



TO: Elizabeth Pauli, City Manager
FROM: Jackie Flowers, Director of Utilities, Tacoma Public Utilities
 Scott Dewhirst, Superintendent, Tacoma Water
COPY: Tacoma City Council and City Clerk
SUBJECT: Regional Water Supply System Revenue Refunding Bonds, Series 2023
DATE: July 25, 2023

SUMMARY AND PURPOSE:

Tacoma Water requests approval to issue the 2023 Regional Water Supply System (RWSS) Revenue Refunding Bonds in an amount not to exceed \$40,850,000, in order to refund the 2013 Regional Water Supply System Revenue Refunding Bonds, and to amend the RWSS Repayment Agreement.

BACKGROUND:

Tacoma Water is considering refunding the outstanding 2013 Regional System bonds callable on June 1, 2023. In addition, the existing RWSS Repayment Agreement will need to be amended as Covington has elected to payoff their portion of the bonds in lieu of participating in the refunding.

These bonds were issued to support the addition of the Second Supply Project, the Green River Filtration Facility, and other RWSS infrastructure projects. This refunding will provide savings, restructure debt service payments, and/or obtain more favorable bond covenants in the best interest of Tacoma Water and its ratepayers.

With assistance from Tacoma’s Finance and Legal Departments, our municipal advisory firm, Montague DeRose and Associates, and bond counsel, Pacifica Law Group, we have prepared a bond ordinance for the Public Utility Board and City Council action (current request) that would authorize Tacoma Water to execute a refunding.

The bond ordinance clearly defines the parameters that are in effect for one year, including the delegation of authority to approve the final terms of the refunding.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

In preparation for this request, Tacoma Water provided information and sought feedback during a Public Utility Board (PUB) study session and a Government Performance & Finance Committee (GPFC) meeting. Both the PUB study session and GPFC meeting are open to the public and provide opportunity for community and customer engagement.

ALTERNATIVES:

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. No action		Lost opportunity to save money for customers and modify restrictive bond covenants in support of lower rates.
2.		
3.		



EVALUATION AND FOLLOW UP:

Savings and benefits achieved through this refunding will be communicated to the Board and public as part of the Reports of the Director related Strategic Directives for Financial Sustainability (SD2) and Rates (SD3).

STAFF/SPONSOR RECOMMENDATION:

Tacoma Water requests approval to issue the 2023 Regional Water Supply System (RWSS) Revenue Refunding Bonds in an amount not to exceed \$40,850,000, in order to refund the 2013 Regional Water Supply System Revenue Refunding Bonds, and to amend the RWSS Repayment Agreement.

Due to the volatility of the current interest rate environment, Tacoma Water recommends the Council approve the ordinance on August 1, 2023, in order to allow staff to act quickly when the market is favorable and maximize savings.

FISCAL IMPACT:

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. Fund 4600-RWSS	580000	6611000	TBD (depending on the market)
2.			
TOTAL			

What Funding is being used to support the expense?

N/A

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

NO, PLEASE EXPLAIN BELOW

Debt service savings have not been budgeted due to the volatility of market conditions.

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

YES

Lost opportunity to save money for customers and modify restrictive bond covenants in support of lower rates.

Will the legislation have an ongoing/recurring fiscal impact?

YES

Supports ongoing debt management and capital funding strategy as part of Tacoma Water's Long-Range Financial Plan.

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

No

ATTACHMENTS:

- City Council Ordinance
- TPU Board Resolution
- Repayment Agreement