

Memorandum



CITY OF DALLAS

DATE December 7, 2018

TO Honorable Mayor and Members of the City Council

SUBJECT **Bond Proceeds**

In 2006, city of Dallas voters approved a \$1.35 billion bond package which included plans for renovation or replacement of the Preston Royal branch of the Dallas Public Library. In 2010, the City used bond funds to purchase a piece of land at Forest Lane and Nuestra Drive, with the intention of constructing a new library at the site. The City no longer plans to build a library at the Forest and Nuestra site and now intends to sell the land at auction and use the money to renovate the existing Preston Royal branch. The proceeds of such a sale are termed "bond proceeds" because the land was purchased recently with tax-exempt bond funds which remain outstanding, and thus the potential uses for proceeds from the sale are constrained by Federal tax law and state law.

Under Federal tax law with this fact pattern, the City may use bond proceeds either to pay outstanding bonds that were issued for the original project, or to fund another capital project within two years of the sale of the land. State law similarly stipulates that the proceeds of the sale of a bond-financed asset should be used for another capital project within the same voted authority, or to pay outstanding bonds.

During the November 5 Government Performance & Financial Management committee, council members questioned staff about potential uses for proceeds from the sale of the Forest and Nuestra property. The City's bond counsel (Bracewell LLP) and the City Attorney affirm that the City should either pay off a portion of the original outstanding bonds that the proceeds originally came from (or any bonds that refunded those bonds), or use the proceeds for another capital library project in the City of Dallas within two years.

If you have questions, please contact Bob Coalter, Assistant Director for Treasury, or Jack Ireland, Director of Budget.

A handwritten signature in blue ink that reads "M. Elizabeth Reich".

M. Elizabeth Reich

Chief Financial Officer

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney (Interim)
Carol A. Smith, City Auditor (Interim)
Billerae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager

Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer
Directors and Assistant Directors