



**TO:** Elizabeth Pauli, City Manager  
**FROM:** Andy Cherullo, Finance Director  
**COPY:** City Council and City Clerk  
**SUBJECT:** Resolution – Declaration of Official Intent of the Environmental Services Department to Reimburse for Capital Expenditures Prior to the Issuance of Bonds  
**DATE:** November 23, 2021

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**SUMMARY AND PURPOSE:**

The Environmental Services Department, upon City Council approval, anticipates issuing bonds in or around March of 2022 to fund Sewer (wastewater and stormwater) capital projects as well as capital projects for Solid Waste, including the replacement of a portion of the Solid Waste fleet. As part of that anticipated issuance, the Internal Revenue Service (IRS) requires the City to issue a “Declaration of Official Intent” or “Reimbursement Resolution” which will allow the City to reimburse itself for cash expenditures for bond-related capital projects prior the issuance of the bonds in or around March of 2022.

**BACKGROUND:**

In order to pay for capital expenditures in advance of the financing of those expenses, the provisions of the Internal Revenue Code of 1986, as amended (the “Code”) and federal tax regulations (the “Regulations”) require that the City adopt a “Declaration of Official Intent” or “Reimbursement Resolution” documenting its intent to do so.

This Reimbursement Resolution outlines the City’s intent to apply a portion of bond proceeds to expenses related to its capital improvement program which may have been incurred up to 60 days prior to the adoption of the Resolution. The associated bonds are expected to be issued in or around March of 2022. This essentially “starts the clock” for purposes of reimbursement.

The maximum principal amount expected to be reasonably reimbursed is approximately \$125,000,000. A general functional description of the projects is as follows:

- Sewer improvements are expected to include, but not be limited to, pipe replacement, main extensions, energy management, electrical system distribution, 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 be limited to, improvements to support the City’s Streets Initiative, other capital improvements, system upgrades, improvements, replacements, and/or repairs.
- 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.



**2025 STRATEGIC PRIORITIES:**

**Equity and Accessibility: *(Mandatory)***

The proceeds of the anticipated bond sale will improve Sewer and 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 Sewer and 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. No action	None	Expenditures made on capital projects prior to the potential sale of bonds will not be eligible for reimbursement from bond proceeds. This would require the use of cash or other resources on these capital expenditures.

**STAFF/SPONSOR RECOMMENDATION:**

It is recommended that City Council adopt this resolution designating certain expenditures for reimbursement from bonds that may be authorized and approved by the City for issuance in the future.

**FISCAL IMPACT:**

There is no direct cost to implement this Resolution. The Resolution simply allows the Environmental Services Utility the flexibility to reimburse itself from bond proceeds for capital expenditures that occur prior to the issuance of bonds.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. NA	NA	NA	NA
<b>TOTAL</b>			



**City of Tacoma**

**City Council Action Memorandum**

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

NA

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

NA

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

YES

**Will the legislation have an ongoing/recurring fiscal impact?**

No

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

No

**ATTACHMENTS:**

- Resolution