

STAFF REPORT

To: Coastside County Water District Board of Directors

From: Mary Rogren, General Manager

Agenda: November 9, 2021

Report

Date: November 5, 2021

Subject: Consider Approval of Resolution 2021-08 Declaring Intention to Reimburse Expenditures From the Proceeds of Tax-Exempt Obligations

Recommendation:

Approve Resolution 2021-08 Declaring Intention to Reimburse Expenditures from the Proceeds of Tax-Exempt Obligations.

Background:

District staff has started discussions with potential lenders/financial advisors on obtaining financing for the Nunes Water Treatment Plant Upgrades Project.

Since the Nunes Water Treatment Plant Upgrades Project is already under construction, District staff has been advised to pass a resolution that will enable the District to set a look back date of when costs can be reimbursed on the project from debt proceeds.

Given rules surrounding public debt obligations, the following cost can be reimbursed:

- 1) Soft costs (i.e. design and engineering) incurred prior to debt issuance are always reimbursable.
- 2) Hard costs (i.e., construction and equipment) can be reimbursed for monies spent 60 days prior to the resolutions being adopted.

Although it's likely to take many months before financing is obtained, by passing this resolution, the District will be able to apply for reimbursement of construction costs going back 60 days, or September 9, 2021.

The attached resolution template was provided by the Bond Counsel who assisted the District in 2018 with the refunding the 2006 Bond Obligation.

RESOLUTION NO. 2021-08

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE COASTSIDE COUNTY WATER DISTRICT DECLARING INTENTION TO REIMBURSE EXPENDITURES FROM THE PROCEEDS OF TAX-EXEMPT OBLIGATIONS

WHEREAS, the Coastside County Water District (the “District”) owns and operates a system for the supply, treatment and distribution of water within the service area of the District (the “Water System”); and

WHEREAS, the District proposes to undertake the Project (referenced below), to issue, or cause the issuance of, debt for the Project and to use a portion of the proceeds of such debt to reimburse expenditures made for the Project prior to the issuance of the debt; and

WHEREAS, United States Income Tax Regulations section 1.150-2 provides generally that proceeds of tax-exempt debt are not deemed to be expended when such proceeds are used for reimbursement of expenditures made prior to the date of issuance of such debt unless certain procedures are followed, one of which is a requirement that (with certain exceptions), prior to the payment of any such expenditure, the issuer declare an intention to reimburse such expenditure; and

WHEREAS, it is in the public interest and for the public benefit that the District declares its official intent to reimburse the expenditures referenced herein.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Coastside County Water District as follows:

Section 1. The Board finds and determines that the forgoing recitals are true and correct.

Section 2. The District intends to issue or incur long-term obligations (the “Obligations”) for the purpose of financing some or all of the costs of the acquisition and/or construction of the Nunes Water Treatment Plant Upgrades Project and incidental expenses related thereto (collectively, the “Project”).

Section 3. The District hereby declares that it reasonably expects to pay certain costs of the Project prior to the date of issuance of the Obligations and to use a portion of the proceeds of the Obligations for reimbursement of expenditures for the Project that are paid before the date of issuance of the Obligations. This resolution does not bind the District to make any expenditure of Project costs or to incur any debt for the Project costs.

Section 4. The maximum principal amount of the Obligations to be issued or incurred for the Project is currently estimated to be \$6,000,000.

Section 5. Effective Date: This Resolution shall take effect immediately upon its passage and adoption.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of the Coastside County Water District held on this 9th day of November, 2021 by the following vote:

AYES:

NOES:

ABSENT:

Glenn Reynolds, President
Board of Directors

Attest:

Mary Rogren, General Manager
Secretary of the Board of Directors