



Memphis City Council Summary Sheet

(Revised January 28, 2026)

1. Description of the Item (Resolution, Ordinance, etc.)

This is an Resolution authorizing a capital outlay interfund loan (Storm Water Fund to Sewer Treatment and Collection Fund) in a not to exceed amount of twenty-eight million dollars (\$28,000,000).

2. Initiating Party (e.g. Public Works, at request of City Council, etc.)

Public Works

3. State whether this is a change to an existing ordinance or resolution, if applicable.

This is resolution will not chang any existing ordinance or resolution.

4. State whether this will impact specific council districts or super districts.

All Council Districts

5. State whether this requires a new contract, or amends an existing contract, if applicable.

NA

6. State whether this requires an expenditure of funds/requires a budget amendment.

Yes; This is a budget amendment related to interfund lending.

7. If same night minutes are requested, state the reason for the urgency.

Same night minutes are requested so State of Tennessee approval can be obtained prior to June 30, 2026.

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RESOLUTION AUTHORIZING A CAPITAL OUTLAY INTERFUND LOAN
(STORM WATER FUND → SEWER TREATMENT AND COLLECTION FUND)
IN A NOT TO EXCEED AMOUNT OF TWENTY-EIGHT MILLION DOLLARS
(\$28,000,000)

WHEREAS, the Council of the City of Memphis, Tennessee (the “City”) has received a grant award from the Tennessee Department of Environment and Conservation (“TDEC”) in the amount of approximately \$63,026,802 for improvements to the City’s Sanitary Sewerage System (the “ARPA Grant”); and

WHEREAS, the City is required to expend such ARPA Grant funds by September 30, 2026, and to provide a local match of approximately \$10,621,766, and failure to meet such deadline could result in forfeiture of grant funds; and

WHEREAS, the ARPA Grant and certain State Revolving Fund (“SRF”) funded projects require the City to incur and pay eligible expenditures prior to reimbursement, with reimbursement cycles estimated at approximately three (3) months for ARPA-funded expenditures and approximately two (2) months for SRF-funded expenditures; and

WHEREAS, the City anticipates average monthly sewer capital expenditures of approximately \$7,400,000 for ARPA-funded projects and approximately \$1,500,000 for SRF-funded projects, resulting in a projected peak capital need of approximately \$28,000,000; and

WHEREAS, due to the timing mismatch between expenditures and reimbursements, the Sewer Treatment and Collection Fund (the “Sewer Fund”) requires interim financing for eligible capital expenditures pending reimbursement; and

WHEREAS, the Storm Water Fund currently maintains sufficient unrestricted cash reserves in excess of operating requirements and is able to provide temporary financing without impairing its operations or reducing the Storm Water Fund’s unrestricted cash balance below an operating reserve target of approximately 250 days cash on hand, consistent with rating agency guidance; and

WHEREAS, under the provisions of Parts I, IV and VI of Title 9, Chapter 21, Tennessee Code Annotated (the “Act”), local governments in Tennessee are authorized to finance the cost of public work projects, through the issuance and sale of interest-bearing interfund capital outlay notes upon the approval of the Comptroller of the Treasury or the Comptroller’s designee; and

WHEREAS, the Council finds that it is in the best interest of the City to authorize an interfund loan from the Storm Water Fund to the Sewer Fund to finance public works projects, including but not limited to sewer system rehabilitation, replacement, inflow and infiltration reduction, pump station improvements, and related capital improvements (the “Project”);

NOW, THEREFORE, BE IT RESOLVED, by the Council of the City of Memphis, Tennessee, as follows:

Section 1. Authorization of Note

For the purpose of providing funds to finance the cost of the Project, the City is hereby authorized in accordance with the terms of this resolution, and upon approval of the Comptroller of the Treasury or the Comptroller's designee, to issue an interest-bearing capital outlay note in a principal amount not to exceed Twenty-Eight Million Dollars (\$28,000,000) (the "Note"). The Note shall be designated "Sewer Treatment and Collection Fund Interfund Capital Outlay Note, Series 2026"; shall be dated as of the date of issuance; and shall evidence the interfund loan authorized herein from the Storm Water Fund to the Sewer Fund.

Section 2. Purpose

The proceeds of the Note shall be used to finance the Project.

Section 3. Term and Amortization

The Note shall mature no later than June 30, 2028, and, unless otherwise approved by the Comptroller of the Treasury or the Comptroller's designee, the Note shall be amortized through mandatory redemption in amounts reflecting level debt service on the Note or an equal amount of principal paid in each fiscal year. The principal amount paid in each fiscal year shall be set forth in the form of the Note. The weighted average maturity of the Note shall not exceed the reasonably expected weighted average life of the Project, which is hereby estimated to be at least ten (10) years.

Section 4. Interest Rate

The Note shall bear interest at a rate not to exceed 4.00% per annum, as determined at issuance and not less than the Storm Water Fund's average yield on invested funds, as determined at issuance.

Section 5. Redemption

The Note shall be subject to redemption, in whole or in part, at any time, at the principal amount and accrued interest to the date of redemption, without penalty.

Section 6. Source of Repayment

The Note shall constitute a direct general obligation of the City, and the full faith and credit of the City is pledged to the punctual payment thereof. The Note shall also be payable from revenues of the Sewer Fund, and reimbursements received from TDEC (ARPA Grant) and SRF program proceeds.

Section 7. Execution

The Note shall be executed by the Mayor and attested by the Interim Comptroller, with the seal of the City affixed.

Section 8. Comptroller Approval

The Note shall not be issued until written approval is received from the State Comptroller of the Treasury or the Comptroller's designee.

Section 9. Annual Budget

After issuance of the Note, and for each year that the Note is outstanding, the City shall prepare an annual budget and budget ordinance in a form consistent with accepted governmental standards and as approved by the Comptroller of the Treasury or the Comptroller's designee. The budget shall be kept balanced during the life of the Note and shall appropriate sufficient monies to pay all annual debt service. The annual budget and ordinance shall be submitted to the Comptroller of the Treasury or the Comptroller's designee immediately upon its adoption; however, it shall not become the official budget for the fiscal year until such budget is approved by the Comptroller of the Treasury or the Comptroller's designee in accordance with Title 9, Chapter 21, Tennessee Code Annotated (the "Statutes"). If the Comptroller of the Treasury or the Comptroller's designee determines that the budget does not comply with the Statutes, the Governing Body shall adjust its estimates or make additional tax levies sufficient to comply with the Statutes, or as directed by the Comptroller of the Treasury or the Comptroller's designee.

Section 10. Repeal of Conflicting Actions

All resolutions in conflict are hereby repealed.

Section 11. Effective Date

This Resolution shall become effective immediately upon its passage.

FORM OF NOTE

**CITY OF MEMPHIS
2026 CAPITAL OUTLAY INTERFUND LOAN NOTE, SERIES A
(STORM WATER FUND → SEWER TREATMENT AND COLLECTION FUND)**

The City of Memphis, Tennessee (the “City”) hereby promises to pay to the Storm Water Fund of the City, from the Sewer Treatment and Collection Fund (the “Sewer Fund”), the principal sum of Twenty-Eight Million Dollars (\$28,000,000), together with interest at a rate of ___% per annum.

This Note shall mature on _____, 2028, unless earlier redeemed.

This Note is issued to evidence an interfund loan to finance sanitary sewer system capital improvements including ARPA-funded and SRF-funded projects, under and pursuant to and in full compliance with the Constitution and statutes of the State of Tennessee, including without limitation the Local Government Public Obligations Act of 1986, as amended, and Parts I, IV and VI of Title 9, Chapter 21, including Section 9-21-408, Tennessee Code Annotated, and a resolution duly adopted by the Council of the City on _____, 2026.

This Note may be prepaid at any time without penalty.

This Note is a direct general obligation of the City. The City pledges revenue of the Sewer Fund, ARPA and SRF reimbursements, and its full faith and credit.

This Note shall not be transferred or assigned.

It is certified that all legal requirements have been met and this Note does not exceed any statutory or constitutional debt limits.

IN WITNESS WHEREOF, the City, by its Council, has caused this Note to be executed by the manual or facsimile signature of its Mayor; the seal of the City or a facsimile thereof to be impressed or reproduced hereon or affixed hereto, by facsimile or otherwise, attested by the manual or facsimile signature of its Comptroller; and this Note to be dated as of _____, 2026.

CITY OF MEMPHIS, TENNESSEE

[SEAL]

Mayor

ATTEST:

Interim Comptroller

Exhibit A

Amortization Schedule

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2027	\$ 14,000,000.00	\$ -	\$ -
2028	14,000,000.00		
Total	\$ 28,000,000.00	\$ -	\$ -