



Legislation Text

File #: [22-0638], Version: 1

Approve a Reimbursement Resolution for Future Capital Projects.

Staff:

Amy Oland, Director

Department:

Business Management

Overview: The attached resolution would declare the Town's intent to reimburse all future expenses incurred with the various capital projects prior to the planned issuances in FY 2023 and FY 2024.



Recommendation(s):

That the Council adopt the attached reimbursement resolution declaring its intent to reimburse costs associated with the various capital projects planned for issuance in FY 2023 and FY 2024.

Key Issues:

- U.S. Treasury regulations and guidelines require that a governmental entity declare its intent to use tax-exempt debt financing in order to subsequently reimburse itself from the proceeds of that borrowing. In accord with this requirement, the Town must adopt a resolution declaring its intent to reimburse itself from the proceeds of the planned issuances of (a) general obligation bonds in FY 2023 for streets & sidewalks project costs and affordable housing project costs and (b) limited obligation bonds in FY 2024 for the Municipal Services Center project costs and any additional construction costs associated with the East Rosemary Parking Deck incurred prior to the financings.
- In accordance with the Internal Revenue Service requirements for the issuance of tax-exempt debt, the attached resolution declares the Town's intent to reimburse itself for (a) streets & sidewalks expenditures up to \$7.7 million, (b) affordable housing expenditures up to \$5.245 million, (c) Municipal Services Center expenditures up to \$45 million, and (d) East Rosemary Parking Deck construction expenditures up to \$39.4 million.
- The Council will have the opportunity to specifically approve or reject the proposed projects, funding allocations, and construction bids at a later date. However, without the reimbursement resolution, we cannot finance costs of the project from this date until the actual financings are in place.



Attachments:

- Resolution

A RESOLUTION REIMBURSING THE TOWN FOR VARIOUS FUTURE CAPITAL PROJECTS (2022-09-14/R-2)

WHEREAS, the Town of Chapel Hill intends to undertake Projects (as described below), use its own funds to pay initial Project costs, and then reimburse itself from bond financing proceeds for these early expenditures; and

WHEREAS, the Business Management Director has advised Council that it should adopt this resolution to document the Town's plans for reimbursement, in order to comply with certain federal tax rules relating to reimbursement from financing proceeds.

NOW, THEREFORE, BE IT RESOLVED by the Council of the Town of Chapel Hill, North Carolina, as follows:

1. The Projects are (a) various streets and sidewalks projects, (b) various affordable housing projects, (c) Municipal Services Center, and (d) East Rosemary Parking Deck.
2. The Town intends to advance funds for initial Project costs and then reimburse itself from bond financing proceeds. The financing(s) will take the form of (a) general obligation bonds that were approved by citizen vote in November 2015, (b) general obligation bonds that were approved by citizen vote in November 2018, (c) limited obligation bonds, and (d) installment financing agreement.
3. The Town currently expects to borrow (a) up to \$7.7 million for streets and sidewalks, (b) up to \$5.245 million for affordable housing, (c) up to \$45 million for the Municipal Services Center, and (d) up to \$39.4 million for the construction of the East Rosemary Parking Deck.
4. Funds for the early Project expenditures may come from the Town's General Fund, Capital Projects Fund, Debt Service Fund, or any Town enterprise fund.
5. The Town intends for the adoption of this resolution to be a declaration of its official intent to reimburse itself from bond financing proceeds for Project cost expenditures.

This the 14th day of September, 2022.

The Agenda will reflect the text below and/or the motion text will be used during the meeting.

By adopting the resolution, the Council declares its intent to reimburse costs associated with the various capital projects planned for issuance in FY 2023 and FY 2024.