



City of Gilroy

STAFF REPORT

Agenda Item Title: **Adopt a Resolution of Intention to Reimburse Expenditures for Costs Incurred in Connection with the Gilroy Ice Center Project**

Meeting Date: August 21, 2023

From: Jimmy Forbis, City Administrator

Department: Finance

Submitted By: Harjot Sangha, Finance Director

Prepared By: Harjot Sangha, Finance Director

STRATEGIC PLAN GOALS

Develop a Financially Resilient Organization
Promote Economic Development Activities
Maintain and Improve City Infrastructure

RECOMMENDATION

Adopt a Resolution of Intention to Reimburse Expenditures for Costs Incurred in Connection with the Gilroy Ice Center Project (the "Project").

BACKGROUND

The City of Gilroy (the "City") has entered into that certain Exclusive Negotiating Rights Agreement, as amended from time to time, with Sharks Sports & Entertainment LLC ("Sharks"), pursuant to which the City selected the Sharks to negotiate exclusively the terms for the operation of an indoor entertainment and sports complex on a portion of the Gilroy Sports Park.

In June 2022, the City Council approved a non-binding term sheet with the Sharks. The project is included in the City's recently adopted five-year Capital Improvement Program. In anticipation of construction, certain work such as preparation of the basis of design and design-build documents and utility and site work improvements are required that the City will likely complete prior to any financing (bond issuance) for the Project.

ANALYSIS

Staff has begun working with NHA Advisors, the City's municipal advisor, and Nixon Peabody, the City's bond counsel, on the potential financing to provide funds for the Project. The maximum principal amount of the bond issuance noted in the resolution as \$50 million is an estimate at this time and serves as a placeholder until the actual bond issuance amount is determined, which will be known after the project completes the planning/design phase. The final bond issuance amount will be subject to subsequent Council approval.

Federal regulations generally require an issuer of debt to adopt a declaration of official intent to use the proceeds of debt to reimburse the issuer for capital expenditures made before the debt is issued. Staff seeks approval of the enclosed resolution in order to comply with these requirements. The resolution declares the City's intention to reimburse Project-related expenditures using the debt proceeds once the debt is issued. This will allow the City to advance funds to meet the current timeline for the Project and ensure those funds will be reimbursed from the proceeds of the financing. Staff will return to the City Council to seek final approval to issue the debt and enter into financing agreements.

ALTERNATIVES

City Council could elect not to adopt the resolution of intent. Staff does not recommend this alternative.

FISCAL IMPACT/FUNDING SOURCE

There is no fiscal impact to the adoption of this resolution. However, adopting this resolution will enable the City to reimburse itself for costs incurred on the project from the future bond proceeds. The Gilroy Ice Center project is in the adopted Capital Improvement Program (Project No. 800900) with funding from the Public Facilities Fund (440), Traffic Impact Fund (425), and bond proceeds.

Attachments:

1. Draft Resolution