

ITEM #:	<u>33</u>
DATE:	<u>04-08-25</u>
DEPT:	<u>FIN</u>

COUNCIL ACTION FORM

SUBJECT:

**DECLARATION OF INTENT TO REIMBURSE EXPENSES RELATED TO
RESOURCE RECOVERY AND RECYCLING CAMPUS PROJECT**

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 **Resource Recovery and Recycling Campus (RRRC)** 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 \$10,000,000.

THE REIMBURSEMENT RESOLUTION PROCESS:

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

- **Declaration of Intent:** Before issuing 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 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 bond issuance.
2. Do not approve the resolution and direct staff to proceed with a bond issuance to support the development of the Resource Recovery and Recycling Campus.

CITY MANAGER'S RECOMMENDED ACTION:

The proposed resolution enables the City to cover expenses for the Resource Recovery and Recycling Campus 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.

It should be noted that these bonds will be considered Essential Corporate Purpose and, therefore, will not need a referendum in order to issue.

ATTACHMENT(S):

[RRRC Reimbursement Resolution](#)