

# VILLAGE OF HOMEWOOD



## BOARD AGENDA MEMORANDUM

DATE OF MEETING: July 12, 2022

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**To:** Village President and Board of Trustees

**Through:** Napoleon Haney, Village Manager

**From:** Dennis Bubenik, Director of Finance

**Topic:** Reimbursement Resolution-FD Ambulance 2023 General Obligation (GO) Bond

### PURPOSE

The rules on issuing municipal tax exempt General Obligation (GO) Bonds is heavily regulated by the IRS. Municipalities typically contract with legal firms specializing in these rules to receive guidance. The Village of Homewood uses the Chicago based firm of Chapman & Cutler LLC for this legal analysis.

GO Bond counsel, Chapman and Cutler LLC, indicates a reimbursement resolution is required when a current purchase encumbers or obligates a GO Bond that will be issued in the future. Such is the case with the desired purchase of a replacement ambulance for the Village of Homewood Fire Department.

There is a 12 to 18-month build time from order to delivery of the ambulance. By ordering now, the Village anticipates a better purchase price and the early order will allow time to complete the build of the vehicle by the time bonds are issued in September 2023.

### PROCESS

To complete this advance purchase, the Village is required to perform the following:

- Perform a detailed review of the GO Bond funded project that will require a reimbursement resolution.
- Review bond rules and solicit a draft reimbursement resolution from Chapman & Cutler LLC.
- Present the reimbursement resolution to the Village Board for approval.

### OUTCOME

Not every project qualifies for a reimbursement resolution. It is common for expensive capital purchases like ambulances and fire apparatus to qualify for reimbursement resolutions. Another benefit to the reimbursement resolution process is that municipalities are able to lock in current-year purchase prices with the intent of avoiding potential price increases in the coming year. Fire administration anticipates up to a 12% increase in the price of an ambulance in 2023.

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### *Unforeseen Cost Increase*

In the event that unforeseen price increases impact the budget and purchase amount for the ambulance (\$380,000), and understanding that the reimbursement resolution becomes the legal authorization to pre-encumber a specific amount from a future bond, Chapman & Cutler LLC recommends the Reimbursement Resolution be adjusted to obligate a not-to-exceed amount of \$425,000 to provide some flexibility in the event of unforeseen cost increases.

### **FINANCIAL IMPACT**

- **Funding Source:** GO Bond Fund
- **Reimbursement Resolution:** \$425,000
- **Budgeted Amount:** \$380,000

### **LEGAL REVIEW**

Legal review completed by -

- Bond counsel Chapman & Cutler LLC, Chicago, IL
- Village Attorney

### **RECOMMENDED BOARD ACTION**

Pass a resolution expressing official intent to reimburse certain capital expenditures from the proceeds of a bond obligation to be issued by the Village of Homewood, Cook County, Illinois in an amount not to exceed \$425,000.

### **ATTACHMENT(S)**

Reimbursement Resolution