



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 an amount not to exceed \$21 million sewer revenue bond to evidence the City’s obligations under a WIFIA (Water Infrastructure Finance and Innovation Act) loan with the U.S. Environmental Protection Agency (EPA)
DATE: September 15, 2020

SUMMARY:

This ordinance (the Ordinance) authorizes the issuance and sale of a sewer revenue bond (the Bond), in an amount not to exceed \$21 million to evidence the City’s obligations under a WIFIA (Water Infrastructure Finance and Innovation Act) loan with the U.S. Environmental Protection Agency (EPA), substantially in the form presented and attached hereto as Exhibit A and incorporated herein by this reference (the WIFIA Loan Agreement). Funds received through the WIFIA loan will be used to reimburse the City for a portion of the capital costs associated with repairs and improvements to the electrical distribution system at the City’s Central Treatment Plant (the Project) and to pay associated project costs including appraisals, negotiation, architectural, engineering, financial, legal and other services and costs related to the Project.

It is recommended that City Council approve the Ordinance, which delegates authority to the City’s Finance Director and Treasurer, or his or her designee, to approve the final terms of the Bond and the WIFIA Loan Agreement, the interest rate, and maturity date and redemption or prepayment terms of the Bond, subject to parameters as outlined in Section 19 of the Ordinance.

Because of the need to coordinate with federal, state and local officials on this ordinance and loan agreement, and so that the ordinance becomes effective prior to the end of the EPA’s fiscal year (September 30th) the City needs this ordinance to be effective as soon as possible. It is expected that this transaction will close on September 28th.

STRATEGIC POLICY PRIORITY:

The issuance and sale of the Bond 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 both wastewater and surface water components, is in a continuous state of operation, maintenance and replacement. The System’s Capital Improvement Plan (the CIP) directs investments in the System which are necessary to keep the System in good working order and to meet the ongoing needs of the community. Projects within the CIP may be funded with cash on hand and/or proceeds of loans or the issuance of bonds. The Project is included in the CIP.

In accordance with Water Infrastructure Finance and Innovation Act of 2014 (WIFIA), the U.S. Environmental Protection Administration (EPA) provides funding to accelerate investment in eligible water and wastewater projects. WIFIA provides long-term funding at favorable rates (U.S. Treasury borrowing rate or equivalent), and allows for flexibility in disbursement along with customizable repayment terms. In accordance with terms of the WIFIA Loan Agreement, the final repayment date on the Bond is December 1, 2057, although it may be repaid earlier. The WIFIA Loan will provide a maximum of 49% of costs related to the Project, while State Revolving Funds are anticipated to contribute 49% and cash on hand will comprise the remaining 2%.

The EPA awarded participation and the City applied for WIFIA funding in January 2020.

ISSUE:

Security/Pledge of Revenues: The Bond 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 his/her designee, for a limited time, to approve final terms of the Bond and the WIFIA Loan Agreement, the interest rate, and maturity date and redemption or prepayment terms of the Bond, subject to parameters as outlined in Section 19 of the Ordinance.

ALTERNATIVES:

1. The City could approve the Ordinance, authoring the sale and issuance of the Bond to finance a portion of the capital costs associated with the Project.
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 Bond to evidence the City’s obligations under a WIFIA loan with the EPA, substantially in the form presented and attached hereto as Exhibit A to finance a portion of the capital costs associated with the Project and further a number of the City’s policy priorities. The interest costs of the Bond will be amortized over the expected useful life of the Project.



FISCAL IMPACT:

The WIFIA loan will generate approximately \$17.8 million in construction reimbursements, and will be repaid over a 35-year period. The fiscal impact is summarized below.

EXPENDITURES:

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Wastewater DS Fund 4300-tbd	tbd	Principal & Interest Expense	
TOTAL			21,000,000

* General Fund: Include Department

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Wastewater Operating Revenues Fund 4300	523900	Various Revenues	21,000,000
TOTAL			21,000,000

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: N/A. Principal repayment on the Bond begins in 2026 and runs through 2057, unless repaid earlier.

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes.