

RESOLUTION OF THE PUBLIC WORKS COMMISSION  
OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA  
SUPPORTING THE PRESERVATION OF AFFORDABLE  
FINANCING THROUGH TAX-EXEMPT FINANCING

**WHEREAS**, municipal bonds are the means by which state and local governments and school districts finance critical infrastructure, including roads, bridges, hospitals, schools and utility systems; and

**WHEREAS**, the Public Works Commission of the City of Fayetteville provides electric, water and sanitary utility services to the Fayetteville/Cumberland, North Carolina area; and

**WHEREAS**, the Public Works Commission of the City of Fayetteville uses municipal revenue bonds as a resource to support the construction and replacement of critical utility infrastructure; and

**WHEREAS**, the federal tax exemption on municipal bond interest has been in place since the first federal income tax was enacted in 1913, and as a result, state and local governments save, on average, two percentage points on their borrowing to finance investment in public infrastructure; and

**WHEREAS**, investors in municipal bonds are generally exempt from paying federal income tax on the bond interest payments so even a partial income tax on otherwise tax-exempt interest would cause investors to demand higher returns on their municipal bond investments to make up for the tax they would have to pay; and

**WHEREAS**, one proposal being discussed would apply to interest on bonds already issued by governments and purchased by investors; and

**WHEREAS**, this would represent a violation of the basic assumption of investors that Congress will not change the terms governing the taxability of interest for bonds already outstanding; and

**WHEREAS**, the outcome of reducing or eliminating the tax exemption on municipal bond interest would be higher borrowing costs for state and local governments, less investment in infrastructure and fewer jobs; and

**WHEREAS**, the benefit of lower capital costs attributable to tax-exempt financing is passed on to citizens who use our utility services through reduced rates and greater local investments; and

**WHEREAS**, periodically Congress and the President have proposed legislation to tax or alter the federal tax exemption for interest on municipal bonds.


**NOW THEREFORE BE IT RESOLVED, THAT** the Public Works Commission of the City of Fayetteville, North Carolina strongly opposes any and all efforts to eliminate or limit the federal tax exemption on interest earned from municipal bonds.

**ADOPTED**, this 22<sup>nd</sup> day of May 2013.

PUBLIC WORKS COMMISSION OF THE  
CITY OF FAYETTEVILLE, NORTH CAROLINA

  
Wilson A. Lacy, Chairman

ATTEST:

  
Lynne B. Greene, Secretary