ON THIS THE 4<sup>TH</sup> DAY OF MARCH 2025.**