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DATE: August 20, 2024

TO: Honorable Mayor and Members of the City Council

FROM: Travis Sanborn, Finance Director

THROUGH: Kyle Knopp, City Manager

SUBJECT: Resolution No. 1618-2024 Reimbursement Resolution

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Staff recommends that the City Council adopt Resolution 1618-2024 to authorize the reimbursement of expenditures related to the Water System Project and to comply with IRS requirements for issuing tax-exempt obligations.

BACKGROUND AND DISCUSSION:

This report provides an overview of the proposed resolution authorizing the City of Rio Dell to reimburse certain expenditures related to the construction and/or reconstruction of its water system (the "Project"). The Project is anticipated to be partially funded by the State of California, acting through the State Water Resources Control Board (State Water Board), with proceeds from the sale of tax-exempt obligations.

The Project encompasses the construction and/or reconstruction of various public facilities and improvements within the City's water system, including treatment facilities, pipelines, and other infrastructure. The total estimated cost of the Project is anticipated to be \$14,947,881.

The City of Rio Dell intends to finance a portion of the Project costs with funds provided by the State Water Board. These funds may be derived from the sale of tax-exempt obligations. To ensure the tax-exempt status of these obligations, the Internal Revenue Service (IRS) requires specific procedures and documentation.

The City of Rio Dell proposes to incur certain capital expenditures related to the Project prior to the issuance of the tax-exempt obligations or the approval of the Project funds by the State Water Board. These expenditures will be financed with available City funds on a temporary basis.

The City of Rio Dell has determined that the funds used to cover the initial expenditures will be needed for other purposes after a certain period. To avoid depleting the City's resources, it is necessary to reimburse these expenditures using the proceeds from the tax-exempt obligations.

The proposed resolution is designed to comply with Treasury Regulation §1.150-2 and other relevant IRS regulations. By adopting this resolution, Rio Dell is formally stating its intent to reimburse the expenditures and providing the necessary documentation to support the obligations' tax-exempt status.

ATTACHMENTS:

- Resolution 1618-2024



**RESOLUTION NO. 1618-2024
A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF RIO DELL
REIMBURSEMENT RESOLUTION**

WHEREAS, the City of Rio Dell (the "Agency") desires to finance the costs of constructing and/or reconstructing certain public facilities and improvements relating to its water system, including certain treatment facilities, pipelines and other infrastructure (the "Project"); and

WHEREAS, the Agency intends to finance the construction and/or reconstruction of the Project or portions of the Project with moneys ("Project Funds") provided by the State of California, acting by and through the State Water Resources Control Board (State Water Board); and

WHEREAS, the State Water Board may fund the Project Funds with proceeds from the sale of obligations the interest upon which is excluded from gross income for federal income tax purposes (the "Obligations"), and

WHEREAS, prior to either the issuance of the Obligations or the approval by the State Water Board of the Project Funds the Agency desires to incur certain capital expenditures (the "Expenditures") with respect to the Project from available moneys of the Agency; and

WHEREAS, the Agency has determined that those moneys to be advanced on and after the date hereof to pay the Expenditures are available only for a temporary period and it is necessary to reimburse the Agency for the Expenditures from the proceeds of the Obligations.

NOW, THEREFORE, THE AGENCY DOES HEREBY RESOLVE, ORDER AND DETERMINE AS FOLLOWS:

SECTION 1. The Agency hereby states its intention and reasonably expects to reimburse Expenditures paid prior to the issuance of the Obligations or the approval by the State Water Board of the Project Funds.

SECTION 2. The reasonably expected maximum principal amount of the Project Funds is \$14,947,881.

SECTION 3. This resolution is being adopted no later than 60 days after the date on which the Agency will expend moneys for the construction portion of the Project costs to be reimbursed with Project Funds.

SECTION 4. Each Agency expenditure will be of a type properly chargeable to a capital account under general federal income tax principles.

SECTION 5. To the best of our knowledge, this Agency is not aware of the previous adoption of official intents by the Agency that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligations have not been issued.

SECTION 6. This resolution is adopted as official intent of the Agency in order to comply with Treasury Regulation §1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of Project costs.

SECTION 7. All the recitals in this Resolution are true and correct and this Agency so finds, determines and represents.

Ayes:
Noes:
Abstain:
Absent:

Debra Garnes, Mayor

CERTIFICATION

I do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the Rio Dell City Council held on August 20, 2024.

Karen Dunham, City Clerk