



TO: Elizabeth Pauli, City Manager
FROM: Andy Cherullo, Finance Director; Mike Slevin, Environmental Services Director
COPY: City Council and City Clerk
SUBJECT: Environmental Services – Solid Waste Bond Ordinance
DATE: February 15, 2022

SUMMARY AND PURPOSE:

The Environmental Services Department (ES) is seeking City Council approval to issue bonds in or around March of 2022 to fund Solid Waste capital projects. Specifically, this ordinance is providing for the issuance and sale of one or more series of solid waste revenue bonds of the City in the aggregate principal amount of not to exceed \$16,000,000 to finance and/or reimburse the City for costs associated with the construction, improvement and equipping of the City's municipal solid waste system and to pay costs of issuing the bonds; providing the form and terms of the bonds; and delegating the authority to approve the method sale and the final terms of the bonds. The Bonds are expected to be sold on March 16 or 17 and to close on March 31, 2022.

It is recommended that City Council approve the Ordinance, which delegates authority to the City's Finance Director, Treasurer and Assistant Finance Director/Controller, or their designee, to approve the method of sale and the interest rates, maturity dates, redemption terms and principal maturities for the Bonds, all within parameters outlined in the Ordinance.

BACKGROUND:

A critical part of ES's finance plan is to issue bonds on a regular basis (every 3-5 years). The proceeds of the bonds allow ES to make improvements to Solid Waste infrastructure. Solid Waste improvements are expected to include, but not be limited to, fleet repair and replacements, fueling station repairs or replacements, other upgrades, repair, replacements, and/or improvements at Solid Waste facilities. There may be additional projects identified through the asset management process which may include, but not be limited to, capital improvements system upgrades, improvements, replacements, and/or repairs.

The maximum principal amount expected to be reasonably reimbursed is approximately \$16,000,000. A general functional description of the projects is as follows:

The proceeds from the sale of the Bonds will be used to finance certain capital improvements to the System, including the acquisition of compressed natural gas ("CNG") collection-vehicles, the acquisition of diesel semi-tractor transfer vehicles with improved engine and emission standards, containers and downtown compactors, and other fleet repair and replacements, fueling station repairs or replacements, other upgrades, repair, replacements, and/or improvements at Solid Waste facilities. Proceeds will also be used to pay costs of issuance of the Bonds.



ISSUES:

Security/Pledge of Revenues: The proposed Bonds will be secured by solid waste system revenues.

Delegation: The Ordinance delegates authority to the City Finance Director, Treasurer, and Assistant Finance Director/Controller, or their designees, for a limited time, to approve final terms of the Bonds, in accordance with parameters more fully described in Section 11 of the Ordinance.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility: *(Mandatory)*

The proceeds of the anticipated bond sale will improve Solid Waste infrastructure which will reduce inequities by allowing Environmental Services to continue to provide critical services to underserved communities, making system-wide improvements and decreasing the risk of failure in critical infrastructure.

Livability: *Equity Index Score: Moderate Opportunity*

The proceeds of the anticipated bond sale will improve Solid Waste infrastructure which is critical to the community members living within the City of Tacoma.

ALTERNATIVES:

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Pay for capital projects using operating revenues	There will not be debt service payments.	Without access to the proceeds of a bond sale, Environmental Services (ES) will have to use operating revenues to fund capital projects. This will require higher future rate increases than if the projects were funded through debt.

STAFF/SPONSOR RECOMMENDATION:

It is recommended that City Council adopt this ordinance.

FISCAL IMPACT:

The fiscal impact, should this ordinance be passed, would be that Environmental Services would be allowed to go to the bond markets and raise approximately \$16,000,000 in bond proceeds to fund projects in the Capital Improvement plan.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. Fund 4200 – Solid Waste	511000	6599990	\$16,000,000



2. Fund 4200 – Solid Waste	511000	6611000	TBD based on interest rate
TOTAL			

What Funding is being used to support the expense?

SOLID WASTE SYSTEM REVENUES.

Are the expenditures and revenues planned and budgeted in this biennium’s current budget?

No. The debt service will be incorporated into the 2023-2024 biennial budget

Are there financial costs or other impacts of not implementing the legislation?

YES

Will the legislation have an ongoing/recurring fiscal impact?

YES

Will the legislation change the City’s FTE/personnel counts?

YES, PLEASE EXPLAIN BELOW

There may be a need to hire personnel for special projects of limited duration to work on the capital projects.

ATTACHMENTS:

- Ordinance