

**PORT OF GALVESTON
REQUEST FOR DISCUSSION AND
TRUSTEES ACTION**

**BUSINESS
ITEM**

PREPARED BY: Anthony Brown Port Attorney September 22, 2023

SUBJECT: Discuss and Consider Supplemental Reimbursement Resolution for Cruise Terminal 25

BACKGROUND: Federal tax law provides that when a public entity makes expenditures from its operating funds to pay for construction (and other) costs related to a capital project for which the public entity contemplates issuing tax-exempt bonds or similar instruments, the entity may adopt a "Reimbursement Resolution" allowing it to reimburse its operating funds for such expenditures from the bond proceeds after the bonds are sold.

At its August 8, 2023 Special Meeting, the Board of Trustees adopted a Reimbursement Resolution for expenditures made for its Cruise Terminal No. 25 Expansion Project, in an amount not to exceed \$13,000,000.00. Since then, there have been unexpected delays in issuing the bonds, while the Wharves has continuing payments to be made for this Project. The Wharves currently expects to make additional expenditures in October and November 2023 in excess of the \$13,000,000 amount specified in the August 8, 2023 Resolution. This total amount of these expenditures is estimated to be approximately \$17 million.

In order to ensure that all such expenditures made prior to the issuance of the bonds are covered, a Supplemental Reimbursement Resolution is presented for Trustee consideration. This Resolution provides for an additional not-to-exceed amount of \$20,000,000, in addition to the \$13,000,000 amount provided for in the Board's August 8, 2023 Reimbursement Resolution.

ADDITIONAL INFORMATION ATTACHED: No _____ Yes X

RECOMMENDATIONS: The Board of Trustees is respectfully requested to consider approval and adoption of the attached Supplemental Reimbursement Resolution.

Respectfully Submitted By:

Anthony Brown, Port Attorney

DATE ACTION TAKEN: _____

Approved: _____

Disapproved: _____

Deferred To: _____

Incorporated into Minutes: _____

Motion By: _____

Seconded By: _____

Unanimous: Yes _____ No _____

By: _____

**SUPPLEMENTAL REIMBURSEMENT RESOLUTION OF THE BOARD
OF TRUSTEES OF THE GALVESTON WHARVES**

WHEREAS, the **BOARD OF TRUSTEES OF THE GALVESTON WHARVES** (the "Board") is a utility of the City of Galveston and a political subdivision of the State of Texas, pursuant to Article XII of the City Charter of the City of Galveston and Chapter 54 of the Texas Transportation Code, and is legally authorized to issue debt obligations for authorized purposes, which may include qualified tax credit bonds or obligations the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt obligations"), pursuant to the Internal Revenue of 1986, as amended (the "Code"), or both; and

WHEREAS, the Board has made payments for the Cruise Terminal No. 25 Improvement Project (defined below), within the sixty (60) day period preceding the date hereof, and anticipates making additional payments prior to the issuance of qualified tax credit bonds or tax-exempt obligations, or both, to be issued subsequent to the date hereof; and

WHEREAS, under 26 CFR § 1.150-2, to fund such reimbursement with proceeds of tax-exempt obligations, the Board must declare its expectation to make such reimbursement; and

WHEREAS, the Board desires to preserve its ability to reimburse itself for the costs associated with the Cruise Terminal No. 25 Improvement Project (defined below) from the proceeds of qualified tax credit bonds or tax-exempt obligations, or both, to be issued subsequent to the date hereof; and

WHEREAS, the Board previously adopted a Reimbursement Resolution at its Special Meeting held on August 8, 2023, in which the Board resolved that it reasonably expected that the maximum principal amount of qualified tax credit bonds or tax-exempt obligations, or both, issued to reimburse the Board for cost incurred with expenditures for completion of the Cruise Terminal No. 25 Improvement Project would not exceed \$13,000,000 (the "Original Expenditures"); and

WHEREAS, due to unexpected delays in issuing the contemplated qualified tax credit bonds or tax-exempt obligations, or both, the Board desires to preserve its ability to reimburse itself for additional expenditures for the completion of the Cruise Terminal No. 25 Improvement Project, in an additional amount not to exceed \$20,000,000 (the "Additional Expenditures"), which are in addition to the Original Expenditures;

BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES, AS FOLLOWS:

RESOLVED, that the **BOARD OF TRUSTEES OF THE GALVESTON WHARVES** (the "Board") has made capital expenditures, and reasonably expects to make additional capital expenditures (i.e., the Additional Expenditures) after the date of this Resolution in connection with the renovation, expansion and improvement of the Cruise Terminal No. 25 facility at the Port of Galveston (the "Cruise Terminal No. 25 Improvement Project") that are in addition to the Original Expenditures, and the Board intends to reimburse itself for such expenditures with the proceeds of

qualified tax credit bonds or tax-exempt obligations, or both, to be issued subsequent to the date hereof.

RESOLVED FURTHER, that the Board reasonably expects that the maximum principal amount of qualified tax credit bonds or tax-exempt obligations, or both, issued to reimburse the Board for cost incurred with the Additional Expenditures for completion of the Cruise Terminal No. 25 Improvement Project will not exceed \$20,000,000, and such obligations may be issued in one or more series.

RESOLVED FURTHER, that unless otherwise advised by legal counsel, any reimbursement allocation for the Additional Expenditures will be made not later than 18 months after the later of (1) the date the original expenditure is paid or (2) the date on which the expenditure is placed in service or abandoned, but in no event more than three years after the original expenditure is paid.

RESOLVED FURTHER, this Resolution shall be effective immediately upon adoption.

ADOPTED September 26, 2023

I hereby certify that the foregoing resolution was adopted and approved by the Board of Trustees at its Special Meeting held on September 26, 2023.

Chairman
Board of Trustees of the
Galveston Wharves