



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

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**SUMMARY AND PURPOSE:**

The Environmental Services Department (ES) is seeking City Council approval to issue bonds in or around March of 2022 to fund Sewer (wastewater and stormwater) capital projects. Specifically, this ordinance is providing for the issuance and sale of one or more series of sewer revenue bonds of the City in the aggregate principal amount of not to exceed \$105,000,000 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 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 financial plan is to issue bonds on a regular basis (every 3-5 years). The proceeds of the bonds allow ES to make improvements to Sewer infrastructure. These Sewer improvements are expected to include, but are not limited to, pipe replacement, main extensions, other upgrades, repair, replacements, and/or improvements at wastewater and stormwater facilities. There may be additional projects identified through the asset management process which may include, but not are limited to, improvements to support the City's Streets Initiative, other capital improvements, system upgrades, improvements, replacements, and/or repairs.

The maximum principal amount expected to be reasonably reimbursed is approximately \$105,000,000. A general functional description of the projects is as follows:

Stormwater utility improvements are expected to include pipe replacement, main extensions, and holding facility improvements for the stormwater collection system. Additional projects may include improvements identified through the asset management process, improvements to support the City's Streets Initiative, pump station upgrades and repairs, and other upgrades, repair, replacements, and/or improvements at stormwater facilities.

Wastewater utility projects are expected to include a large trunk replacement project, bio-tower replacement, digester rehabilitation, sediment tank upgrades, and other upgrades, repair, replacements, and/or improvements at wastewater facilities. Like the stormwater utility, additional projects may include improvements identified through the asset management process, improvements to support the City's Streets Initiative, and other pump station upgrades and repairs.



**ISSUES:**

**Security/Pledge of Revenues:** The proposed Bonds will be secured by sewer 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 Sewer 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 Sewer 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 and cash balances	There will not be debt service payments.	Without access to the proceeds of a bond sale, Environmental Services (ES) will have to use cash resources and operating revenues to fund capital projects. This will impact their ability to fund projects in their Capital Improvement Plan (CIP) and drain available cash balances. It will also require significantly 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 \$105,000,000 in bond proceeds to fund projects in the Capital



Improvement plan. Environmental Services would be responsible to paying debt service on the issuance over a 20-30 year payback period.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. Fund 4300 - Wastewater	523800	6599990	\$75,000,000
2. Fund 4300 - Wastewater	523800	6611000	TBD based on interest rate
3. Fund 4301 - Stormwater	521800	6599990	\$30,000,000
4. Fund 4301 - Stormwater	251800	6611000	TBD based on interest rate
<b>TOTAL</b>			<b>\$105,000,000 (plus interest)</b>

**What Funding is being used to support the expense?**

SEWER 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