



Meeting: **Reservoir Committee & Authority Board
Agenda Item 2.1**

May 17, 2024

Subject: **Tax Related Reimbursement Resolution**

Requested Action:

Authority Board consider approval the Tax Related Reimbursement Resolution.

Detailed Description/Background:

The Sites Authority anticipates performing activities during the remainder of the Amendment 3 work plan which, under federal tax law are considered construction expenditures and are qualified for tax exempt financing. Consistent with the standard practices of public agencies, it is recommended the Authority adopt a “reimbursement resolution” to provide the Authority the option to tax exempt finance construction expenditures that would be made between now and the date of the Authority’s initial financing, planned for early 2026. All Authority expenditures through December 31, 2025, are expected to be paid with Participant funding under Amendment 3 and federal and state grants. To provide the Authority the ability to finance these expenditures with future debt issuances, the Authority must adopt a resolution stating its intent to do so prior to making the expenditures. By approving the attached resolution, the Authority would be able to issue tax-exempt debt in the future to “reimburse” itself for construction expenditures made with existing funds in the time period that is 60 days prior to the adoption of the resolution forward. Other expenditures such as design and planning may be financed without a reimbursement resolution.

For example, if the Authority were to acquire land this month or during the balance of the year, the Authority would have the option to include the cost of those purchases in future financings, including the initial financing anticipated near the end of 2025 or early 2026. In this manner, the Authority would finance the cost of those land purchases over the 30 to 40 years of the long-term debt used to finance the Sites Project.

The proposed resolution would limit the total amount of bonds to be used for these purposes – funding construction expenditures prior to the issuance date – to \$100 million. The resolution is also structured to ensure that any construction expenditure incurred prior to the issuance date for the purposes of the Sites Project could be reimbursed. While the maximum amount of bonds is limited to \$100 million, the Authority is not obligated to fund the maximum amount and could reimburse a smaller amount of expenditures at its option.

As noted above, many public agencies use reimbursement resolutions to provide needed flexibility to finance construction and approving this resolution affords the Authority with greater flexibility to meet Participant funding and cash flow needs.

Prior Action:

None.

Fiscal Impact/Funding Source:

None.

Staff Contact:

JP Robinette

Primary Service Provider:

Stradling

Attachments:

Attachment A – Reimbursement Resolution.

**BEFORE THE BOARD OF DIRECTORS OF THE
SITES PROJECT AUTHORITY**

RESOLUTION NO. 2024-01

In the Matter of:

**SITES PROJECT AUTHORITY RESOLUTION REGARDING SITES PROJECT AUTHORITY'S
INTENTION TO REIMBURSE CERTAIN COSTS FROM PROCEEDS OF TAX-EXEMPT OBLIGATIONS**

WHEREAS, the Board of Directors of the Sites Project Authority (the "Board" and the "Sites Authority," respectively) desires to finance the costs of acquiring certain real property, public facilities and improvements commonly referred to as the Sites Reservoir Project, including certain costs more fully described in Exhibit A attached hereto and incorporated herein (the "Project").

WHEREAS, the Sites Authority intends to finance the Project or portions of the Project with the proceeds of the sale of obligations the interest upon which is excluded from gross income for federal income tax purposes in one or more phases (the "Obligations").

WHEREAS, prior to the issuance of the Obligations the Sites Authority desires to incur certain expenditures with respect to the Project from available monies of the Sites Authority, which expenditures are desired to be reimbursed by the Sites Authority from a portion of the proceeds of the sale of the Obligations.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SITES PROJECT AUTHORITY AS FOLLOWS:

Section 1. The Sites Authority hereby states its intention and reasonably expects to reimburse Project costs incurred by the Sites Authority prior to the issuance of the Obligations with proceeds of the Obligations. Exhibit A describes either the general character, type, purpose, and function of the Project, or the fund or account from which Project costs are to be paid and the general functional purpose of the fund or account.

Section 2. The reasonably expected maximum principal amount of the Obligations is **\$100,000,000**.

Section 3. This resolution is being adopted not later than 60 days after the date (the "Expenditures Date or Dates") that the Sites Authority will expend monies for the portion of the Project costs to be reimbursed from proceeds of the Obligations.

Section 4. Except as described below, the expected date of issue of the Obligations will be within eighteen months of the later of the Expenditure Date or Dates and the date the Project is placed in service; provided, the reimbursement may not be made more than three years after the original expenditure is paid. For Obligations subject to the small issuer exception of Section 148(f)(4)(D) of the Internal Revenue Code, the "eighteen-month limit" of the previous

sentence is changed to “three years” and the limitation of the previous sentence beginning with “; provided, ... ” is not applicable.

Section 5. Proceeds of the Obligations to be used to reimburse for Project costs are not expected to be used, within one year of reimbursement, directly or indirectly to pay debt service with respect to any obligation (other than to pay current debt service coming due within the next succeeding one year period on any tax-exempt obligation of the Sites Authority (other than the Obligations)) or to be held as a reasonably required reserve or replacement fund with respect to an obligation of the Sites Authority or any entity related in any manner to the Sites Authority, or to reimburse any expenditure that was originally paid with the proceeds of any obligation, or to replace funds that are or will be used in such manner.

Section 6. This resolution is consistent with the budgetary and financial circumstances of the Sites Authority as of the date hereof. No monies from sources other than the Obligations are, or are reasonably expected to be reserved, allocated on a long-term basis, or otherwise set aside by the Sites Authority (or any related party) pursuant to their budget or financial policies with respect to the Project costs. To the best of our knowledge, this Board is not aware of the previous adoption of official intents by the Sites Authority 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 7. The limitations described in Section 3 and Section 4 do not apply to (a) costs of issuance of the Obligations, (b) an amount not in excess of the lesser of \$100,000 or five percent (5%) of the proceeds of the Obligations, or (c) any preliminary expenditures, such as architectural, engineering, surveying, soil testing, and similar costs other than land acquisition, site preparation, and similar costs incident to commencement of construction, not in excess of twenty percent (20%) of the aggregate issue price of the Obligations that finances the Project for which the preliminary expenditures were incurred.

Section 8. This resolution is adopted as official action of the Sites Authority 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 Sites Authority expenditures incurred prior to the date of issue of the Obligations, is part of the Sites Authority's official proceedings, and will be available for inspection by the general public at the main administrative office of the Sites Authority.

Section 9. All the recitals in this Resolution are true and correct and this Board of Directors so finds, determines and represents.

Section 10. This Resolution shall take effect immediately.

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Sites Project Authority this 17th day of May 2024 by the following vote:

AYES: Directors
NOES: Directors
ABSENT: Directors
ABSTAIN: Directors

I, Fritz Durst, Chair Authority Board of the Sites Project Authority, do hereby certify that the resolution set forth above is true and accurate copy of the resolution adopted by the Board of Directors of the Sites Project Authority at a duly called meeting of the Board on May 17, 2024 and that said resolution has not been rescinded, amended or modified and is in full force and effect as of the date hereof.

In Witness Whereof, I have executed this certificate this 17th day of May 2024.

Fritz Durst, Chair Authority Board, Sites Project Authority

EXHIBIT A

DESCRIPTION OF PROJECT

- Sites Reservoir Project