



Finance and Asset Management Committee

Resolution Authorizing the Reimbursement of Capital Expenditures from Bond Proceeds for FY 2024/25 and 2025/26

Item 7-9

October 8, 2024

Reimbursement Resolution

Item 7-9

Subject

Adopt a Resolution Authorizing the Reimbursement of Capital Expenditures from Bond Proceeds for FY2024/25 and 2025/26

Purpose

To inform the Board of the background for the Reimbursement Resolution and its application to the current biennium budget period

Next Steps

Implement the relevant bond financing(s) and report results back to the Board

What is the purpose of a Reimbursement Resolution?

- Comply with IRS Regulations if tax-exempt bond proceeds are intended to pay for prior expenditures
- A Reimbursement Resolution evidences the intent to use tax-exempt bond proceeds or other forms of indebtedness to finance capital expenditures
- Some capital expenditures may be paid from available resources prior to the sale of tax-exempt bonds
- The Reimbursement Resolution gives Metropolitan the flexibility to reimburse itself from tax-exempt bond proceeds for prior capital expenditures

Internal Revenue Service (IRS) Regulations Regarding Reimbursement

- By adopting the Reimbursement Resolution, Metropolitan indicates its expectation to issue tax-exempt debt and use the proceeds to reimburse capital expenditures originally funded from operating revenues or reserves
- In accordance with IRS regulations, Metropolitan is required to declare its “official intent” to reimburse a capital expenditure
- Adoption of the proposed Reimbursement Resolution will meet the IRS “official intent” requirement

Why does Metropolitan Need a Resolution of Reimbursement?

The not-to-exceed bond par amount of \$225 million in the Reimbursement Resolution is conservatively estimated to provide the required bond proceeds for capital expenditures over the biennium.

- **Flexibility:** Adoption of the Reimbursement Resolution allows Metropolitan to fund approved capital expenditures out of operating revenues or reserves until new money bonds may be issued when market conditions are favorable
- **Budget Consistency:** The Reimbursement Resolution does not change the amount or method of funding capital expenditures approved by the Board in the Biennial Budget for FYs 2024/25 and 2025/26

Planned Capital Expenditures for FY 2024/25 and 2025/26

- In the FY 2024/25 and 2025/26 Biennial Budget, the Board approved \$630 million of CIP expenditures of which \$280 million is allocated to be bond funded
- In addition, the Board approved bond funding of \$177.9 million for the AVEK High Desert Water Program and \$48.2 million for the Conservation Program

Board Options

- Option #1
Adopt a resolution authorizing the reimbursement of capital expenditures from bond proceeds for FYs 2024/25 and 2025/26.
- Option #2
Do not adopt a Reimbursement Resolution.

Staff Recommendation

- Option #1

