



Finance and Insurance Committee

Resolution Authorizing the Reimbursement of Capital Expenditures from Bond Proceeds for FY 2022/23 and 2023/24

Item 7-1

October 10, 2022

What is the purpose of a Reimbursement Resolution?

- A Resolution of Reimbursement 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 Resolution of Reimbursement enables the issuing entity the flexibility to reimburse itself from bond proceeds for prior capital expenditures

Internal Revenue Service (IRS) Regulations Regarding Reimbursement

- By adopting the Resolution of Reimbursement, 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 no later than 60 days after the payment of the original expenditure to be reimbursed
- Adoption of the proposed Resolution of Reimbursement will meet the “official intent” requirement

Why does Metropolitan Need a Resolution of Reimbursement?

- Adoption of the Resolution of Reimbursement allows Metropolitan to fund planned capital expenditures out of operating revenues or reserves until new money bonds may be issued when market conditions are favorable
- Current balances of bond proceeds for capital expenditures are expected to be depleted before the next cycle of debt issuance
- The Resolution of Reimbursement does not change the amount or method of funding capital expenditures approved by the Board in the Adopted Biennial Budget for FYs 2022/23 and 2023/24

The not-to-exceed bond par amount of \$515 million in the Resolution of Reimbursement is conservatively estimated to provide \$464 million of required bond proceeds

Planned Capital Expenditures for FY 2022/23 and 2023/24

- The Board Adopted FY 2022/23 and 2023/24 Biennium Budget approved \$600 million of CIP expenditures of which \$330 million is allocated to be bond funded
- In addition, the Board approved bond funding for \$97.9 million for the AVEK High Desert Water Program and \$36.0 million for the Conservation Program

Board Options

- Option #1
Adopt the resolution authorizing the reimbursement of capital expenditures from bond proceeds for FYs 2022/23 and 2023/24.
- Option #2
Do not adopt the Resolution of Reimbursement.

Staff Recommendation

- Option #1

