



TO: Elizabeth A. Pauli, City Manager
FROM: Michael P. Slevin III, P.E., Director, Environmental Services
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COPY: City Council and City Clerk
SUBJECT: Resolution – Approval of Ecology Loan Agreement No. WQC-2022-TacoES-00021 –
March 22, 2022
DATE: February 23, 2022

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SUMMARY AND PURPOSE:

A resolution authorizing the execution of a loan agreement with the Washington State Department of Ecology (Ecology) for a Clean Water State Revolving Fund (CWSRF) loan, in the amount of \$14,610,731, budgeted from the ES Wastewater Fund 4300, to provide 51 percent of the funding to reimburse costs spent on the construction phase of the Central Treatment Plant (CTP) Electrical Distribution System Replacement Project.

BACKGROUND:

This Department's Recommendation is Based On: The approved budget, sound financial management, and seeking the lowest cost of financing available. A 2016 study of the CTP's medium voltage electrical distribution system revealed the system is past its anticipated design life and could suffer a catastrophic outage leading to dangerous emergency situations, threatening plant staff and the environment. The Environmental Services Department (ES) prioritized replacing this critical infrastructure because of the substantial damage its failure could cause. Due to the high cost of the project, ES pursued low interest loans from both the United States Environmental Protection Agency (EPA) and Ecology to allow the project to proceed ahead of schedule and without disrupting other planned capital improvements for the Wastewater Utility.

Obtaining CWSRF funding takes over a year to complete. The City applied for this funding while the project was in design, and it has since progressed to the construction phase. This is the second CWSRF loan for this project. The first loan was for design. Funding for the CTP Electrical Distribution System Replacement Project also includes up to \$21,000,000 of Water Infrastructure Finance and Innovation Act (WIFIA) bond funding from the EPA, approved by Ordinance No. 28690 on September 15, 2020. This is on a reimbursement basis limited to 49 percent of eligible project costs. The remaining project costs are expected to be funded by the CWSRF loans. The total project cost projection at this time is \$36,347,020.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

The Environmental Services Commission (ESC) is the primary method for outreach to customers for operational and financial considerations of this detail. Presentations at ESC meetings have provided a discussion forum for both the project and budgetary financing considerations. This project has environmental benefits for the entire community in addition to providing the security of uninterrupted sewerage treatment operations for customers.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility: Pursuing low cost financing for projects benefit all customers, resulting in lower utility rates. The benefits of funding this project include providing continued services, avoiding costly solutions in the event of a system failure, and preserving the quality of surrounding waters.

The effects of funding this project are citywide, including interlocal customers and adjacent communities.



Economy/Workforce: *Equity Index Score:* Moderate Opportunity
Increase positive public perception related to the Tacoma economy.

Livability: *Equity Index Score:* Moderate Opportunity
Increase positive public perception of safety and overall quality of life.

Explain how your legislation will affect the selected indicator(s).

The primary impacts this legislation will have are twofold: 1) funding a project to ensure continued wastewater treatment at the lowest cost and 2) protecting the environment and surrounding waters from the potential of untreated wastewater exposure due to a treatment plant outage. These result in contributing to a more desirable, livable community for all.

ALTERNATIVES:

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1.New Bond Funding	Less administrative work	Higher cost
2.No Action	Less funding costs	A number of planned projects would need to be deferred to divert existing bond funds or operating cash to fund the project.

EVALUATION AND FOLLOW UP:

Pursuing the CWSRF funding provides the best interest rate available; no follow-up is needed.

STAFF/SPONSOR RECOMMENDATION:

Staff recommends authorizing approval for a CWSRF loan from the Washington State Department of Ecology, in the amount of \$14,610,731, to provide 51 percent of the funding to reimburse costs spent on the construction phase of the CTP Electrical Distribution System Replacement Project.



FISCAL IMPACT:

The fiscal impact is to incur debt of up to \$14,610,731 to be repaid over 30 years at a 1.6 percent interest rate. This CWSRF loan from the Washington State Department of Ecology is considered a junior lien against the Wastewater revenues.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1.Wastewater Fund 4300	523900	Debt and Interest	\$14,610,731
TOTAL			\$14,610,731

What Funding is being used to support the expense?

Wastewater rate revenues are being pledged as junior lien.

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

YES

Capital expenditures and debt service are budgeted.

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

YES

It would require using operating fund cash resulting in deferring other capital projects.

Will the legislation have an ongoing/recurring fiscal impact?

YES

The debt service is ongoing; this is a 30-year loan.

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

NO

ATTACHMENTS:

- Loan Agreement No. WQC-2022-TacoES-00021