



TO: Elizabeth Pauli, City Manager
FROM: Teresa Sedmak, City Treasurer
Andy Cherullo, Finance Director *AC*
COPY: City Council and City Clerk
SUBJECT: Resolution Designating Certain Expenditures for Reimbursement from Proceeds of Tax-Exempt obligations
DATE: December 12, 2017

SUMMARY:

This Resolution (the “Resolution”) is required for the City to have the ability, under regulations of the U.S. Treasury, to reimburse itself for costs and expenses incurred in making of improvements to the Central Wastewater Treatment Plant, which will convert bio-gas into usable energy (the “Bio-Gas Project”); therefore, creating a cost-effective way to create clean energy from an otherwise wasted resource. It is anticipated that the Bio-Gas Project will be financed either through bonds issued by the City’s sewer system or through an alternative financing program offered by the State of Washington. In either case, the Bio-Gas Project would be financed on a tax-exempt basis. This action supports item T-11 in the Environmental Action Plan; which calls for fueling solid waste trucks with renewable natural gas produced at the City’s Central Treatment Plant.

STRATEGIC POLICY PRIORITY:

- Strengthen and maintain a strong fiscal management position
- Sustain and Improve Tacoma’s natural environment

BACKGROUND:

In order to reduce carbon pollution and implement clean energy improvements, the City has been working with McKinstry to develop a process through which it may convert an otherwise wasted energy source (bio-gas) into clean renewable natural gas. In addition to reducing greenhouse gasses, the project is intended to create cost savings and revenues that will effectively offset project costs.

ISSUE:

The financing of the Bio-Gas Project may lag the incurrence of early phase costs related to the project. In order for the City to capture those early cash outlays in its project financing, it is required, by regulations of the U.S. Treasury, to formally adopt a resolution authorizing reimbursement of those expenses from proceeds of the tax-exempt obligations utilized to finance the improvements.

ALTERNATIVES:

1. The City could approve the reimbursement resolution, allowing for costs and expenses related to the Bio-Gas Project to be reimbursed from proceeds of the tax-exempt financing.
2. The City could choose not to approve the reimbursement resolution.

RECOMMENDATION:

It is recommended that the City approve the reimbursement resolution, allowing for costs and expenses related to the Bio-Gas Project be reimbursed from proceeds from the issuance of the tax-exempt obligations which will finance those improvements.



FISCAL IMPACT:

Without an authorized reimbursement resolution, the project expenses incurred prior to the financing would not be captured in the financing. Rather, they would have to be paid out of otherwise programmed funds of the City's wastewater system.