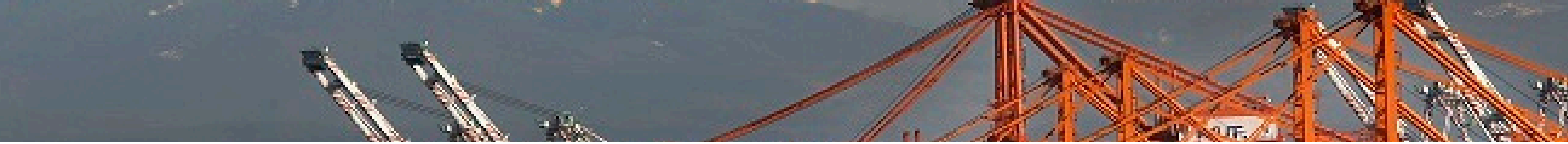
EDCPC Study Session

Financial Sustainability Options

EDCPC Board of Directors

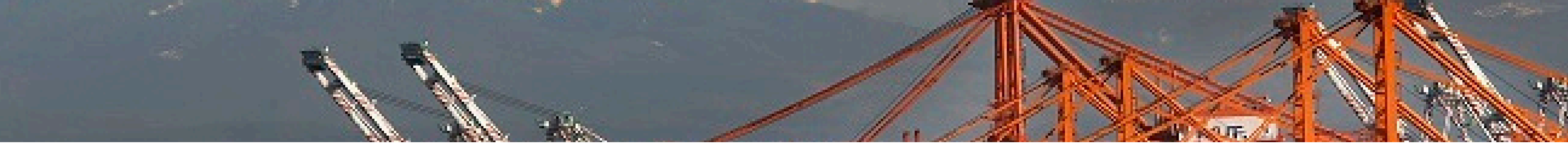
September 17, 2025

edb | ECONOMIC DEVELOPMENT BOARD TACOMA PIERCE COUNTY WASHINGTON STATE, USA



AGENDA

- Review current financial and operational challenges
- Explore 11 possible paths for program sustainability
- Identify top options for EDCPC board consideration
- Prepare for vote on recommendation at Sept 19 EDCPC Board Meeting
- Request to present recommendation to Pierce County Council for consideration during upcoming Study Session



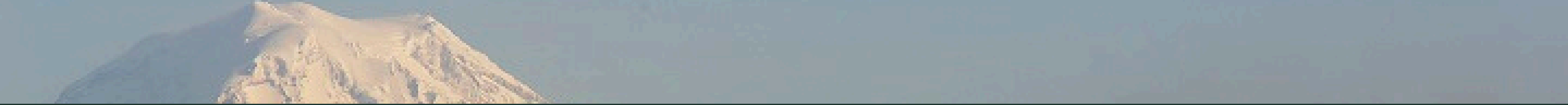
Industrial Revenue Bonds (IRBs): Federal Framework, Pierce County Role

Pierce County IRB Issuer:

- The Economic Development Corporation of Pierce County (EDCPC) was created in 1981 under RCW 39.84. It serves as the local issuing entity for tax-exempt IRBs in support of private industrial development for small manufacturers.

EDCPC's Impact

- Over $307 million in IRBs issued over the past 30 years
- More than 40 projects supported across Pierce County
- Approximately 7,300 jobs created or retained through IRB-financed projects



Challenges and Market Conditions

The Economic Development Corporation of Pierce County (EDCPC) is facing significant headwinds that may impact its ability to continue offering industrial revenue bonds (IRBs) beyond 2026 without additional sources of operational funding.

Key Challenges:

- Rising Interest Rates: Higher rates have reduced borrower appetite for long-term financing, including tax-exempt bonds.
- Market uncertainty from federal legislation and tariff impacts: U.S. tariffs continue to generate uncertainty for manufacturing and capital projects.
- Increasing Project Costs: Construction and equipment costs are escalating, often pushing project budgets beyond the IRB-eligible cap.
- Limited Fee Revenue: EDCPC's operations are funded primarily through bond servicing fees. With few new issuances and limited pipeline, fee revenue is no longer sustainable.
- Timeline for Sustainability: Without a new funding source, the organization will exhaust available funds within 12 months (by mid-2026).

Sustainability Options

1. Adjust Bond Issuance/Admin Fees
- Fiscal: Potential new revenue; exact amount TBD.
- Considerations: Must remain “reasonable” per IRS; requires County Council approval. Subject to new deals.
- Timeline: Could take effect by 2026.

2. Secure $9K Annual Support (Services Contract)
- Fiscal: Predictable $9K baseline annually.
- Considerations: Requires updated services contract, approved by County Council.
- Timeline: Medium-term (6-month months).

3. Operational Transfer to Pierce County
- Fiscal: Costs shift into County’s budget for staff administration.
- Considerations: EDCPC remains conduit issuer; requires Council approval.
- Timeline: Medium-term (6–12 months).

4. RFP to Outsource Administration
- Fiscal: Costs would shift to a contracted provider. Compensation could come from bond issuance/admin fees, but EDCPC would still need a baseline budget to cover oversight, contracting, and compliance review. Potential savings vs. in-house staffing, but not cost-free.
- Considerations: Board retains fiduciary duty; IRS/state still view EDCPC as issuer. Strong contract oversight required to ensure compliance.
- Timeline: Medium-term (6–12 months to issue RFP, evaluate responses, and execute a contract).

5. Wind-Down (Audit-Only)
- Fiscal: Minimal expenses until reserves depleted.
- Considerations: Must maintain audit compliance on 2 open bond projects.
- Timeline: Short-term (3-6 months) subject to County Council approval

6. Advocacy for Federal Reform (MAMBA)
- Fiscal: Long-term upside if federal legislation passes.
- Considerations: Partner with Pierce County Federal Congressional Delegation and other stakeholders such as the National Council of Development Finance Agencies (CDFA). Subject to federal congressional approval.
- Timeline: Long-term (1–3 years).

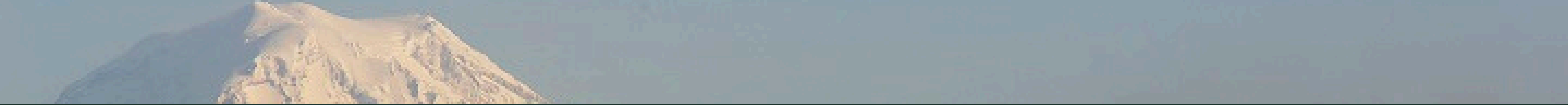
7. Place Program on Hold (Temporary Pause)
- Fiscal: Compliance-only costs; no new revenue. Service only existing bond projects (2).
- Considerations: Requires Board resolution; may refer applicants to another bond authority such as Washington Economic Development Finance Authority (WEDFA). May require MOU.
- Timeline: Immediate

8. Refer New Projects to another bond authority
- Fiscal: Ends future fee revenue; compliance-only costs remain.
- Considerations: Allowed, but loss of local control. May require MOU.
- Timeline: Board action and Council approval.

9. Regional Partnership with Kitsap County, Thurston County or another bond Authority
- Fiscal: Shares costs and fee revenue.
- Considerations: Requires interlocal agreement (RCW 39.34).
- Timeline: Long-term (1–3 years).

10. Revenue Reserve / Sustainability Fund
- Fiscal: Builds restricted reserves for compliance
- Considerations: Permissible if adopted by resolution; tracked separately.
- Timeline: Medium-term (6-12 months; next budget cycle or bond issuance).

11. Grant-Seeking for Program Sustainability
- Fiscal: Requires modest upfront allocation of admin funds (staff or consultant costs) to prepare applications. If successful, could provide medium-term operational funding for compliance, marketing, or program administration.
- Considerations: Permissible if using general administrative reserves; cannot use funds earmarked for bond compliance. Board approval required to authorize allocation of funds for grant-seeking.
- Timeline: Medium to Long-term (6–24 months depending on grant cycle; Commerce or EDA grants could be applied for in 2025).
- Examples of Potential Sources:
  - WA Dept. of Commerce capacity-building grants
  - Federal EDA technical assistance
  - SBA or U.S. Treasury community development programs
  - Congressional Community Project Appropriations



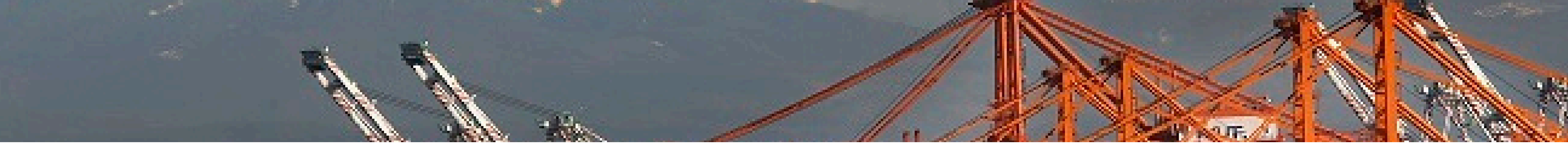
Discussion Questions

Which options ensure short-term survival (next 6 months)?

Which provide medium-term restructuring?

Which should be prioritized as long-term strategies?

Should the Board recommend one path or a combination (primary + backup)?



Next steps

1. EDCPC Board
   - Sept 17: Study Session → narrow options.
   - Sept 19: Regular Board Meeting → adopt a resolution with a recommendation.

2. Transmittal to Pierce County
   - Staff prepares memo + Board resolution and transmits to the Council Clerk and relevant Committee (Economic & Infrastructure Development).

3. Pierce County Council or Committee Study Session
   - Councilmembers review the EDCPC recommendation.
   - Staff/Board representatives present context, financial sustainability issues, and recommended option(s).
   - Council may request additional analysis (legal, fiscal, operational impact).

4. Council Committee/Full Council Action
   - Approve (contract, ordinance, or resolution) or send back for revision.

5. Implementation
   - EDCPC staff implements with Board support based on Council action.

QUESTIONS?

Maddie Merton, VP Business Retention and Expansion
Interim Bond Administrator
maddie@edbtacomapierce.org

edb ECONOMIC DEVELOPMENT BOARD TACOMA PIERCE COUNTY WASHINGTON STATE, USA