

Council Business Meeting

January 16, 2018

Title: Capital Improvement Program Reimbursement Resolution
From: Scott A. Fleury Deputy Public Works Director
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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.

Actions, Options, or Potential Motions:

Move to approve the resolution titled, "A resolution of the City Council of the City of Ashland, Oregon declaring its intention to reimburse expenditures from proceeds of tax-exempt obligations."

If not approved, staff would be required to expend significant time ensuring appropriate borrowings for all Capital Improvement Project expenditures are in place prior to beginning the project's engineering and construction phases.

Staff Recommendation:

Staff recommends that Council approve the attached resolution.

Resource Requirements:

The proposed resolution encompasses exclusively Water, Wastewater and Street CIP that were approved in the BN 2017/19 budget. 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 (which often includes staff time and engineering) that may have been incurred by the department leading up to construction.

Policies, Plans and Goals Supported:

Council Goals:

4. *Evaluate real property and facility assets to strategically support city mission and goals.*
22. *Prepare for the impact of climate change on the community.*

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

Background and Additional Information:

The 2017/19 adopted biennial budget includes capital improvements for the Public Works Department divisions; Water (supply, treatment, distribution), Wastewater (collections, treatment), and Streets.

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 Council previously approved a similar reimbursement resolution at the [December 6, 2016 Business Meeting](#) to reimburse costs associated with the engineering and development of the 2.6 MGD Crowson II reservoir.

Attachments:

Reimbursement Resolution

Additional Links:

[December 6, 2016, Council Business Meeting Minutes](#)

RESOLUTION NO. 2018-_____

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

RECITALS:

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

THE CITY OF ASHLAND RESOLVES AS FOLLOWS:

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

SECTION 2. The reasonably expected maximum principal amount of the Obligations is \$8,000,000

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

SECTION 4. The Issuer will make a reimbursement allocation, which is a written allocation that evidences the Issuer's use of proceeds of the Obligations to reimburse an Expenditure, no later than 18 months after the later of the date on which the Expenditure is paid or the Projects are placed in service or abandoned, but in no event more than three years after the date on which the Expenditure is paid.

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

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

This resolution was duly PASSED and ADOPTED this _____ day of _____, 2018, and takes effect upon signing by the Mayor.

Melissa Huhtala, City Recorder

SIGNED and APPROVED this ____ day of _____, 2018.

John Stromberg, Mayor

Reviewed as to form:

David H. Lohman, City Attorney