

Memorandum



CITY OF DALLAS

DATE June 9, 2023

TO Honorable Mayor and Members of the City Council

SUBJECT **Debt Issuance for Kay Bailey Hutchison Convention Center Master Plan and Fair Park Improvements**

On May 22, we briefed the Government Performance and Financial Management (GPFM) Committee and provided a financial plan update for the Kay Bailey Hutchison Convention Center Dallas (KBHCCD) master plan and Fair Park improvements. The May 22 briefing materials are available [here](#) and follow-up responses are attached. Additionally, we will continue the discussion with GPFM at their June 13 meeting.

The June 14 City Council agenda includes an item (#23-1529) to consider a resolution authorizing the preparation of plans and the payment of potential future costs and expenses for the issuance of Special Tax and Revenue Bonds (Convention Center Venue Project), Series 2023 in an amount not to exceed \$172,000,000; and Special Tax Bonds (Fair Park Venue Project), Series 2023 in an amount not to exceed \$51,000,000, as part of the KBHCCD Master Plan and Fair Park improvements approved by voters under Proposition A on November 8, 2022.

Pursuant to the election and in accordance with Chapter 334 of the Texas Local Government Code (the “Brimer Bill”), Proposition A authorizes the City to provide for the planning, acquisition, establishment, development, construction, renovation and financing of the expansion of the Kay Bailey Hutchison Convention Center Dallas and related infrastructure as defined in Chapter 334 (collectively, the “Convention Center Venue Project”) and to provide for the planning, acquisition, establishment, development, construction, renovation and financing of certain Fair Park facilities and related infrastructure (collectively, the “Fair Park Venue Project” and together with the Convention Center Venue Project, the “Dallas Venue Projects”) and to impose a maximum increase of two percent (2%) of Hotel Occupancy Tax (HOT) as a source of pledged revenues for financing. Chapter 334 requires an issuance of the Dallas Venue Projects debt within one year of the Brimer Bill tax levy, which began on January 1, 2023.

To remain in compliance with Chapter 334 and meet the needs of project design and other initial contract awards while maintaining coverage requirements for future bond issuances, the City’s co-financial advisors, Hilltop Securities and Estrada Hinojosa & Co., recommend the issuance of Special Tax and Revenue Bonds (Convention Center Venue Project), Series 2023 and Special Tax Bonds (Fair Park Venue Project), Series 2023 (collectively, the “Bonds”) in an aggregate amount not to exceed \$223,000,000 via private placement with a qualified bank utilizing a specialized placement agent.

DATE June 9, 2023
SUBJECT **Debt Issuance for Kay Bailey Hutchison Convention Center Master Plan and Fair Park Improvements**

To maximize bonding capacity, the short-term debt will be structured with a redemption feature so that the Bonds can be refunded into long-term debt at the same time the City issues long term bonds for the Convention Center Venue Project and Fair Park Venue Project. The issuance and sale of the Obligations is contingent upon City Council's approval of a (1) resolution authorizing the preparation of plans and the payment of potential future costs scheduled for June 13, and (2) parameters ordinance currently scheduled for consideration and approval in August 2023. Pending City Council approval, the bonds are estimated to close in September 2023.

Attached for your review are updated draft cashflows of the sale and updated cost of issuance estimates.

Additionally, the June 14 City Council agenda includes an item (#23-1190) to allow for eligible City expenditures that occur prior to receipt of the bond proceeds to be reimbursed once the bond proceeds are received.

Please let me know if you need additional information.



Jack Ireland
Chief Financial Officer

Attachments

c: Members of GPFM Committee
T.C. Broadnax, City Manager
Tammy Palomino, Interim City Attorney
Mark Swann, City Auditor
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Deputy City Manager

Jon Fortune, Deputy City Manager
Majed A. Al-Ghafry, Assistant City Manager
M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Robert Perez, Assistant City Manager
Carl Simpson, Assistant City Manager
Genesis D. Gavino, Chief of Staff to the City Manager
Directors and Assistant Directors

May 22, 2023, GPFM – Follow-up Questions

Question 1 – What is the current forecast for total bonds that will be available for the KBHCCD Master Plan implementation and Fair Park improvements?

Response 1 – Based on current financial analysis using earlier revenue estimates and working with our financial advisors, we anticipate being able to issue approximately \$1.4 billion for the KBHCCD project and approximately \$76 million for the Fair Park project. After issuing the first tranche of bonds in 2023 totaling \$223 million, an updated analysis will be conducted prior to issuing a second tranche of bonds in 2024. The updated analysis may yield additional financial capacity.

Question 2 – What revenue is pledged for the repayment of the debt?

Response 2 – Revenues from the Project Financing Zone (PFZ), Brimer Bill's 2% Hotel Occupancy Tax (80% allocation), local Hotel Occupancy Tax, and net event revenues are pledged to support the debt for the KBHCCD project.

Revenues from the Brimer Bill's 2% Hotel Occupancy Tax (20% allocation) are pledged to support the debt for the Fair Park project.

Question 3 – What are the projected or forecast event revenues for the convention center that will be part of the financial analysis for future debt issuance?

Response 3 – Convention and Event Services (CES) is projecting \$39 million for the current fiscal year and FY24, and \$35 million for FY25. CES staff continue to update projected event revenues for FY26 through FY28 as client use agreements and contracts are solidified. Additionally, prior to issuing any long-term bonds, the City will engage a consultant to conduct a market study of all revenues to be pledged to any long-term bond issue, including event revenues. As the financial analysis is conducted, we will continue to work with our financial advisors and the consultant on our financial capacity for debt issuance.

Question 4 – Has the Texas Department of Transportation (TxDOT) and North Central Texas Council of Governments (NCTCOG) reviewed or approved the deck park plans?

Response 4 – Convention and Event Services (CES) and the Transportation Department have worked collaboratively with TxDOT and NCTCOG throughout the master planning process. Concepts for the deck park on the west side of Lamar have been evaluated and reviewed by both agencies, with CES and Transportation staff responding to questions and requests for revision to the concept. The agencies have approved the conceptual plans and loading information for the deck. City Council approved an Advanced Funding Agreement (AFA) for the Lamar deck park on April 12, 2023. The AFA provides agreement with TxDOT to design and construct the deck caps as part of the I-30 reconstruction.

City of Dallas, Texas
Estimated Sources and Uses for Short Term Financing
Special Tax and Revenue Bonds (Convention Center Venue Project), Series 2023
Special Tax Bonds (Fair Park Venue Project), Series 2023
***** Preliminary - For Discussion Purposes Only *****

	Convention Center Short Term Series 2023	Fair Park Short Term Series 2023	Total
<u>Sources of Funds</u>			
Par Amount	171,600,000	50,645,000	222,245,000
	\$ 171,600,000	\$ 50,645,000	\$ 222,245,000
<u>Uses of Funds</u>			
Project Design Costs	\$ 170,002,100	\$ -	\$ 170,002,100
Project Fund Deposit	-	\$ 50,000,975	50,000,975
Cost of Issuance	1,597,900	\$ 644,025	\$ 2,241,925
	\$ 171,600,000	\$ 50,645,000	\$ 222,245,000
			Total Bond Issuance Amount: \$ 222,245,000

Notes:

- Assumes interest rate of 5.5% on short term notes
- Project fund deposits do not include any investment earnings

Estimated Issuance Costs and M/WBE Participation

Special Tax and Revenue Bonds (Convention Center Venue Project), Series 2023
Special Tax Bonds (Fair Park Venue Project), Series 2023
\$223,000,000

	<u>\$172,000,000</u> <u>KBHCCD</u> <u>Series 2023</u>	<u>\$51,000,000</u> <u>Fair Park</u> <u>Series 2023</u>	<u>Total</u>	<u>Percent of</u> <u>Total</u>
Co-Bond Counsel	\$395,000	\$120,000	\$515,000	23.0%
M/WBE Participation	158,000	72,000	230,000	10.3%
Co-Disclosure Counsel	95,700	46,125	141,825	6.3%
M/WBE Participation	63,800	30,500	94,300	4.2%
Co-Financial Advisors	131,440	77,940	209,380	9.3%
M/WBE Participation	70,960	39,460	110,420	4.9%
Out of Pocket Expenses (+CUSIP)				
M/WBE Participation	10,000	10,000	20,000	0.9%
Rating Agency Fee	95,000	30,000	125,000	5.6%
Official Statement Printing				
M/WBE Participation	3,500	3,500	7,000	0.3%
Placement Agent				
M/WBE Participation	465,000	140,000	605,000	27.0%
Placement Agent Counsel	55,000	20,000	75,000	3.3%
Settlement Agent	25,000	25,000	50,000	2.2%
Trustee Fees	5,000	5,000	10,000	0.4%
Trustee Counsel	10,000	10,000	20,000	0.9%
Verification Agent	5,000	5,000	10,000	0.4%
Attorney General Filing Fee	<u>9,500</u>	<u>9,500</u>	<u>19,000</u>	<u>0.8%</u>
Total Issuance Costs	\$1,597,900	\$644,025	\$2,241,925	100%
Total M/WBE Participation of Total Issuance Costs:	\$771,260	\$295,460	\$1,066,720	47.6%