



TO: Elizabeth Pauli, City Manager
FROM: Teresa Sedmak, City Treasurer
Andy Cherullo, Finance Director
COPY: City Council and City Clerk
SUBJECT: An ordinance providing for the issuance and sale of approximately \$102 million
Sewer Revenue Bonds, Series 2018
DATE: October 12, 2018

SUMMARY:

This ordinance (the “Ordinance”) authorizes the issuance and sale of approximately \$102 million Sewer Revenue Bonds (the “Bonds”) to finance and/or reimburse the City for costs associated with the construction, improvement and equipping of the City’s municipal sewer system and to pay costs of issuing the bonds; providing the form and terms of the bonds; and delegating the authority to approve the final terms of the bonds. The Bonds are expected to be sold on November 7, 2018 and to close on November 28, 2018.

It is recommended that City Council approve the Ordinance, which delegates authority to the City’s Finance Director and Treasurer, 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.

STRATEGIC POLICY PRIORITY:

The issuance and sale of the Bonds will further the following City policy priorities:

- Strengthen and support a safe city with healthy residents.
- Ensure all Tacoma residents are valued and have access to resources to meet their needs.
- Assure outstanding stewardship of the natural and built environment.
- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

BACKGROUND:

The City’s Sewer system (the “System”), which includes wastewater and surface water components, is in a continuous state of operation, maintenance and replacement. The Capital Improvement Plan which directs investments in the System identifies components to be acquired, replaced or improved to keep the System in good working order and to meet the ongoing needs of the community. The specific projects identified in the Capital Improvement plan are funded with a combination of cash on hand (“pay-go”) and proceeds from the issuance of bonds.

ISSUE:

Security/Pledge of Revenues: The Bonds will be secured by a pledge of System revenues net of the cost of the System’s maintenance and operation.

Delegation: The Ordinance delegates authority to the Finance Director and the City Treasurer, or their designee, for a limited time, 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.



ALTERNATIVES:

1. The City could approve the Ordinance, authoring the sale and issuance of bonds to finance capital improvements to the System.
2. The City could choose not to approve the Ordinance.
3. The City could propose modifications to the Ordinance for consideration at a later date.

RECOMMENDATION:

It is recommended that the City approve the Ordinance allowing for the issuance and sale of the Bonds to finance projects in the Capital Improvement Plan and further a number of the City’s policy priorities. The interest costs of the Bonds will be amortized over the expected useful lives of the project components.

FISCAL IMPACT:

The Bonds will generate approximately \$111 million in proceeds, and will be repaid over a 30-year period. The fiscal impact is summarized below.

EXPENDITURES:

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Wastewater Operating Fund 4300	Various WBSE’s	Capital Projects	53,000,000
Wastewater DS Fund 4300-18DS	528014	Principal & Interest Expense	86,000,000
Surface Water Operating Fund 4301	Various WBSE’s	Capital Projects	58,000,000
Surface Water DS Fund 4301-18DS	529853	Principal & Interest Expense	85,000,000
TOTAL			

* General Fund: Include Department

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Wastewater Bond Construction Fund 4300-18CON	Cash	Cash	53,000,000
Wastewater Operating Revenues Fund 4300	523900	Various Revenues	86,000,000
Surface Water Bond Construction Fund 4301-18CON	Cash	Cash	58,000,000
Surface Water Operating Revenues Fund 4301	521900	Various Revenues	85,000,000
TOTAL			

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: N/A. Principal repayment on the Bonds begins in 2019 and runs through 2048, unless repaid earlier.

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes.