

# Council Communication

## December 6, 2016, Business Meeting

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### Resolution Declaring Intention to Reimburse Expenditures from Proceeds of Tax-Exempt Obligations

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**FROM:**

Beverly Adams, Interim Administrative Services/Finance Director, [bev.adams@ashland.or.us](mailto:bev.adams@ashland.or.us)

**SUMMARY:**

This is a resolution stating the City's intention to reimburse operating budget expenses incurred on the water reservoir project prior to issuance of financing.

**BACKGROUND AND POLICY IMPLICATIONS:**

The 2015-17 adopted biennial budget includes plans to install a new reservoir serving the Crowson and Granite service areas to meet storage deficiencies. This project includes a pre-design study to confirm storage requirements and evaluate piping to the reservoir.

Prior to the issuance of tax-exempt debt, there will be certain expenditures incurred on the project. These are direct expenses of the 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.

**COUNCIL GOALS SUPPORTED:**

This project is not specifically identified as a goal; but Council goals do include improvements to City infrastructure and completion of projects.

**FISCAL IMPLICATIONS:**

The planning and financing of this capital project 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 project. 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 other expenses) that may have been incurred by the department leading up to construction.

**STAFF RECOMMENDATION AND REQUESTED ACTION:**

Staff recommends that Council approve the attached resolution.

**SUGGESTED MOTION:**

I 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."

**ATTACHMENTS:**

Resolution



**RESOLUTION NO. 2016-\_\_\_\_\_**

**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 a new reservoir expected to service the Crowson and Granite service areas, including a pre-design study to confirm storage requirements and evaluation of the piping to the Crowson reservoir (the "Project"); and
- B. The Issuer intends to finance costs of the Project 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 Project from available moneys of the Issuer; 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 \$9,000,000.

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 Project 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 Project is 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.

SECTION 7. This resolution takes effect upon signing by the Mayor.  
This resolution was duly PASSED and ADOPTED this \_\_\_\_\_ day of December, 2016.

\_\_\_\_\_  
Barbara Christensen, City Recorder

SIGNED and APPROVED this \_\_\_\_\_ day of December, 2016.

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John Stromberg, Mayor

Reviewed as to form:

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David Lohman, City Attorney