



**TO:** T.C. Broadnax, City Manager  
**FROM:** Andy Cherullo, Finance Director  
**COPY:** City Council and City Clerk  
**SUBJECT:** Ordinance for the issuance of City of Tacoma Convention Center and Parking Revenue Refunding Bond, Series 2015  
**DATE:** June 12, 2015

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**SUMMARY:**

This Ordinance (the “Ordinance”) provides for the issuance of the City of Tacoma (the “City”) Convention Center and Parking Revenue Refunding Bond, Series 2015 (the “Bond”) in an aggregate principal amount not to exceed \$24,000,000. Proceeds of the Bond will be used to: (1) refund the City’s outstanding Convention Center and Parking Revenue Bonds, Series 2004 (the “Series 2004 Bonds”); fund a reserve fund, if necessary; and (3) pay the costs related to the issuance of the Bond.

**STRATEGIC POLICY PRIORITY:**

- Strengthen and maintain a strong fiscal management position.

**BACKGROUND:**

The City issued its Series 2004 Bonds to finance costs of acquiring land for and constructing and renovating the regional convention center and to refinance the construction, acquisition and renovation of public parking facilities within the downtown Tacoma area. The Series 2004 Bonds are repaid with revenues in the forms of: (1) sales and use taxes collected within Greater Tacoma Regional Convention Center Public Facilities District (the “Public Facilities District”) consisting of the City, Pierce County and the cities of Fife, Lakewood and University Place; and (2) certain parking revenues, net of certain expenses.

The Series 2004 Bonds were structured such that any of the bonds maturing on or after December 1, 2015 could be redeemed at par (100%) plus accrued interest to the date of redemption at the option of the City on any date on or after December 1, 2014. Current interest rates are such that the City may realize debt service savings from the refunding of the outstanding Series 2004 Bonds.

It is currently anticipated that the Bond will be issued by private placement through KeyBanc Capital Markets (as placement agent) in the July – August timeframe. A private placement involves the sale of securities to a select group of qualified institutional investors (i.e. investment banking firms, insurance companies, mutual funds, etc.) through a private offering versus sale to the general investment community through public sale. Since a private placement is an offering to sophisticated institutional investors, the need for detailed disclosure documents, such as an official statement, is negated. Additionally, a private placement may be marketed as non-rated, saving the City the time and expense of obtaining credit ratings on the transaction. Utilizing this method of sale, the City, along with its bond attorneys and financial advisor, will prepare a general term sheet outlining the structure of the transaction and investors will perform their own due diligence on the credit.

In addition to saving the City costs associated with the production of disclosure documents and the acquisition of credit ratings, it also saves a significant amount of time, allowing the City to access the market more expeditiously, thus reducing interest rate risk. This is especially important in an environment



where interest rates are moving upwards, potentially increasing the cost (in this case, reducing the anticipated debt service savings) of the refinancing.

**ISSUES:**

**Security/Pledge of Revenues:** The Bond is a special limited obligation of the City payable from and secured by: (1) sales and use taxes collected throughout the Public Facilities District; and (2) certain revenues of the City's parking system, less certain operating expenses. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of principal and interest on the Bond.

**Refinancing:** Proceeds of the Bond will be used to: (1) refund the Series 2004 Bonds; (2) fund a reserve fund, if necessary; and (3) pay the costs related to the issuance of the Bond.

**Delegation:** As drafted, the Ordinance delegates authority to the Finance Director and City Treasurer for a limited time, to select the purchaser of the Bond, to select the Series 2004 Bonds to be refunded, if any, and to approve the interest rates, maturity dates, redemption terms and principal maturities for the Bond within the parameters set by the Ordinance.

**ALTERNATIVES:**

The City could choose to not issue the Bond and not realize current debt service savings. The Series 2004 Bonds are refundable at any point forward through their final maturity of December 1, 2024 such that a refinancing for savings could be possible at some other point in the future.

**RECOMMENDATION:**

Staff recommends that the Council approve the Ordinance for the issuance of the City of Tacoma Convention Center and Parking Revenue Refunding Bond, Series 2015 in an aggregate principal amount not to exceed \$24,000,000 in order to refund the Series 2004 Bonds.

**FISCAL IMPACT:**

The actual savings amount is not known at this time; however, depending on market conditions at the time of the refunding savings are estimated at approximately \$1.5-2 million dollars. Any savings will be spread over the life of the bonds.

**FISCAL IMPACT TO CURRENT BIENNIAL BUDGET:** Savings budgeted for 2015-2016

**ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED?** Yes

**IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED:** N/A