

# Council Business Meeting

May 18, 2021

<b>Agenda Item</b>	Approval Capital Improvements Reimbursement Resolution No. 2021-04	
<b>From</b>	Scott Fleury, PE	Public Works Director
<b>Contact</b>	<a href="mailto:Scott.fleury@ashland.or.us">Scott.fleury@ashland.or.us</a> ; (541) 552-2412	

## **SUMMARY**

Before the Council is a resolution stating the City's intention to reimburse operating budget expenses incurred on Capital Improvement Projects (CIP) in the Street, Water and Wastewater Divisions, prior to issuance of complete financing for projects on an as needed basis.

## **POLICIES, PLANS & GOALS SUPPORTED**

City Council Goals:

Essential Services

- Sewer
- Streets
- Water
- Stormwater

Value Services

- Emergency Preparedness
- Address Climate Change
- Multi-modal Transportation
- All-Age Friendly Community
- Water Conservation

CEAP Goals:

Address Climate Change by helping to reduce Ashland's greenhouse gas emissions and to prepare the city's communities, systems, and resources to be more resilient to climate change impacts.

Department Goals:

- Maintain existing infrastructure to meet regulatory requirements and minimize life-cycle costs
- Deliver timely life cycle capital improvement projects
- Maintain and improve infrastructure that enhances the economic vitality of the community
- Evaluate all city infrastructure regarding planning management and financial resources

## **PREVIOUS COUNCIL ACTION**

The Council has previously approved reimbursement resolutions for capital projects associated with the City's infrastructure on December 6, 2016 ([Minutes](#), [Staff Report](#)).

## **BACKGROUND AND ADDITIONAL INFORMATION**

The 2021-2023 biennial budget includes capital improvements for Public Works divisions including, water (supply, treatment, distribution), wastewater (collections, treatment), and streets (roadway, bicycle, pedestrian). Many of these projects will require a debt service instrument to be in place to fund the complete project. Debt service instruments include low interest borrowing from the Department of Environmental Quality (DEQ) for wastewater projects, low interest loans from the Infrastructure Financing Authority (IFA) for water projects, Special Public Works Loans (all enterprises) and/or revenue bonds.

Staff investigates all funding options to determine the best financing rates and terms for each CIP project and brings back recommendations to Council on financing mechanisms in conjunction with single or grouped projects.

Prior to the issuance of tax-exempt debt, there will be certain expenditures incurred on capital projects for each division. These are direct expenses associated with each individual project for which the City finds it necessary to be reimbursed from the proceeds of the obligations. In order to seek reimbursement on expenses incurred prior to financing, the Council must first declare the “intent” to do so in resolution form.

The proposed resolution encompasses exclusively water, wastewater, and street capital improvement projects that are in the approved CIP. The planning and financing of these capital projects fit within the City’s capital improvement practices and the current budget. The intent to reimburse does not increase nor change the cost of the projects. It does protect the operating/services budget of the originating department by providing for the reimbursement of upfront costs, primarily project engineering, that may be incurred by the department leading up to construction.

### **FISCAL IMPACTS**

The main fiscal impacts for approval of a reimbursement resolution include the opportunity for staff to move forward into the preliminary and final engineering phases for CIP projects and refine project costs. As a project moves through the engineering phases, construction costs are refined as more information is developed and current market conditions are considered. The actual costs associated with the engineering phases and the refined construction costs can be used as part of the search for the best financing mechanism for individual or grouped projects (revenue bonds). Once the best financing mechanism is put in place the reimbursement resolution provides the ability to reimburse costs occurred through the engineering phases as part of the debt instrument with the expectation of favorable terms that will help maintain and minimize rate impacts associated with the enterprise funds.

### **STAFF RECOMMENDATION**

Staff recommends Council approve Reimbursement Resolution No. 2021-04 and developed.

### **ACTIONS, OPTIONS & POTENTIAL MOTIONS**

1. I move to approve the Reimbursement Resolution No. 2021-04.
2. I move to amend the Reimbursement Resolution (insert amendment).

### **REFERENCES & ATTACHMENTS**

Attachment 1: Resolution No. 2021-04; A Resolution of the City Council of the City of Ashland, Oregon Declaring Its Intention to Reimburse Expenditures from Proceeds of Tax-Exempt Obligations

1 **RESOLUTION NO. 2021 - 04**

2 **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ASHLAND, OREGON**  
3 **DECLARING ITS INTENTION TO REIMBURSE EXPENDITURES FROM**  
4 **PROCEEDS OF TAX-EXEMPT OBLIGATIONS**

5 **RECITALS:**

- 6 A. The City Council of the City of Ashland, Oregon (the "Issuer") desires to finance the costs of  
7 Capital Improvement Projects for the water, wastewater and street divisions projects; and  
8 B. The Issuer intends to finance costs of the Projects or portions thereof with the proceeds of the  
9 sale of obligations the interest upon which is excluded from gross income for federal income  
10 tax purposes (the "Obligations"); and  
11 C. Prior to the issuance of the Obligations the Issuer desires to incur certain capital expenditures  
12 (the "Expenditures") with respect to the Projects from available moneys of the Issuer and  
13 later reimburse the issuer for those expenditures from the proceeds of the obligations; and  
14 D. The City Council of the Issuer has determined that those moneys advanced to pay the  
15 Expenditures prior to the issuance of the Obligations are available only for a temporary  
16 period and it is necessary to reimburse the Issuer for the Expenditures from the proceeds of  
17 the Obligations.

18 **THE CITY OF ASHLAND RESOLVES AS FOLLOWS:**

19 SECTION 1. The Issuer hereby states its intention and reasonably expects to reimburse  
20 Expenditures of the Project paid prior to the issuance of the Obligations with proceeds of the  
21 Obligations.

22 SECTION 2. The reasonably expected maximum principal amount of the Obligations is  
23 \$16,800,000.

24 SECTION 3. This resolution is being adopted no later than 60 days after the date on which the  
25 Issuer paid its first Expenditure on the Projects to be reimbursed from proceeds of the  
26 Obligations (excluding certain preliminary expenditures which may have been paid before that  
27 date).

28 SECTION 4. The Issuer will make a reimbursement allocation, which is a written allocation that  
29 evidences the Issuer's use of proceeds of the Obligations to reimburse an Expenditure, no later  
30 than 18 months after the later of the date on which the Expenditure is paid or the Projects are

1 placed in service or abandoned, but in no event more than three years after the date on which the  
2 Expenditure is paid.

3 SECTION 5. This resolution is adopted as official action of the Issuer in order to comply with  
4 Treasury Regulation Section 1.150-2 and any other regulations of the Internal Revenue Service  
5 relating to the qualification for reimbursement of Expenditures of the Issuer incurred prior to the  
6 date of issue of the Obligations.

7 SECTION 6. The Finance Director of the Issuer is hereby authorized to make future declarations  
8 of intent to reimburse under Section 1.150-2 of the Federal Income Tax Regulations, on behalf of  
9 the Issuer and without further action by the City Council. All such future declarations shall be in  
10 writing and the original or a certified copy of each declaration shall be maintained in the public  
11 records of the Issuer.

12 SECTION 7. This resolution is effective upon adoption.

13 ADOPTED by the City Council this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

14 ATTEST:

15 \_\_\_\_\_  
16 \_\_\_\_\_

17 Melissa Huhtala, City Recorder

18 SIGNED and APPROVED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

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Julie Akins, Mayor

23 Reviewed as to form:

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26 David H. Lohman, City Attorney