

# **CHICO UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION**

Regular Meeting – January 20, 2016

Closed Session – 5:00 p.m.

Regular Session – 6:00 p.m.

Chico City Council Chambers  
421 Main Street, Chico, CA 95928

## **ADDENDUM**

The following **two changes** have been made to the Board Agenda for January 20, 2016:

1) The following item has been added to the Closed Session

### **2. CLOSED SESSION**

2.6. **Public Employee Discipline/  
Dismissal/Release**  
Per Government Code §54957

2) A correction to Item 10.3.4. has been made: Resolution 1316-16, Section 2 on page 3 of 5 inadvertently had a blank dollar amount not filled in. It should read as follows: "The reasonably expected maximum principal amount of the Obligations is \$17,000,000.

### **10. DISCUSSION/ACTION CALENDAR**

#### **10.3. BUSINESS SERVICES**

**10.3.4. Discussion/Action:** Reimbursement Resolution 1316-16,  
Regarding Intention to Issue Tax-Exempt General Obligation  
Bonds (Kevin Bultema)

**AGENDA ITEM:** Reimbursement Resolution #1316-16 – Regarding Intention to Issue Tax-Exempt General Obligation Bonds

**Prepared by:** Kevin Bultema, Assistant Superintendent Business Services

☐ Consent

Board Date January 20, 2016

☐ Information Only

☒ Discussion/Action

**Background Information**

The District's voters approved Measure E, a \$78,000,000 general obligation bond measure on the November 6, 2012 ballot. Measure E would permit the sale of bonds (the "Bonds") to finance capital projects authorized thereby (the "Project(s)"). The District may elect to advance certain of its own funds toward the start of a Project. The District would advance funds on the knowledge that it could be reimbursed for amounts expended on such improvements from the subsequent sale of any Bonds. The Internal Revenue Code has certain requirements that need to be satisfied in order for a school district to reimburse itself for costs incurred for capital projects in advance of the sale of tax-exempt Bonds. In order to qualify for reimbursement of such costs from the proceeds of a Bond issue, the Board must adopt a resolution which satisfies all the requirements of the Internal Revenue Code within 60 days of the date on which the expenditures had been made.

The District's bond counsel has prepared the attached resolution which complies with applicable requirements of the Internal Revenue Code and would allow the District to reimburse itself for such advanced Project costs from the proceeds of the next series of Bonds issued under Measure E. The adoption of this resolution does not obligate the District to ever advance its own funds toward Projects. The adoption of this resolution preserves the option for the Board to decide at a subsequent date whether or not it would be in the best interests of the District to allocate a portion of any Bond proceeds towards the reimbursement of the monies the District might spend in getting started on Projects to be funded from a future bond issuance.

There is a reference in this resolution to a \$17,000,000 Bond issue. The Internal Revenue Code obligates this resolution to include an estimated size of the borrowing from which the reimbursement will occur. The District is not required to maintain this \$17,000,000 amount. It is included to satisfy a legal requirement and constitutes only a rough estimate of the likely size of a Bond issue that the Board may consider. If the Board were to sell a larger or a smaller Bond, such decision would not have adversely effected its ability to use a portion of the proceeds of such Bond to reimburse the District for these costs.

On April 14, 2014, the CUSD board voted to set aside \$2 million dollars of a future Measure E bond sale to be used for projects that are not specifically noted in Phases 1 through 5 of the Facilities Master Plan (FMP). The district would reimburse itself for expenditures to complete the improvements to the track and athletic fields at the high schools which are not included in the FMP Phases 1-5 and for the purchase of property currently not included in the FMP.

**Educational Implications**

Improvements of track and athletic fields at both high schools will allow for a full physical education program with year-round access and improved safety. Purchase of property will allow for improved site plan at a current school site.

**Fiscal Implications**

Not Applicable.

**Recommendation**

Administration recommends approval of Reimbursement Resolution #1316-16 - Regarding Intention to Issue Tax-Exempt General Obligation Bonds.

REIMBURSEMENT RESOLUTION

RESOLUTION NO. 1316-16

RESOLUTION OF THE BOARD OF EDUCATION OF THE CHICO  
UNIFIED SCHOOL DISTRICT REGARDING ITS INTENTION TO  
ISSUE TAX-EXEMPT GENERAL OBLIGATION BONDS

WHEREAS, on June 20, 2012, the adopted Resolution No. 1186-12 (“Election Resolution”) calling for a bond election within Chico Unified School District (the “District”), on November 6, 2012 passed a \$78,000,000 general obligation bond election (“Measure E”); and

WHEREAS, the Board of Education of the District desires to finance the costs of acquiring, constructing, reconstruction and/or equipping of school facilities as provided in Measure E (the “Project”); and

WHEREAS, the District intends to finance the acquisition, construction, reconstruction and/or equipping of the Project or portions of the Project with the proceeds of the sale of general obligation bonds or other forms of debt, the interest upon which is excluded from gross income for federal income tax purposes (the “Obligations”); and

WHEREAS, prior to the issuance of the Obligations the District desires to incur certain capital expenditures (the “Expenditures”) with respect to the Project from available moneys of the District; and

WHEREAS, the Board of Education has determined that those moneys to be advanced on and after the date hereof to pay the Expenditures are available only for a temporary period and it is necessary to reimburse the District for the Expenditures from the proceeds of the Obligations.

NOW, THEREFORE, THE BOARD OF EDUCATION OF THE CHICO UNIFIED SCHOOL DISTRICT DOES HEREBY RESOLVE, ORDER, AND DETERMINE AS FOLLOWS:

SECTION 1. The District hereby states its intention and reasonably expects to reimburse Project costs incurred prior to the issuance of the Obligations with proceeds of the Obligations. Exhibit B of the Election Resolution describes the general character, type, purpose, and function of the Project.

SECTION 2. The reasonably expected maximum principal amount of the Obligations is \$ 17,000,000.

SECTION 3. This resolution is being adopted not later than 60 days after the payment of the original Expenditures (the “Expenditures Dates or Dates”).

SECTION 4. The District will make a reimbursement allocation, which is a written allocation that evidences the District’s use of proceeds of the Obligations to reimburse an Expenditure, no later than 18 months after the later of the date on which the Expenditure is paid or the Project is placed in service or abandoned, but in no event more than three years after the date on which the Expenditure is paid. If both the District and a licensed architect or engineer certify that at least 5 years is necessary to complete construction of the Project, the maximum reimbursement period is changed from 3 years to 5 years.

SECTION 5. Each Expenditure will be either (a) of a type properly chargeable to a capital account under general federal income tax principles (determined in each case as of the date of the Expenditure), (b) a cost of issuance with respect to the Obligations, (c) a nonrecurring item that is not customarily payable from current revenues, or (d) a grant to a party that is not related to or an agent of the District so long as such grant does not impose any obligation or condition (directly or indirectly) to repay any amount to or for the benefit of the District.

SECTION 6. This resolution is consistent with the budgetary and financial circumstances of the District, as of the date hereof. No moneys from sources other than the Obligations are, or are reasonably expected to be reserved, allocated on a long-term basis, or otherwise set aside by the District (or any related party) pursuant to their budget or financial policies with respect to the Project costs. To the best of our knowledge, this Board is not aware of the previous adoption of official intents by the District that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligations have not been issued.

SECTION 7. This resolution is adopted as official action of the District in order to comply with Treasury Regulation §1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of District expenditures incurred prior to the date of issue of the Obligations.

SECTION 8. The limitations described in Section 3 and Section 4 do not apply to (a) costs of issuance of the Obligations, (b) an amount not in excess of the lesser of \$100,000 or five percent (5%) of the proceeds of the Obligations, or (c) any preliminary expenditures, such as architectural, engineering, surveying, soil testing, and similar costs other than land acquisition, site preparation, and similar costs incident to commencement of construction, not in excess of twenty percent (20%) of the aggregate issue price of the Obligations that finances the Project for which the preliminary expenditures were incurred.

SECTION 9. All the recitals in this resolution are true and correct and this Board of Education so finds, determines and represents.

ADOPTED, SIGNED AND APPROVED this 20<sup>th</sup> day of January, 2016.

CHICO UNIFIED SCHOOL DISTRICT BOARD  
OF EDUCATION

By \_\_\_\_\_  
Board President

Attest:

\_\_\_\_\_  
Secretary

STATE OF CALIFORNIA     )  
  )ss  
BUTTE COUNTY             )

I, Kelly Staley, do hereby certify that the foregoing is a true and correct copy of Resolution No. \_\_\_\_\_, which was duly adopted by the Board of Education of the Chico Unified School District at meeting thereof held on the 20<sup>th</sup> day of January, 2016, and that it was so adopted by the following vote:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

By \_\_\_\_\_  
Secretary