



City of Tacoma

City Council Action Memorandum

TO: Elizabeth Pauli, City Manager
FROM: Michael San Soucie, City Treasurer, Finance
Andy Cherullo, Finance Director
COPY: City Council and City Clerk
SUBJECT: Convention Center – Bond Refunding
DATE: August 12, 2024

SUMMARY AND PURPOSE:

An ordinance authorizing the sale of a Convention Center and Parking Revenue Refunding Bond, in the principal amount of not to exceed \$125,000, for the purpose of refunding certain of the City’s outstanding Convention Center and Parking Revenue Bond, Series 2010 and 2015 and paying cost of issuance; making certain covenants with respect to the bond; providing the form and terms of the bond; delegating the authority to approve the final terms of the bond; authorizing the sale of the bond to Washington Federal Bank National Association, d/b/a WaFd Bank; and authorizing other matters related thereto.

BACKGROUND:

The department’s recommendation is based on: The City, Pierce County and the cities of Fife, Lakewood, and University Place previously entered into an amended interlocal agreement for the creation and joint operation of the Greater Tacoma Regional Convention Center Public Facilities District (the “District”) to facilitate the construction and operation of the Greater Tacoma Convention Center (the “Convention Center”) and related parking. Pursuant to RCW 82.14.390, the District imposes and collects a sales and use tax which is credited against the State sales tax. Revenue received from this tax are remitted to the City to finance costs related to the Convention Center. The City also receives certain parking revenues from rates and charges imposed within the City’s parking system.

RCW 82.14.390 previously provided that the sales and use tax imposed by the District and remitted to the City would expire when all bonds issued to finance the construction, improvement, rehabilitation, or expansion of a regional center and related parking facilities are retired, but not more than 25 years after the tax is first collected. In 2017, the Washington State Legislature amended RCW 82.14.390 to extend the expiration date of the sales and use tax from 25 years to 40 years for bonds issued to finance and/or refinance costs related to a regional center.

The City previously issued its Convention Center and Parking Revenue Refunding Bonds, Series 2010 (the “2010 Bonds”). The 2010 Bonds are scheduled to mature on December 1, 2024 and may be redeemed at any time prior to such maturity.

The City has also previously issued its Convention Center and Parking Revenue Refunding Bond, Series 2015 (the “2015 Bond”) to finance costs related to the Convention Center. The 2015 Bond also may be prepaid at any time prior to maturity.



The City has the opportunity to refund all or a portion of its outstanding Convention Center and Parking Revenue Refunding 2010 Bonds and 2015 Bond and extend the maturity pursuant to the 2017 legislation in order to continue receiving the sales and use taxes collected by the District. For such revenue stream to continue, sales and use tax revenue must continue to be pledged toward the repayment of bonds.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

The continued collection of the sales and use tax will allow for improvement projects at the convention center which will benefit all that attend conferences and events at the convention center.

2025 STRATEGIC PRIORITIES:

Economy/Workforce: *Equity Index Score:* Moderate Opportunity

Increase the number of infrastructure projects and improvements that support existing and new business developments.

Increase positive public perception related to the Tacoma economy.

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

Improvements to the convention center make it more competitive in the market to attract more conferences and events which bring in additional revenues for both the city and local businesses.

ALTERNATIVES:

The alternative is to pay the bonds in full on their maturity date later this year. While this would relieve a small amount of debt for the City, it would prevent the City from taking advantage of the sales and use tax collections that can be used on convention center related projects. We do not recommend this alternative.

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Pay off bonds in full	Reduction of overall city debt by \$125K	Loss of sales/use tax collections of approx. \$5-\$6 million annually for 15 years

EVALUATION AND FOLLOW UP:

Success for this legislation would be seen through the improvements made at the convention center over the next 15 years using the sales and use tax funds collected during that timeframe.

STAFF/SPONSOR RECOMMENDATION:

Our recommendation is to move forward with the debt refunding to take advantage of the sales and use tax collections which will allow funding for convention center related projects.

FISCAL IMPACT:

Historically, the City has collected approximately \$5-\$6 million per year in sales and use tax under the associated law. By reducing our debt through this refunding from the remaining portion of \$620K to \$125K, the City will continue to collect the estimated \$5-\$6 million per year.



Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
4165- Convention Center	Various	Various	\$5,000,000.00 - \$6,000,000.00
4165 - Convention Center	Various	Various	(\$92,500.00)
4140 - Parking Enterprise	Various	Various	(\$92,500.00)
TOTAL			

What Funding is being used to support the expense?

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

YES
THE DEBT ALREADY EXISTED FROM A PREVIOUS BOND ISSUE AND WAS ACCOUNTED FOR IN A DEBT SERVICE SCHEDULE. THE REVENUES HAVE BEEN COLLECTED IN PRIOR YEARS AND THERE IS A HISTORICAL RECORD OF THE AMOUNTS RECEIPTED.

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

YES
City will not be able to collect the estimated \$5-\$6 million in sales and use tax beyond 2024.

Will the legislation have an ongoing/recurring fiscal impact?

YES
THE LEGISLATION WILL ALLOW FOR THE CONTINUED COLLECTION OF THE SALES AND USE TAX OF APPROXIMATELY \$5 TO \$6 MILLION ANNUALLY WHILE LEAVING A DEBT AMOUNT OUTSTANDING OF \$125,000 PLUS INTEREST TO BE PAID OVER 15 YEARS.

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

No