



**SPECIAL
MEETING of the MEMBERS**

677 Bio Avenue Ellsworth, WI 54011

August 30th 2023, 8:30am

West Central Biosolids is inviting you to a scheduled Zoom meeting.

<https://zoom.us/j/96715959824?pwd=SEtOdzZkR0d1OU55Q3lBRlhiRWpIdz09&from=addon>

Meeting ID: 967 1595 9824

Passcode: 595647

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New Business

1. **Financing phase 0.5 project options**
2. **Resolution 2023-002 Declaring Official Intent to Reimburse Expenditures from Proceeds of Borrowing**

ADJOURNMENT:

3. **Adjournment.**

Randy Lindquist.
Superintendent

RESOLUTION NO. 2023-002

**RESOLUTION DECLARING OFFICIAL INTENT
TO REIMBURSE EXPENDITURES
FROM PROCEEDS OF BORROWING**

WHEREAS, the West Central Wisconsin Biosolids Facility (the "Issuer") plans to expand its capacity to process biosolid material by, among other improvements, adding storage tanks and warehouse space, and updating certain equipment (collectively, the "Project");

WHEREAS, the Issuer expects to finance the Project on a long-term basis by issuing tax-exempt bonds or other tax-exempt obligations (collectively, the "Bonds");

WHEREAS, because the Bonds will not be issued prior to commencement of the Project, the Issuer must provide interim financing to cover costs of the Project incurred prior to receipt of the proceeds of the Bonds; and

WHEREAS, the Commission (the "Governing Body") of the Issuer deems it to be necessary, desirable, and in the best interests of the Issuer to advance moneys from its funds on hand on an interim basis to pay the costs of the Project until the Bonds are issued.

NOW, THEREFORE, BE IT RESOLVED by the Governing Body of the Issuer that:

Section 1. Expenditure of Funds. The Issuer shall make expenditures as needed from its funds on hand to pay the cost of the Project until proceeds of the Bonds become available.

Section 2. Declaration of Official Intent. The Issuer hereby officially declares its intent under Treas. Reg. Section 1.150-2 to reimburse said expenditures with proceeds of the Bonds, the principal amount of which is not expected to exceed \$8,200,000.

Section 3. Unavailability of Long-Term Funds. No funds for payment of the Project from sources other than the Bonds are, or are reasonably expected to be, reserved, allocated on a long-term basis, or otherwise set aside by the Issuer pursuant to its budget or financial policies.

Section 4. Public Availability of Official Intent Resolution. The Resolution shall be made available for public inspection at the office of the Issuer within 30 days after its approval in compliance with applicable State law governing the availability of records of official acts including Subchapter II of Chapter 19, and shall remain available for public inspection until the Bonds are issued.

Section 5. Effective Date. This Resolution shall be effective upon its adoption and approval.

Adopted and recorded August 30, 2023

Approved August 30, 2023

President

ATTEST:

(SEAL)

Secretary

Review of IRS Reimbursement Regulations

Counties, cities, villages, towns, school districts and other governmental units often will pay capital costs out of available cash in anticipation of long-term financing with tax-exempt bonds. Bonds or other municipal obligations issued to permanently finance prior expenditures in this way are commonly called “reimbursement bonds.”

Although the final IRS regulations regarding reimbursement bonds were effective in June, 1993, questions frequently arise about them. This update summarizes the pertinent provisions.

General Rules

Three general rules must be followed in order for a governmental unit to undertake tax-exempt financing for the purpose of reimbursing itself for prior expenditures.

Official Intent: If a prior expenditure is to be permanently financed by the later issue of tax-exempt obligations, the governmental unit must declare its reasonable intent to do so within 60 days of the date the expenditure is made. Without this declaration of intent, the ability to obtain permanent tax-exempt financing for that expenditure is lost unless the preliminary expenditure or de minimus exceptions described below apply).

Requisite “official intent” has four basic requirements:

First, the declaration of official intent must be made in any reasonable form (resolution, legislative authorization, approved budget documents). The declaration of official intent usually will be stated in a resolution approved by the governmental unit’s governing body or by an authorized representative of the governmental unit, and must:

1. describe the project (i.e. property, project, or program) for which the expenditure will be made OR identify the fund or account (by name and functional purpose) used to pay for the expenditure; AND

2. state the maximum principal amount of obligations expected to be issued for the project.

Second, the declaration must contain a general functional description of the property to which the reimbursement relates or an identification of the fund or account from which the expenditure is to be paid and a general functional description of the purposes of such fund or account. Thus, references to a “highway capital improvement program,” a “hospital equipment acquisition” or a “school building renovation” will suffice. Reasonable deviations between the project described in the declaration and the actual project ultimately financed will not invalidate the official intent but the actual project must reasonably relate in function to the project described in the declaration.

Third, the declaration must indicate the maximum principal amount of borrowing expected for reimbursement.

Local governments should put procedures in place if they plan to reimburse prior expenditures with tax-exempt obligations.

Fourth, in general, a declaration of official intent is reasonable only if, as of the date of declaration, the governmental unit reasonably expects to reimburse the expenditure with proceeds of a borrowing. Whether a governmental unit’s expectation that the reimbursement will occur is reasonable will be determined under all of the available facts and circumstances, including whether the governmental unit has a history of making declarations of intent without following through with an actual reimbursement or of making declarations in amounts substantially in excess of the amounts expect to be necessary. Blanket declarations of official intent which are

routinely adopted and indiscriminately cover all or most of a governmental unit's expenditures are not sufficient.

Reimbursement Period (18-Month Rule):

Generally, the reimbursement bonds must be issued not later than 18 months after the later of (a) the date on which the expenditure is made or (b) the date the financed property is placed in service or abandoned, but in no event later than 3 years after the expenditure is made. Small issuers (governmental units that issue \$5,000,000 or less of tax-exempt bonds during the calendar year) get a 3 year period instead of 18 months. A special rule for long-term construction projects permits a 5 year rather than 3 year reimbursement period if both the issuer and a licensed architect or engineer certify that 5 years is necessary to complete construction of the project.

Nature of Expenditure Requirement: The expenditures to be reimbursed must be capital expenditures, costs of issuance for a bond, extraordinary nonrecurring items, a grant, a qualified student loan, qualified mortgage loan, or qualified veteran's mortgage loan. Local governments cannot reimburse amounts spent to repay outstanding obligations from a tax-exempt borrowing.

Preliminary Expenditure and De minimus Exceptions

The official intent requirement and the reimbursement period requirement do not apply to "preliminary expenditures" which include architectural, engineering, surveying, soil testing, reimbursement bond issuance, and similar costs that are incurred

prior to commencement of construction, rehabilitation or acquisition of a project. Preliminary costs do not include land acquisition, site preparation, and similar costs incident to the commencement of construction. Preliminary expenditures, however, cannot exceed 20% of the issue price of the related reimbursement bond issue. A special exception also applies for amounts not in excess of the lesser of \$100,000 or 5% of the proceeds of the issue.

Comment

Many governmental units have adopted resolutions authorizing certain officials to declare official intent on their behalf. Others have adopted specific reimbursement resolutions. Many initial borrowing resolutions approved by governing bodies will satisfy the official intent requirement. We recommend that all governmental units review the reimbursement regulations and put procedures in place so they can preserve the ability to reimburse prior capital expenditures with tax-exempt obligations.

Sample resolutions are available upon request.