



## CITY COUNCIL MEMORANDUM

**FROM:** The Office of the City Manager **DATE:** January 23, 2023

**SUBJECT:** Consider Reimbursement Resolution No. 2023-010, authorizing reimbursement of capital expenditures with respect to proceeds of debt hereafter to be incurred, in an amount not to exceed \$1,020,000.

**PRESENTER:** Mark C. Mills, Director of Finance

### **SUMMARY:**

In preparation for a contract to be awarded and work to begin on the Iron Horse East Project, staff requests that City Council consider the passage of a reimbursement resolution. The reimbursement resolution itself does not authorize the issuance of debt; it only stipulates that any expenses incurred before a future debt issuance is complete may be reimbursed with the issuance proceeds. Any interim funding required will utilize existing reserves and will be repaid upon receipt of the bond proceeds. The Council typically passes at least one reimbursement resolution each year in anticipation of a future issuance of debt. The last such resolution was passed September 26, 2022.

### **GENERAL DESCRIPTION:**

A bid opening was conducted for the Iron Horse East Project on December 14, 2022. The Iron Horse East Project is a part of the approved 2020 Bond Program and will be the second "major" (collector or arterial classification) roadway to begin construction under that program. Funding for this project was included in the Adopted Capital Projects Budget, but project costs have proven higher than originally anticipated due to increased material and construction costs. The low bid received was \$1,260,323 over the original construction budget. Staff identified \$333,692 in savings from the design budget to be transferred to the construction budget, reducing the overage to \$926,031. As part of the January 23, 2023 City Council meeting, a budget public hearing will be conducted, requesting an increase to the Iron Horse East Project in the amount of \$1,000,000. This amendment, if approved, increases the project's budget in an amount sufficient to cover the higher than anticipated bid response, as well as provides \$73,969 as an additional contingency.

The Iron Horse East Project was awarded a grant from the Economic Development Administration (EDA) (the "Grant") under the Federal CARES Act on March 11, 2021. The



Grant is an 80% (Federal) / 20% (Local) split with a maximum federal contribution of \$4,220,000 (engineering and construction). The city is responsible for 100% of any overages. Once this grant was received, it was no longer necessary to issue the General Obligations bonds ("GO's") associated with Iron Horse East, approved as part of the 2020 Bond Election.

In order to provide the additional funding required for this project, staff intends to issue \$1,000,000 of the originally approved Iron Horse East bonds at a future date. This reimbursement resolution will allow the Council to award the contract and work to begin. The reimbursement resolution is a mechanism through which project expenditures incurred can be reimbursed through the future issuance of bonds. The reimbursement resolution itself does not authorize the issuance of debt; it only stipulates that any expenses made before a future debt issuance is complete may be reimbursed with the issuance proceeds. Any interim funding required will be appropriated from existing reserves and will be repaid upon receipt of the bond proceeds. The process of issuing the associated bonds will occur as part of the city's next debt issuance, projected to occur in late 2023 or early 2024.

The reimbursement resolution prepared for Council approval includes the Iron Horse East Project:

Debt Type	Taxable / Tax-Exempt	Project Type	Description	Amount
GO	Tax-Exempt	Streets	Iron Horse Boulevard - East	\$1,000,000
			Sub Total	\$1,000,000
			Estimated Issuance Cost	\$20,000
			TOTAL	\$1,020,000

**RECOMMENDATION:**

Approve Reimbursement Resolution No. 2023-010 authorizing reimbursement of capital expenditures with respect to proceeds of debt hereafter to be incurred, in an amount not to exceed \$1,020,000.