

ITEM #:	<u>10</u>
DATE:	<u>11-18-25</u>
DEPT:	<u>FIN</u>

COUNCIL ACTION FORM

**SUBJECT: DECLARATION OF INTENT TO REIMBURSE EXPENSES RELATED TO
CONSTRUCTION OF NEW GENERATION FOR ELECTRIC UTILITY**

BACKGROUND:

A reimbursement resolution is a formal declaration by a municipality stating its intent to use future bond proceeds to reimburse itself for project-related expenditures incurred before the bonds are issued. This approach ensures compliance with IRS regulations while providing financial flexibility for large-scale capital projects.

As directed by the Council, the City plans to finance the construction of the new generation for the City's Electric Utility through a combination of bond proceeds and available cash reserves. **To maximize financial flexibility as the project progresses, staff recommends that the Council approve the attached reimbursement resolution, authorizing a maximum principal amount of \$95,000,000.**

THE REIMBURSEMENT RESOLUTION PROCESS:

If approved, the following process would be utilized to fund the project:

Declaration of Intent: Before issuing revenue bonds, the municipality adopts a resolution affirming its intent to reimburse itself for eligible project expenditures **(this action)**.

Project Expenditures: The City begins covering costs such as design, engineering, and early construction using available cash or short-term financing.

Bond Issuance: Once key approvals are secured and the project is ready for bidding, the City issues revenue bonds to finance construction.

Reimbursement Allocation: After the bonds are issued, proceeds are used to reimburse the City for initial expenditures, ensuring accurate accounting and IRS compliance.

Documentation & Compliance: The reimbursement process must be formally documented in the City's records. Bond proceeds can only be used for eligible expenses, and reimbursement must occur within 18 months of the expenditure or project completion, as per IRS rules.

By approving this reimbursement resolution, the City ensures maximum financial flexibility to advance this critical project without delay, allowing the City to secure cost-effective financing while maintaining compliance with federal tax regulations.

ALTERNATIVES:

1. Approve the resolution allowing the City to incur expenses with the potential for future reimbursement through a revenue bond issuance.
2. Do not approve the resolution and direct staff to proceed with a bond issuance to support the funding necessary to construct new generation for the City's Electric Utility.

CITY MANAGER'S RECOMMENDED ACTION:

The proposed resolution enables the City to cover expenses for the new generation for the City's Electric Utility while maintaining compliance with federal reimbursement regulations. Additionally, it provides the greatest amount of financial flexibility, which is important given the project's preliminary/developmental stage. Therefore, it is the recommendation of the City Manager that the City Council approve Alternative No. 1, as described above.