OFFICIAL STATEMENT

Dated February 11, 2009

Ratings:
Moody's: "Aa2"
S&P: "AAA"
Assured Guaranty (See "Bond Insurance" and "Other Information – Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Co-Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds. See "LEGAL AND TAX MATTERS - Tax Exemption of the Bonds" for a discussion of the opinion of Co-Bond Counsel, including a description of alternative minimum tax consequences for corporations.

$324,940,000
CITY OF DALLAS, TEXAS
(Dallas, Denton, Collin and Rockwall Counties)
CIVIC CENTER CONVENTION COMPLEX
Revenue Refunding and Improvement Bonds, Series 2009

Dated: February 1, 2009 **Due: August 15, as shown on Page 2**

Interest on the $324,940,000 City of Dallas, Texas, Civic Center Convention Complex Revenue Refunding and Improvement Bonds, Series 2009 (the "Bonds") will accrue from the dated date as shown above, will be payable February 15 and August 15 of each year commencing August 15, 2009, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank National Association (see "THE BONDS - Paying Agent/Registrar").

The Bonds are issued pursuant to the general laws of the State of Texas, particularly Chapters 1207, 1371 and 1504, Texas Government Code, as amended, and Chapter 351, Texas Tax Code, as amended, the Home Rule Charter of the City (the "City Charter") and an ordinance (the "Ordinance") passed by the City Council of the City. The Bonds and any Additional Bonds (hereinafter defined) are special obligations of the City payable solely from and secured by a first lien on and pledge of the Pledged Revenues (see "THE BONDS – Security for Bonds"). The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation, except for the Pledged Hotel Occupancy Tax as described herein.

THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. BOND PURCHASERS ARE ENCOURAGED TO READ THE ENTIRE OFFICIAL STATEMENT PRIOR TO MAKING AN INVESTMENT DECISION, PARTICULARLY THE SECTION ENTITLED "INVESTMENT CONSIDERATIONS." THE CITY HAS RESERVED THE RIGHT TO ISSUE ADDITIONAL BONDS SUBJECT TO CERTAIN CONDITIONS (SEE "THE BONDS – Additional Bonds").

Proceeds from the sale of the Bonds will be used to refund the Refunded Bonds (as defined herein) and to fund construction costs associated with the planned improvements to the Dallas Civic Center Convention Complex. Additionally, a portion of the Bond proceeds, together with other available funds of the City, will be used to fund a bond reserve fund and to pay certain costs related to the issuance of the Bonds, all as more fully described herein.

ASSURED GUARANTY®

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Corp. See "BOND INSURANCE" herein.

CUSIP PREFIX: 235258

MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

J.P. MORGAN **SIEBERT BRANDFORD SHANK & CO., LLC**

RBC CAPITAL MARKETS **SOUTHWEST SECURITIES, INC.** **WALTON JOHNSON & COMPANY**
BARCLAYS CAPITAL **GOLDMAN, SACHS & CO.** **MORGAN STANLEY**

The City reserves the right at its option to redeem Bonds having stated maturities on and after August 15, 2020 in whole or in part in principal amounts of $5,000 or any multiple thereof, on August 15, 2019, and any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption of Bonds"). The Bonds maturing on August 15, 2034 and August 15, 2038 (the "Term Bonds") are also subject to mandatory sinking fund redemption prior to maturity (see "THE BONDS – Mandatory Redemption of Bonds").

The Bonds are offered for delivery when, as and if issued by the City and received by the Underwriters and subject to the approving opinion of the Attorney General of the State of Texas and the approving opinions of Vinson & Elkins L.L.P., Dallas, Texas and West & Associates, L.L.P., San Antonio, Texas, Co-Bond Counsel for the City. (See APPENDIX C, "Form of Co-Bond Counsel Opinions"). Certain legal matters will be passed upon for the Underwriters by Locke Lord Bissel & Liddell LLP and Adorno Yoss White & Wiggins, LLP, Dallas, Texas, Co-Counsel for the Underwriters.

It is expected that the Bonds will be available for delivery through DTC on or about February 25, 2009.

MATURITY SCHEDULE **Cusip Prefix: 235258 (1)**

Amount	Maturity (August 15)	Rate	Initial Reoffering Yield	Cusip(1) Suffix	Amount	Maturity (August 15)	Rate	Initial Reoffering Yield		Cusip(1) Suffix
$ 840,000	2010	3.000%	1.250%	JJ0	$ 9,095,000	2020	5.000%	3.980%	(2)	JU5
1,730,000	2011	3.000%	1.880%	JK7	9,550,000	2021	5.000%	4.260%	(2)	JV3
2,205,000	2012	3.000%	2.050%	JL5	10,030,000	2022	5.000%	4.430%	(2)	JW1
2,775,000	2013	5.000%	2.290%	JM3	10,530,000	2023	5.000%	4.610%	(2)	JX9
3,675,000	2014	5.000%	2.590%	JN1	11,055,000	2024	5.000%	4.770%	(2)	JY7
4,640,000	2015	5.000%	2.800%	JP6	11,610,000	2025	5.000%	4.890%	(2)	JZ4
5,740,000	2016	5.000%	2.990%	JQ4	12,190,000	2026	5.000%	4.990%	(2)	KA7
6,945,000	2017	5.000%	3.220%	JR2	12,800,000	2027	5.000%	5.090%		KB5
8,250,000	2018	5.000%	3.460%	JS0	13,440,000	2028	5.000%	5.180%		KC3
8,665,000	2019	5.000%	3.720%	JT8	14,110,000	2029	5.000%	5.240%		KD1

$165,065,000 Term Bonds
$82,280,000, 5.250% Term Bond due August 15, 2034, priced to yield 5.380% CUSIP 235258KE9
$82,785,000, 5.250% Term Bond due August 15, 2038, priced to yield 5.410% CUSIP 235258KF6

(Accrued interest from February 1, 2009 to be added)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard and Poor's CUSIP Service Bureau, a Division of the McGraw-Hill Companies, Inc. These data are not intended to create a database and do not serve in any way as a substitute for the CUSIP Services.
(2) Priced at the stated yield to the August 15, 2019 optional redemption date at a redemption price of par.

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For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, this document constitutes an Official Statement with respect to the Bonds that has been "deemed final" by the City as of the date hereof except for the omission of no more than the information permitted by Rule 15c2-12.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon having been authorized by the City.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Co-Financial Advisors. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the Federal Securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described.

Neither the City nor the Underwriters make any representation regarding the information contained in this Official Statement regarding The Depository Trust Company or its book-entry-only system or Assured Guaranty Corp. or its financial guaranty insurance policy, as such information has been furnished by The Depository Trust Company and Assured Guaranty Corp., as applicable. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau, and are included solely for the convenience of the owners of the Bonds. Neither the City nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers shown on page 2.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE" and "Appendix E - Specimen Financial Guaranty Insurance Policy".

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the United States Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

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The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Term Expires	Length of Service as of November 1, 2008	Occupation
Tom Leppert Mayor - Place 15 (At Large)	June, 2011	1 Year, 5 months	Construction (Former Chairman and CEO)
Dr. Elba Garcia Councilmember - Place 1	June, 2009	7 Years, 5 Months	Dentist
Pauline Medrano Councilmember - Place 2	June, 2009	3 Years, 5 Months	Civic Leader
Dave Neumann Councilmember - Place 3	June, 2009	1 Year, 5 Months	Small Business Owner
Dwaine Caraway Councilmember - Place 4	June, 2009	1 Year, 5 Months	Civic Leader
Vonciel Jones Hill Councilmember - Place 5	June, 2009	1 Year, 5 Months	Attorney
Steve Salazar Councilmember - Place 6	June, 2009	5 Years, 5 Months	Attorney
Carolyn Davis Councilmember - Place 7	June, 2009	1 Year, 5 Months	Civic Leader
Tennell Atkins Councilmember - Place 8	June, 2009	1 Year, 5 Months	Entrepreneur
Sheffield Kadane Jr. Councilmember - Place 9	June, 2009	1 Year, 5 Months	Investor and Real Estate Broker
Jerry Allen Councilmember - Place 10	June, 2009	1 Year, 5 Months	Banker
Linda Koop Councilmember - Place 11	June, 2009	3 Years, 5 Months	Civic Leader
Ron Natinsky Councilmember - Place 12	June, 2009	3 Years, 5 Months	Businessman and Entrepreneur
Mitchell Rasansky Councilmember - Place 13	June, 2009	7 Years, 5 Months	Banker and Real Estate Investor
Angela Hunt Councilmember - Place 14	June, 2009	3 Years, 5 Months	Attorney

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Time in This Position as of November 1, 2008	Tenure with City of Dallas as of November 1, 2008
Mary K. Suhm	City Manager	3 Years, 5 Months	30 Years, 6 Months
Ryan S. Evans	First Assistant City Manager	2 Years, 1 Month	22 Years, 8 Months
Ramon F. Miguez	Assistant City Manager	13 Years, 2 Months	19 Years, 2 Months
Forest Turner	Interim Assistant City Manager	1 Month	16 Years, 2 Months
A.C. Gonzalez	Assistant City Manager	2 Years	9 Years, 1 Months (1)
Jill A. Jordan	Assistant City Manager	9 Years, 9 Months	16 Years, 10 Months
David Cook	Chief Financial Officer	7 Years, 11 Months	25 Years, 11 Months
Thomas P. Perkins, Jr.	City Attorney	3 Years, 4 Months	9 Years, 4 Months
Deborah Watkins	City Secretary	2 Years, 7 Months	34 Years, 5 Months
Craig Kinton	City Auditor	2 Years, 1 Month	2 Years, 1 Month

(1) A.C. Gonzalez previously served as Assistant City Manager from September 1988 until August 1995.

CONSULTANTS AND ADVISORS

Auditors .... Grant Thornton L.L.P.
Dallas, Texas

Daniel T. Serna & Company, P.C.
Arlington, Texas

Hopkins & Associates
Dallas, Texas

Logan & Associates, P.C.
Cedar Hill, Texas

Owens & Thurman, P.C.
Dallas, Texas

Co-Bond Counsel .... Vinson & Elkins L.L.P.
Dallas, Texas

West & Associates, L.L.P.
San Antonio, Texas

Co-Financial Advisors .... First Southwest Company
Dallas, Texas

Estrada Hinojosa & Company, Inc.
Dallas, Texas

For additional information regarding the City, please contact:

Mr. David Cook City of Dallas 1500 Marilla Street, 4DN Dallas, Texas 75201 (214) 670-7804	or	Mr. Wayne Placide Mr. Steve Johnson First Southwest Company 325 N. St. Paul, Suite 800 Dallas, Texas 75201 (214) 953-4000	or	Mr. Noe Hinojosa, Jr. Mr. U.S. Williams, Jr. Estrada Hinojosa & Company, Inc. 1717 Main Street, 47th Floor Dallas, Texas 75201 (214) 658-1670

SELECTED DATA FROM THE OFFICIAL STATEMENT

This data page was prepared to present the purchasers of the Bonds (the "Bonds"), information concerning the Bonds, the description of the revenues pledged to the payment of the Bonds and other pertinent data, all as more fully described herein, and is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this data page from this Official Statement or to otherwise use it without the entire Official Statement.

THE ISSUER .... The City of Dallas, Texas, is a political subdivision located in Dallas, Denton, Collin and Rockwall Counties operating as a home-rule city under the laws of the State of Texas and a charter approved by the voters in 1907. The City operates under the City Council/Manager form of government where the Mayor is elected for a four-year term and fourteen City Councilmembers are each elected for two-year terms. The Mayor's term is limited to two consecutive terms and the fourteen Councilmembers are limited to four consecutive terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer.

The City is among the three most populous cities in Texas and among the ten most populous cities in the U.S. The City is approximately 378 square miles in area (see APPENDIX A - "General Information Regarding the City").

THE BONDS .... The Bonds are being issued in the principal amount of $324,940,000 pursuant to the general laws of the State of Texas, particularly Chapters 1207, 1371, and 1504, Texas Government Code, as amended, and Chapter 351, Texas Tax Code, as amended, the City Charter and the Ordinance passed by the City Council of the City (see "THE BONDS - Authority for Issuance").

SECURITY FOR THE BONDS .... The Bonds constitute special obligations of the City, payable from and secured by a first lien on and pledge of the Pledged Revenues. The City has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation except for the Pledged Hotel Occupancy Tax described herein (see "THE BONDS – Security for Bonds").

TAX EXEMPTION .... In the opinion of Co-Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law and the Bonds will not be private activity bonds. See "LEGAL AND TAX MATTERS - Tax Exemption" for a discussion of the opinion of Co-Bond Counsel, including a description of alternative minimum tax consequences for corporations (see APPENDIX C - "Form of Co-Bond Counsel Opinions").

REDEMPTION .... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2020, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2019, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The Bonds maturing August 15, 2034 and August 15, 2038 (the "Term Bonds") are also subject to mandatory sinking fund redemption prior to maturity. (See "THE BONDS – Optional Redemption of Bonds" and "THE BONDS – Mandatory Redemption of Bonds").

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used to refund the Refunded Bonds and to fund construction costs associated with the current planned improvements of the Civic Center. Additionally, a portion of Bond proceeds, together with other available funds of the City, will be used to fund a bond reserve fund and to pay costs of issuance. (See "PLAN OF FINANCING – Source and Application of Funds").

PAYMENT RECORD .... The City has never defaulted in the payment of its debt.

BOOK-ENTRY-ONLY SYSTEM .... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds thereof (see "THE BONDS - Book-Entry-Only System").

PAYING AGENT/REGISTRAR .... The initial paying agent/registrar is U.S. Bank National Association.

EXPECTED DELIVERY DATE .... Expected delivery date is on or about February 25, 2009.

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OFFICIAL STATEMENT

RELATING TO

$324,940,000
CITY OF DALLAS, TEXAS
CIVIC CENTER CONVENTION COMPLEX
REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2009

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $324,940,000 City of Dallas, Texas, Civic Center Convention Complex Revenue Refunding and Improvement Bonds, Series 2009. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance adopted by the City Council on November 19, 2008 authorizing the issuance of the Bonds, except as otherwise indicated herein.

The City is a political subdivision of the State of Texas and a municipal corporation organized and existing under the laws of the State of Texas, including the City's Home Rule Charter (the "City Charter"). The Bonds are issued pursuant to the general laws of the State of Texas, particularly Chapters 1207, 1371 and 1504, Texas Government Code, as amended, and Chapter 351, Texas Tax Code, as amended, the City Charter and the Ordinance.

There follows in this Official Statement descriptions of the Plan of Financing, the Bonds, the City's Civic Center Convention Complex (the "Civic Center Convention Complex"), the Ordinance, information relating to the operation of the Civic Center Convention Complex, and certain information about the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Co-Financial Advisors, First Southwest Company, Dallas, Texas or Estrada Hinojosa & Company, Inc., Dallas, Texas.

PLAN OF FINANCING

PURPOSE

The Bonds are being issued for the purpose of refunding all of the City's currently outstanding Civic Center Convention Complex Revenue Refunding and Improvement Bonds, Series 1998 (the "Refunded Bonds") in order to lower the annual debt service requirements of the City relating to the Civic Center Convention Complex, to fund planned improvements to the Civic Center Convention Complex, to fund a bond reserve fund and to pay the costs of issuance of the Bonds. In addition, the refinancing will allow the City to exclude from Pledged Revenues the hotel occupancy tax collections derived from the City's proposed convention center hotel. (See "PROPOSED CONVENTION CENTER HOTEL.") For a detailed listing of the Refunded Bonds and their respective call dates and redemption prices, see Schedule I.

REFUNDED BONDS

The principal, interest and premium due on the Refunded Bonds are to be paid on the scheduled interest payment dates and the respective redemption dates of such Refunded Bonds, from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the City and U.S. Bank National Association, Dallas, Texas (the "Escrow Agent"). The Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriters, the City will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on their respective redemption dates. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct obligations of the United States of America (the "Federal Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

Grant Thornton LLP, a nationally recognized accounting firm, will be engaged at the time of delivery of the Bonds to the Underwriters to deliver a report on mathematical accuracy of the schedules that demonstrate whether the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of, premium and interest on the Refunded Bonds. **Such maturing principal of and interest on the Federal Securities will not be available to pay the Bonds** (see "OTHER INFORMATION - Verification of Arithmetical and Mathematical Computations").

By the deposit of the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all of the Refunded Bonds in accordance with the law. It is the opinion of Co-Bond Counsel that as a result of such defeasance and in reliance upon the report of Grant Thornton LLP, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Federal Securities and any cash held for such purpose by the Escrow Agent and such Refunded Bonds will not be deemed as being outstanding obligations of the City payable from Pledged Revenues nor for the purpose of applying any limitation on the issuance of debt.

The City has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Bonds, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund be insufficient to make such payment.

SOURCE AND APPLICATION OF FUNDS

The proceeds from the sale of the Bonds plus other available money allocable to the Refunded Bonds will be applied as follows:

Sources		
Principal Amount of the Bonds	$	324,940,000
Accrued Interest on the Bonds		1,104,277
Net Original Issue Premium		3,395,489
Transfer from Debt Service Fund for Refunded Bonds		8,534,883
Transfer from Reserve Fund for Refunded Bonds		19,253,030
Total Sources of Funds	$	357,227,679
Uses		
Deposit to Bond Reserve Fund	$	22,466,208
Deposit to Escrow Account		260,032,096
Deposit to Project Fund		60,046,125
Deposit to Debt Service Fund		9,639,160
Cost of Issuance*		5,044,090
Total Uses of Funds	$	357,227,679

*Cost of Issuance, including legal, financial advisory, underwriter's discount, insurance premium and other related transaction fees.

THE BONDS

AUTHORITY FOR ISSUANCE

The Bonds are being issued pursuant to the general laws of the State of Texas, particularly Chapters 1207, 1371 and 1504, Texas Government Code, as amended, and Chapter 351, Texas Tax Code, as amended, the City Charter and an Ordinance (the "Ordinance") passed by the City Council.

SECURITY FOR BONDS

The Ordinance provides that the principal of, premium, if any, and interest on the Bonds and any Additional Bonds (hereinafter defined) will be secured by a first lien on and pledge of Pledged Revenues (described under "Pledged Revenues" below). The Bonds are further secured by a Bond Reserve Fund, which will be maintained in an amount described under "Bond Reserve Fund" below. There is no mortgage interest in favor of the holders of the Bonds.

The City is not required to devote any other City funds to the payment of the Bonds, and the owner or holder of any Bond shall never have the right to demand payment of the principal of, premium, if any, or interest on any Bond from any funds raised or to be raised by taxation, except the Pledged Hotel Occupancy Tax as described herein. So long as the Bonds and any Additional Bonds remain outstanding and unpaid, the Pledged Hotel Occupancy Tax shall be neither diminished nor abrogated by the City.

The City reserves the right to issue Additional Bonds on parity with the Bonds. See "Additional Bonds" below.

The City also reserves the right to issue junior lien revenue bonds secured by a lien on and pledge of Pledged Revenues, which lien and pledge shall be junior and subordinate to the lien and pledge securing the Bonds and any Additional Bonds.

PLEDGED REVENUES

Pledged Revenues consist of (i) all gross revenues and income received by the City as a result of renting, leasing, or otherwise operating and conducting the business affairs of the Civic Center Convention Complex, or any part thereof (the "Civic Center Revenues"), (ii) the gross revenues due and owing to, or received by the City, from those taxes imposed by the City representing 4.718% of the consideration paid by a person who, under a lease, concession, permit, right of access, license, contract or agreement, pays for the use or possession or for the right to the use or possession of a room that is in a hotel, costs $2 or more each day, and ordinarily used for sleeping, less any amounts withheld to pay the costs of collecting such taxes as permitted by ordinances of the City and applicable state law (the "Pledged Hotel Occupancy Tax"); provided that the revenue derived from a hotel project that is owned by or located on land owned by the City or by a nonprofit corporation acting on behalf of the City and that is located within 1,000 feet of a convention center facility owned by the City, including the Civic Center Convention Complex, shall not constitute part of the Pledged Hotel Occupancy Tax, and (iii) all income from investment of the Bond Reserve Fund and the Bond Fund. For a description of the facilities comprising the Civic Center Convention Complex, see "CIVIC CENTER CONVENTION COMPLEX." For a discussion of the hotel occupancy tax, including current tax rate and current use of tax receipts, and of historical Civic Center Revenues, see "CIVIC CENTER CONVENTION COMPLEX – Hotel Occupancy Tax" and "CIVIC CENTER CONVENTION COMPLEX - Civic Center Financial Information." For the flow of Pledged Revenues through the Revenue Fund, see "SELECTED PROVISION OF THE BOND ORDINANCE – Security for the Bonds."

BOND RESERVE FUND

The Ordinance establishes a Bond Reserve Fund required to contain an amount equal to the Bond Reserve Fund Requirement. Immediately upon delivery of the Bonds, the City will deposit funds into the Bond Reserve Fund in an amount equal to the Bond Reserve Fund Requirement applicable to the Bonds. The Bond Reserve Fund shall be maintained in an amount at least equal to the average annual debt service requirement of all Bonds and any Additional Bonds (the "Bond Reserve Fund Requirement"). The Bond Reserve Fund is to be supplemented from the Revenue Fund as required by the Ordinance to maintain this amount. See "SELECTED PROVISIONS OF THE BOND ORDINANCE – Initial Deposits and Application of Money; Administration of Funds and Accounts; Additional Bonds and Refunding Bonds."

RECORD DATE FOR INTEREST PAYMENT

The record date ("Record Date") for the interest payable on any interest payment date means close of business on the last business day of the month next preceding such interest payment date.

In the event the City fails to pay interest on a scheduled interest payment date on the Bonds and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the interest due and payable (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail. If the date for the payment of the principal of, premium, if any, or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or a day on which banking institutions in the City of Dallas or the city where the Paying Agent/Registrar is located are generally authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are generally authorized to close and payment on such date shall have the same force and effect as if made on the original date payment was due.

OPTIONAL REDEMPTION OF BONDS

The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2020, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2019 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all the Bonds are to be redeemed, the City will select the maturities of Bonds and the amounts thereof to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) will determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. For purposes of selection for redemption, the Paying Agent/Registrar shall treat each $5,000 portion of a Bond as though it were a single Bond. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY REDEMPTION OF BONDS

The Bonds maturing on August 15, 2034 and August 15, 2038 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity. The Term Bonds shall be redeemed by the Paying Agent/Registrar in part prior to maturity at the price of par plus accrued interest to the dates of redemption, and without premium, on the dates and in the respective principal amounts as set forth in the following schedule:

TERM BONDS MATURING
August 15, 2034

Redemption Date	Principal Amount
August 15, 2030	$ 14,815,000
August 15, 2031	15,595,000
August 15, 2032	16,415,000
August 15, 2033	17,275,000
August 15, 2034*	18,180,000

TERM BONDS MATURING
August 15, 2038

Redemption Date	Principal Amount
August 15, 2035	$ 19,135,000
August 15, 2036	20,140,000
August 15, 2037	21,200,000
August 15, 2038*	22,310,000

*Final Maturity

The principal amount of Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of Term Bonds which, at least forty-five (45) days prior to the mandatory redemption date, (i) shall have been acquired by the City, and delivered to the Paying Agent/Registrar for cancellation, (ii) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, or (iii) shall have been redeemed pursuant to the optional redemption provisions and not therefore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION

Not less than thirty (30) days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

ADDITIONAL BONDS

The City has reserved the right to issue (i) "Improvement Bonds" to finance additions and improvements to the Civic Center Convention Complex ("Improvement Bonds"), and (ii) "Refunding Bonds" to refund in whole or in part the Bonds or any Additional Bonds. Improvement Bonds and Refunding Bonds are "Additional Bonds" under the Ordinance and are on a parity with the Bonds and any previously issued Additional Bonds. See "SELECTED PROVISIONS OF THE BOND ORDINANCE – Additional Bonds."

Improvement Bonds may be issued to provide additions and improvements to the Civic Center Convention Complex when issued in accordance with the following terms and conditions precedent: (i) that the Improvement Bonds shall mature on August 15, unless issued to mature semiannually in which event they shall be made to mature on February 15 and August 15; (ii) that the City is not in default under the Ordinance or any amendment or supplement thereto; (iii) that the applicable laws of the State of Texas relating to the issuance of such bonds have been fully complied with; and (iv) that the City secure from an independent certified public accountant a certificate to the effect that the Pledged Revenues were for any consecutive twelve (12) month period of the last fifteen (15) consecutive months prior to the month of adoption of the ordinance authorizing the issuance of the Improvement Bonds equal to at least 1.25 times the Average Annual Debt Service Requirement (as defined in the Ordinance) of the Bonds, any Additional Bonds and such proposed Improvement Bonds that will be outstanding immediately following the issuance of the Proposed Improvement Bonds.

In addition, the City has retained the right to issue Refunding Bonds to refund in part the then outstanding Bonds and Additional Bonds, if any; provided that (i) that the Refunding Bonds shall mature on August 15, unless issued to mature semiannually in which event they shall be made to mature on February 15 and August 15, (ii) the City is not in default in the payment of debt service on the Bonds and any Additional Bonds then outstanding and (iii) (a) the City obtains a certificate for the Refunding Bonds meeting the same requirements for such bonds as are set forth in item (iv) in the preceding paragraph or (b) the City secures from an independent certified public accountant a certificate evidencing his or her determination that the Average Annual Debt Service Requirement attributable to the Refunding Bonds does not exceed the Average Annual Debt Service Requirement attributable to the Bonds and Additional Bonds refunded by the Refunding Bonds.

No Additional Bonds will be issued that (a) shall enjoy a lien and pledge superior to that possessed by the Bonds, or (b) shall be made to mature or bear interest in such manner or at such rates as will impair the security or interfere with the timely payment of principal of, premium, if any, or interest on any Bonds and Additional Bonds, if any, not refunded.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Obligations are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

One fully-registered bond certificate for each maturity of the Bonds will be issued, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of Bond certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.DTC.org.

Purchase of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City or the Underwriters.

Effect of Termination of Book-Entry-Only System. In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR

The initial Paying Agent/Registrar is U.S. Bank National Association. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid, and any successor Paying Agent/Registrar shall be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the name and address of the new Paying Agent/Registrar.

In the event the Book-Entry-Only System should be discontinued, principal of the Bonds will be payable to the registered owner at maturity or prior redemption upon presentation at the corporate trust office of the Paying Agent/Registrar (the "Designated Trust Office"). Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (see "THE BONDS - Record Date for Interest Payment" herein), or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

TRANSFER, EXCHANGE AND REGISTRATION

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. The Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in a form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

LIMITATION ON TRANSFER OF BONDS CALLED FOR REDEMPTION

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

DEFEASANCE

The Ordinance provides that the City may discharge its obligations to the registered owners of any or all of the Bonds to pay principal, interest and maturity or redemption price, as applicable, thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with an authorized escrow agent, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (c) noncallable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Ordinance.

Under current state law, after such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BONDHOLDERS' REMEDIES

Under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the City to observe any covenant under the Ordinance. Although a registered owner could presumably obtain a judgment against the City if a default occurred in any payment of the principal of or interest on any such Bonds, such judgment could not be satisfied by execution against any property of the City. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to perform its obligations under the Ordinance. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke") that a waiver of sovereign immunity must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In Tooke, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Act. As noted above, the Ordinance provides that holders of Bonds may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of obligations of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Co-Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

CIVIC CENTER CONVENTION COMPLEX

GENERAL

The Civic Center Convention Complex consists of the Dallas Convention Center ("DCC"), Union Station and the Park Plaza Parking Garage. A portion of the Bond proceeds will be used to fund certain improvements to the DCC.

The DCC is located downtown in Dallas' primary business district. Owned and operated by the City of Dallas, the facility features 2.1 million gross square feet of exhibit, ballroom, and meeting space and, at 203,000 square feet, the largest column free exhibit hall in the United States. Part of the DCC is within walking distance to Dallas City Hall, Pioneer Plaza, and Union Station. DCC events and activities include conventions, trade shows and meetings, which draw attendees from the area, region, and nation, in addition to concerts, cultural events, entertainment events, graduation ceremonies, and other special activities which typically draw attendees from the local area only.

All personnel connected with the operation of the Civic Center Convention Complex are City employees, with the exception of a temporary labor force hired from time to time as needed. The Director of the Civic Center Convention Complex, who is appointed by the City Manager, is responsible for the overall operation. The Director of the Civic Center Convention Complex is assisted by staff personnel responsible for fulfilling convention needs, drafting facility policy and budgeting tasks. The Director of the Civic Center Convention Complex is responsible for the maintenance and operation of the Civic Center Convention Complex, which includes preparation of all facilities utilized by tenants, including floor areas, playing surfaces, concourses and seating areas. A trade division is responsible for all building, electrical, plumbing and carpentry repair and maintenance. A small permanent staff, supplemented as needed by temporary labor, is retained to perform daily routine housekeeping and maintain housekeeping inventories.

The Convention and Visitors Bureau (the "Convention Bureau"), a Texas nonprofit corporation affiliated with the Greater Dallas Chamber of Commerce, solicits convention activities on a national basis for the Convention Center on behalf of the City pursuant to a contract with the City with a current expiration date of September 30, 2011. The Convention Bureau sales staff prepares and presents convention packages to various associations and businesses around the country. Emphasis is placed on functions which will use not only the Civic Center Convention Complex, but will also utilize the City's hotels, restaurants and transportation. The Civic Center Convention Complex personnel work closely with the Convention Bureau to achieve convention bookings several years in advance. Convention Bureau operations are financed in part by the City under its contract with the Convention Bureau providing for payment of the hotel occupancy tax over and above the percentage pledged as security for the Bonds. Under the present contract, the Convention Bureau is paid 32.6% of actual hotel occupancy tax receipts based on a hotel occupancy tax rate not to exceed 7.0%, which equates to an approximate hotel occupancy tax rate of 2.282%. (See "Pledged Hotel Occupancy Tax" below). The Convention Bureau is governed by a 41-person board of directors.

The City has the right to dispose of any properties constituting a part of the Civic Center Convention Complex upon compliance with certain conditions. See "SELECTED PROVISIONS OF THE BOND ORDINANCE – Particular Representation and Covenants."

DALLAS CONVENTION CENTER

The DCC is currently ranked the ninth largest in the nation in prime exhibit space. It covers approximately 2.1 million square feet of total space and includes the following:

- Six exhibit halls (Exhibit Halls A, B, C, D, E and F) with a total of 724,526 square feet of contiguous exhibit space
- Ninety meeting rooms with a total of 100,758 square feet
- One ballroom with 26,992 square feet
- One ballroom with 19,134 square feet
- Arena Hall with a seating capacity of 9,816 persons
- Arena Theater with a seating capacity of 1,770 persons
- Exhibit Hall Parking Garage with Level 1 parking capacity of 584 autos and Level 2 parking capacity of 523 autos or 225,000 square feet of exhibit space
- Support facilities including kitchen facilities with service docks, café with 584 seating capacity, exhibitor and show offices, registration areas, convenient service areas, adequate storage areas, audio and acoustical systems, and truck dock areas.

The original DCC structure was completed in 1957 and consisted of the Arena Hall and Arena Theater. There have been four additions to the DCC: Exhibit Halls A and B, a ballroom and administrative offices were added in 1973; Exhibit Hall C was completed in 1984; Exhibit Halls D and E, meeting rooms and a heliport were added in 1994; and, Exhibit Hall F, the largest column free exhibit hall in the United States, was added in 2002.

PARK PLAZA PARKING GARAGE.

In addition to the parking available in the Exhibit Hall Parking Garage, DCC event parking is also available in the Park Plaza Parking Garage. This two-level underground parking facility contains 1,369 parking spaces. It is located under Park Plaza and City Hall, across Akard Street to the east of the DCC. This facility is joined to the Exhibit Hall Parking Garage by a tunnel under Akard Street. During weekdays, the facility is utilized primarily by City employees. During nights and weekends, the facility is available for use by persons attending events at the DCC.

UNION STATION

Union Station is the main transportation terminal for AMTRAK in the City of Dallas. It also serves as a station for the light rail system and the commuter train service operated by the Dallas Area Rapid Transit Authority. Union Station contains office space for lease, a restaurant and a ballroom used for special events.

PROPOSED IMPROVEMENTS

- Finish the Area D ballroom (20,000 square feet of additional meeting space)
- Upgrade meeting rooms in A100's, A200's, A300's and C100's
- Roof repair in the A&B area
- Arena upgrades – dressing rooms, concessions and restrooms
- Upgrade restrooms in A, B and C buildings
- Upgrade CCTV Security
- Renovate A, B lobby entrances to include floor/walls
- Upgrade Halls A/B/C exhibit electrical services

PLEDGED HOTEL OCCUPANCY TAX

Under State law and the City Code, the City imposes a 7% hotel occupancy tax (the "Chapter 351 Hotel Tax") pursuant to the provisions of Chapter 351, Texas Tax Code, as amended ("Chapter 351"). The current provisions of Chapter 351 authorize the City to levy and collect a tax at any rate not to exceed 7% of the price paid for hotel rooms located within the corporate limits of the City. The City currently levies the Chapter 351 Hotel Tax at the maximum rate of 7%. Pursuant to an election held in the City in 1998 in accordance with Chapter 334, Texas Local Government Code, as amended, the City also levies a hotel occupancy tax in the amount of 2% (the "Venue Hotel Tax") to provide for payment of debt service on its sports arena project revenue bonds, issued in 1998, currently outstanding in the amount of $108,585,000, which were issued to finance the construction of American Airlines Center, a downtown arena. Therefore, the City currently levies a 9% hotel occupancy tax. On the last day of each January, April, July and October, hotel owners are required to remit hotel occupancy taxes directly to the City.

From the Chapter 351 Hotel Tax, an amount based on a rate of 4.718% (less a proportionate share of collection costs) is pledged to the Bonds as Pledged Hotel Occupancy Tax, exclusive of any hotel occupancy taxes collected in connection with the proposed Convention Center Hotel. See "PROPOSED CONVENTION CENTER HOTEL." The tax generated from the remaining 2.282% Chapter 351 Hotel Tax (less a proportionate share of collection costs) is used for promoting advertising and tourism. The receipts from the Venue Hotel Tax collections are not part of the Pledged Hotel Occupancy Tax or Pledged Revenues and are prohibited by state law from being used to pay debt service on the Bonds.

The State of Texas also levies and collects a hotel occupancy tax currently at the rate of 6% which is remitted by the hotel owners directly to the State and is not available to pay debt service on the Bonds.

Section 351.006 of the Tax Code currently exempts or provides a refund from the Chapter 351 Hotel Tax and Venue Hotel Tax for certain federal and state officials when traveling on or otherwise engaged in the course of official duties.

Pursuant to the provisions of Chapter 351, the City is authorized to impose the Chapter 351 Hotel Tax on persons who, under a lease, concession, permit, right of access, license, contract or agreement, pay for the use or possession of a hotel room within the boundaries of the City that cost $2 or more each day and is ordinarily used for sleeping. The percentage of Chapter 351 Hotel Tax is applied to the consideration paid to the hotel for the right to use or possess the room. Under Chapter 351 "Hotel" means any building or buildings in which the public may, for consideration, obtain sleeping accommodations. The term includes hotels, motels, tourist homes, tourist houses, tourist courts, bed and breakfasts, lodging houses, inns, rooming houses or other buildings where rooms are furnished for a consideration, but does not include hospitals, sanitariums, certain housing facilities owned or leased and operated by an institution of higher education or nursing homes. The consideration paid for the room, for purposes of

Chapter 351, includes the cost of the room only if the room is one ordinarily used for sleeping, and does not include the cost of any food served or personal services rendered to the occupant of such room not related to the cleaning and readying of such room for occupancy. To be subject to the Chapter 351 Hotel Tax, the occupant's use, possession or right to the use or possession of the sleeping room must be for a period of less than 30 consecutive days.

For schedules of historical revenues received from Pledged Hotel Occupancy Tax and the Chapter 351 Hotel Tax collected by the City, see Table 1 below.

CIVIC CENTER FINANCIAL INFORMATION

The information in the tables presented below was taken from the City of Dallas internal reports and accounting records for the fiscal years ended September 30, 2005 through 2008. The City's external auditors have not rendered an opinion with respect to or approved the data presented in these tables or related footnotes.

CITY OF DALLAS, TEXAS
CIVIC CENTER CONVENTION COMPLEX
TABLE 1 – SUMMARY OF CIVIC CENTER INCOME (000S OMITTED)

	Fiscal Years Ended September 30, (Unaudited) 2008	2007	2006	2005
Civic Center Revenues	$ 14,940	$ 17,556	$ 18,278	$ 15,130
Pledged Hotel Occupancy Tax (1)	25,730	26,099	24,276	19,991
Interest Income	1,465	1,511	907	247
Total Revenue Pledged to Debt Service	42,135	45,166	43,461	35,368
Less: Debt Service	(25,045)	(24,646)	(24,742)	(22,644)
Excess Pledged Revenue	17,090	20,520	18,719	12,724
Mixed Beverage Tax (2)	7,856	7,569	7,091	6,537
Available to pay Operating Expenses	24,946	28,089	25,810	19,261
Less: Operating Expenses (excluding depreciation and amounts paid to the Convention and Visitors Bureau)	(25,802)	(28,756)	(26,915)	(26,340)
Operating Income (Loss)	$ (856)	$ (667)	$ (1,105)	$ (7,079)
Other City Contributions (3)	3,944	3,854	4,636	4,414
Surplus (Deficit)(4)	$ 3,088	$ 3,187	$ 3,531	$ (2,665)

(1) Such amounts represent the 4.718% hotel occupancy tax that are pledged to the bonds. The Refunded Bonds were secured by a 4.65% hotel occupancy tax, thus the Pledged Hotel Occupancy Taxes in this table are not reflective of the amounts actually pledged to the Refunded Bonds, but are reflective of the amounts that will secure the Bonds.

(2) The Mixed Beverage Tax is pledged for operation and maintenance expenses of the Civic Center Convention Complex and not payment of the Bonds.

(3) Contributions from available funds which included General Fund monies and excess Pledged Revenues available from prior fiscal years.

(4) Surplus funds are lawfully available for and have been used to fund expenses of the City other than Civic Center Convention Complex debt service and Operation and Maintenance Expenses.

CITY OF DALLAS, TEXAS
CIVIC CENTER CONVENTION COMPLEX
TABLE 2 – HISTORICAL DEBT SERVICE COVERAGE (000S OMITTED)

	Fiscal Years Ended September 30, (Unaudited)			
	2008	**2007**	**2006**	**2005**
Civic Center Revenues	$14,940	$17,556	$18,278	$15,130
Pledged Hotel Occupancy Tax	25,730	26,099	24,276	19,991
Interest Income	1,465	1,511	907	247
Total Pledged Revenue	$42,135	$45,166	$43,461	$35,368
Debt Service	(25,045)	(24,646)	(24,742)	(22,644)
Gross Debt Service Coverage Ratio	1.68	1.83	1.76	1.56
Total Pledged Revenue	$42,135	$45,166	$43,461	$35,368
Mixed Beverage Tax	7,856	7,569	7,091	6,537
Total Revenue	$49,991	$52,735	$50,552	$41,905
Operating Expense	($25,802)	($28,756)	($26,915)	($26,340)
Net Income	24,189	23,979	23,637	15,565
Debt Service	(25,045)	(24,646)	(24,742)	(22,644)
Net Debt Service Coverage Ratio	0.97	0.97	0.96	0.69

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CITY OF DALLAS, TEXAS
CIVIC CENTER CONVENTION COMPLEX
TABLE 3 –COVERAGE PRO-FORMA

FYE	Total Debt Service	Pledged Revenues (1)	Gross Debt Sevice Coverage	Net Income Before Debt Service (2)	Net Debt Sevice Coverage
2009	15,220	42,381	2.78	21,740	1.43
2010	17,404	44,143	2.54	22,631	1.30
2011	18,268	45,907	2.51	23,753	1.30
2012	18,692	50,300	2.69	24,304	1.30
2013	19,195	52,321	2.73	24,957	1.30
2014	19,957	54,745	2.74	25,948	1.30
2015	20,738	56,622	2.73	26,964	1.30
2016	21,606	58,640	2.71	28,095	1.30
2017	22,524	60,746	2.70	29,287	1.30
2018	23,482	62,933	2.68	30,531	1.30

(1) FY 2009 - 2018 per Table 8-1, HVS Study, January 30, 2009
(2) FY 2009 - 2018 per Table 8-2, HVS Study, January 30, 2009

TABLE 4
COVERAGE OF AVERAGE ANNUAL DEBT SERVICE REQUIREMENT

Average annual principal and interest requirements, 2009-2038	$	22,225
Fiscal Year End 9-30-08 Pledged Revenues (unaudited)	$	42,135
Coverage of requirements		1.90x

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OPERATION AND MAINTENANCE EXPENSES – COVENANTS OF THE CITY

The Civic Center Convention Complex is owned and operated by the City. The City has covenanted in the Ordinance to maintain the Civic Center Convention Complex in good condition and to operate the same in an efficient manner and at reasonable cost.

Mixed Beverage Tax. To the extent required to assure efficient and proper operation and maintenance of the Civic Center Convention Complex, the City has pledged for operation and maintenance expense of the Civic Center all those moneys received by it as its share of the gross receipts tax on sales of mixed beverages in the City, which tax is levied by the State and deposited in the State Mixed Beverage Tax Clearance Fund under the provisions of Chapter 183 of the Texas Tax Code. The City's share is equal to 1.5% of such gross receipts and is remitted quarterly by the State Comptroller to the City. Such 1.5% tax revenue received by the City in the past four fiscal years has been as follows:

($000s)

(Unaudited) 2008	2007	2006	2005
7,856	7,569	7,091	6,537

General Fund Monies. In the event that the Pledged Revenues, after provision for all payments required for the Bonds and other available revenues are insufficient to provide funds for properly and efficiently operating and maintaining the Civic Center Convention Complex, the City has covenanted that it will promptly provide moneys sufficient for such purposes out of other funds on hand and to be on hand that are lawfully available for such uses and are not appropriated to any other purposes. Additionally, the City covenants that it will include sufficient moneys for such purposes in its General Fund budget for each fiscal year in which the City anticipates insufficient funds to fully serve such purposes in such year.

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CITY OF DALLAS, TEXAS
CIVIC CENTER CONVENTION COMPLEX
TABLE 5 – DEBT SERVICE

Fiscal Year Ending 9/30	The Bonds Principal (1)	Interest (1)	Total (2)	% of Principal Retired
2009	$ -	$ 8,926,243	$ 8,926,243	
2010	840,000	16,564,163	17,404,163	
2011	1,730,000	16,538,963	18,268,963	
2012	2,205,000	16,487,063	18,692,063	
2013	2,775,000	16,420,913	19,195,913	2.32%
2014	3,675,000	16,282,163	19,957,163	
2015	4,640,000	16,098,413	20,738,413	
2016	5,740,000	15,866,413	21,606,413	
2017	6,945,000	15,579,413	22,524,413	
2018	8,250,000	15,232,163	23,482,163	11.33%
2019	8,665,000	14,819,663	23,484,663	
2020	9,095,000	14,386,413	23,481,413	
2021	9,550,000	13,931,663	23,481,663	
2022	10,030,000	13,454,163	23,484,163	
2023	10,530,000	12,952,663	23,482,663	26.06%
2024	11,055,000	12,426,163	23,481,163	
2025	11,610,000	11,873,413	23,483,413	
2026	12,190,000	11,292,913	23,482,913	
2027	12,800,000	10,683,413	23,483,413	
2028	13,440,000	10,043,413	23,483,413	44.86%
2029	14,110,000	9,371,413	23,481,413	
2030	14,815,000	8,665,913	23,480,913	
2031	15,595,000	7,888,125	23,483,125	
2032	16,415,000	7,069,388	23,484,388	
2033	17,275,000	6,207,600	23,482,600	68.93%
2034	18,180,000	5,300,663	23,480,663	
2035	19,135,000	4,346,213	23,481,213	
2036	20,140,000	3,341,625	23,481,625	
2037	21,200,000	2,284,275	23,484,275	
2038	22,310,000	1,171,275	23,481,275	100.00%
	$ 324,940,000	$ 335,506,268	$ 660,446,268	

(1) Average life of the Bonds - 19.9 years. Average coupon for the Bonds - 5.2%.
(2) Numbers may not sum due to rounding.

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PROPOSED CONVENTION CENTER HOTEL

The City of Dallas is currently in the process of developing a convention center hotel. The proposed hotel is expected to feature 1,000 rooms, two restaurants, a lounge, a coffee kiosk, 100,000 square feet of meeting space, an outdoor pool, an outdoor whirlpool, a fitness center, a business center, retail outlets and vending areas. The hotel is anticipated to be full-service in nature and with the finish-out typical of a first-class, convention headquarters hotel. The City has demonstrated its commitment to completing the proposed headquarters hotel by January 2012 with the following actions:

- In 2008, the City purchased the proposed hotel site which is located adjacent to the DCC.
- The City selected a development company Matthews Holdings Southwest, Inc. and negotiated a pre-development agreement, effective September 10, 2008, that authorizes the City to expend up to $8 million in predevelopment costs.
- The City issued an RFP for an operating company and is in the process of evaluating response and selecting an operator.

Proceeds of the Bonds will not be used to finance the proposed hotel. A separate and later issuance of debt has been proposed to finance the proposed hotel, which is anticipated to include a pledge of certain hotel occupancy tax revenues generated by the hotel. Any hotel occupancy tax revenues generated by the proposed hotel are excluded from the Pledged Revenues securing the Bonds.

See APPENDIX D—HVS Report, for projections of Pledged Revenues in the event the proposed hotel is constructed, and for alternative projections in the event the hotel is not constructed. The City can make no guarantee that the proposed hotel will be constructed.

SELECTED PROVISIONS OF THE BOND ORDINANCE

The following are selected excerpts from the Ordinance. The article and section references herein correspond with the articles and section references contained in such document. These selected provisions do not purport to be a complete recitation of the Ordinance to which reference hereby made for a full and complete statement of the provisions contained therein.

DEFINITIONS

Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Ordinance, the following terms shall have the meanings specified below:

"Additional Bonds" means the additional parity revenue bonds permitted to be issued pursuant to Section 7.06.

"Annual Debt Service Requirement" means, for each Fiscal Year, the sum of (i) the interest payable during such Fiscal Year on the Bonds and any Additional Bonds which are Outstanding, and (ii) the principal payable during such Fiscal Year on the Bonds and any Additional Bonds which are Outstanding. For purposes of such calculation it should be assumed that interest on the Bonds and Additional Bonds is paid in accordance with their terms and that principal, whether at maturity or by virtue of mandatory sinking fund redemption, is paid when due.

"Authorized Officer" means the City Manager of the City, and in her absence, any Assistant City Manager.

"Average Annual Debt Service Requirement" means, as of the date of calculation, the sum of the Annual Debt Service Requirement for each subsequent Fiscal Year in which there are Bonds or Additional Bonds Outstanding divided by the number of such Fiscal Years.

"Bond" means any of the Bonds.

"Bond Fund" means the special fund created and established on the books of the City pursuant to Section 7.02 for payment of the principal of, premium, if any, and interest on the Bonds.

"Bond Insurer" means the bond insurer named in the Pricing Certificate, if any, and its successors or assigns.

"Bond Purchase Agreement" means the bond purchase agreement approved in Section 12.01(b) of this Ordinance.

"Bond Reserve Fund" means the reserve fund created and established pursuant to Section 7.04.

"Bond Reserve Fund Requirement" means an amount equal to the Average Annual Debt Service Requirement.

"Bond Reserve Fund Surety Policy" or "Surety Policy" means a surety bond, insurance policy, letter of credit or other similar instrument issued by a financial institution to the City or to the Paying Agent/Registrar for the benefit of the Bondholders to satisfy in whole or in part the Bond Reserve Fund Requirement, provided that the claims paying ability of such issuer has a rating by each rating agency then rating the Bonds at least equal to the rating then on the Bonds by each such rating agency.

"Bonds" means the City's revenue bonds, entitled "City of Dallas, Texas, Civic Center Convention Complex Revenue Refunding and Improvement Bonds, Series 2008" authorized to be issued by Section 3.01 of this Ordinance.

"Business Day" means a day that is not a Saturday, Sunday, legal holiday or other day on which banking institutions in the city where the Designated Payment/Transfer Office is located are required or authorized by law or executive order to close.

"Charter" means the Home Rule Charter of the City, as amended.

"City" means the City of Dallas, Texas.

"City Council" means the governing body of the City.

"Civic Center Convention Complex" or "Civic Center" means and includes (i) those existing buildings, structures, facilities and improvements known as the Dallas Convention Center, including the Arena Building, Theater Building, Exhibit Halls, meeting rooms, ballrooms and support facilities and any additions or improvements thereto and made a part thereof, (ii) the Park Plaza Parking Garage, (iii) Union Station, and (iv) all other buildings and improvements which by action of the City Council are devoted to and made a part thereof. The Civic Center specifically excludes the facilities known as "Reunion Arena," the "Reunion Arena Parking Garage" and those surface parking lots located adjacent to Reunion Arena and known as "Lots A, B, E, F, G, H and J" and the approximately 170 auto surface parking lot located north of and adjacent to the Dallas Convention Center and known as "Lot C."

"Civic Center Revenues" means the gross revenues and income received by the City as a result of renting, leasing or otherwise operating the business and affairs of the Civic Center Convention Complex, or any part thereof.

"Closing Date" means the date of the initial delivery of and payment for any Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, including applicable regulations, published rulings and court decisions relating thereto.

"Designated Payment/Transfer Office" means (i) with respect to the initial Paying Agent/Registrar named herein, its corporate trust office in St. Paul, Minnesota, or at such other location designated by the Paying Agent/Registrar and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the City and such successor.

"DTC" means The Depository Trust Company of New York, New York, or any successor securities depository.

"DTC Participant" means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"Escrow Agent" means U.S. Bank National Association, or its successors or assigns.

"Escrow Agreement" means the escrow agreement relating to the Refunded Bonds by and between the City and the Escrow Agent.

"Escrow Fund" means the fund by that means established in the Escrow Agreement.

"Event of Default" means any Event of Default as defined in Section 10.01 of this Ordinance.

"Fiscal Year" means such fiscal year as shall be prescribed by the Charter and which under the existing Charter commences October 1 and ends on September 30 of the following year.

"Improvement Bonds" means Additional Bonds authorized under the provisions of Section 7.07.

"Improvement Project" or "Project" means the additions and improvements to the Civic Center consisting generally of renovations and improvements to existing facilities.

"Initial Bond" means the initial Bond described in Section 3.04(d) of this Ordinance.

"Interest Payment Date" means February 15 and August 15 of each year on which interest is scheduled to be paid until maturity of the Bonds, commencing on the date set forth in the Pricing Certificate.

"Junior Lien Bonds" means bonds issued for the purpose of financing additions and improvements to the Civic Center or refunding bonds which, under the provisions of Section 7.09 may be issued and secured by a subordinate lien on and pledge of Pledged Revenues.

"Municipal Bond Guaranty Insurance Policy" means the municipal bond insurance policy issued by the Bond Insurer, if any, insuring the payment when due of the principal of and interest on the Bonds as provided herein.

“Operation and Maintenance Expenses” means the expenses of operation and maintenance of the Civic Center Convention Complex, including all salaries, labor, materials and repairs necessary to render efficient service; provided, however, that only such repairs and extensions as, in the judgment of the City Council, reasonably and fairly exercised, are necessary to keep the Civic Center in operation and render adequate service to the City and the inhabitants thereof, or might be necessary to prevent some physical accident or condition that would otherwise impair the Bonds or any Additional Bonds shall be included as Operation and Maintenance Expenses.

“Ordinance” means this Ordinance.

“Original Issue Date” means the date designated as such in the Pricing Certificate.

“Outstanding” means, when used in connection with the Bonds or any Additional Bonds, all Bonds and any Additional Bonds which as of such date of determination have been authenticated and delivered under this Ordinance or any Supplemental Ordinances, except:

(i) Bonds and any Additional Bonds cancelled or delivered to the Paying Agent/Registrar for cancellation in connection with the exchange or transfer of such obligations;

(ii) Bonds and any Additional Bonds paid or deemed to be paid in accordance with the provisions of Article XI hereof; and

(iii) Bonds and any Additional Bonds that have been mutilated, destroyed, lost, or stolen and replacement bonds have been registered and delivered in lieu thereof.

“Owner” means the person who is the registered owner of a Bond or Bonds, as shown in the Register.

“Paying Agent/Registrar” means U. S. Bank National Association, St. Paul, Minnesota, or any successor thereto or any entity which is appointed as and assumes the duties of paying agent/registrar as provided in this Ordinance.

“Pledged Hotel Occupancy Tax” means the gross revenues due and owing to, or received by the City, from those taxes imposed by the City under authority of Chapter 351 representing 4.718% of the consideration paid by a person who, under a lease, concession, permit, right of access, license, contract or agreement, pays for the use or possession or for the right to the use or possession of a room that is in a hotel, costs more than $2 each day, and is ordinarily used for sleeping, less any amounts withheld to pay the costs of collecting such taxes as permitted by ordinances of the City and applicable State law; provided that the revenue derived from a hotel project that is owned by or located on land owned by the City or by a nonprofit corporation acting on behalf of the City and that is located within 1,000 feet of a convention center facility owned by the City, including the Civic Center, shall not constitute part of the Pledged Hotel Occupancy Tax.

“Pledged Revenues” means collectively (i) the Pledged Hotel Occupancy Tax, (ii) the Civic Center Revenues, (iii) all income received by the City from investment of funds deposited to the Bond Reserve Fund and the Bond Fund, and (iv) such other money, income, revenues or other property as may be specifically included in such term in a Supplemental Ordinance.

“Pricing Certificate” means a certificate or certificates to be signed by the Authorized Officer.

“Record Date” means the last Business Day of the month next preceding an Interest Payment Date.

“Refunded Bonds” means the obligations described on Schedule I hereto.

“Register” means the Register specified in Section 3.06(a) of this Ordinance.

“Representation Letter” means the Blanket Letter of Representations between the City and DTC applicable to the Bonds.

“Representative” means the representative for the Underwriters named in the Bond Purchase Agreement.

“Revenue Fund” means the special fund created and established on the books of the City pursuant to the provisions of Section 2.03.

“Special Record Date” means the Special Record Date prescribed by Section 3.03(b).

“State” means the State of Texas.

“Supplemental Ordinance” means any ordinance of the City supplementing this Ordinance for the purpose of authorizing and providing the terms and provisions of Additional Bonds or Junior Lien Bonds, or supplementing or amending this Ordinance for any other purpose.

“Term Bonds” means the Bonds maturing in the years as designated in the Pricing Certificate.

“Unclaimed Payments” means money deposited with the Paying Agent/Registrar for the payment of principal of or interest on the Bonds as the same come due and payable or money set aside for the payment of Bonds duly called for redemption prior to maturity, and remaining unclaimed by the Owners of such Bonds for 90 days after the applicable payment or redemption date.

"Underwriters" means the underwriters named in the Bond Purchase Agreement.

SECURITY FOR THE BONDS

Section 2.01 Security for the Bonds. The Bonds and any Additional Bonds are and shall be equally and ratably secured by and payable from an irrevocable first lien on and pledge of the Pledged Revenues.

Section 2.02 Limited Obligations. The Bonds and any Additional Bonds are special obligations of the City, payable solely from the Pledged Revenues and do not constitute a prohibited indebtedness of the City. The Bonds shall never be payable out of funds raised or to be raised by taxation, except for the Pledged Hotel Occupancy Tax.

Section 2.03 Civic Center Revenue Fund. A special fund designated "Civic Center Revenue Fund" (the "Revenue Fund") is hereby created and established on the books of the City. All Pledged Revenues shall be credited to the Revenue Fund upon receipt except any investment earnings on the funds in the Bond Fund which shall be credited to such Fund.

Section 2.04 Flow of Revenue Fund. (a) The Pledged Revenues to be credited to the Revenue Fund under the provisions of Section 2.03 are hereby irrevocably pledged to the Bonds and any Additional Bonds and shall be appropriated and employed in the following order:

First: In satisfaction of the requirements of the Bond Fund in accordance with the terms and conditions of Section 7.02.

Second: In satisfaction of the requirements of the Bond Reserve Fund in accordance with the terms and conditions of Section 7.04.

Third: In satisfaction of the requirements of the ordinance(s) authorizing Junior Lien Bonds.

Fourth: To pay Operation and Maintenance Expenses. To further assure efficient and proper operation and maintenance of the Civic Center and to the full extent required for those purposes, the City hereby pledges those moneys received by it from the State Mixed Beverage Tax Clearance Fund under the provisions of Chapter 183, Tax Code, or any successor law thereto, being funds allocated to the City by the State of Texas from State taxes levied on gross receipts on the sale of mixed beverages. The City hereby covenants that should the amounts available to pay Operation and Maintenance Expenses be insufficient for properly and efficiently operating and maintaining the Civic Center, it will promptly provide moneys sufficient for such purposes out of other funds on hand and to be on hand lawfully available for use in that respect and unappropriated to any other purpose. Additionally, the City shall include moneys sufficient therefor in its General Fund budget for each Fiscal Year in which the City anticipates insufficient funds to serve fully such purposes in that year.

(b) Should there be any Pledged Revenues in the Revenue Fund at the end of any Fiscal Year after all requirements or deficiencies, if any, relating to the requirements of subparagraph (a) of this Section 2.04 have been satisfied and after all other lawfully incurred obligations payable from said Pledged Revenues have been provided for, such amounts may be employed by the City (i) to retire Bonds or Additional Bonds in advance of maturity according to the provisions made for their prior redemption or for the purchase of any Bonds or Additional Bonds in the open market at a price not exceeding the par value thereof, or (ii) for any other lawful purpose. Pending the need thereof for the purposes aforementioned, the City shall invest and reinvest Pledged Revenues in such securities or obligations as permitted under applicable law. All earnings realized from such investments shall remain in the Revenue Fund, but are not part of the Pledged Revenues.

INITIAL DEPOSITS AND APPLICATION OF MONEY; ADMINISTRATION OF FUNDS AND ACCOUNTS, ADDITIONAL BONDS AND REFUNDING BONDS

Section 7.01 Initial Deposits. On the Closing Date, the City shall cause the proceeds from the sale of the Bonds to be deposited in accordance with the provisions of the Pricing Certificate, In addition, the City Manager is hereby authorized to make such other deposits or transfers of funds from amounts held under the ordinance authorizing the Refunded Bonds to the Escrow Fund, Bond Fund and Reserve Fund as shall be set forth in the Pricing Certificate.

Section 7.02 Bond Fund. A special fund designated "City of Dallas Civic Center Convention Complex Revenue Bonds Bond Fund" (the "Bond Fund"), is hereby created and established on the books of the City for the payment and retirement of the Bonds. Pending the employment thereof for the aforesaid purposes, the Bond Fund may be invested in such securities or obligations as permitted under applicable law to mature at such time as will produce amounts sufficient for such purposes as due. Income derived from investment of funds in the Bond Fund shall be credited to the Bond Fund. All amounts therein not so invested shall be continuously secured as required by the City's official investment policy approved by the City Council from time to time and in accordance with the laws of the State of Texas governing the security of uninvested public funds. All sums deposited in the Bond Fund and in the Bond Reserve Fund, hereinafter provided for, shall be held in trust for the benefit of the Bondholders, the beneficial interest in which shall be regarded as existing in said bondholders. To provide the amounts which are to flow into the Bond Fund as specified in Section 2.04 hereof, the City is authorized to make transfers from the Revenue Fund as follows:

(a) Beginning on the 20th day of the first month following the delivery of the Bonds, the City shall make a determination of the balance then credited to the Bond Fund for the purpose of paying and discharging interest to become due on the Bonds on the succeeding interest payment date, and unless the Bond Fund at that time contains an amount fully sufficient for that purpose, then commencing on or before the 25th day of the month of determination as aforesaid, and on or before the 25th day of each succeeding month, there shall be transferred from the Revenue Fund to the Bond Fund in equal monthly installments amounts sufficient to provide for payment of interest to become due on the succeeding interest payment date with respect to the Bonds.

(b) Beginning on the 20th day of the first month following delivery of the Bonds, the City shall make a determination of the balance then credited to the Bond Fund for the purpose of paying and discharging principal to become due on the Bonds on the succeeding principal payment date, and unless the Bond Fund at that time contains an amount fully sufficient for that purpose, then commencing on or before the 25th day of the month of determination as aforesaid, and on or before the 25th day of each succeeding month, there shall be transferred from the Revenue Fund to the Bond Fund in equal monthly installments amounts sufficient to provide for payment of principal to become due on the succeeding principal payment date.

(c) In addition to the amounts provided for interest and principal requirements under (a) and (b) above, the City shall make appropriate arrangements for meeting the fees and charges of the Paying Agent/Registrar.

Section 7.03 Transfer of Funds to Paying Agent. On the day any Bond interest, principal or premium, if any, is due (whether upon their scheduled maturity dates, or pursuant to mandatory redemption), the City shall make a transfer of funds credited to the Bond Fund or, if need be, those on deposit in the Bond Reserve Fund, to the Paying Agent in the amounts calculated as fully sufficient to pay and discharge promptly as due each installment of interest and principal pertaining to the Bonds then outstanding. In the event Bonds have been called for redemption prior to maturity pursuant to the provisions of Section 4.02, the amounts calculated as sufficient to pay and discharge the principal of, premium, if any, and interest on such Bonds shall be provided from funds other than those credited to the Bond Fund and transferred to the Paying Agent so that such funds are available on the date fixed for the redemption thereof.

Section 7.04 Bond Reserve Fund. (a) The special fund designated “City of Dallas Civic Center Convention Complex Revenue Bonds Bond Reserve Fund” (“Bond Reserve Fund”), is hereby created and established by the City, to be accounted for separate and apart from other City funds and accounts. The Reserve Fund shall be used (i) in supplementing the Bond Fund for principal and/or interest requirements of Outstanding Bonds if for any reason such is required in order to prevent a default on the Bonds or (ii) in reimbursing the provider of a Bond Reserve Fund Surety Policy in accordance with its terms. Immediately upon the delivery of the Bonds, the City shall (i) transfer or cause to be transferred into the Reserve Fund from the proceeds of the sale and other available funds or (ii) by acquiring a Bond Reserve Fund Surety Policy, in either instance in an amount at least sufficient to cause the amount credited to the Bond Reserve Fund to be equal to the Bond Reserve Fund Requirement. The Bond Reserve Fund shall be maintained in an amount at least equal to the Bond Reserve Fund Requirement and the cash amount thereof may be invested under the provisions of Section 8.02 hereof. Investments deposited to the Bond Reserve Fund shall be valued at their market value, excluding accrued interest, as of the last day of each Fiscal Year, in accordance with the City’s official investment policy approved by the City Council from time to time. If at any time such amount is less than the Bond Reserve Fund Requirement, the Bond Reserve Fund shall be supplemented from the Revenue Fund each month in amounts equal to one-sixth of the deficit until the Bond Reserve Fund is equal to the Bond Reserve Fund Requirement. As Additional Bonds are issued, the City shall make appropriate arrangements in its authorizing ordinances whereby the Bond Reserve Fund shall be supplemented and maintained at a sum equal to the Bond Reserve Fund Requirement after giving effect to the issuance of the Additional Bonds then in contemplation, and to accomplish this, additional amounts, as necessary, shall be provided for the Bond Reserve Fund upon each such occasion by appropriation from the proceeds of the sale of further Additional Bonds or by acquiring Bond Reserve Fund Surety Policy.

(b) Whenever the amounts in the Bond Fund, together with the amounts in the Bond Reserve Fund, shall be sufficient to pay the principal of and interest accrued and to accrue on such Bonds to their respective maturity dates, and shall be available for such purposes, then and so long as such moneys shall continue to be available and fully sufficient for such purposes, further transfers of moneys from the Revenue Fund to the Bond Fund or the Bond Reserve Fund shall not be required. Whenever all Bonds at the time Outstanding shall have been called for redemption and the moneys then in the Bond Fund, together with moneys then in the Bond Reserve Fund, shall be sufficient to pay the redemption price of all such Bonds, including principal, premium, if any, and accrued interest to the date or dates specified for such redemption, and shall be available for such purpose, then and so long as such moneys shall continue to be available and fully sufficient for such purpose, further transfers of money to the Bond Fund or to the Bond Reserve Fund shall not be required. Furthermore, should Bonds be redeemed prior to their stated maturity, moneys in the Bond Reserve Fund which exceed the Bond Reserve Fund Requirement may be employed in such redemption and upon such redemption there shall be no further transfers of moneys to the Bond Reserve Fund.

Section 7.05 Construction Fund Administration - Expenditures. (a) A special fund designated "City of Dallas Civic Center Convention Complex Revenue Bonds Construction Fund" (the "Construction Fund") is hereby created and established. As provided in Section 7.01 above, certain of the proceeds from the sale of the Bonds shall be credited to the Construction Fund. From the Construction Fund, the City shall pay the costs of acquisition, construction and equipping the Improvement Project.

(b) When the acquisition, construction and equipping of the Improvement Project shall have been completed and when all amounts lawfully due therefor, including all proper incidental expenses, shall have been paid, the City shall cause all amounts remaining in the Construction Fund to be transferred to the Bond Fund and applied in diminution of transfers from the Revenue Fund into the Bond Fund as required under Section 7.02 hereof or, in the City's discretion, such surplus may be used (i) to retire Bonds in advance of maturity according to the provisions made for their prior redemption or (ii) for the purchase of Bonds on the open market at a price not exceeding the par value thereof. All Bonds so purchased shall be cancelled and retired.

Section 7.06 Additional Bonds Generally. Subject to the provisions hereinafter appearing with relation to certain conditions precedent, the City reserves the right to issue (i) Improvement Bonds for additions and improvements to the Civic Center and (ii) Refunding Bonds. All such Improvement Bonds and Refunding Bonds, and the requirements ascribed to them may be payable from the same source and secured in the same manner on a parity each with the other and with the Bonds. Improvement Bonds and Refunding Bonds shall be made to mature on August 15, unless issued to mature semiannually in which event they shall be made to mature on February 15 and August 15.

Section 7.07 Improvement Bonds. Improvement Bonds may be issued to provide additions and improvements to the Civic Center when issued in accordance with the following terms and conditions precedent:

(a) The City is not in default as to any covenant, condition or obligation prescribed by this Ordinance or any Supplemental Ordinances;

(b) The applicable laws of the State of Texas in force at such time and which provide permission and authority for the issuance of Improvement Bonds have been fully complied with;

(c) The City has secured from an independent certified public accountant a certificate evidencing his or her determination that the Pledged Revenues were, for any consecutive 12 month period of the last 15 consecutive months prior to the month of adoption of the ordinance authorizing the issuance of the Improvement Bonds, equal to at least 1.25 times the Average Annual Debt Service Requirement on the Bonds and any Additional Bonds and of the proposed Improvement Bonds that will be Outstanding immediately following the issuance of the proposed Improvement Bonds; and

(d) The ordinance authorizing the Improvement Bonds shall specifically include or adopt by reference and have applicable to the Improvement Bonds the provisions of Sections 9.01 through 9.05, both inclusive.

Section 7.08 Refunding Bonds. The City reserves the right to issue Refunding Bonds to refund all or any part of the Bonds and any Additional Bonds (pursuant to any law then available) upon such terms and conditions as the City may deem to be in the best interest of the City, and if less than all of such Bonds and any Additional Bonds then Outstanding are refunded, the Refunding Bonds shall be issued in accordance with the following terms and conditions precedent:

(a) The City is not in default as to any covenant, condition or obligation prescribed by this Ordinance or any Supplemental Ordinances;

(b) The applicable laws of the State of Texas in force at such time and which provide permission and authority for the issuance of Refunding Bonds have been fully complied with; and

(c) The City has either:

(i) secured from an independent certified public accountant a certificate evidencing his or her determination that the Pledged Revenues were, for any consecutive 12 month period of the last 15 consecutive months prior to the month of adoption of the ordinance authorizing the issuance of the Refunding Bonds, equal to at least 1.25 times the Average Annual Debt Service Requirement on the Bonds and any Additional Bonds (including Improvement Bonds being issued concurrently with the Refunding Bonds) and of the proposed Refunding Bonds that will be Outstanding immediately following the issuance of the proposed Refunding Bonds; or

(ii) secured from an independent certified public accountant a certificate evidencing his or her determination that the Average Annual Debt Service Requirement attributable to the Refunding Bonds does not exceed the Average Annual Debt Service Requirement attributable to the Bonds or Additional Bonds refunded by the Refunding Bonds; and

(d) The ordinance authorizing the Refunding Bonds shall specifically include or adopt by reference and have applicable to the Refunding Bonds the provisions of Sections 9.01 through 9.05, both inclusive.

Section 7.09 Junior Lien Bonds. The City shall retain the right to issue Junior Lien Bonds having a lien on Pledged Revenues subordinate to the Bonds and any Additional Bonds.

INVESTMENTS

Section 8.01 Investment of Revenue Fund and Bond Fund. The amounts in the Revenue Fund, and the Bond Fund shall be invested such securities or obligations as permitted under applicable law which investments may include, to the extent permitted by applicable law and the City's investment policy, guaranteed investment contracts.

Section 8.02 Investment of Bond Reserve Fund. The City shall invest and reinvest the Bond Reserve Fund in such securities or obligations as permitted under applicable law which investments may include, to the extent permitted by applicable law and the City's investment policy, guaranteed investment contracts. The Bond Reserve Fund's investment securities shall be held separate from other City investments and, if at any time the Bond Fund and uninvested funds in the Bond Reserve Fund shall be insufficient to permit payment of the principal of and interest on the Bonds and any Additional Bonds which has or is to become due, the City shall sell on the open market such amount of the Bond Reserve Fund investment securities as will permit transfers to the Bond Fund in accordance with Section 7.04 hereof relating to the administration of the Bond Reserve Fund. All moneys realized as payment of principal of the Bond Reserve Fund investment securities shall be reinvested and remain in the Bond Reserve Fund. Until such time as the amounts in the Bond Reserve Fund equal the Bond Reserve Fund Requirement all investment earnings credited to such Fund shall remain in the Bond Reserve Fund; thereafter investment earnings shall be deposited to the Revenue Fund.

Section 8.03 Investment of Construction Fund. The City may invest moneys in the Construction Fund in such securities or obligations as permitted under applicable law which investments may include, to the extent permitted by applicable law and the City's investment policy, guaranteed investment contracts. Earnings from such investments shall be credited to the Construction Fund. However, when the Improvement Project has been completed in accordance with approved plans and specifications approved by the City and when all amounts including all proper expenses incidental to said Improvement Project so completed shall have been paid, then the proceeds and any earnings from such investments not expended in aid of acquisition, construction and equipping the Improvement Project shall be disbursed as excess construction funds as provided in Section 7.05(b) hereof.

Section 8.04 Investment of Escrow Fund. The investment and application of money in the Escrow Fund shall be in accordance with the provisions of the Escrow Agreement. Earnings derived from investment of the Escrow Fund shall be credited to such fund.

PARTICULAR REPRESENTATIONS AND COVENANTS

Section 9.01 City to Punctually Discharge Obligations of Bonds and Additional Bonds. The City covenants and agrees that it will (i) duly and punctually pay or cause to be paid out of the Pledged Revenues the principal, premium, if any, of every Bond and Additional Bond issued hereunder and the interest thereon on the dates and at the places and in the manner described in the Bonds and Additional Bonds according to the true intent and meaning thereof; (ii) faithfully do and perform and at all times fully observe any and all covenants, undertakings, stipulations and provisions contained herein and on any Bond and Additional Bond executed and delivered hereunder; and (iii) to the full extent of its lawful authority, conduct its affairs in a manner best calculated to advance the completion of the Improvement Project, to the end that the Improvement Project may be placed in operation and become revenue producing at the earliest practical date.

Section 9.02 Maintenance and Operation of Civic Center: Insurance. The City covenants and agrees to maintain the Civic Center in good condition and operate the same in an efficient manner and at reasonable cost.

So long as any of the Bonds and any Additional Bonds are Outstanding, the City agrees to maintain property insurance on all of the Civic Center in such amounts as are obtainable for protection against such risks as will adequately protect the rights and interest of the Bondholders and that during such time all insurance policies shall be maintained in force and kept current as to premium payments. All moneys received from such insurance policies, not applied to restoration or repair of the Civic Center under adequate provisions made within 180 days after the loss or damage in respect of which such moneys were received for making good such loss or damage, shall be placed and maintained in the Revenue Fund and employed, not for maintenance or operation of the Civic Center, but only to meet any Revenue Fund deficiency that would otherwise cause a failure to provide from that source principal, or interest requirements of the Bonds and any Additional Bonds. The payment of premiums for all insurance policies required under the provisions of this Section 9.02 shall be considered as maintenance and operation expenses.

Section 9.03 Maintenance of Adequate Rates For Rents and Charges. The City covenants that it will fix, maintain and enforce rates, rents and charges for the use and services of the Civic Center which will produce Civic Center Revenues which, with receipts from the Pledged Hotel Occupancy Tax and income from investment of the Funds held under the Ordinance, will result in Pledged Revenues fully sufficient to meet promptly as due all requirements of the Bonds and any ordinances authorizing the issuance of Additional Bonds.

Section 9.04 Records and Accounts. The City hereby covenants and agrees that so long as any of the Bonds and any Additional Bonds remain Outstanding and unpaid, it will keep and maintain proper and complete systems of books, records and accounts pertaining to the operation of the Civic Center and the administration of the income pledged to the payment of the Bonds and Additional Bonds, separate and apart from all other records and accounts, in which complete and correct entries shall be made of all related transactions, and that the holder or holders of any of the Bonds and Additional Bonds or any duly authorized agent or agents of such Bondholders shall have the right at all reasonable times to inspect all such books, records, accounts and data relating thereto, and to inspect the Civic Center and all properties comprising the same.

Section 9.05 City's Powers Lawfully Exercised; Civic Center Revenues and Pledged Hotel Occupancy Tax Receipts Not Otherwise Encumbered. The City further covenants and agrees by and through this Ordinance that:

(a) It has the lawful power to pledge to provide the Pledged Revenues for the payment of the Bonds and Additional Bonds and it has lawfully exercised such power under the Constitution and laws of the State of Texas and its City Charter, including the powers existing under Chapter 351 and Chapter 1504. Among the powers expressly given pursuant to said Chapter 1504, as amended, the City is authorized to provide for the flow of funds, the establishment and maintenance of the Bond Fund, Bond Reserve Fund and other funds herein referred to and to make such additional covenants with respect to the Bonds, Additional Bonds and the Pledged Revenues and operation and maintenance of the Civic Center as it may deem appropriate. The City is further authorized to make such other provisions and covenants as it may determine not prohibited by the Constitution of Texas or by Chapter 1504, and to adopt and cause to be executed any other proceedings or instruments necessary or convenient in the issuance of the Bonds.

(b) Other than for the payment of Bonds and any Additional Bonds as herein authorized, the Pledged Revenues have not been pledged in any manner to the payment of any debt or obligation of the City or the Civic Center, and said Civic Center and Pledged Revenues are otherwise free and clear of all encumbrances.

(c) The owner or holder of any Bonds or Additional Bonds shall never have the right to demand payment of principal of premium, if any, or interest thereon from any funds raised or to be raised by taxation except as to the Pledged Hotel Occupancy Tax, and nothing in this Ordinance shall require the City to make any expenditures in meeting the requirements of the Bonds and any Additional Bonds except from Pledged Revenues, but nothing herein shall prohibit the City from doing so.

(d) The City will not create or issue any evidences of indebtedness for any purpose possessing a lien on Pledged Revenues which shall be superior to the lien thereon or pledge thereof in favor of the Bonds and any Additional Bonds.

(e) The City shall continue to possess full ownership and control of the Civic Center and responsibility for its operation and maintenance throughout the life of the Bonds and any Additional Bonds. The City covenants that it will not sell, lease or otherwise encumber any of the properties comprising the Civic Center, or any interest therein, in any manner that would result in the interest on the Bonds being includable in gross income for federal tax purposes. The City, however, retains the right to sell or dispose of any properties which it may acquire as incidental to the operation of the Civic Center upon a finding by the City Council that such properties are no longer necessary for the efficient operation of the Civic Center and that the disposal thereof will not impair any pledge made to the holders of Bonds and any Additional Bonds issued in connection therewith. Additionally, the City reserves the right to dispose of any properties constituting a part of the Civic Center. Further, the City reserves the right to enter into contracts or agreements providing for the operation of the Civic Center by others, on behalf of the City, if the City shall decide such method of operation would be more efficient, provided that no such contracts or agreements shall be made which will conflict with or violate the provisions of the Code.

(f) So long as any of the Bonds and any Additional Bonds remain Outstanding and unpaid, the Pledged Hotel Occupancy Tax, as herein authorized and pledged to the payment of the Bonds and any Additional Bonds, shall neither be diminished nor abrogated by the City.

(g) All Pledged Revenues to be transferred from the Revenue Fund to the Bond Fund shall be impressed with a trust for the benefit of the Bondholders to the full extent required for payment of the Bonds and any Additional Bonds, and no part thereof shall be used to pay any other debt, expense or obligation of the City until the requirements of the Bonds and any Additional Bonds have been fully paid and discharged.

(h) Under Chapter 1208.002, Texas Government Code, as amended, a security interest in property, other than real property, that is created by the City is valid and effective according to the terms of the security agreement and is perfected from the time the security agreement is entered into or adopted continuously through the termination of the security interest, without physical delivery or transfer of control of the property, filing of a document, or another act. If Chapter 1208.002 is amended at any time while the Bonds are outstanding and unpaid, the City shall take all actions required in order to preserve for the registered owners of the Bonds a perfected security interest in the property in which such security interest is granted pursuant to Section 2.01 hereof.

Section 9.06 Federal Income Tax Exclusion. (a) The City intends that the interest on the Bonds shall be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable regulations promulgated thereunder (the "Regulations"). The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, of the holders thereof for purposes of federal income taxation. In particular, the City covenants and agrees to comply with each requirement of this Section 9.06; provided, however, that the City shall not be required to comply with any particular requirement of this Section 9.06 if the City has received an opinion of nationally recognized bond counsel ("Counsel's Opinion") that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the City has received a Counsel's Opinion to the effect that compliance with some other requirement set forth in this Section 9.06 will satisfy the applicable requirements of the Code, in which case compliance with such other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in this Section 9.06.

(b) No Private Use or Payment and No Private Loan Financing. The City shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, that the proceeds of the Refunded Bonds have not been and the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "private activity bonds" within the meaning of section 141 of the Code and the Regulations. The City covenants and agrees that it will make such use of the proceeds of the Refunded Bonds and the Bonds including interest or other investment income derived from Bond proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the Bonds will not be "private activity bonds" within the meaning of section 141 of the Code and the Regulations.

(c) No Federal Guarantee. The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code and the Regulations, except as permitted by section 149(b)(3) of the Code and the Regulations.

(d) No Hedge Bonds. The City covenants and agrees that it has not and will not to take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Bonds to be "hedge bonds" within the meaning of section 149(g) of the Code and the Regulations.

(e) No Arbitrage. The City shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the City will reasonably expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code and the Regulations. Moreover, the City covenants and agrees that it will make such use of the proceeds of the Bonds including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be "arbitrage bonds" within the meaning of section 148(a) of the Code and the Regulations.

(f) Arbitrage Rebate. If the City does not qualify for an exception to the requirements of Section 148(f) of the Code relating to the required rebate to the United States, the City will take all necessary steps to comply with the requirement that certain amounts earned by the City on the investment of the "gross proceeds" of the Bonds (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the City will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the City allocable to other bond issue of the City or moneys which do not represent gross proceeds of any bonds of the City, (ii) calculate at such times as are required by the Regulations, the amount earned from the investment of the gross proceeds of the Bonds which is required to be rebated to the federal government and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds or on such other dates as may be permitted under the Regulations, all amounts required to be rebated to the federal government. Further, the City will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

(g) Information Reporting. The City covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, an information statement concerning the Bonds, all under and in accordance with section 149(e) of the Code and the Regulations.

(h) Continuing Obligation. Notwithstanding any other provision of this Ordinance, the City's obligations under the covenants and provisions of this Section 9.06 shall survive the defeasance and discharge of the Bonds.

DEFAULT AND REMEDIES

Section 10.01 Events of Default. Each of the following occurrences or events for the purpose of this Ordinance is hereby declared to be an "Event of Default," to-wit:

(i) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable;

(ii) failure to make the credits to the Bond Fund as required by Section 7.02 of this Ordinance; or

(iii) default in the performance or observance of any other covenant, agreement or obligation of the City, the failure to perform which materially, adversely affects the rights of the Owners, including but not limited to, their prospect or ability to be repaid in accordance with this Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any Owner to the City.

Section 10.02 Remedies for Default. (a) Upon the happening of any Event of Default, then and in every case any Owner or an authorized representative thereof, including but not limited to, a trustee or trustees therefor, may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under this Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners hereunder or any combination of such remedies.

(b) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Owners of Bonds then Outstanding.

Section 10.03 Remedies Not Exclusive. (a) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Ordinance.

(b) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

Section 10.04 Action by Bond Insurer. So long as a Municipal Bond Guaranty Insurance Policy is in effect and the Bond Insurer is not in default with respect to the Municipal Bond Guaranty Insurance Policy, it shall be considered the sole owner of the Bonds with respect to any action taken pursuant to Article X, including taking any action to institute any suit, action or proceeding at law or in equity as permitted under this Ordinance.

DISCHARGE

Section 11.01 Discharge. The Bonds may be defeased, discharged or refunded in any manner permitted by applicable law.

BOND INSURANCE

The following information is not complete and reference is made to Appendix E for a specimen of the financial guaranty insurance policy (the "Policy") of Assured Guaranty Corp. ("Assured Guaranty" or the "Insurer").

The Insurance Policy

Assured Guaranty has made a commitment to issue the Policy relating to the Bonds, effective as of the date of issuance of such Bonds. Under the terms of the Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the Bonds that becomes Due for Payment but shall be unpaid by reason of Nonpayment (the "Insured Payments"). Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. The Policy is non-cancelable for any reason, including without limitation the non-payment of premium.

"Due for Payment" means, when referring to the principal of the Bonds, the stated maturity date thereof, or the date on which such Bonds shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and, when referring to interest on such Bonds, means the stated dates for payment of interest.

"Nonpayment" means the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on the Bonds. It is further understood that the term Nonpayment in respect of a Bond also includes any amount previously distributed to the Holder (as such term is defined in the Policy) of such Bond in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Trustee or the Paying Agent to pay such amount when due and payable.

Assured Guaranty will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which Assured Guaranty shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Policy.

Assured Guaranty shall be fully subrogated to the rights of the Holders of the Bonds to receive payments in respect of the Insured Payments to the extent of any payment by Assured Guaranty under the Policy.

The Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Insurer

Assured Guaranty Corp. ("Assured Guaranty") is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty's business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty's financial strength is rated "AAA" (stable) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "AAA" (stable) by Fitch, Inc. ("Fitch") and "Aa2" (stable) by Moody's Investors Service, Inc. ("Moody's"). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments

Agreement to Acquire FSA

On November 14, 2008, AGL announced that it had entered into a definitive agreement with Dexia SA to purchase Financial Security Assurance Holdings Ltd. ("FSA"), the parent of financial guaranty insurance company, Financial Security Assurance, Inc. For more information regarding the proposed acquisition by AGL of FSA, see Item 1.01 of the Current Report on Form 8-K filed by AGL with the Securities and Exchange Commission (the "SEC") on November 17, 2008.

Ratings

On July 21, 2008, Moody's issued a press release stating that it had placed under review for possible downgrade the "Aaa" insurance financial strength rating of Assured Guaranty. In a press release dated November 14, 2008, Moody's responded to AGL's announcement of its agreement to acquire FSA, stating that "the potential impact of the proposed transaction on the ratings of Assured Guaranty and FSA will be considered in the context of its ongoing rating reviews of both companies; those reviews are now expected to conclude in the near term." Reference is made to the press releases for the complete text of Moody's comments; copies of such documents are available at www.moodys.com.

On November 21, 2008, Moody's issued a press release announcing that it had downgraded the insurance financial strength rating of Assured Guaranty to "Aa2" from "Aaa" and that the status of Assured Guaranty's insurance financial strength rating had been changed to "outlook stable" from "on review for possible downgrade." In the release, Moody's stated that "Today's rating action concludes a review for possible downgrade that was initiated on July 21, 2008, and primarily reflects Moody's updated views on Assured's exposure to weakness inherent in the financial guaranty business model. The outlook for the ratings is stable, and the announced acquisition of FSA's financial guaranty business is not expected to have a meaningful impact on the credit profile of [Assured Guaranty]…. The rating agency added that the acquisition of FSA by [AGL] will, if completed as planned, create a combined entity with substantial financial resources and a strong market position." Reference is made to such release for the complete text of Moody's comments; a copy of such document is available at www.moodys.com.

Assured Guaranty's "AAA" (stable) financial strength ratings by S&P and by Fitch were affirmed on June 18, 2008 and December 12, 2007, respectively. On November 14, 2008, Fitch issued a press release responding to AGL's announcement of its agreement to acquire FSA, indicating that they do not expect the acquisition, as presented, to have a negative impact on Assured Guaranty's rating. Reference is made to the press release for the complete text of Fitch's comments; a copy of such press release is available at www.fitchratings.com. On November 17, 2008, S&P issued a press release responding to AGL's announcement of its agreement to acquire FSA, stating that the agreement "appears to pose limited rating risk" for Assured Guaranty. Reference is made to the press release for the complete text of S&P's comments; a copy of such press release is available at www.ratingsdirect.com. There can be no assurance as to what impact, if any, Moody's downgrade or the proposed acquisition will have on the company's financial strength ratings from Fitch or S&P.

For more information regarding Assured Guaranty's insurance financial strength ratings, see AGL's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008 (which was filed by AGL with the SEC on November 7, 2008).

Capitalization of Assured Guaranty Corp.

As of September 30, 2008, Assured Guaranty had total admitted assets of $1,767,134,629 (unaudited), total liabilities of $1,341,373,221 (unaudited), total surplus of $425,761,408 (unaudited) and total statutory capital (surplus plus contingency reserves) of $1,106,199,863 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2007, Assured Guaranty had total admitted assets of $1,361,538,502 (audited), total liabilities of $961,967,238 (audited), total surplus of $399,571,264 (audited) and total statutory capital (surplus plus contingency reserves) of $982,045,695 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States in making such determinations.

Incorporation of Certain Documents by Reference

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2007 (which was filed by AGL with the SEC on February 29, 2008);

- The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008 (which was filed by AGL with the SEC on May 9, 2008);

- The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008 (which was filed by AGL with the SEC on August 8, 2008);

- The Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008 (which was filed by AGL with the SEC on November 7, 2008); and

- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "BOND INSURANCE – The Insurer" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at *http://www.sec.gov* and at AGL's web site at *http://www.assuredguaranty.com*, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE."

FINANCIAL GUARANTY INSURANCE RISK FACTORS

FINANCIAL GUARANTY INSURER

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Financial Guaranty Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the City which is recovered by the City from the Bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the City unless the Insurer chooses to pay such amounts at an earlier date.

Under no circumstances does default of payment of principal and interest obligate acceleration of the obligations of the Insurer without their consent. The Insurer may direct and must consent to any remedies that are exercises and the Insurer's consent may be required in connection with amendments to the Ordinance.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the Ordinance. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description "Ratings" herein.

The obligations of the Insurer are general obligations of the Insurer and in an event of default by the Insurer, the remedies available to the Bondholders may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the City or Underwriters have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given.

PROSPECTIVE FINANCIAL INFORMATION

The City has engaged HVS Convention, Sports & Entertainment Facilities Consulting, a Division of HVS Global Hospitality Services (the "Consultant") to prepare a report (the "Report") on its findings on certain projections for the City. Those projections are for Pledged Hotel Occupancy Tax for the fiscal years 2009 to 2024, for the Mixed Beverage Tax for the fiscal years 2009 to 2018, for Revenue Fund operations (including Civic Center Revenues) for the Fiscal Years Ending 2009 to 2018, and for proforma debt service coverages for the Fiscal Years Ending 2009 to 2018 (collectively, the "Forecast Periods"). A copy of the complete Report is attached as Appendix D to this Official Statement, and the Report should be read in its entirety prior to making an investment decision with respect to the Bonds. The Mixed Beverage Tax is <u>not</u> part of the Pledged Revenues and is <u>not</u> pledged to the payment of the Bonds, but will be applied to payment of Civic Center Convention Complex operations and maintenance expenses to the extent necessary. See "CIVIC CENTER CONVENTION COMPLEX - Operation and Maintenance Expenses - Covenants of The City."

The projected Pledged Hotel Occupancy Tax, Mixed Beverage Tax, Revenue Fund operations (including Civic Center Revenues) and proforma debt service coverages (collectively, the "Projections") in the Report are based on estimates and assumptions described in the Report, which the Consultant believes are reasonable. The Report presents a forecast of Pledged Hotel Occupancy Tax receipts, Revenue Fund operations (including Civic Center Revenues) and Mixed Beverage Tax receipts for the respective Forecast Periods, based on the City's assumptions and information known to the Consultant. The Report should be read in its entirety for an understanding of the forecast and the underlying assumptions contained therein.

As noted in the Report, any projections are subject to uncertainties. Inevitably, some underlying assumptions used to develop the Projections will not be realized, and unanticipated events and circumstances will occur. The estimates and assumptions may involve known and unknown risks, uncertainties and other factors which will cause the actual amount of Pledged Revenues and Mixed Beverage Tax received by the City and the Revenue Fund operations during the respective Forecast Periods to be different from the Projections contained in the Report. Actual receipt of Pledged Revenues and Mixed Beverage Tax and actual Revenue Fund operations during the respective Forecast Periods will vary and could differ materially from those set forth in the Report, and material differences in actual Pledged Hotel Occupancy Tax and Civic Center Revenues (i.e., the Pledged Revenues) received by the City could have a material adverse effect on the payment of the Bonds. The Mixed Beverage Tax is <u>not</u> part of the Pledged Revenues and is <u>not</u> pledged to the payment of the Bonds.

The City does not as a matter of course make public projections as to future revenues, change in fund balances, or other results. The accompanying prospective financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information but, in the view of the City's management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the City. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information.

Neither the City's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

INVESTMENT CONSIDERATIONS

In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations and Bondholders' risks set forth throughout this Official Statement and should specifically consider certain risks associated with the Bonds. There follows a discussion of some, but not necessarily all, of the possible risk factors that should be carefully evaluated by prospective purchasers prior to purchasing any Bonds.

Non-Recourse Obligation . . . The Bonds are special, limited obligations of the City payable solely from the Pledged Revenues and amounts held in the Bond Fund and the Bond Reserve Fund. See "SECURITY FOR BONDS." THE BONDHOLDERS WILL HAVE NO RECOURSE AGAINST THE PHYSICAL FACILITIES OF THE CIVIC CENTER CONVENTION COMPLEX OR ANY OTHER ASSETS OF THE CITY. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE CITY OR ANY OTHER POLITICAL SUBDIVISION THEREOF ARE AVAILABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS.

Subject to applicable constitutional constraints, the Legislature of the State of Texas may prospectively alter or amend the terms of the legislation authorizing the Pledged Hotel Occupancy Tax, which may adversely affect the ability of the City to collect Pledged Hotel Occupancy Tax in an amount sufficient to pay debt service on the Bonds.

In the event that the collection of the Pledged Hotel Occupancy Tax drops below the amounts assumed in structuring the scheduled debt service on the Bonds, the ability of the City to make debt service payments on the Bonds would be adversely affected. The City makes no representation as to whether the Pledged Hotel Occupancy Tax revenues actually received, together with other Pledged Revenues, will be sufficient to provide the amounts needed to fully pay debt service on the Bonds when due.

Achievement of Projections . . . The collection of the Pledged Hotel Occupancy Tax and Civic Center Revenues in amounts sufficient to pay debt service on the Bonds when due and the Mixed Beverage Tax in an amount sufficient to fund shortfalls relating to operation and maintenance expenses of the Civic Center Convention Complex is affected by and subject to conditions which may change in the future to an extent and with effects that cannot be determined at this time. The receipt of Pledged Revenues and Mixed Beverage Taxes is subject to economic factors and other conditions which are impossible to predict. As noted in the section captioned "PROSPECTIVE FINANCIAL INFORMATION," any projection is subject to uncertainties. Although the City believes that the expectations reflected in the APPENDIX D − "HVS Report" are reasonable, there is no assurance that those expectations will be achieved. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast period will vary, and the variations may be material. See "PROSPECTIVE FINANCIAL INFORMATION", APPENDIX D − HVS Report and "FORWARD-LOOKING STATEMENTS."

Hotel Market Risk . . . There is a lack of diversity of the assets and operations generating tax revenues available for payment of debt service on the Bonds. The City has limited, if any, ability to respond to changes in economic or other conditions with respect to the hotel market, thereby limiting its ability to influence the generation of Pledged Hotel Occupancy Tax revenues for payment of debt service on the Bonds.

Operating Risks of Hotel Market . . . The hotel market is subject to all operating risks common to the hotel and motel industry. These risks include: changes in general economic conditions; the level of demand for rooms and related services; cyclical over-building in the hotel industry; competition from other hotels, motels and recreational properties outside the City; the recurring need for renovations and refurbishment; restrictive changes in zoning and similar land use laws and regulations or in health, safety and environmental laws, rules and regulations; the inability to secure property and liability insurance to fully protect against all losses or to obtain such insurance at reasonable rates; and changes in travel patterns.

Competition in Hotel Market . . . The hotel market in the Dallas-Fort Worth Metroplex is highly competitive. The hotel market in the City of Dallas will compete with other hotels in the broader market area. Some of the competitors may have substantially greater marketing and financial resources than hotel operations found in the City. There is no assurance that additional hotel facilities outside the City will not be built.

Operating Risks of DCC . . . The ability of the Civic Center Convention Complex to generate Civic Center Revenues is subject to all operating risks common to the convention industry. These risks include, but are not limited to: changes in general economic conditions; the level of demand for convention facilities; competition from local and national convention facilities; and the recurring need for renovations and refurbishment.

Competition in Convention Industry. . . The national convention industry is highly competitive. The Civic Center Convention Complex competes with convention facilities in the local and national market. Some competitors may have greater marketing and financial resources. Some competitors may offer potential advantages over the DCC including, but not limited to, some or all of the following: newer facilities, larger facilities, more flexible facilities, facilities that are more conveniently located and accessible, facilities located in destinations considered more attractive than Dallas and facilities in areas with superior hotel accommodations.

Regulation . . . Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may become liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Other federal, state and local laws exist, such as the Americans With Disabilities Act, which may require modification to buildings or restrict certain renovations by requiring access to such buildings by disabled persons. The costs of compliance with such laws may be substantial and may materially affect the hotel and convention center markets.

Bankruptcy . . . The obligations of the City, including its obligations to make debt service payments, and the rights of the Bondholders, including remedies available to the Bondholders are subject to the effect of bankruptcy, insolvency, moratorium, reorganization and other laws affecting the enforcement of the rights of creditors generally, as well as applicable equitable principles and judicial discretion.

Under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code"), which governs the bankruptcy proceedings of public agencies such as the City, there are no involuntary proceedings in bankruptcy. If the City were to commence a voluntary proceeding under Chapter 9, the City expects that all or some substantial portion of the Pledged Revenues would be treated as "special revenues" within the meaning of the Bankruptcy Code, and thus the application of such revenues to the payment of the Bonds would not be stayed by the filing of a petition under Chapter 9. Nonetheless, any bankruptcy is a proceeding in equity which may involve the exercise of judicial discretion as to various matters (including, without limitation, the doctrine of equitable subordination) which may affect the timing and priority of application of Pledged Revenues to the payment of the Bonds. Such discretion could result in some delay pending a determination that all or some portion of the Pledged Revenues constitute "revenues" under the Bankruptcy Code. The extent of any delay would be influenced by many factors, including the court calendar and the positions taken by interested parties and claimants.

Limitations on Remedies . . . The occurrence of an Event of Default under the Ordinance will not permit the acceleration of the maturity of, or allow immediate payment for, the entire outstanding principal balance of the Bonds. Due to the fact that payment of the Bonds is not secured by a mortgage lien or other security interests in the physical facilities of the Civic Center Convention Complex or any other assets of the City, the Bondholders will be limited to seeking remedies against the Pledged Revenues. Except for the remedy of mandamus to enforce the City's covenants and obligations under the Ordinance, the Ordinance does not establish other remedies with respect to the Bonds. The enforcement of the remedy of mandamus may be difficult and time consuming. No assurance can be given that a mandamus or other legal action to enforce a default under the Ordinance would be successful.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code. Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce any remedies under the Ordinance would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court), and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors. In addition, while the City has covenanted to secure the Bonds by a lien on the Pledged Revenues, Bond Counsel will opine only that a valid and enforceable lien has been granted on the Pledged Revenues. Bond Counsel has not been requested to, and has not, rendered any opinion as to the priority status of the pledge of the Pledged Revenues.

Disruptions in Hotel Market and Convention Industry . . . Changes in City economic conditions will directly affect demand for the hotel market and for convention facilities thus the availability of Pledged Hotel Occupancy Taxes and Civic Center Revenues to pay debt service on the Bonds. Such operations may be affected by casualty losses at hotels in the City or trends in the hotel, convention and tourism industries, which are further affected by political and economic events beyond the control of the City, such as business conditions affecting the City's largest employers. See "APPENDIX A - GENERAL INFORMATION REGARDING THE CITY."

INVESTMENT PRACTICES

INVESTMENT POLICY . . . The City invests its investable funds in investments authorized by Texas law and in accordance with its written investment policy approved by the City Council of the City. Both State law and the City's investment policy are subject to change. The City Council last approved the Investment Policy on November 10, 2008.

Legal Investments . . . Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) bonds issued, assumed, or guaranteed by the State of Israel, (7) certificates of deposit issued by a state or national bank, a savings bank or a state or federal credit union domiciled in the State of Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (6) or in any other manner and amount provided by law for City deposits, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) bankers' acceptances with a stated maturity of 270 days or less from the date of its issuance, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the preceding clauses, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent, and (13) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent or no lower than investment grade with a weighted average maturity no greater than 90 days. Texas law also permits the City to invest bond proceeds in a guaranteed investment contract, subject to limitations as set forth in the Public Funds Investment Act, Texas Government Code, Chapter 2256 (the "PFIA").

Effective September 1, 2003, a political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The PFIA specifically prohibits the City from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index. In addition, the City is prohibited from investing any portion of bond proceeds, reserves and funds held for debt service in no-load mutual funds.

Additional Provisions . . . Under Texas law, the City is required to invest its funds through an investment officer, under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly, the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. The investment officers responsible for the investment of City funds must be designated by the City Council, and no person may invest City funds without express written authority from the City Council.

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require a qualified representative of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented in an effort to preclude unauthorized investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict the investment in non-money market mutual funds to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; and, (8) require local government investment pools to conform to the disclosure, rating, net asset value, yield calculation, and advisory board requirements of the PFIA.

Under Texas law, the City may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

LEGAL AND TAX MATTERS

LITIGATION

The City is a party to various lawsuits in the normal course of business. It is the opinion of the City Attorney and City Management that, except as described herein below, there is no pending litigation against the City that if decided adversely to the City, would have a material adverse financial impact upon the City or its operations.

The City is a defendant in six (6) lawsuits, including two class actions, arising from City Ordinance No. 16084, adopted on January 22, 1979. All of the lawsuits allege that current and past police and fire pay schedules were adopted in violation of a referendum approved by the voters in 1979. All Plaintiffs claim that the City failed to maintain percentage pay differentials between grades in the sworn ranks as required by the referendum, and seek compensation for alleged underpayments of salaries and loss of value of retirement benefits.

It is the City's position that the 1979 referendum only mandated that pay raises be made in fiscal year 1978-1979 and that there was no continuing obligation of the City to maintain pay scale differentials, as alleged by the plaintiffs. The City has asserted its governmental immunity and various special exceptions and affirmative defenses, and disputes the Plaintiffs' allegations in all of the lawsuits.

The Plaintiffs in <u>Albert, et al. v. City of Dallas</u> (Cause No. 199-697-94) ("Albert") are 808 members of the Dallas Fire Department. The Plaintiffs in <u>Arredondo, et al. v. City of Dallas</u> (Cause No. 199-1743-99) are 16 members of the Dallas Fire Department who were originally plaintiffs in Albert but whose claims were severed in October 1999. The Plaintiffs in <u>Barber, et al. v. City of Dallas</u> (Cause No. 199-624-95) are 71 members of the Dallas Fire Department. The Plaintiffs in <u>Willis, et al, v. City of Dallas</u> (Cause No. 199-200-95) are 772 members of the Dallas Police Department. <u>Parker et al. v. City of Dallas</u> (Cause No. 1-95-107) is a class action lawsuit. The <u>Parker</u> Plaintiff class consists of all current, past or future members of the sworn ranks of the Dallas Police Department, as well as their spouses, heirs or estates. <u>Martin, et al. v. City of Dallas</u> (Cause No. 1-95-506) is the other class action lawsuit. The <u>Martin</u> Plaintiff class consists of current, past and future members of the sworn ranks of the Dallas Fire Department, as well as their spouses, heirs or estates. Both of the class action lawsuits have been certified. In addition, in September 1999, the Dallas Police and Fire Pension System intervened in the lawsuits seeking contributions from both its members (Plaintiffs) and the City of Dallas in the event of a final judgment awarding back pay to Plaintiffs.

In the two class action lawsuits, the Plaintiffs have alleged damages of approximately $94,000,000. The amount of alleged damages has not been specified in the other lawsuits. The Plaintiffs also seek an award of attorney fees in an unspecified amount in connection with their breach of contract and declaratory relief claims. Although the City has stated that the total recovery in the cases could exceed $1 billion, any estimate of damage at this stage in the litigation is speculative. Unless the current Court of Appeals decision, as described below, is reversed, the City if not liable for back pay damages to the Plaintiffs and any damages would be significantly more limited.

In August 1997, the trial court in Albert, the oldest of the cases, issued an order holding that the City had not maintained the percentage pay differentials between grades; however, the court also held that the remedy was within the City's discretion and that salaries could be either raised or lowered to conform to the appropriate percentage differentials. The City adopted a resolution implementing a remedy which was submitted to the court for approval. In May 1999, the court determined that the City's remedy was not adequate and, upon motion of sixteen (16) of the 824 Albert Plaintiffs, entered an Order Granting Partial Summary Judgment in favor of those sixteen Plaintiffs, awarding damages of $1.7 million to the sixteen Plaintiffs. Plaintiffs requested that the Court sever that portion of the case as to the sixteen Plaintiffs and enter a final order in their favor. On October 20, 1999, the Court granted the Plaintiffs' motion for severance, making the Partial Summary Judgment final with respect to the sixteen Plaintiffs, whose claims are now styled, Arredondo, et al v. City of Dallas (Cause No. 199-1743-99). On October 28, 1999, the sixteen Plaintiffs appealed the Court's Final Summary Judgment order based on the measure of damages issue and on January 4, 2000, the City appealed the Final Summary Judgment as to both liability and damages issues. The Arredondo appeal (No. 05-99-01819-CV) was fully briefed and oral argument was held on November 28, 2000. On June 4, 2002, the court of appeals reversed the trial court's judgment and remanded the case to the trial court, holding that the ordinance is patently ambiguous and that resolution of the ambiguity (regarding whether the word "maintain' applies only to the one-time raise provided in the ordinance or also to all future pay scales) would be a question for the finder of fact based on contemporaneous evidence of the voters' intent in passing the referendum. The Arredondo plaintiffs filed a petition for review in the Texas Supreme Court. That petition was denied.

Apart from the ambiguity issues, constitutional prohibitions against imposing or creating debts by or upon Texas municipalities, constitutional prohibitions against increasing compensation under contracts once created, and established statutory time limitations and procedures for the recovery of money based on alleged claims against the City, the City believes and contends, among other matters, that the 1979 referendum did not itself conform to the requirements of applicable law in effect at the time, that any ordinances or practices founded on that election are void *ab initio*, and that the statutes relied on by the court, if correctly applied, are unconstitutional as thus applied. Moreover, it is the City's belief and contention that, even if applicable, questions of damages are questions of fact and not of law, to be based on factual evidence, including such factual matters as the history, salary schedules, and similar factual and legal matters and other matters that should be considered by the court. Finally, in June 2003, the City filed please to the jurisdiction in all six cases, asserting governmental immunity from suit. The trial courts denied the City's pleas and the City appealed the denials in all six cases to the Dallas Court of appeals for the Fifth District of Texas.

On December 21, 2006, the Court of Appeals reversed the trial courts in all six cases and upheld the City's governmental immunity from Plaintiffs' breach-of-contract claims. However, the Court of Appeals affirmed the trial courts' denial of the City's pleas regarding the Plaintiffs' claims for prospective declaratory relief. The result of the Court of appeals decision is that the City is not liable for back pay damages to the Plaintiffs.

Both the City and the Plaintiffs have filed petitions for review with the Texas Supreme Court, which remain pending. If the Texas Supreme Court affirms the Court of Appeals' decision, the Plaintiffs will be relegated to prospective declaratory relief determining their entitlement to future pay raises. However, if the Texas Supreme Court reverses and affirms the trial courts' denial of the City's pleas to the jurisdiction, the City would continue to vigorously assert its arguments regarding ambiguity, constitutionality and other defenses.

FEDERAL INDICTMENTS

On September 27, 2007, the federal grand jury for the Northern District of Texas indicted several individuals for offenses involving alleged corruption in seeking City approvals for tax-credit housing projects located in the City and related matters. No sitting City officials were accused. However, the defendants included a former City Council member and a former Dallas Plan Commissioner. All defendants initially pleaded not guilty. Subsequently, two defendants other than the former City Council member and the former Dallas Plan Commissioner have pleaded guilty. At approximately the same time, the grand jury named a former City Councilmember in another indictment alleging tax and fiduciary misconduct unrelated to City business. That defendant subsequently was found guilty. None of the charges relate to the issuance or sale of the Bonds.

CLEAN AIR ACT AMENDMENTS OF 1990

The United States Environmental Protection Agency (USEPA) has established certain air quality standards for the North Texas Region consisting of Dallas, Collin, Denton and Tarrant counties (the "Region"). Since 1993, the USEPA has classified the Region as a non-attainment area under the USEPA's one-hour ozone standard. In 1998, the USEPA downgraded the Region from an area of moderate non-attainment to an area of serious non-attainment. The Region was required to meet the one-hour ozone standards by a June 15, 2005 attainment date. A Texas State Implementation Plan (SIP), developed under the one-hour ozone standard, proposed emission reduction strategies necessary to meet the air quality standards; however, that SIP proposed a 2007 attainment date and has not yet been approved by the USEPA.

Concurrently, USEPA has been developing its newer eight-hour clean air standards (based upon a different testing methodology). On April 15, 2004, the USEPA promulgated the new eight-hour standard, which also had the effect of enlarging the non-attainment Region by adding Ellis, Johnson, Kaufman, Parker and Rockwall counties, as well as revoking the previous one-hour standard. The new "eight-hour standard" requires the TCEQ to develop a new SIP by June 2007 that would show attainment of the standard by 2010. The eight-hour rule also established new guidelines for areas that had not met their legal obligations under the previous one-hour standard. The option chosen by TCEQ was to propose a "5% Rate of Progress SIP" by June 2005, that would establish a schedule of at least a 5% decrease in levels of NOx, thereby leading the way for compliance of the new standard. The TCEQ approved this "5% Rate of Progress SIP" and submitted it to USEPA in June 2005. As a result of this submission, the area has now complied with its previous one-hour standard requirements.

The finalization of the eight-hour standard and revocation of the one-hour standard also contributed to the resolution of a lawsuit brought by environmental groups against USEPA for its failure to either approve or disapprove a SIP under the previous one-hour standard. On or about October 6, 2004, a case styled Blue Skies *Alliance et al. v. Leavitt* was filed by four citizens groups in the United States District Court in Dallas, Texas. The suit sought to require the USEPA to either approve or disapprove the SIP submitted under the one-hour standard. The practical effect of the suit could have required the DFW area to a higher "severe" classification and cause disruption of all planning for federally funded highway projects in the region. However, the suit was settled and USEPA agreed to a consent decree that proposed to approve some additional air quality measures submitted by the State, as well as additional studies on point source controls to be conducted by TCEQ. With this settlement and the submission by TCEQ of the "5% Rate of Progress SIP", the North Texas Region is currently on schedule to meet its requirement to present a new eight-hour SIP by June 2007.

The TCEQ has continued to produce air quality modeling for the DFW non-attainment area in order to create a SIP that could bring the area into attainment by 2010. The TCEQ has also identified new control measures for consideration for the nine county area as well as certain regional controls. The most current modeling by the TCEQ indicates that the State may be able to reach attainment of the 8-hour ozone standard by 2009. On December 13, 2006, the TCEQ presented a proposed plan to its Commissioners. That plan was formally adopted by the TCEQ Commissioners on May 26, 2007.

On March 12, 2008, USEPA revised the 8-hour ozone national ambient air quality standard. The new standard was established at 75 parts per billion ("ppb"). Due to the revision, new designations of ozone nonattainment are required by the Clean Air Act. States are to recommend to USEPA nonattainment areas and boundaries by March 2009, and USEPA is required by the Clean Air Act to finalize the designations by March 2010. Once new designations are finalized, states will be required to develop new State Implementation Plans for achieving the standard. These are expected three years after designations are made, or by March 2013. The regulations for achieving attainment of the current 85 ppb standard remain in place.

On July 14, 2008, EPA proposed conditional approval of the 1997 8-hour ozone attainment demonstration SIP revisions for the Dallas/Fort Worth area submitted to EPA by the State of Texas on May 30, 2007 and supplemented on April 23, 2008. EPA's action was published in the Federal Register on July 14, 2008 at 73 FR 40203. The comment period closed on August 13, 2008 and EPA is currently evaluating comments and is working toward its final decision. EPA also proposed on July 11, 2008 a finding that the DFW area is currently attaining the 1-hour ozone standard. Details of this action are found in the Federal Register of July 11, 2008 at 73 FR 39897.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the United States Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

TAX EXEMPTION OF THE BONDS

In the opinion of Co-Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and (ii) the Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code") and, as such, interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local bonds, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the City file an information report with the Internal Revenue Service (the "Service"). The City has covenanted in the Ordinance that it will comply with these requirements.

Co-Bond Counsel's opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the City and the City's Co-Financial Advisors with respect to matters solely within the knowledge of the City and the City's Co-Financial Advisors, respectively, which Co-Bond Counsel has not independently verified. If the City should fail to comply with the covenants in the Ordinances or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such includability occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Except as stated above, Co-Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Co-Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Co-Bond Counsel's knowledge of facts as of the date thereof. Co-Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Co-Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Co-Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Co-Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local bonds is includable in gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

COLLATERAL TAX CONSEQUENCES… Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE PREMIUM… The issue price of all or a portion of the Bonds may exceed the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS… The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX EXEMPTION OF THE BONDS" and "ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS--Collateral Tax Consequences" generally applies, and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriters have purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the Issuer nor Co-Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the PFIA, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" below. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE

For each issue, the City will furnish a complete transcript of proceedings held incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Bonds and to the effect that the Bonds are valid and legally binding special obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Co-Bond Counsel, to like effect and with respect to the Bonds to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "LEGAL AND TAX MATTERS" herein, including the alternative minimum tax on corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. In its capacity as Co-Bond Counsel, it has reviewed the information relating to the Bonds and the Ordinance contained in this Official Statement under the captions "THE BONDS (except for the subcaptions, "Book-Entry-Only System"), "SELECTED PROVISIONS OF THE BOND ORDINANCE", "INVESTMENT PRACTICES – Investment Policy", "LEGAL AND TAX MATTERS – Tax Exemption of the Bonds," "LEGAL AND TAX MATTERS – Additional Federal Income Tax Considerations," "LEGAL AND TAX MATTERS - Legal Investments and Eligibility to Secure Public Funds in Texas," "LEGAL AND TAX MATTERS - Legal Opinions and No-Litigation Certificate" and "CONTINUING DISCLOSURE" (except for the subcaption "Compliance with Prior Undertakings")(except for the financial and statistical information contained under any such captions) to determine that the information contained under such captions is a fair and accurate summary of the information purported to be shown. The legal fee to be paid Co-Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The respective legal opinions will be printed on or attached to the Bonds. Certain legal matters will be passed on for the City by the City Attorney, and for the Underwriters by their co-counsel, Locke Lord Bissell & Liddell LLP and Adorno Yoss White & Wiggins, LLP.

Vinson & Elkins L.L.P. and West & Associates, L.L.P. represent the underwriters from time to time in matters not related to the Bonds.

CONTINUING DISCLOSURE

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1, 2, and 4. The City will update and provide this information within six months after the end of each fiscal year ending in or after 2008. The City will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the staff of the United States Securities and Exchange Commission (the "SEC").

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by such time and will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify each NRMSIR and any SID of the change.

MATERIAL EVENT NOTICES . . . The City will also provide timely notices of certain events to certain information vendors. The City will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. Neither the Bonds nor the Ordinance make any provision for debt service reserves, liquidity or enhancement and the Ordinance does not make any provisions for early redemption. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The City will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

AVAILABILITY OF INFORMATION FROM NRMSIRS AND SID . . . The City has agreed to provide the foregoing information only to NRMSIRs and any SID. The information will be available to holders of Obligations only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

The Municipal Advisory Council of Texas ("MAC") has been designated by the State of Texas and approved by the SEC staff as a qualified SID. The address of the Municipal Advisory Council is 600 West 8th Street, P. O. Box 2177, Austin, Texas 78768-2177, and its telephone is (512) 476-6947. The MAC has also received SEC approval to operate, and has begun to operate, a "central post office" for information filings made by municipal issuers, such as the City. A municipal issuer may submit its information filings with the central post office, which then transmits such information to the NRMSIRs and the appropriate SID for filing. This central post office can be accessed and utilized at www.DisclosureUSA.org ("DisclosureUSA").

The City may effect any and all filings required pursuant to its undertaking under the Rule through the use of the facilities of Disclosure USA or other central post office approved by the SEC for such purpose, unless the SEC has withdrawn its interpretative advice in its letter to the MAC dated September 7, 2004.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach, whether negligent or without fault on its part, of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus or specific performance to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Obligations in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . Except as described below, the City has been in compliance during the last 5 years, with its undertakings under the Rule. The City did not receive its comprehensive annual financial report for the fiscal year ended September 30, 2006 (the "CAFR") from its external auditors prior to the time the City was obligated under its continuing disclosure undertakings in its various proceedings adopted in connection with the issuance of debt obligations, to file the CAFR with the NRMSIRs and the SID, and in accordance with its continuing disclosure undertakings, the City filed unaudited financial statements with the NRMSIRs and the SID, which unaudited financial statements included financial information relating to the City. In July 2007, the City received the CAFR. The City failed to file the CAFR with the NRMSIRs and the SID upon its receipt as it was advised by its external auditors that a separate financial audit of the City's waterworks and sewer system, which the City is obligated to file with the NRMSIRs and the SID under its continuing disclosure undertaking in respect to the waterworks and sewer system revenue bonds issued by the City, was expected to be completed concurrently with the completion of the CAFR. The City filed the CAFR with the NRMSIRs and the SID on September 27, 2007.

OTHER INFORMATION

RATINGS

Moody's Investors Service, Inc. (Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, ("S&P") are expected to assign ratings of "Aa2" and "AAA", respectively, based upon the financial guaranty policy of Assured Guaranty to be issued simultaneously with the delivery of the Bonds. The Bonds have an underlying rating of "A1" by Moody's and "A" by S&P. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

Financial guaranty insurance was purchased by the City for the purpose of reducing its interest rate expense by utilizing the rating of Assured Guaranty's instead of the City's rating. As of closing of this transaction, the rating of Assured Guaranty is "Aa2" by Moody's and "AAA" by S&P. The Bonds were sold in the initial offering based upon the ratings of Assured Guaranty.

It should be noted that the state of the financial guaranty insurance industry is under stress with multiple financial guaranty insurers having been downgraded. Further downgrades of certain financial guaranty insurers could occur, including Assured Guaranty. Any changes in the rating of Assured Guaranty could have a material adverse impact on the price of the securities as well as affect the liquidity of such securities. Accordingly, investors should evaluate the underlying credit quality of Assured Guaranty as well as the City. The City has no obligation to maintain the rating on the Bonds after delivery of the Bonds to the Underwriters (see "Financial Guaranty Insurance").

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

Grant Thornton LLP will be engaged to report on the arithmetical accuracy of certain computations included in the schedules provided by First Southwest Company on behalf of the City relating to computation of forecasted receipts of principal and interest on the Federal Securities and the forecasted payments of principal and interest to redeem the Refunded Bonds. Such computations will be based solely on assumptions and information supplied by First Southwest Company on behalf of the City. Grant Thornton LLP has restricted its procedures to verifying the arithmetical accuracy of certain computations and will not make any study or evaluation of the assumptions and information on which the computations are based and, accordingly, will not express an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

UNDERWRITING

The Underwriters of the Bonds have agreed, subject to certain conditions (including the delivery of the opinions mentioned under caption "LEGAL AND TAX MATTERS - Legal Opinions and No-Litigation Certificate"), to purchase the Bonds from the City, at a price of $326,419,005.03 (representing the principal amount of the Bonds plus a net original issue premium of $3,395,489, less an Underwriters' discount of $1,916,483.97). The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters. The Underwriters may from time to time sell investment securities to the City for the investment of bond proceeds or other funds of the City upon the request of the City.

J.P. Morgan Securities Inc., one of the underwriters of the Bonds, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings, including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Bonds with UBS Financial Services Inc.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

CO-FINANCIAL ADVISORS

First Southwest Company and Estrada Hinojosa & Company, Inc. are employed as Co-Financial Advisors to the City in connection with the issuance of the Bonds. The Co-Financial Advisors' fees for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds. First Southwest Company and Estrada Hinojosa & Company, Inc. in their capacity as Co-Financial Advisors, have relied on the opinion of Co-Bond Counsel and have not verified and do not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, First Southwest Company may from time to time sell investment securities to the City for the investment of bond proceeds or other funds of the City upon the request of the City.

The Co-Financial Advisors to the City have provided the following sentence for inclusion in this Official Statement. The Co-Financial Advisors have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Co-Financial Advisors do not guarantee the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including certain statements in "APPENDIX D – HVS Report" and other statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

In considering the matters set forth in this Official Statement, prospective investors should carefully review all information included herein (particularly, the information under the caption "INVESTMENT CONSIDERATIONS," the descriptions regarding the City's historical collection of Pledged Revenues appearing under the captions in Tables 1 and 2 under "CIVIC CENTER CONVENTION COMPLEX" and the pledge of such revenues as described under "THE BONDS—Security for Bonds") to identify any investment considerations. Potential investors should be thoroughly familiar with this entire Official Statement and the appendices hereto, and should have accessed whatever additional financial and other information any such investor may deem necessary, prior to making an investment decision with respect to the Bonds.

CERTIFICATION OF THE OFFICIAL STATEMENT

The Ordinance authorizing the issuance of the Bonds also approves the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorizes its further use in the reoffering of the Bonds by the Underwriters.

MARY K. SUHM
City Manager
City of Dallas, Texas

DAVID COOK
Chief Financial Officer

ATTEST:

DEBORAH WATKINS
City Secretary

SCHEDULE I

SCHEDULE OF REFUNDED BONDS

Series	Original Issue Date	Original Issue Amount	Amount To Be Refunded	Maturities To Be Refunded	Date and Price of Redemption
1998	May, 1998	$ 256,050,000	$12,460,000	8/15/2009	3/27/2009 @ 101.00
			12,065,000	8/15/2010	3/27/2009 @ 101.00
			12,635,000	8/15/2011	3/27/2009 @ 101.00
			13,240,000	8/15/2012	3/27/2009 @ 101.00
			13,890,000	8/15/2013	3/27/2009 @ 101.00
			14,585,000	8/15/2014	3/27/2009 @ 101.00
			15,315,000	8/15/2015	3/27/2009 @ 101.00
			16,080,000	8/15/2016	3/27/2009 @ 101.00

$34,610,000 Term Bonds maturing 8/15/2018 callable 3/27/2009 @ 101.00
$71,860,000 Term Bonds maturing 8/15/2023 callable 3/27/2009 @ 101.00
$39,310,000 Term Bonds maturing 8/15/2028 callable 3/27/2009 @ 101.00

Total $256,050,000

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

LOCATION AND POPULATION . . .

The City of Dallas is located in north central Texas approximately 300 miles north of the Gulf of Mexico. It is among the three largest cities in Texas and among the ten largest cities in the United States. Dallas is the county seat of Dallas County.

Dallas County encompasses an area of 880 square miles while the City of Dallas contains approximately 378 square miles. The City of Dallas' corporate land extends into Collin, Denton and Rockwall Counties.

POPULATION TOTALS ARE:

	2008 Estimate	2007 Estimate	2006 Estimate	2005 Estimate	2004 Estimate	2003 Estimate
City	1,300,350	1,280,500	1,272,850	1,250,650	1,224,000	1,205,350
County	2,451,800	2,417,650	2,397,350	2,358,850	2,305,850	2,272,200
Urban Area*	6,201,100	6,075,400	5,946,350	5,761,800	5,867,400	5,412,800

* Urban Area is a nine-county area which includes Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, and Tarrant Counties
Source: North Central Texas Council of Governments, June 2008

ESTIMATED PER CAPITA INCOME . . .

	2006	2005	2004	2003	2002	2001
Dallas Metro Div*	$ 42,068	$ 40,202	$ 37,675	$ 35,893	$ 35,698	$ 36,092
Dallas County	43,520	41,524	39,202	36,957	36,458	36,328
Texas	35,166	33,253	30,948	29,404	28,835	29,036
U.S.	36,714	34,757	33,123	31,504	30,821	30,574

* Dallas-Plano-Irving Metropolitan Division is an eight-county area which includes Collin, Dallas, Delta, Denton, Ellis, Hunt, Kaufman and Rockwall Counties.
Source: U.S. Department of Commerce, Bureau of Economic Analysis, September 2008

GOVERNMENT ORGANIZATION . . .

The City of Dallas operates under a Council-Manager form of government. There are fourteen single-district council members and a mayor elected at large. The Mayor and Council appoint the City Manager, City Attorney, City Auditor, City Secretary, City Treasurer and the Municipal Court Judges. The City Manager appoints all other department directors except two appointed by the Civil Service Board and the Park and Recreation Board. The Mayor is elected to a four-year term and is limited to two consecutive four-year terms. Council members are elected for two-year terms and can serve up to four consecutive two-year terms.

The Mayor and City Council set the public agenda, adopt policy and laws and appoint the City Manager, who acts as chief executive, responsible for implementing council policy. The City Manager oversees City operations with an executive team of assistant city managers, each of whom has responsibility for various departments.

As of September 22, 2008, the City organization has approximately 13,313 full-time employees.

CITY SERVICES AND FACILITIES . . .

The City provides the full range of municipal services contemplated by statute or charter. This includes public safety (police and fire), streets, sanitation, health and human services, culture and recreation, public improvements, planning and zoning, and general administrative services. In addition to general government activities, the Dallas Water Utilities, Municipal Airport (Love Field), Convention Center, Municipal Radio and several other enterprise and internal service fund activities are a part of the City's legal entity.

EMPLOYMENT DATA . . .

A diverse economy and highly-skilled work force contribute to the strengths of the City. Dallas is a center for high technology, retail and wholesale trade, finance, major medical facilities, culture and recreation and a convention and visitor destination. The following exhibits show the City's civilian employment over the last several years, the employment by sector and the major employers within the Dallas area.

EMPLOYMENT STATISTICS . . .

	August 2008	August 2007	August 2006	August 2005	August 2004	August 2003	August 2002	August 2001
Civilian Labor Force (City of Dallas)	606,506	592,516	591,424	591,917	NA	NA	NA	NA
Civilian Labor Force (Dallas Metro Div*)	2,125,519	2,077,724	2,071,069	2,039,116	1,959,842	1,972,114	1,984,514	1,953,111
Total Employed (City of Dallas)	572,405	565,225	559,497	559,004	NA	NA	NA	NA
Total Employed (Dallas Metro Div*)	2,014,352	1,989,084	1,968,924	1,934,042	1,872,955	1,835,341	1,847,078	1,846,947
Total Unemployed (City of Dallas)	34,101	27,291	31,927	32,913	NA	NA	NA	NA
Total Unemployed (Dallas Metro Div*)	111,167	88,640	102,145	105,074	116,887	136,773	137,436	106,164
% Unemployed (City of Dallas)	5.6%	4.6%	5.4%	5.6%	NA	NA	NA	NA
% Unemployed (Dallas Metro Div*)	5.2%	4.3%	4.9%	5.2%	5.9%	6.9%	6.9%	5.4%
% Unemployed (Dallas County)	5.5%	4.5%	5.2%	5.5%	6.5%	7.6%	7.6%	6.0%
% Unemployed (Texas)	5.1%	4.6%	5.0%	5.3%	6.0%	6.9%	6.5%	5.5%
% Unemployed (U.S.)	6.1%	4.6%	4.6%	4.9%	5.4%	6.0%	5.7%	4.9%

*Dallas –Plano-Irving Metropolitan Division is an eight-county area which includes Collin, Dallas, Delta, Denton, Ellis, Hunt, Kaufman and Rockwall Counties

Sources: Texas Workforce Commission September 2008 (Actual data – seasonal adjustments not applied.)

AVERAGE ANNUAL UNEMPLOYMENT RATES . . .

	2007	2006	2005	2004	2003	2002	2001
City of Dallas	4.7%	5.2%	5.7%	NA	NA	NA	NA
Dallas-Plano-Irving Metro Div[(1)]	4.3%	4.8%	5.3%	6.0%	6.8%	6.7%	4.8%
State of Texas	4.5%	4.9%	5.4%	6.0%	6.7%	6.4%	5.0%
United States	4.5%	4.6%	5.1%	5.5%	6.0%	5.8%	4.7%

(1) Dallas-Plano-Irving Metropolitan Division is an eight-county area which includes Collin, Dallas, Delta, Denton, Ellis, Hunt, Kaufman and Rockwall Counties.

Sources: Texas Workforce Commission, September 2008

MAJOR DALLAS AREA EMPLOYERS . . .

Company	Product/Service	Number of Employees
Wal-Mart Stores Inc.	General Merchandise and Grocery Retailer	33,500
American Airlines	Airline	25,655
Texas Health Resources	Health Care Provider	17,299
AT&T, Inc.	Telecommunications	16,200
Baylor Health Care System	Health Care Provider	16,000
Lockheed Martin Aeronautics Company	Military Aircraft Design and Production	14,776
Verizon Communications	Telecommunications	13,800
Texas Instruments	Semiconductor Manufacturing and Design	11,300
Kroger Food Stores	Retail Food, Pharmacy, Fuel	10,400
Brinker International	Resturants	9,600

Source: *Dallas Business Journal Book of Lists*, 2008

DALLAS – PLANO-IRVING METROPOLITAN DIVISION---NON-AGRICULTURAL WAGE AND SALARY EMPLOYMENT BY SECTOR . .

	2007 Average Annual		2006 Average Annual	
Industry	Employment	Percentage	Employment	Percentage
Trade, Transportation & Utilities	415,900	20.0%	410,500	20.3%
Professional, Business Services	336,900	16.2%	320,200	15.9%
Government	253,700	12.2%	248,500	12.3%
Manufacturing	198,900	9.6%	200,300	9.9%
Health, Educational Services	219,500	10.6%	207,400	10.3%
Leisure and Hospitality	191,300	9.2%	182,800	9.1%
Financial Services	185,200	8.9%	181,600	9.0%
Natural Resources & Mining and Construction	125,800	6.1%	118,300	5.9%
Information	72,800	3.5%	73,100	3.6%
Other Services	74,500	3.6%	74,700	3.7%
Non-Farm Total	2,074,500	100.0%	2,017,400	100.0%

Dallas-Plano-Irving Metropolitan Division is an eight-county area which includes Collin, Dallas, Delta, Denton, Ellis, Hunt, Kaufman and Rockwall Counties.
Source: Texas Workforce Commission, September 2008

OFFICE AND INDUSTRIAL SPACE OCCUPANCY RATES . . .

The City of Dallas office market consists of 130.2 million square feet of space. Other than the second quarter of 2007, net absorption has been positive since 2006. Increasing average rents and two million square feet in under-construction office space speak to the confidence that builders and owners have in the Dallas economy. The vacancy rate as of September 2008 is 17.9%.

The City is committed to the long-term health of the Central Business District (CBD). A number of public/private projects have been completed or are under construction, resulting in approximately $2.4 billion in investment in the CBD since 2000. The arts district and sports arena, the conversion of older buildings into new options for downtown living and the DART light rail continued the revitalization of the CBD. The office vacancy rate of 20.6% in September 2008 is a near record low for the last 15 years. The CBD has 35.7 million square feet of office space.

As one of the country's primary distribution locations, Dallas continues to attract distribution projects. Speculative industrial/distribution building activity is strong in Dallas because of the area's transportation infrastructure assets and because of the low vacancy rate. The overall industrial market vacancy rate was 6.7% as of September 2008. Since 2006, 4.9 million square feet of new industrial space has been completed.

Source: City of Dallas Department of Economic Development

CONSTRUCTION VALUATION/BUILDING PERMIT ACTIVITY . . .

Valuation ($000)	2008 Est.	2007	2006	2005	2004
Residential	$ 1,338,288	$ 1,585,157	$ 1,403,836	$ 1,218,097	$ 959,569
Commercial	1,548,430	1,779,975	1,198,507	1,222,378	1,200,508
Other	5,150	47,888	222,514	168,709	107,690
Total	$ 2,891,868	$ 3,413,020	$ 2,824,857	$ 2,609,184	$ 2,267,767

Source: City of Dallas Building Inspection Division

*These valuations are based on all building permit activity inclusive of single trade permits, new residential and new non-residential construction, residential and non-residential rehabilitation with additions considered as new construction. Excluded are sign permits, barricades, excavations, demolitions, moving permits and tents.
**Permit data is fluid and may fluctuate for the following reasons after the initial data is reported:

1) Permit cancellations
2) Permit addendums; reductions or augmentations to the original plans submitted that change the valuation of the project
3) Periodic audits that correct data entry errors after the reporting period has closed

TRANSPORTATION . . .

Dallas' success as a leader in transportation is a result of its excellent airports, rail routes, and interstate highway systems. Positioned centrally to both the east and west coasts, Dallas is easily accessible to all areas of the United States, Mexico and Canada. Direct flight time to any North American city takes less than four hours. In addition, Dallas is the center point between North America's five largest business centers - New York, Los Angeles, Chicago, Mexico City and Toronto.

Dallas/Fort Worth International Airport is a major contributor to the City's diversified economy. It is among the world's busiest airports in terms of total operation ranked number 3, with approximately 1,900 flights per day. Approximately 59.8 million passengers traveled through the airport during 2007.

Dallas Love Field, located four miles north of the Central Business District, is also extremely valuable to the Dallas economy. Approximately 8.0 million passengers were carried at Love Field during 2007. It acts as a catalyst for business by providing valuable scheduled air carrier and general aviation transportation services, and attracting and serving major companies that assemble, overhaul and maintain aircraft.

Dallas' Executive Airport serves industrial and privately owned aircraft.

Dallas has a well-developed highway system. There are five interstate highways which run north/south and east/west including a loop freeway encompassing the City. Dallas has 19 other major U.S. and state highways. Dallas is a principal trucking and freight distribution center with approximately 120 trucking companies. Overnight pickup and delivery services are available to most cities.

Dallas is a major hub for hundreds of rail routes. Major railroads that serve the Dallas area include Burlington Northern Santa Fe Railway, Kansas City Southern Railway and Union Pacific. Amtrak provides passenger train service at Union Station in downtown Dallas with three lines: Chicago, Los Angeles, and San Antonio.

The City is part of an integrated regional mass transit system, DART. The DART Transit System Plan is designed to provide a balanced combination of transit services and facilities to meet the region's mobility needs. The DART system's mission is made both difficult and necessary by the size and sprawl of the metroplex. Unlike some cities that funnel transportation into the central business district, the metroplex has multiple "cores" that have developed in suburban communities and along existing transportation roads. These mini-hubs complicate transportation service requirements and necessitate a range of mobility programs.

The DART system has 75 freeway miles of HOV lanes, nearly 45 miles of light rail transit and a 35 mile commuter rail line serving the Central Business District. In addition, DART operates a 742 fleet bus system.

The transit system is funded by a voter-approved 1.0% local sales tax assessed by Dallas and each of the twelve suburban communities that participate in DART as well as by state and federal agencies. In 2000, voters approved $2.9 billion long-term financing which will allow DART to accelerate the construction of light rail lines to suburban communities by an average of 4 to 5 years.

Sources: Greater Dallas Chamber, The Dallas Facts, Dallas Area Rapid Transit (DART), the City of Dallas, Dallas/Fort Worth International Airport

EDUCATION . . .

The Dallas Independent School District (DISD) has approximately 160,000 students enrolled for the 2007-2008 school year. DISD has 225 schools, including four elementary school vanguards (magnets), one elementary school vanguard/middle school academy, two Montessori schools, and nine magnet middle/high schools. In May 2008, a $1.35 billion bond program was approved to build fifteen new schools, 177 new classrooms in existing schools and additional renovations.

There are 48 college and university campuses in the Dallas metroplex area, enrolling over 220,000 students. Twenty-six campuses offer 4-year undergraduate degree programs, 19 offer 2-year associate degree programs and 22 offer advanced degrees.

Source: Dallas Independent School District; Greater Dallas Chamber, The Dallas Facts

MEDICAL . . .

The Dallas metropolitan area is a major medical center providing "state-of-the-art" equipment and facilities. There are 24 general hospitals in Dallas County which are licensed for nearly 8,000 beds. In addition, there are two pediatric, two psychiatric and several long-term/rehabilitation hospitals.

As a complement to its excellent medical treatment facilities, Dallas is becoming a leading force in biomedical research. The University of Texas Southwestern Medical Center at Dallas has four Nobel Prize winners on the faculty and staff. Nationally recognized medical and dental schools in Dallas include University of Texas Southwestern Medical Center, Texas A&M University System - Baylor College of Dentistry and Baylor University School of Nursing.

Source: The Spring 2004 Dallas Newcomer and Relocation Journal; the University of Texas Southwestern Medical Center at Dallas; The Texas State Board of Medical Examiners

TOURISM . . .

According to the Dallas Convention and Visitors Bureau, Dallas ranks among the top convention cities in the nation. It has the largest convention center of its kind in Texas with over 2.0 million square feet of total space. There are 96 meeting rooms and over one million square feet of exhibit space. The convention center also boasts the world's largest column-free exhibit hall and a fully equipped theater along with catering capabilities and a cafeteria. The Center has both open and covered parking and the facilities include a Heliport/Vertiport. Dallas is one of the leading convention cities in the nation, attracting nearly four million convention delegates who contribute in excess of $4 billion to the local economy while attending more than 3,600 conventions a year.

Dallas is the number one visitor and leisure destination in Texas. Annually, more than 14.2 million people visit metropolitan Dallas. The Dallas area annually receive $7.4 billion dollars from visitors. There are approximately 65,000 hotel rooms.

Source: Greater Dallas Chamber, The Dallas Facts; Fast Facts; Dallas Convention Center; Dallas Convention and Visitors Bureau

RECREATION . . .

Dallas offers numerous recreational, cultural and entertainment opportunities. Within the City are 406 public parks and open spaces covering almost 50,000 acres. There are over 60 lakes and reservoirs within 100 miles of Dallas covering more than 550,000 acres and four state parks within an hour of Dallas. There are 39 private and 34 municipal golf courses in the area.

The Dallas metropolitan area hosts numerous national annual sporting events and has several large amusement parks. Major golf tournaments include the EDS Byron Nelson and the Bank of America Colonial Golf Tournament. Dallas is one of few metropolitan areas with seven professional sports teams, including the Dallas Cowboys football team, the Dallas Mavericks basketball team, the Texas Rangers baseball team and the Dallas Stars hockey team.

Cultural institutions in the City include the Dallas Opera, Fair Park (a 277 acre recreational and cultural facility which is the home of the annual State Fair and site of over a dozen museums), the Dallas Zoo, Dallas Arboretum and Botanical Gardens, and Old City Park. The Arts District, a 60 acre development, is the largest downtown arts district in the country. Key attractions include the Dallas Museum of Art, Nasher Sculpture Center, Latino Cultural Center and Morton H. Meyerson Symphony Center, home of the Dallas Symphony Orchestra. The Dallas area has a number of museums, galleries, theaters, orchestras and dance groups.

Source: Greater Dallas Chamber, The Dallas Facts; City of Dallas, Parks and Recreation Department

APPENDIX B

EXCERPTS FROM THE

CITY OF DALLAS, TEXAS

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

For the Year Ended September 30, 2007

The information contained in this Appendix consists of excerpts from the City of Dallas, Texas Comprehensive Annual Financial Report for the Year Ended September 30, 2007, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

CITY OF DALLAS, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For Fiscal Year Ended September 30, 2007

Issued by
City Controller's Office
David K. Cook, Chief Financial Officer
Edward R. Scott, CPA, City Controller
Lance Sehorn, CPA, Assistant City Controller

Connie Castro	**Sunil King**
Junior Compass	**Abby Neil**
Sueveria Dickens	**Sherrian Parham, CPA**
Ester Dogans	**Shirley Samuel**
Nancy Hong	**William Sullivan**
Teralandur Kasturi	**Janet Williams**

CITY OF DALLAS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2007

TABLE OF CONTENTS

City of Dallas

Honorable Mayor and City Council
City of Dallas, Texas

August 20, 2008

Introduction

We are pleased to present the City of Dallas (The City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2007. This report was prepared by the City's financial staff and audited by the firm of Grant Thornton LLP. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

The City Charter requires an annual audit of the books of account, records, and transactions of all administrative departments of the City by independent certified public accountants selected by the City Council. The CAFR is the summary of these activities for the past fiscal year. We believe this data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditors' Report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

General Information

Dallas is the ninth largest city in the nation and has a Council-Manager form of government. There are 14 single-district Council Members and a Mayor elected at large. The Mayor and Council appoint the City Manager, City Attorney, City Auditor, City Secretary, and the Municipal Court Judges. The Director of the Civil Service Department is appointed by the Civil Service Board and the Director of Parks and Recreation is appointed by the Parks and Recreation Board. All other department directors are appointed by the City Manager.

The financial statements of the City of Dallas include all activities, organizations, and functions for which the City is financially accountable. The criteria considered in determining the activities to be reported within the City's financial statements include: 1) whether an organization is part of the City's legal entity; or 2) whether the City appoints the voting majority of the organization's governing body, and either the City is able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. In addition, an organization may be fiscally dependent on the City and also included in its

OFFICE OF THE CITY MANAGER CITY HALL DALLAS, TEXAS 75201 TELEPHONE 214-670-3302
"Dallas, The City That Works: Diverse, Vibrant and Progressive"

reporting entity. These criteria are based upon, and are consistent with, those set forth in the Codification of Governmental Accounting Standards, Section 2100, *Defining the Financial Reporting Entity*.

The City provides the full range of municipal services established by statute or charter. These include public safety (police and fire), streets, sanitation, health and human services, culture and recreation, public improvements, planning and zoning, and general administrative services. In addition to general government activities, the Dallas Water Utilities, Airport Revenues, Convention Center, Municipal Radio and several other enterprise and internal service fund activities are a part of the City's legal entity. Sixteen tax-increment-financing districts and six public improvement districts are included in the City's reporting entity because the City sets their assessment rates and approves their budgets. Although the pension trust funds are separate legal entities, they exist to exclusively serve or benefit the City's employees, retirees, and their beneficiaries and are included in the City's reporting entity. The Downtown Dallas Development Authority is a separate legal entity which was established to promote economic development of the downtown area and improve the tax base.

Other legally separate entities such as the blended component units are also included in the City's reporting entity based on the criteria discussed above:

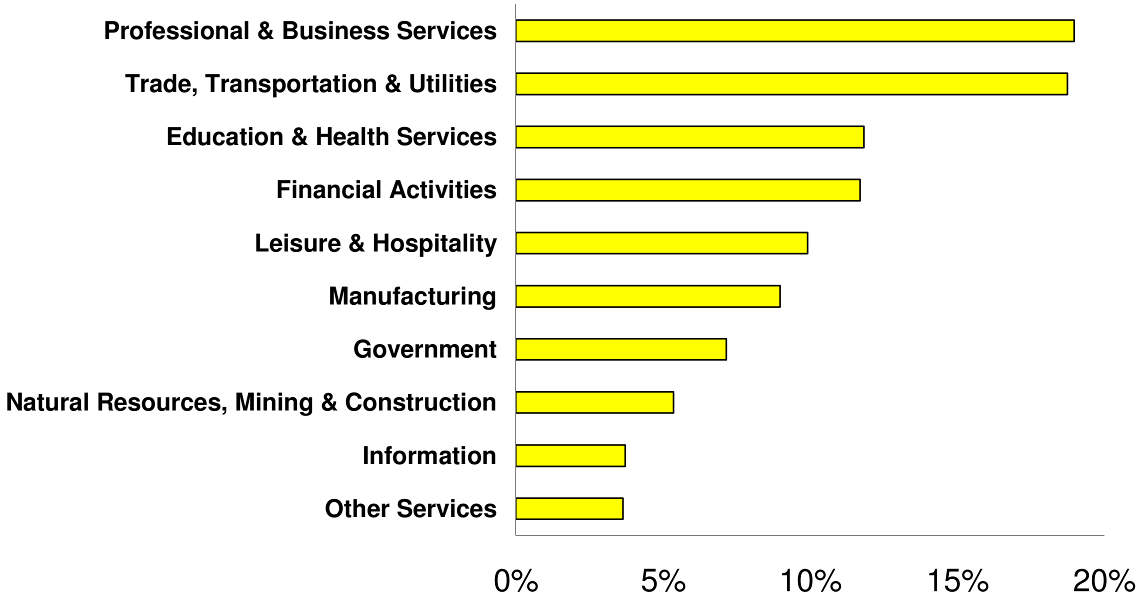
- Housing Finance Corporation - issues tax-exempt mortgage revenue bonds to assist low-to-moderate income citizens in purchasing homes
- Housing Acquisition and Development Corporation - provides safe, affordable housing for low and moderate income persons

Related organizations not included as part of the reporting entity are the Dallas/Fort Worth International Airport, the Dallas Housing Authority, and Dallas Area Rapid Transit. The reason for not including these entities is because the City's accountability does not extend beyond appointing members to the Boards.

Economic Condition and Outlook

The City of Dallas is the largest local economy in the nation’s fourth largest metropolitan area. The city is home to over one million jobs and 65,000 businesses (Dun & Bradstreet). Dallas continues to add jobs in its leading industries: business professional services, trade and transportation, health care and financial services (Figure 1.) Dallas’ overall employment growth is expected to exceed the nation’s over the next several years (U.S. Bureau of Labor Statistics).

Figure 1
Dallas Employment by Industry

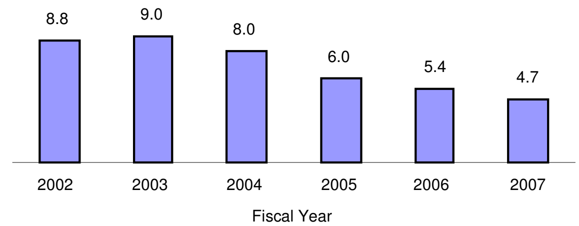


The Dallas labor force, consisting of Dallas residents only, approximately 582,000 in fiscal 2007 (U.S. Bureau of Labor Statistics). Dallas' business facilities include 125.1 million square feet of office space, 202.0 million square feet of industrial/flex space, and 56.6 million square feet of retail space (CoStar). The following charts highlight Dallas' major economic indicators, all of which improved in 2007.

Unemployment

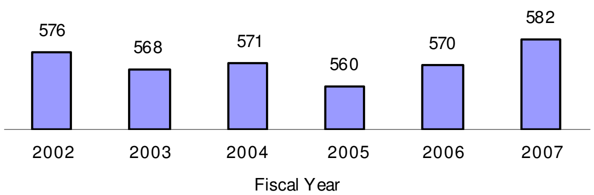
Unemployment in Dallas declined in fiscal year 2007 to 4.7 percent. Through the last half of the fiscal year, Dallas' unemployment matched or was better than the nation's unemployment rate (Source: U.S. Bureau of Labor Statistics).

Figure 2. Dallas Unemployment Rate (percent)



Employment

Figure 3. Dallas Household Employment (1,000's of jobs)

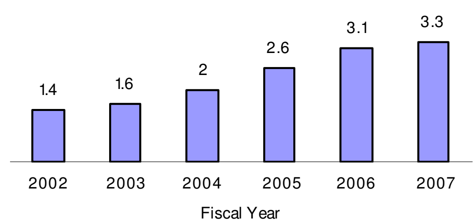


The number of employed Dallas residents continued to grow over the year. Over 582,000 Dallas residents were working in fiscal 2007. An improving economy and a growing, relatively young, and educated labor force contributed to this increase (Source: U.S. Bureau of Labor Statistics).

Construction Activity

The City of Dallas saw another substantial increase in building activity in 2007. Total construction permits were valued at $3.3 billion. This growth includes a combination of new and redeveloped projects in the central city (offices, hotels, residential and cultural projects) as well as mixed-use, industrial and residential developments throughout the city.

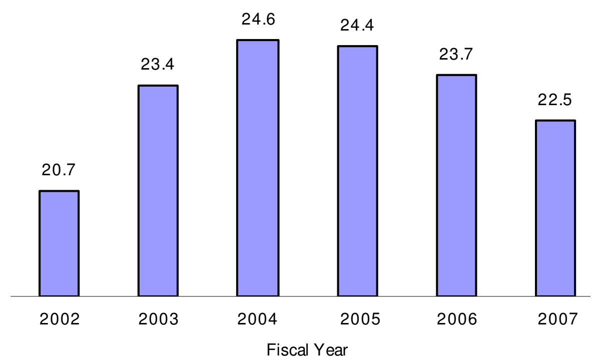
Figure 4. Dallas Building Activity ($ billions)



Office Vacancy

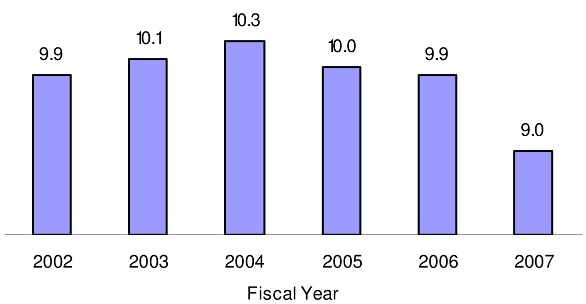
Office vacancy rates improved in fiscal 2007, falling for the third consecutive year. Employment growth and conversion of vacant, historic downtown towers to residential uses contributed to this trend. The 2007 citywide vacancy rate was down to 22.5 percent, a 1.2 point decline (Source: CoStar).

Figure 5. Dallas Office Vacancy Rate (percent)



Industrial Vacancy

Figure 6. Dallas Industrial Vacancy Rate (percent)

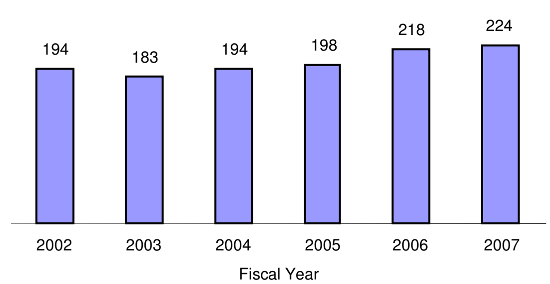


The industrial vacancy rate also fell in 2007, to 9.0 percent. The vacancy rate declined 0.9 points even though 1.1 million square feet of new inventory was added during the year. Dallas continues to attract distribution activity because of its highway and rail infrastructure and the growing global awareness of the International Inland Port of Dallas (Source: CoStar).

Sales Tax

In fiscal 2007, sales taxes grew for a fourth consecutive year to $224 million. Sales tax revenue has continued to expand because of major retail developments in the city such as the expansion of NorthPark Center mall (Source: City of Dallas Office of Financial Services).

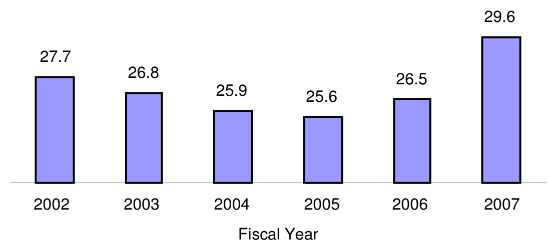
Figure 7. Dallas Sales Tax Revenue ($ millions)



Commercial Property

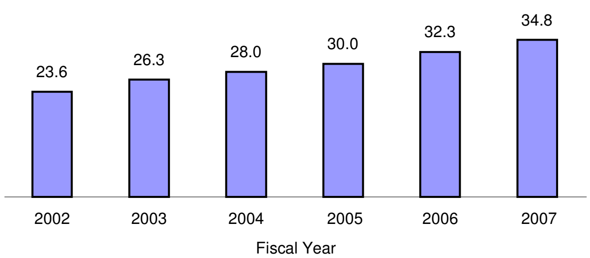
Dallas' commercial tax base increased for the second year to $29.6 billion in taxable value. The recent increase in commercial values has been driven by a balanced pattern of construction that includes office, industrial, residential, hotel, retail and institutional developments in central Dallas and throughout the city (Source: Dallas Central Appraisal District [DCAD]).

Figure 8. Dallas Commercial Property Tax Base
($ billions)



Residential Property

Figure 9. Dallas Residential Tax Base
($ billions)

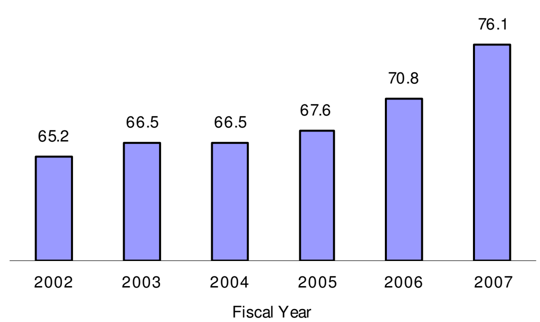


Residential taxable value continues to increase in Dallas. In FY 2007, total taxable value of residential property was $34.8 billion. Steady growth signals the improving desirability of in-town neighborhoods. Value is increasing from new construction of mixed-use, townhome and condo developments and replenishment and restoration of single family housing stock. (Source: DCAD).

Total Property

Total taxable property (including business personal property of $11.7 billion) grew by $5.3 billion to $76.1 billion in 2007. This is a 7.5 percent increase (Source: DCAD).

Figure 10. Dallas Total Property Tax Base
($ billions)



Economic Development Strategy

In 2007, redevelopment trends in Dallas again confirmed the appropriateness of the City's development strategy. Adopted in 2005, the strategy focuses on two high level objectives. One, the city is creating a thriving urban economy centered on an expanded downtown connected to revitalized in-town neighborhoods and the rest of the city through transit, and the City is increasing Dallas' share of global and regional trade (including retail, wholesale and logistics). These objectives are being achieved through a series of catalyst initiatives that will drive Dallas development for decades. These initiatives include: expanded downtown, the Trinity River Corridor Project, the International Inland Port of Dallas, the University of North Texas at Dallas and transit-oriented-development.

Combined, the individual projects associated with these long term initiatives have the effect of strengthening the urban core and preparing the southern sector of the city to play a larger role in economic development.

Expanded Downtown:

At the end of fiscal year 2007, 3,700 residential units were available in the Central Business District (CBD) supporting a downtown residential population of over 4,400.

Significant projects completed in 2007 include new residential conversions, new office construction and new residential construction. Residents began moving into the renovated Mosaic mixed-use project. This 433 unit apartment and retail development resulted from an $80 million investment. The new 7-Eleven corporate headquarters opened in the first new office building built in the CBD in almost 20 years. The 450,000 square foot tower also includes condominiums. The $47 million Gables Republic residential tower also started receiving residents. Another new headquarters building opened in the historic West End for Corgan & Associates' for 280 downtown employees. On the south side of downtown in the Cedars neighborhood, the 49 unit Buzz condo building opened and the 73 unit Beat neared its completion at fiscal year end 2007.

Several projects remained on track including the $270 million Arts District expansion, the $250 million redevelopment of the Mercantile complex, and retail and hotel redevelopments in downtown's historic Main Street core.

University of North Texas Dallas

The first 75,000 square foot building at the University of North Texas Dallas campus opened in January 2007. The school has been master planned to grow into a 26,000 student campus and to anchor new residential, office and retail centers. Through the year, the City of Dallas continued developing a master plan for the hundreds of acres of open land around the campus site. The plan is designed to support the creation of a college town environment with pedestrian friendly residential and retail developments as well as research and office projects for university spin-off activity.

International Inland Port of Dallas (IIPOD)

In 2007, progress continued related to the IIPOD, a major logistics hub in the southeast quadrant of the City. Approximately 2,500 acres of land within the City limits are slated to be the gateway to a continental distribution hub that will exceed 60 million square feet of industrial and warehouse space at build out. During the year, additional Foreign Trade Zone acreage was supported for expansion, with the application now being reviewed by the Federal government. Efforts are underway to conduct a comprehensive master plan, and an Environmental Working Group was convened this year to discuss environmental issues related to the project. The first 800,000 square feet of distribution space was announced and also began construction this year.

Transit-Oriented Development (TOD)

Dallas has 29 existing Dallas Area Rapid Transit (DART) rail stations. The new $1.7 billion Green line will add an additional 15 stations serving the southeast and northwest quadrants of the city. The City is actively supporting new urban developments at several DART stations and planning for more development in the future. The $350 million Park Lane Place development, at the Park Lane station, is well underway. The developers of the 70 acre, $805 million Valencia redevelopment had nearly completed demolition of 2,500 aging apartments. This project stretching north of the Walnut Hill station will ultimately accommodate 5 million square feet of residential, office and retail development. The $350 million Lake Highlands Town Center began demolition of 1,200 aging apartments that will be replaced by 1,700 modern town homes, apartments and condos as well as retail and office. Several Transit-Oriented Developments started in 2007 on the under construction Green line. These include projects at the Baylor and Southwestern Medical Center stations and the Design District near the Victory station.

In addition, the City completed a master development agreement process that is designed to facilitate the creation of multiple additional transit oriented developments around DART stations. The initiative calls for a minimum of two developments in southern Dallas.

Trinity River Corridor Project

Work continues on the Trinity River Corridor Project. In 2007, work continued on the site of the first of three bridges over the river. In addition, the City began the rezoning of prime redevelopment sites along the river designed by famed architect Santiago Calatrava. The rezoning is based on a comprehensive master plan of the entire corridor to facilitate more dense, urban and mixed-use residential and commercial developments to take advantage of the river's recreational amenities and views. A ground breaking was also held for the Trinity Audubon Center. This 21,000 square foot interpretative center will include 140 acres of restored wetlands and river bottom hardwood forests that will educate visitors on the ecology of the 44,000 acre corridor.

These initiatives are having a positive impact on the city’s tax base both in the core and in the southern sector. Taxable real property values in the southern sector increased by $978 million, a 9.4 percent increase.

Financial Information

Discussion of Controls. The City's management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse, and to ensure adequate accounting data are compiled to allow for preparation of financial statements in conformity with U.S. generally accepted accounting principles.

Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: 1) the safeguarding of assets against loss from unauthorized use or disposition, 2) the reliability of financial records for preparing financial statements, and 3) accountability for assets. The concept of reasonable assurance recognizes the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

The City Council is required by Charter to appoint a City Auditor who is independent of City management and reports directly to the City Council. The City Auditor supports the internal control structure within the City by performing independent evaluations of existing accounting and administrative controls and by ascertaining compliance with existing plans, policies and procedures.

Annually, each department is required to conduct a self-assessment of internal controls. The results of these assessments are reported to the City Manager with an action plan to correct any identified deficiencies.

The City Auditor reviews, on a sample basis, the departments' internal control evaluations each year to ensure the integrity of the program and provide constructive comments for improvement.

Furthermore, as a recipient of federal and state assistance, the City is also responsible for ensuring adequate internal controls are in place to comply with applicable laws, regulations, contracts, and grants related to those programs. Internal controls are subject to periodic evaluation by management and the City Auditor. As part of the City's single audit, tests are made to determine the adequacy of the internal control, including that portion relative to federal and state financial awards, as well as to determine whether the City has complied with applicable laws, regulations, contracts, and grants.

Budgetary controls. The City Charter provides that the City Council shall annually appropriate adequate funds in an amount to execute the policies and service delivery plans of the City. City management annually prepares the plan of services for the upcoming fiscal year and their estimated costs. The plan is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The ordinance provides for budgetary control at the department level and these budgets cannot be exceeded without Council approval. Budgetary control is enforced at the department level by reserving appropriations and by encumbering purchase orders and contracts. Open encumbrances are reported, where applicable, as reservations of fund balance.

General Government Functions

Cash Management. The objectives of the City's Investment Policy, in order of priority, are: safety of principal, liquidity, diversification, maturity and yield. Deposits are fully collateralized by government securities held in third party safekeeping. Cash not needed for day-to-day operations is invested pursuant to the Investment Policy. These monies were invested in U.S. government and U.S. government agency securities during fiscal year 2007.

Other Information

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dallas for its CAFR for the fiscal year ended September 30, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. We wish to take this opportunity to thank each member of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. In closing, the preparation of this report was not accomplished without the efficient and dedicated services of key staff in the Office of Financial Services, City Controller's Office; Department of Aviation; and the Department of Communication and Information Services. Thanks to each individual involved.

Respectfully submitted,

Mary K. Suhm
City Manager

David Cook
Chief Financial Officer

Edward R. Scott, CPA
City Controller

Grant Thornton

Independent Auditor's Report

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The Honorable Mayor and Members of the City Council
City of Dallas, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dallas, Texas (the City), as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Employees Retirement Fund, Dallas Police and Fire Pension System and Supplemental Police and Fire Pension Plan of the City of Dallas, which are blended component units which represent 87%, 90%, and 71%, respectively, of the assets, net assets and revenues of the aggregate remaining fund information. We also did not audit the financial statements of the Dallas Housing and Acquisition Development Corporation, a discretely presented component unit which represents 46%, 39%, and 46%, respectively, of the assets, net assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dallas, Texas, as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 11, and the Schedule of Funding Progress on page 85 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

GRANT THORNTON LLP

Dallas, Texas
August 20, 2008

As management of the City of Dallas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2007. The City's management's discussion and analysis is designed to (1) assist the reader in focusing on significant issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual major fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter, which can be found on pages v-xiv of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by approximately $4.1 billion (net assets).
- The City's governmental activities net assets decreased by $9 million while the business-type activities net assets increased by $122 million.
- As of the close of fiscal year 2007, the City's governmental funds reported combined ending fund balances of $937 million, an increase of $190 million in comparison to the prior year fund balance. At the City's discretion, $625 million of these fund balances (unreserved, undesignated) are available for spending, with $538 million allocated for capital projects and $46 million for activities in special revenue funds.
- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was $41 million, or approximately 4% of the total general fund expenditures, including transfers out.
- The City's governmental long-term liabilities had a net increase of $302 million from the prior year's balance of $1.8 billion and business-type activities increased $92 million from the prior year's balance of $2.1 billion. The increases resulted from the City issuing $369 million of bonds and other long term debt for governmental activities: $353 million of general obligation bonds, $13 million in equipment notes, and $3 million relating to a capital lease. The City also issued $678 million in water works and sewer revenue refunding bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business and are made up of the following two statements: the statement of net assets and the statement of activities. Both of these statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of net assets combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base, the condition of the City's property tax base, and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.) to assess the overall health or financial condition of the City.

The statement of activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes and unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets, environmental and health services, public works and transportation, equipment and building services, cultural and recreation services, and housing and human services.

The business-type activities of the City include water utilities, convention center, airport, municipal radio and building inspections. The government-wide financial statements reflect not only the activities of the City itself (known as the primary government), but also those of the three separate legal entities for which the City is financially accountable – Housing Finance Corporation and the Housing Acquisition and Development Corporation, which are reported as discretely presented component units separately from the primary government itself, and the Downtown Dallas Development Authority (DDDA), which is presented as a blended component unit of the City.

The government-wide financial statements can be found on pages 13 -15 of this report.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty-four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and debt service funds, both of which are considered to be major funds. Data from the other twenty-two funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the combining financial statements section of this report. DDDA is also included with the governmental funds. Because it was formed for the benefit of the City to improve property tax revenues in the downtown area, it is presented with the special revenue funds as a blended component unit even though it is a legally separate entity.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16, 18 and 20 of this report.

Proprietary Funds: Proprietary funds are generally used to account for services for which the City charges customers – either outside customers, or to other units within the City. Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The proprietary funds financial statements provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains two types of proprietary funds:

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the airport, convention center, municipal radio, building inspection and water utilities operations. All of the City's enterprise funds, except the municipal radio and building inspection are considered major funds.
- Internal Service funds accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its equipment services, communication equipment, office supplies, information services, and risk management programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the combining financial statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 22-29 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City's pension trust and agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 30-31 of this report.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found immediately following the basic financial statements. The notes to the financial statements can be found on pages 32-84 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to City employees. Required supplementary information can be found on page 85 of this report. The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, internal service funds, and discretely presented component units are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 90-116 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net assets were approximately $4.2 billion as of September 30, 2007. Analyzing the net assets of governmental and business-type activities separately, the business-type activities net assets were approximately $2.7 billion and the governmental activities were approximately $1.5 billion. This analysis focuses on the assets, liabilities, and net assets (Table 1) and changes in revenues and expenses (Table 2) of the City's governmental and business-type activities.

Table 1
Net Assets (In thousands)

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Current and other assets	$1,494,446	$1,282,335	$1,022,911	$958,324	$2,517,357	$2,240,659
Capital assets	2,256,111	2,153,701	4,129,006	3,935,009	6,385,117	6,088,710
Total assets	3,750,557	3,436,036	5,151,917	4,893,333	8,902,474	8,329,369
Long-term liabilities	2,075,300	1,773,312	2,182,091	2,095,616	4,257,391	3,868,928
Other liabilities	207,972	186,361	306,066	256,419	514,038	442,780
Total liabilities	2,283,272	1,959,673	2,488,157	2,352,035	4,771,429	4,311,708
Net assets:						
Invested in capital assets, net of related debt:	1,433,745	1,495,420	2,276,773	2,196,675	3,710,518	3,692,095
Restricted	70,916	49,134	181,481	168,535	252,397	217,669
Unrestricted	(37,376)	(68,191)	205,506	176,088	168,130	107,897
Total net assets	$1,467,285	$1,476,363	$2,663,760	$2,541,298	$4,131,045	$4,017,661

The largest portion of the City's net assets reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens, and consequently, they are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The current and other assets in Governmental and Business-type activities increased by $212 million and $65 million, respectively, primarily due to unspent proceeds from the issuance of bonds. An additional portion of the City's net assets (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance in net assets is unrestricted. In governmental activities, there is a deficit unrestricted net asset balance of $37 million as a result of long-term liabilities for items such as compensated absences, unfunded risk liabilities, and sales tax liability. Because of the focus on current assets and liabilities, the City's budget is developed to address the needs of current operations. The City plans to fund long term liabilities in future budgets as those liabilities consume current assets. Unrestricted net assets in business-type activities are $206 million.

Analysis of the City's Operations
The following table provides a summary of the City's operations for the year ended September 30, 2007. Business-type activities increased the City's net assets by $122 million and governmental activities decreased by $9 million. Key elements of these changes in net assets follow:

Table 2
Changes in Net Assets (In thousands)

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for services	$ 275,947	$ 271,831	$ 499,988	$ 521,162	$ 775,935	$ 792,993
Operating grants and contributions	71,041	63,838	-	-	71,041	63,838
Capital grants and contributions	2,912	6,690	33,467	46,235	36,379	52,925
General revenues:						
Ad valorem tax	554,241	510,065	-	-	554,241	510,065
Tax increment financing revenue	6,321	4,159	-	-	6,321	4,159
Sales tax	224,078	217,836	-	-	224,078	217,836
Franchise tax	118,745	123,225	-	-	118,745	123,225
Alcohol beverage tax	-	-	7,569	7,091	7,569	7,091
Motor vehicle rental tax	-	-	4,495	3,853	4,495	3,853
Hotel occupancy tax	-	-	49,641	46,483	49,641	46,483
Investment income	63,793	38,039	39,970	23,154	103,763	61,193
Miscellaneous	31,045	27,918	7,014	3,795	38,059	31,713
Total revenues	1,348,123	1,263,601	642,144	651,773	1,990,267	1,915,374
Expenses:						
General government	205,511	204,508	-	-	205,511	204,508
Public safety	612,318	522,796	-	-	612,318	522,796
Streets, street lighting, sanitation	166,335	148,608	-	-	166,335	148,608
Enviornmental and health services	29,099	25,596	-	-	29,099	25,596
Public works and transportation	60,490	38,038	-	-	60,490	38,038
Equipment and building services	41,265	46,402	-	-	41,265	46,402
Culture and recreation	127,043	120,041	-	-	127,043	120,041
Housing	936	1,308	-	-	936	1,308
Human services	26,785	58,810	-	-	26,785	58,810
Interest on long-term debt	90,721	74,383	-	-	90,721	74,383
Dallas water utilities	-	-	360,886	345,217	360,886	345,217
Convention center	-	-	83,429	85,733	83,429	85,733
Airport revenues	-	-	44,702	40,383	44,702	40,383
Municipal radio	-	-	3,466	4,011	3,466	4,011
Building inspection	-	-	23,897	20,921	23,897	20,921
Total expenses	1,360,503	1,240,490	516,380	496,265	1,876,883	1,736,755
Increase in net assets before transfers and special item	(12,380)	23,111	125,764	155,508	113,384	178,619
Transfers	3,302	7,390	(3,302)	(7,390)	-	-
Special item	-	-	-	(28,410)	-	(28,410)
Increase in net assets	(9,078)	30,501	122,462	119,708	113,384	150,209
Net assets - beginning of year	1,476,363	1,445,862	2,541,298	2,421,590	4,017,661	3,867,452
Net assets - end of year	$ 1,467,285	$ 1,476,363	$ 2,663,760	$ 2,541,298	$ 4,131,045	$ 4,017,661

Governmental Activities

Governmental activities net assets decreased $9 million during fiscal year 2007. Total revenues increased approximately $85 million or 7% from 2006. The most significant increases were due to the following:

- Ad Valorem Tax revenues increased $44 million. Property values increased by 7.45%, from $70.8 billion in fiscal year 2006 to $76.1 billion in fiscal year 2007.
- Sales tax increased $6 million in fiscal year 2007 because of improvements in retail sales during the year.
- Investment Income increased $26 million due to an increase in investments of $268 million and higher interest rates on investments. The average yield on the investment pool for fiscal year 2007 was 4.99% compared to 4.04% in 2006.
- Operating grants and contributions increased by $7 million, or 11% during fiscal year 2007. The most significant increase resulted from a reimbursement from DFW Airport for a prior year contribution. Public safety grant revenue also increased during the fiscal year due to a new grant received, Homeland Security Grant – Emergency Responders and due to increased funding from the Comprehensive Selective Traffic Enforcement Program.

Total governmental activities expenses increased approximately $120 million, or 10%, from fiscal year 2006. The most significant portion of expenses related to governmental activities is the cost of personnel. A discussion of major governmental activity expenses follows:

- The most significant increase in governmental activity expense for the City was personnel cost in providing public safety, which incurred expenses of $612 million, an increase of $90 million or 17% from fiscal year 2006. Expenses related to personnel services are approximately $341 million for police activity, $187 million for fire activity and $75 thousand for 9-1-1. The increase in the police department from the prior year was due to hiring additional police officers and offering hiring bonuses and increasing training expenses. Increases in the fire department occurred from increased salary expenses, and increased materials and supplies. Also, additional expenses were made for increases in reimbursable grants for public safety.
- The streets, street lighting and sanitation activities of the City incurred $166 million in expenses, an increase of $18 million, or 12%. The increase was due to an increase in personnel expenses from salaries, overtime pay and pension benefits from additional sanitation business on private disposals and additional tonnage dumped at the landfill. Furthermore, supplies and materials increased from additional street roadways and highway services and data programming fees.
- Human Services expenses decreased $32 million or 54% from fiscal year 2006 due primarily to less building redevelopment expenses in fiscal year 2007 for the City Center TIF.
- Public works and transportation expenses increased $22 million or 59%. Contractual and professional services increased from the installation, maintenance, and operation of Safelight - Dallas Stops on Red, a red light camera traffic enforcement program. Personnel services increased due to additional staff for the Trinity River Corridor project, street improvement section, storm water management, pavement marking, and parking enforcement. Personnel services for public works and transportation also increased from the addition of a new service section for vertical control network water surveys and for the Safelight Program.
- Interest on long term debt increased approximately $16 million or 22%. This increase is due to the issuance of $366 million in bonds during the year, along with an increase in the accreted interest on capital appreciation bonds.

Business-type Activities

Business-type activities net assets increased $122 million during fiscal year 2007 compared to $120 million in 2006. This increase was generated through increased revenues from 2006. The most significant changes in revenues were due to the following:

- Charges for Services decreased $21 million from fiscal year 2006 to 2007. This resulted primarily from decreased water consumption due to a wet summer. During fiscal year 2007, Dallas Water Utilities had an increase in the retail customer service rate of 7.7% and a combined rate increase of 3.16% for wholesale water and wastewater services. Water consumption for 2007 decreased by 17%.
- During fiscal year 2007, airport revenues from customer charges increased by $5.4 million, or 16%. Concession revenues increased by 25% from $850 thousand in car rentals, $2.6 million in parking garage revenue, additional airport concession contracts and ground transportation, and utility reimbursements from tenants at love field terminal building increased by $82 thousand or 15%. In addition, airline landing fee revenues increased by 41% from a $0.20 rate increase ($0.35 to $0.55 per 1,000 pounds of aircraft weight) in April 2007 and an increase in the number of landings to 24 flights per day.
- Convention Center hotel occupancy tax increased $3 million compared to fiscal year 2006. This was due to an increase in the average room rate of 4.5%.

The following expense items contributed to the increase in expenses during fiscal year 2007:

- Personnel services for business-type activities increased from fiscal year 2006 to 2007 due to an average 4% merit pay raise effective January 1, 2007.

- Airport contractual services expenses increased 23.6% during the fiscal year primarily from litigation expenses related to the Wright Amendment, Dallas Love Field Airport Rescue Firefighters Vehicle services, Dallas Police Department, level orange, security overtime, and flood damage repair expenses.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $937 million, an increase of $190 million in comparison with the prior year. Approximately $625 million constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion, with $538 million allocated for capital projects and $46 million for activities in special revenue funds. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period ($231 million), 2) to pay debt service ($14 million), or 3) for a variety of other purposes.

The general fund is the chief operating fund of the City. At the end of the fiscal year 2007, unreserved, undesignated fund balance of the general fund was $41 million while total fund balance reached $134 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 4 percent of total general fund expenditures and transfers out, while total fund balance represents 13 percent of that same amount.

The fund balance of the City's general fund increased $301 thousand during fiscal year 2007. Revenues from sales tax increased due to an increase in consumer spending, while ad valorem tax revenues increased because of an increase in property values of 7.45%. Furthermore, intergovernmental revenue increased significantly due to a reimbursement from DFW Airport for a prior year contribution.

The debt service fund had a total fund balance of $10 million at September 30, 2007. $9 million is reserved for the payment of debt service. The overall net decrease in debt service fund balance during the current year of $1 million is due to less transfers in from other funds.

Proprietary funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets in Dallas Water Utilities at the end of the year amounted to $93 million, Convention Center was $66 million and Airport Revenues was $34 million. The total change in net assets was an increase of $88 million in Dallas Water Utilities, an increase of $7 million in Convention Center and an increase of $26 million in Airport Revenues Fund. Factors regarding the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the fiscal year, the final amended budget increased $11.4 million from the original amended budget due to election office advertising expenses and joint election agreement and election services contract, a professional services contract for public works and transportation, to hire an air quality outreach coordinator for the Office of Environmental quality and from expenditures in the police department for hiring additional police officers for patrol units, increased auto services, programming, materials, clothing and other supplies. Actual budgetary expenditures decreased by $732 from the final amended budget.

Actual budgetary basis revenues increased $19.6 million from final budgeted amounts. The major components of this increase resulted from an increase in intergovernmental revenue from a $12.2 million reimbursement from DFW airport for a prior year contribution and increases in services to others resulted from increased sanitation private disposal fees from more tonnage dumped at the landfill. Actual budgetary basis revenue for fines and forfeitures decreased by $8.4 million from final budgeted amounts from an over budget of Safelight Camera Program revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2007, the City had $6.4 billion invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table 3) This amount represents a net increase of $296 million or 5 percent, over the prior fiscal year.

Table 3
Capital Assets
(Net of Accumulated Depreciation, in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Land	$359,563	$332,332	$214,080	$214,080	$573,643	$546,412
Water Rights	-	-	269,653	273,192	269,653	273,192
Buildings	451,532	379,604	934,828	920,156	1,386,360	1,299,760
Improvements other than buildings	213,329	159,906	147,669	117,904	360,998	277,810
Infrastructure assets	844,738	731,921	244,408	252,829	1,089,146	984,750
Equipment	118,314	105,107	213,964	195,447	332,278	300,554
Artwork	48,795	48,795	-	-	48,795	48,795
Utility Property	-	-	1,729,203	1,175,031	1,729,203	1,175,031
Construction in progress	219,840	396,036	375,201	786,370	595,041	1,182,406
Totals	$2,256,111	$2,153,701	$4,129,006	$3,935,009	$6,385,117	$6,088,710

Some of the major additions for fiscal year 2007 included (gross additions - in millions):

Street and Transportation Improvements	$30.9
Downtown Parks Master Plan	9.4
Trinity River Corridor	14.0
Water and Wastewater facilities	296.0
Airport Improvements	31.7
Total	$382.0

The City's fiscal year 2008 capital budget provides another $730 million for capital projects, principally for two major categories: $392 million for General Purpose Capital Improvements and $338 million for Water Utilities Capital Improvements.

The General Purpose Capital Improvement Program provides for improvements to and/or construction of the City's street system; parks and recreational facilities; libraries; police and fire protection facilities; cultural art facilities; and the flood protection and storm drainage system. General Obligation Bonds are the primary financing mechanism for these capital improvements.

The Capital Improvement Program for the enterprise funds consists primarily of improvements to and/or construction of water and wastewater systems and improvements at Love Field airport. The transfer of enterprise revenues and the issuance of debt such as commercial paper and/or revenue bonds fund these projects.

More detailed information about the City's capital assets is presented in Note 7 to the financial statements.

Debt

At year-end, the City had $3.7 billion in bonds outstanding for both governmental and business-type activities, a 10% increase, as shown in Table 4.

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Table 4
Outstanding Debt at Year End (In thousands)

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	$ 1,206,045	$ 930,070	$ -	$ -	$ 1,206,045	$ 930,070
Equipment Acquisition Obligations	45,860	51,280	-	-	45,860	51,280
Certificates of Obligation	43,045	52,170	-	-	43,045	52,170
Pension Obligation Bonds	279,374	291,554	94,619	98,744	373,993	390,298
Tax Increment bonds	60,020	11,310	-	-	60,020	11,310
DDDA Bonds	-	50,605	-	-	-	50,605
Revenue Bonds	-	-	2,007,705	1,901,375	2,007,705	1,901,375
Contractual Obligations	-	-	-	-	-	-
Total	$ 1,634,344	$ 1,386,989	$ 2,102,324	$ 2,000,119	$ 3,736,668	$ 3,387,108

Bond proceeds for governmental activities will be used to pay costs of various equipment purchases, street systems, playgrounds, recreation facilities, library facilities, and other City infrastructure and facilities.

The City issued $353 million in General obligation Bonds with a $13 million premium and $13 million in Equipment Acquisition Notes with a premium of $78 thousand.

The City also issued $678 million in Waterworks and Sewer System Revenue Refunding and Improvement Bonds (Series 2007) to retire outstanding commercial paper and to provide funds for improvements to water and wastewater facilities.

The City's General Obligation, Tax Increment Financing Reinvestment Zone No. 2, General Obligation Pension Bonds, Waterworks and Sewer System, Civic Center Convention Complex, Sports Arena Project Special Tax and Airport System Revenue Bond ratings are listed below, as well as Tax Increment Contract Revenue Bonds issued by DDDA.

	Underlying Ratings			Insured Ratings		
	Moody's Investors Service	Standard & Poor's	Fitch	Moody's Investors Service	Standard & Poor's	Fitch
General Obligation Bonds……………………………	Aa1	AA+	N/A	N/A	N/A	N/A
Tax Increment Financing Reinvestment Zone No. 2	N/A	AA	N/A	N/A	AA	AA
DDDA Tax Increment Contract Revenue Bonds….	Aa3	A+	N/A	Aaa	AAA	N/A
General Obligation Pension Bonds…………………	Aa1	AA+	N/A	Aaa	AAA	N/A
Revenue Bonds:						
Waterworks and Sewer System…………………...	Aa2	AA+	N/A	N/A	N/A	N/A
Civic Center Convention Complex ………………..	A1	A	N/A	Aaa	AAA	N/A
Sports Arena Project Special Tax ………………...	Baa1	A	A+	Aaa	AAA	AA
Airport System ………………………………………	Baa2	BBB	N/A	Aaa	AAA	N/A

Certain maturities of the DWU and General Obligation Bonds may be insured but not all maturities are.

More detailed information about the City's long-term liabilities is presented in Note 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Dallas City Council has identified key focus areas – Public Safety; Economic Vibrancy; Clean, Healthy Environment; Culture, Arts and Recreation; Education and E3 Government, that is an efficient, effective, economical government. The City's tax base grew by $7.3 billion, with the majority of the growth occurring in the commercial side of the base, new construction and restoration of single family homes. The FY 2007-08 budget of $2.7 billion includes a tax rate increase from 72.92 cents to 74.79 cents per $100 valuation.

The FY 2007-08 budget also includes a 7.7% increase in water and wastewater rates. The increase was necessary to meet continued increases in service demands, to continue upgrading aging infrastructure, to continue the City's water conservation program and to operate recently constructed facilities required by state and federal regulatory agencies. In addition, funds will be used to offset the increased cost of operation and necessary investments in the system maintenance and future growth.

In fiscal year 2008, work will continue on the Trinity River Corridor Project, the Fair Park Master plan, downtown redevelopment, and business recruitment and retention.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the City Controller's Office, at City of Dallas, 1500 Marilla, Room 4BN, Dallas, Texas 75201.

CITY OF DALLAS, TEXAS
STATEMENT OF NET ASSETS
As of September 30, 2007
(in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and cash equivalents	$ 222,739	$ 244,648	$ 467,387	$ 582
Other investments, at fair value	29,663	-	29,663	-
Receivables, net	125,809	72,083	197,892	238
Internal balances	(2,931)	2,931	-	-
Inventories, at cost	8,593	5,847	14,440	-
Net pension asset	286,537	98,617	385,154	-
Other assets	9,942	12,388	22,330	349
Special assessments-paving notes	1,128	-	1,128	-
Restricted assets:				
Cash and cash equivalents	812,966	488,528	1,301,494	-
Other investments, at fair value	-	97,464	97,464	-
Customer assessments	-	405	405	-
Capital assets:				
Land	359,563	214,080	573,643	-
Water rights	-	353,910	353,910	-
Artwork	48,795	-	48,795	-
Construction in progress	219,840	375,201	595,041	-
Buildings	770,141	1,326,355	2,096,496	-
Improvements other than buildings	286,647	216,183	502,830	-
Equipment	445,740	492,027	937,767	-
Infrastructure assets	1,457,421	416,400	1,873,821	-
Utility property	-	2,329,150	2,329,150	-
Less accumulated depreciation	(1,332,036)	(1,594,300)	(2,926,336)	-
Total assets	3,750,557	5,151,917	8,902,474	1,169
Liabilities				
Accrued payroll	20,077	1,294	21,371	-
Accounts payable	49,349	20,825	70,174	10
Notes payable	-	-	-	150
Due to other governments	5,099	3	5,102	-
Contracts payable	64,337	-	64,337	-
Other	12,283	2,960	15,243	-
Construction accounts payable	22,054	34,630	56,684	-
Accrued bond interest payable	18,362	43,405	61,767	-
Commercial paper notes payable	-	179,698	179,698	-
Unearned revenue	15,887	423	16,310	-
Customer deposits	524	8,499	9,023	-
Customer construction advances	-	14,329	14,329	-
Noncurrent liabilities:				
Due within one year	254,534	113,696	368,230	-
Due in more than one year	1,820,766	2,068,395	3,889,161	-
Total liabilities	2,283,272	2,488,157	4,771,429	160
Net assets				
Invested in capital assets, net of related debt	1,433,745	2,276,773	3,710,518	-
Restricted for:				
Capital projects	53,222	-	53,222	-
Debt service	7,576	181,481	189,057	-
Permanent funds - nonexpendable	10,118	-	10,118	-
Unrestricted	(37,376)	205,506	168,130	1,009
Total net assets	$ 1,467,285	$ 2,663,760	$ 4,131,045	$ 1,009

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2007
(in thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Function/Program Activities				
Primary Government:				
Governmental activities:				
General government	$ 205,511	$ 66,803	$ 23,034	$ 39
Public safety	612,318	32,451	10,014	-
Streets, street lighting, sanitation and code enforcement	166,335	94,223	666	352
Environmental and health services	29,099	5,856	23,570	-
Public works and transportation	60,490	23,567	501	2,520
Equipment and building services	41,265	1,007	14	-
Culture and recreation	127,043	29,894	1,623	1
Housing	936	807	-	-
Human services	26,785	21,339	11,619	-
Interest on long-term debt	90,721	-	-	-
Total governmental activities	1,360,503	275,947	71,041	2,912
Business-type activities:				
Dallas water utilities	360,886	411,998	-	9,062
Convention center	83,429	22,473	-	-
Airport revenues	44,702	38,581	-	24,405
Municipal radio	3,466	3,675	-	-
Building inspection	23,897	23,261	-	-
Total business-type activities	516,380	499,988	-	33,467
Total primary government	1,876,883	775,935	71,041	36,379
Component units:	339	649	-	-
Total component units	339	649	-	-

General revenues:
- Ad valorem tax
- Tax increment financing, intergovernmental revenue
- Sales taxes
- Franchise tax
- Hotel occupancy tax
- Motor vehicle tax
- Alcohol beverage tax
- Investment income
- Other

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (115,635)		$ (115,635)	$ -
(569,853)		(569,853)	-
(71,094)		(71,094)	-
327		327	-
(33,902)		(33,902)	-
(40,244)		(40,244)	-
(95,525)		(95,525)	-
(129)		(129)	-
6,173		6,173	-
(90,721)		(90,721)	-
(1,010,603)		(1,010,603)	-
-	60,174	60,174	-
-	(60,956)	(60,956)	-
-	18,284	18,284	-
-	209	209	-
-	(636)	(636)	-
-	17,075	17,075	-
(1,010,603)	17,075	(993,528)	-
			310
			310
554,241	-	554,241	-
6,321	-	6,321	
224,078	-	224,078	-
118,745	-	118,745	-
-	49,641	49,641	-
-	4,495	4,495	-
-	7,569	7,569	-
63,793	39,970	103,763	24
31,045	7,014	38,059	-
3,302	(3,302)	-	-
1,001,525	105,387	1,106,912	24
(9,078)	122,462	113,384	334
1,476,363	2,541,298	4,017,661	675
$ 1,467,285	$ 2,663,760	$ 4,131,045	$ 1,009

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
As of September 30, 2007
(in thousands)

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Pooled cash and cash equivalents	$ 95,927	$ 5,325	$ 71,461	$ 172,713
Other investments, at fair value	13,383	2,370	13,910	29,663
Receivables:				
Ad valorem tax	30,729	11,537	-	42,266
Sales tax	37,779	-	-	37,779
Notes	1	-	7,223	7,224
Accounts	74,796	-	15,517	90,313
Accrued interest	1,232	6	6,651	7,889
Allowance for uncollectible accounts	(60,537)	(9,476)	(3,283)	(73,296)
Due from other governments	-	-	11,909	11,909
Due from other funds	530	1,147	-	1,677
Inventories, at cost	6,020	-	-	6,020
Special assessments-paving notes	-	-	1,128	1,128
Restricted cash and cash equivalents	-	-	812,966	812,966
Notes receivable from other funds	-	1,071	4,288	5,359
Other assets	-	344	-	344
Total assets	199,860	12,324	941,770	1,153,954
Liabilities and fund balances				
Liabilities				
Accrued payroll	19,510	-	262	19,772
Accounts payable	18,184	-	22,448	40,632
Due to other funds	268	-	530	798
Deferred revenue	18,554	1,378	7,650	27,582
Unearned revenue	526	-	15,361	15,887
Due to other governments	2,973	-	2,126	5,099
Construction accounts payable	-	-	22,054	22,054
Notes payable to other funds	127	-	9,042	9,169
Customer deposits	515	-	9	524
Contracts payable	-	-	64,337	64,337
Other	5,501	760	4,758	11,019
Total liabilities	66,158	2,138	148,577	216,873
Fund balances				
Reserved for:				
Encumbrances	41,100	-	189,824	230,924
General government	-	-	449	449
Culture and recreation	-	-	9,669	9,669
Notes receivable	-	1,071	4,288	5,359
Inventories	6,020	-	-	6,020
Debt service	-	9,115	5,123	14,238
Unreserved, designated in:				
General fund	45,759	-	-	45,759
Unreserved, undesignated in:				
General fund	40,823	-	-	40,823
Capital project funds	-	-	538,176	538,176
Special revenue funds	-	-	45,664	45,664
Total fund balance	133,702	10,186	793,193	937,081
Total liabilities and fund balance	$ 199,860	$ 12,324	$ 941,770	$ 1,153,954

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
As of September 30, 2007
(in thousands)

Total fund balances - governmental funds		$ 937,081
Amounts reported for governmental activities in the statement of net assets are different because:		
Net pension assets are not financial resources and therefore are not reported in the funds. These are:		
Net Pension Asset		286,537
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	357,867	
Artwork	48,795	
Construction in progress	218,075	
Infrastructure assets	1,455,600	
Buildings	765,706	
Improvements other than buildings	285,658	
Equipment	275,230	
Accumulated depreciation	(1,190,906)	
Total capital assets	2,216,025	2,216,025
Bond issuance costs, reported as an expenditure in governmental funds, are allocated as an expense over the life of the debt on a full accrual basis.		9,275
Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected.		27,582
Internal service funds are used by management to charge the costs of certain activities, such as equipment services, communication equipment services, office services, information services, and insurance. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets		(8,824)
Some long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable, plus unamortized bond premium	1,801,195	
Capital leases	10,914	
Accrued interest on bonds	18,362	
Arbitrage rebate payable	3,013	
Note payable	169	
Compensated absences	123,281	
Sales tax refund	13,594	
Landfill closure & post-closure	29,863	
Total long-term liabilities	2,000,391	(2,000,391)
Net assets of governmental activities		$ 1,467,285

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended September 30, 2007
(in thousands)

	General	Debt Service	Nonmajor Governmental Funds	Total
Revenues:				
Ad valorem tax	$ 406,580	$ 137,667	$ 8,437	$ 552,684
Tax increment financing, intergovernmental	-	-	5,945	5,945
Sales tax	224,078	-	-	224,078
Franchise tax	118,745	-	-	118,745
Licenses and permits	3,028	-	-	3,028
Intergovernmental	17,533	-	56,420	73,953
Service to others	156,977	-	56,974	213,951
Fines and forfeits	42,299	-	9,079	51,378
Investment income	12,674	3,074	45,928	61,676
Contributions and gifts	76	-	3,824	3,900
Confiscated money awards	-	-	2,788	2,788
Other	10,351	-	7,619	17,970
Total revenues	992,341	140,741	197,014	1,330,096
Current expenditures:				
General government	87,701	-	113,131	200,832
Public safety	566,759	-	8,456	575,215
Streets, street lighting,sanitation and code enforcement	126,450	-	25,728	152,178
Environmental and health services	14,007	-	13,931	27,938
Public works and transportation	21,928	-	-	21,928
Equipment and building services	34,352	-	-	34,352
Culture and recreation	102,288	-	7,707	109,995
Housing	834	-	-	834
Human services	-	-	25,797	25,797
Debt service:				
Principal	4,929	118,250	-	123,179
Interest and fiscal charges	1,151	63,344	-	64,495
Capital outlay	10,359	-	188,787	199,146
Total expenditures	970,758	181,594	383,537	1,535,889
Excess (deficiency) of revenues over (under) expenditures	21,583	(40,853)	(186,523)	(205,793)
Other financing sources (uses):				
Transfers in	6,024	39,929	11,130	57,083
Transfers out	(35,275)	(116)	(17,801)	(53,192)
Proceeds from sale of capital assets	5,362	-	4,147	9,509
Premium on bonds issued	-	-	13,690	13,690
General obligation bonds issued	-	-	365,605	365,605
Capital lease	2,607	-	-	2,607
Proceeds from notes issued	-	-	219	219
Total other financing sources (uses)	(21,282)	39,813	376,990	395,521
Net change in fund balances	301	(1,040)	190,467	189,728
Fund balances, beginning of year	133,401	11,226	602,726	747,353
Fund balances, end of year	$ 133,702	$ 10,186	$ 793,193	$ 937,081

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2007
(in thousands)

Net change in fund balances--total governmental funds			$ 189,728
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.			
Capital outlay	203,575		
Depreciation expense	(81,104)		
Net adjustment	122,471		122,471
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.			
Proceeds from Sale of Capital Assets	(9,509)		
Loss on Disposal of Capital Assets	(3,561)		
	(13,070)		(13,070)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This adjustment is to recognize the net change in "unavailable" revenues.			(13,387)
The issuance of long-term debt (e.g., bonds, certificates of obligation) provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
Debt issued:			
Premium on issuance of G.O. and C.O. bonds		(13,690)	
Notes Payable		(219)	
General obligation bonds and certificates of obligation		(365,605)	
Repayments:			
Capital lease principal payment		4,280	
Sales Tax Refund Liability		599	
Note principal payment		50	
Bond principal payments		118,250	
Net adjustment		(256,335)	(256,335)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Increase in Accrued Interest Payable		(1,683)	
Bond issuance costs		13	
Amortization of premium, discount and refunding deferral		(3,720)	
Accretion on Capital Appreciation Bonds		(18,001)	
Change in net pension asset		11,202	
Increase in the amount of compensated absences		(11,141)	
Increase in arbitrage rebate liability		(2,834)	
Increase in landfill closure cost		(1,009)	
Increase in capital lease		(2,607)	
Total adjustment		(29,780)	(29,780)
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, insurance, compensated absences and computer replacement, to individual funds. The external revenue generated by these funds (interest income and gain on sale of equipment) is reported with the governmental activities.			(8,705)
Change in net assets of governmental activities			$ (9,078)

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NON-GAAP BUDGETARY BASIS

Year Ended September 30, 2007
(in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:				
Ad valorem taxes	$ 414,314	$ 414,314	$ 412,779	$ (1,535)
Sales tax	225,741	225,741	224,078	(1,663)
Other tax and franchise revenues	116,254	116,254	114,390	(1,864)
Licenses and permits	6,796	6,796	7,787	991
Intergovernmental	4,845	4,845	17,520	12,675
Services to others	143,598	143,598	156,754	13,156
Fines and forfeitures	50,705	50,705	42,299	(8,406)
Investment income	6,047	6,047	9,318	3,271
Other	15,275	15,275	18,228	2,953
Total revenues	983,575	983,575	1,003,153	19,578
Expenditures:				
General government				
City attorney's office	12,723	12,118	12,118	-
City auditor's office	2,722	2,605	2,598	7
Dallas central appraisal district	2,408	2,408	2,408	-
Elections	1,321	2,368	2,330	38
Independent audit	680	1,384	1,384	-
Office of financial services	13,886	13,856	15,096	(1,240)
Dallas county tax collection	529	532	532	-
City manager's office	2,624	2,637	2,637	-
Office of environmental quality	1,339	1,283	1,285	(2)
Mayor and city council	2,998	3,002	3,002	-
Civil service	1,938	1,796	1,796	-
Human resources	6,680	6,329	6,501	(172)
Development services	2,131	1,958	1,955	3
Non-departmental	13,664	14,064	12,514	1,550
City secretary's office	1,908	1,919	1,919	-
Office of purchasing/business diversity	2,521	2,700	2,692	8
Economic development	3,643	3,488	3,487	1
Office of emergency management	695	692	862	(170)
Municipal court - Judiciary	2,444	2,545	2,545	-
Court and detention services	19,287	19,391	19,307	84
Total general government	96,141	97,075	96,968	107
Public safety				
Dallas police department	362,283	374,831	375,170	(339)
Dallas fire department	186,587	187,463	187,627	(164)
9-1-1 systems operations	12,885	12,885	12,967	(82)
Total public safety	561,755	575,179	575,764	(585)
Streets, street lighting, sanitation and code enforcement				
Code compliance	24,050	23,354	23,242	112
Sanitation services	59,515	58,197	58,564	(367)
Street services	35,376	35,452	35,363	89
Street lighting	18,548	17,771	17,771	-
Total streets, street lighting, sanitation and code enforcement	137,489	134,774	134,940	(166)
Environmental and health services	15,536	15,656	15,421	235

continued

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NON-GAAP BUDGETARY BASIS

Year Ended September 30, 2007

(in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Public works and transportation	$ 26,080	$ 25,265	$ 25,146	$ 119
Equipment and building services	34,315	35,266	35,218	48
Culture and recreation				
Library	28,060	28,171	28,115	56
Office of cultural affairs	14,806	14,758	14,701	57
Park and recreation	72,504	72,247	71,390	857
Total culture and recreation	115,370	115,176	114,206	970
Housing	1,524	1,295	1,291	4
Total expenditures	988,210	999,686	998,954	732
Excess (deficiency) of revenues over (under) expenditures	(4,635)	(16,111)	4,199	20,310
Other financing sources (uses):				
Transfers in	7,471	8,699	7,748	(951)
Transfers out	(20,192)	(20,192)	(19,248)	944
Total other financing sources (uses)	(12,721)	(11,493)	(11,500)	(7)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(17,356)	(27,604)	(7,301)	20,303
Fund balances, beginning of year	146,962	146,962	146,962	-
Fund balances, end of year	$ 129,606	$ 119,358	$ 139,661	$ 20,303

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
As of September 30, 2007
(in thousands)

	Business-type Activities Enterprise Funds					
	Dallas Water Utilities	Convention Center	Airport Revenues	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
Assets						
Current assets:						
Pooled cash and cash equivalents	$ 120,777	$ 66,982	$ 37,041	$ 19,848	$ 244,648	$ 50,026
Receivables:						
Accounts	63,239	1,201	2,088	844	67,372	1,437
Taxes	-	8,006	-	-	8,006	-
Accrued interest	4,811	778	318	148	6,055	288
Allowance for uncollectibles	(10,953)	(691)	-	(2)	(11,646)	-
Due from other governments	-	-	2,296	-	2,296	-
Due from other funds	268	-	-	-	268	-
Prepaid items	-	-	-	-	-	29
Inventories, at cost	5,489	139	219	-	5,847	2,573
Restricted assets:						
Customer assessments	405	-	-	-	405	-
Pooled cash and cash equivalents for current debt service	122,600	-	-	-	122,600	-
Customer deposits:						
Pooled cash and cash equivalents	8,193	-	-	-	8,193	-
Other	-	-	-	-	-	294
Total current assets	314,829	76,415	41,962	20,838	454,044	54,647
Noncurrent assets:						
Capital Assets:						
Land	72,632	87,820	53,628	-	214,080	1,696
Water Rights	353,910	-	-	-	353,910	-
Construction in progress	356,424	25	18,498	254	375,201	1,765
Buildings	356,664	579,344	390,010	337	1,326,355	4,435
Improvements other than buildings	39,476	52,799	123,635	273	216,183	989
Infrastructure assets	400,020	11,094	5,286	-	416,400	1,821
Equipment	438,776	39,917	9,922	3,412	492,027	170,510
Utility property	2,329,150	-	-	-	2,329,150	-
Accumulated depreciation	(1,227,377)	(191,173)	(173,516)	(2,234)	(1,594,300)	(141,130)
Total capital assets	3,119,675	579,826	427,463	2,042	4,129,006	40,086
Other noncurrent assets:						
Restricted assets:						
Held for construction purposes:						
Pooled cash and cash equivalents	209,712	-	-	-	209,712	-
Cash and cash equivalents	146,654	-	-	-	146,654	-
Pooled cash and cash equivalents for future debt service	1,369	-	-	-	1,369	-
Other investments for future debt service at fair value	68,665	28,799	-	-	97,464	-
Notes receivable from other funds	4,881	-	-	-	4,881	-
Net pension asset	73,207	5,237	6,849	13,324	98,617	-
Other assets	9,302	3,086	-	-	12,388	-
Total other noncurrent assets	513,790	37,122	6,849	13,324	571,085	-
Total noncurrent assets	3,633,465	616,948	434,312	15,366	4,700,091	40,086
Total assets	$ 3,948,294	$ 693,363	$ 476,274	$ 36,204	$ 5,154,135	$ 94,733

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS (continued)
As of September 30, 2007
(in thousands)

	Business-type Activities Enterprise Funds					Governmental Activities- Internal Service Funds
	Dallas Water Utilities	Convention Center	Airport Revenues	Nonmajor Enterprise Funds	Total	
Liabilities						
Current liabilities:						
Accrued payroll	$ 927	$ 87	$ 89	$ 191	$ 1,294	$ 305
Accounts payable	15,116	2,857	2,665	187	20,825	8,717
Accrued vacation and sick	3,072	368	384	919	4,743	1,084
Due to other governments	-	3	-	-	3	-
Due to other funds	1,147	-	-	-	1,147	-
Unearned Revenue	-	180	243	-	423	-
Estimated unpaid health claims	-	-	-	-	-	10,070
Estimated unpaid claims - general	-	-	-	-	-	2,981
Workers' compensation	-	-	-	-	-	10,968
Accrued bond interest payable on pension obligation bor	276	20	26	50	372	-
Revenue bonds	-	-	6,240	-	6,240	-
Pension obligation bonds	3,287	234	308	599	4,428	-
Other	792	1,651	398	119	2,960	1,264
Total current liabilities	24,617	5,400	10,353	2,065	42,435	35,389
Current liabilities (payable from restricted assets):						
Construction accounts payable	34,630	-	-	-	34,630	-
Commercial paper notes payable	179,698	-	-	-	179,698	-
Accrued bond interest payable	39,952	2,418	663	-	43,033	-
Revenue bonds	83,265	15,020	-	-	98,285	-
Total current liabilities (payable from restricted assets)	337,545	17,438	663	-	355,646	-
Total current liabilities	362,162	22,838	11,016	2,065	398,081	35,389
Noncurrent liabilities:						
Notes payable to other funds	1,071	-	-	-	1,071	-
Revenue bonds	1,553,719	351,227	20,509	-	1,925,455	-
Accreted interest on pension obligation bonds	7,543	538	707	1,374	10,162	-
Pension obligation bonds	93,243	6,639	8,737	16,986	125,605	-
Total long-term debt	1,655,576	358,404	29,953	18,360	2,062,293	-
Other long-term liabilities:						
Estimated upaid claims - general	-	-	-	-	-	17,608
Workers compensation	-	-	-	-	-	48,904
Customer deposits	8,147	352	-	-	8,499	-
Customer construction advances	14,322	-	7	-	14,329	-
Accrued vacation and sick	4,645	557	580	1,391	7,173	1,656
Total other long-term liabilities	27,114	909	587	1,391	30,001	68,168
Total noncurrent liabilities	1,682,690	359,313	30,540	19,751	2,092,294	68,168
Total liabilities	2,044,852	382,151	41,556	21,816	2,490,375	103,557
Net Assets						
Invested in capital assets, net of related debt	1,657,352	216,665	400,714	2,042	2,276,773	40,086
Restricted:						
Revenue bond requirements	152,682	28,799	-	-	181,481	-
Unrestricted	93,408	65,748	34,004	12,346	205,506	(48,910)
Total net assets	$ 1,903,442	$ 311,212	$ 434,718	$ 14,388	$ 2,663,760	$ (8,824)

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended September 30, 2007
(in thousands)

	Business-type Activities Enterprise Funds					
	Dallas Water Utilities	Convention Center	Airport Revenues	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
Operating revenues:						
Customer charges	$ 411,998	$ 17,941	$ 38,576	$ 26,936	$ 495,451	$ -
Charges to other City departments	-	-	298	-	298	149,270
Service to others	-	4,532	5	-	4,537	36,701
Intergovernmental	-	-	662	-	662	-
Other	-	187	4,443	1,424	6,054	9,265
Total operating revenues	411,998	22,660	43,984	28,360	507,002	195,236
Operating expenses:						
Personnel services	65,392	6,604	6,874	16,106	94,976	37,830
Supplies and materials	82,827	8,178	5,345	998	97,348	22,870
Contractual and other services	78,789	30,189	20,206	8,461	137,645	131,552
Depreciation	77,363	21,246	10,715	299	109,623	13,534
Total operating expenses	304,371	66,217	43,140	25,864	439,592	205,786
Operating income (loss)	107,627	(43,557)	844	2,496	67,410	(10,550)
Nonoperating revenues (expenses):						
Investment income	31,214	5,362	2,240	1,154	39,970	2,117
Alcohol beverage tax	-	7,569	-	-	7,569	-
Motor vehicle rental tax	-	4,495	-	-	4,495	-
Hotel occupancy tax	-	49,641	-	-	49,641	-
Interest on bonds and notes	(56,682)	(17,212)	(1,562)	(1,499)	(76,955)	-
Net gain on property disposals	167	-	-	-	167	317
Total nonoperating revenues (expenses)	(25,301)	49,855	678	(345)	24,887	2,434
Income (loss) before transfers and contributions	82,326	6,298	1,522	2,151	92,297	(8,116)
Capital contributions	9,062	-	24,405	-	33,467	-
Transfers in	86	3,860	8	16	3,970	-
Transfers out	(3,020)	(3,420)	(27)	(805)	(7,272)	(589)
	6,128	440	24,386	(789)	30,165	(589)
Change in net assets	88,454	6,738	25,908	1,362	122,462	(8,705)
Net assets, beginning of year	1,814,988	304,474	408,810	13,026	2,541,298	(119)
Net assets, end of year	$ 1,903,442	$ 311,212	$ 434,718	$ 14,388	$ 2,663,760	$ (8,824)

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2007
(in thousands)

	Business-type Activities Enterprise Funds		
	Dallas Water Utilities	Convention Center	Airport Revenues
Cash flows from operating activities:			
Cash received from customers	$ 413,518	$ 21,678	$ 41,997
Cash payments to suppliers for goods and services	(82,177)	(7,801)	(5,589)
Cash payments to employees for services	(71,307)	(6,775)	(7,155)
Cash payments for contractual services	(54,968)	(28,939)	(19,188)
Other operating cash receipts (payments)	(3,859)	274	(1,449)
Net cash provided by (used in) operating activities	201,207	(21,563)	8,616
Cash flows from non capital financing activities:			
Alcohol beverage tax	-	7,569	-
Motor vehicle tax	-	4,495	-
Hotel occupancy tax	-	49,641	-
Transfers from other funds	86	3,860	8
Transfers to other funds	(3,020)	(3,420)	(27)
Net cash provided by (used in) non capital financing activities	(2,934)	62,145	(19)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(268,447)	(106)	(1,517)
Proceeds from sale of capital assets	207	-	-
Proceeds from sale of revenue refunding bonds	704,687	-	-
Principal paid on revenue and general obligation bond maturities	(79,887)	(14,483)	(6,287)
Payment to refund bonds	(484,005)	-	-
Interest paid on bonds	(70,556)	(20,550)	(1,840)
Bond issuance costs	(4,740)	-	-
Proceeds from sale of commercial paper notes	216,736	-	-
Retirement of commercial paper notes	(197,576)	-	-
Interest paid on commercial paper	(5,216)	-	-
Increase (decrease) in customer and developer advances	-	-	-
Net cash provided by (used in) capital and related financing activities	(188,797)	(35,139)	(9,644)
Cash flows from investing activities:			
Purchase of investments	(58,808)	(18,853)	-
Maturity of investments	48,589	19,775	-
Investment income	28,019	4,464	2,272
Net cash provided by (used in) investing activities	17,800	5,386	2,272
Net increase (decrease) in cash and cash equivalents	27,276	10,829	1,225
Cash and cash equivalents, beginning of year	582,029	56,153	35,816
Cash and cash equivalents, end of year	$ 609,305	$ 66,982	$ 37,041

See accompanying notes to basic financial statements.

	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
	$ 28,616	$ 505,809	$ 184,546
	(988)	(96,555)	(19,250)
	(16,569)	(101,806)	(38,391)
	(8,405)	(111,500)	(119,110)
	(16)	(5,050)	9,265
	2,638	190,898	17,060
	-	7,569	-
	-	4,495	-
	-	49,641	-
	-	3,954	-
	(789)	(7,256)	(589)
	(789)	58,403	(589)
	(123)	(270,193)	(7,197)
	-	207	482
	-	704,687	-
	(558)	(101,215)	-
	-	(484,005)	-
	(412)	(93,358)	-
	-	(4,740)	-
	-	216,736	-
	-	(197,576)	-
	-	(5,216)	-
	-	-	-
	(1,093)	(234,673)	(6,715)
	-	(77,661)	-
	-	68,364	-
	1,165	35,920	2,167
	1,165	26,623	2,167
	1,921	41,251	11,923
	17,927	691,925	38,103
	$ 19,848	$ 733,176	$ 50,026

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
Year Ended September 30, 2007
(in thousands)

	Business-type Activities Enterprise Funds		
	Dallas Water Utilities	Convention Center	Airport Revenues
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ 107,627	$ (43,557)	$ 844
Adjustments not affecting cash:			
Depreciation	77,363	21,246	10,715
Change in assets and liabilities			
(Increase) Decrease in accounts and other receivables	(6,512)	(1,417)	(2,072)
(Increase) Decrease in notes receivables from other funds	(1,000)	-	-
(Increase) Decrease in customer assessments receivable	32	-	-
(Increase) Decrease in inventories	650	5	(22)
(Increase) Decrease in other assets	(5,844)	88	(268)
(Increase) Decrease in due from other governments	-	-	(1,449)
(Increase) Decrease in due from other funds	(877)	-	-
Increase (Decrease) in due to other funds	-	(6)	-
Increase (Decrease) in due to other governments	-	(13)	-
Increase (Decrease) in accounts and contracts payable	3,335	1,250	1,018
Increase (Decrease) in accrued payroll	30	7	9
Increase (Decrease) in accrued vacation and sick leave	(3,083)	27	(22)
Increase (Decrease) in allowance for doubtful accounts	8,301	691	-
Increase (Decrease) in deferred revenue	-	54	85
Increase (Decrease) in customer deposits	699	(310)	-
Increase (Decrease) in other liabilities	20,486	372	(222)
Total adjustments	93,580	21,994	7,772
Net cash provided by (used in) operating activities	201,207	(21,563)	8,616
Noncash investing, capital, and financing activities:			
Capital contributions	9,062	-	24,405
Total noncash investing, capital, and financing activities	9,062	-	24,405
Current Assets:			
Pooled cash and cash equivalents	120,777	66,982	37,041
Pooled cash and cash equivalents for current debt service	122,600	-	-
Customer Deposits pooled cash and cash equivalent	8,193	-	-
Held for Construction purposes:			
Pooled cash and cash equivalents	209,712	-	-
Cash and cash equivalents	146,654	-	-
Pooled cash and cash equivalents for future debt service	1,369	-	-
Total cash and cash equivalents end of year	$ 609,305	$ 66,982	$ 37,041

See accompanying notes to basic financial statements.

	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
	$ 2,496	$ 67,410	$ (10,550)
	299	109,623	13,534
	282	(9,719)	(1,425)
	-	(1,000)	-
	-	32	-
	-	633	1,159
	(521)	(6,545)	1,118
	-	(1,449)	-
	-	(877)	-
	(16)	(22)	
	-	(13)	-
	56	5,659	5,991
	36	82	(39)
	22	(3,056)	(522)
	(26)	8,966	-
	-	139	-
	-	389	-
	10	20,646	7,794
	142	123,488	27,610
	2,638	190,898	17,060
	-	33,467	-
	-	33,467	-
	19,848	244,648	50,026
	-	122,600	-
	-	8,193	-
	-	209,712	-
	-	146,654	-
	-	1,369	-
	$ 19,848	$ 733,176	$ 50,026

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
As of September 30, 2007
(in thousands)

	Agency Funds	Pension Trust Funds
Assets		
Pooled cash and cash equivalents	$ 8,167	$ -
Cash and cash equivalents	-	596,541
Receivables:		
Accounts	40	284,960
Accrued interest	46	14,967
Domestic equities	-	1,450,143
U.S. and foreign government securities	-	438,622
Domestic corporate fixed income	-	490,094
International equities and fixed income	-	651,456
Commingled index funds	-	128,599
Venture capital (real estate)	-	63
Certificate of Deposit	0	-
Prepaid Items	1,265	-
Plan interest in Group Master Trust	-	3,149,792
Total assets	9,518	7,205,237
Liabilities		
Accounts payable	1,328	4,190
Payable for securities purchased	-	176,782
Securities lending obligation	-	502,669
Other	8,190	197,626
Total liabilities	9,518	881,267
Net Assets		
Held in trust for pension benefits	-	6,323,970
Total net assets	$ -	$ 6,323,970

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended September 30, 2007
(in thousands)

	Pension Trust Funds
Additions:	
Contributions:	
Employer	$ 115,953
Employee	48,100
Total contributions	164,053
Net investment income:	
Dividends	30,706
Interest	49,386
Net appreciation in fair value of investments	393,728
Net investment gain from Group Master Trust	414,443
Securities lending income	26,730
Less investment expenses:	
Investment management fees	(9,855)
Custody fees	(125)
Consultant fees	(268)
Securities lending borrower rebates	(25,220)
Securities lending management fees	(453)
Total investment expenses	(35,921)
Net investment income	879,072
Other income	320
Total increases	1,043,445
Deductions:	
Benefit payments	262,577
Refund of contributions	4,179
Administrative expenses	6,740
Total deductions	273,496
Net increase in net assets available for benefits	769,949
Net assets held in trust for pension benefits:	
Beginning of year	5,554,021
End of year	$ 6,323,970

See accompanying notes to basic financial statements.

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Note 1. Summary of Significant Accounting Policies

A. General

The City of Dallas, Texas (“the City”) is a municipal corporation incorporated under Article XI, Section 5 of the Constitution of the State of Texas (Home Rule Amendment). The City operates under the Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants.

The accounting policies of the City conform to U.S. generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting as promulgated by the Financial Accounting Standards Board issued prior to December 1, 1989 are followed in the enterprise funds and the business-type activities to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance. Unless otherwise indicated, amounts are presented in thousands (000’s). The more significant accounting and reporting policies and practices used by the City are described below:

B. Reporting Entity

The basic financial statements present the City and its component units and include all activities, organizations and functions for which the City is considered to be financially accountable. The criteria considered in determining activities to be reported within the City's basic financial statements include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

The City's municipal services, which include public safety (police and fire), streets, sanitation, code enforcement, environmental and health services, public works and transportation, equipment and building, culture and recreation, housing and human services, and general administrative services, are included in the accompanying basic financial statements.

In addition, the City owns and operates certain enterprise funds including water utilities, convention services, airport and other enterprise activities that are also included in the accompanying basic financial statements.

Blended Component Units

Blended component units are included as part of the primary government because they meet the above criteria as well as serve or benefit the City exclusively.

- Pension Trust Funds – The Pension Trust Funds have a December 31 year-end. The primary functions of the pension entities are investment and benefit management activities. Although the entities are legally separate from the City, they are reported as part of the primary government because the above criteria are met. Each board has contracted with various investment managers and banks for management of the portfolios of the plans. The City contributes on behalf of its employees to three defined benefit pension plans administered by two legally separate entities: the Employees' Retirement Fund of the City of Dallas, at 600 North Pearl Street, Suite 2450, Dallas, TX 75201; and Dallas Police and Fire Pension System, at 2301 N. Akard Road, Suite 200, Dallas, TX 75201.
- Downtown Dallas Development Authority – The primary function of the Downtown Dallas Development Authority (DDDA) is to increase the property tax base in the downtown area of the city. The DDDA operates in a manner similar to other tax increment financing zones of the City, but has a separate board. Although it is legally separate from the City, DDDA is reported as if it were part of the primary government because its primary purpose is to issue revenue bonds to finance major improvements by developers on behalf of the City. Financial information can be obtained from: City of Dallas Economic Development Department, 1500 Marilla, Room 6BS, Dallas, TX 75201.

Note 1. Summary of Significant Accounting Policies (continued)

B. Reporting Entity (continued)

Complete financial statements for each of the component units may be obtained at the administrative offices listed above.

Discretely Presented Component Units - The following legally separate entities are reported as discretely presented component units of the City because the City appoints a voting majority of the boards, approves budgets and maintains the ability to impose its will on the entities.

- Housing Finance Corporation - organized to issue tax-exempt mortgage revenue bonds to encourage low to moderate-income citizens opportunities for single-family residential home ownership.
- Housing Acquisition and Development Corporation - organized solely and exclusively for the public purpose of providing safe, affordable housing facilities for low and moderate income persons.

Entity financial statements are available for Housing Acquisition and Development Corporation and the Housing Finance Corporation by contacting the City of Dallas Housing Department, 1500 Marilla, Room 6DN, Dallas, TX 75201.

Related Organizations

City officials are also responsible for appointing members to the boards of the following organizations, but the City's accountability for these organizations does not extend beyond making appointments.

The Dallas/Fort Worth International Airport (DFW Airport) is jointly governed by the cities of Dallas and Fort Worth. The Cities approve the Airport's annual budget and all bond sales, but have no responsibility for the Airport's debt service requirements. DFW Airport is governed by a 12-member board (Board) comprised of seven members representing the City of Dallas, four members representing the City of Fort Worth and on an annual basis, one non-voting member from the neighboring cities of Irving, Grapevine, Euless and Coppell. Members of the Board are appointed by the respective City Councils. The Board is a semi-autonomous body charged with governing the Airport and may enter into contracts without approval of the City Councils.

The Dallas Housing Authority (Authority) is an independent organization, which has a scope of public service within the geographic boundaries of the City. Under Texas State Statutes, the responsibility for the administration and operations of the Authority is vested solely with the Authority's Board of Commissioners. The Authority is dependent on Federal funds from the Department of Housing and Urban Development and, as a result, is not financially dependent on the City. In addition, the City is not responsible for any deficits incurred and has no fiscal management control. The governing body of the Authority is its Board of Commissioners, composed of five members appointed by the Mayor of the City of Dallas. The Authority is not considered a component unit of the City, as defined by pronouncements of GASB 14, amended by GASB 39, since the City is not financially accountable for the operations of the Authority, has no responsibility to fund deficits or receive surpluses, and has not guaranteed the Authority's debt.

The Dallas Area Rapid Transit (DART) is a regional transportation authority under Chapter 452 of the Texas Transportation Code and is controlled by a 15-member board. The Dallas City Council appoints seven members and participating suburban City Councils appoint eight board members. Its purpose is to provide transportation services in the DART service area. The voters in the DART service area approved a one percent sales tax to fund the authority annually. DART is not fiscally dependent on the City.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the primary government and its non-fiduciary component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Note 1. Summary of Significant Accounting Policies (continued)

C. Government-wide and Fund Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund level financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows; however, agency funds report only assets and liabilities and have no measurement focus.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues received within 60 days of year-end to be available, in accordance with the City’s accounting policy, except as noted in the paragraph below.

Revenues susceptible to accrual include ad valorem taxes, sales tax, sanitation collection fees, disposal fees, ambulance fees, parking fines, franchise fees and interest. In applying the susceptible to accrual concept to Federal and State grants, revenues are recognized when applicable eligibility requirements, including time requirements, are met. The grant revenues and developer and intergovernmental contributions availability period is considered to be one year. All other revenue items are considered to be measurable and available only when the City receives the cash as the resulting net receivables are deemed immaterial, such as court fines and fees.

Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, rebatable arbitrage, claims and judgments, and landfill closure and post-closure care costs are recorded only when matured and payment is due.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Note 1. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets.

The City reports the following major proprietary funds:

The Dallas Water Utilities Fund accounts for water and wastewater services for Dallas, area customer cities and governmental entities. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

The Convention Center Fund accounts for convention and event services for the Dallas Convention Center. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

The Airport Revenue Fund accounts for Dallas Airports System, which includes airport services and administration of Dallas Love Field, Executive Airport and Heliport. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service. DFW airport activity is not included in the financial statements.

Additionally, the City reports the following funds:

The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of those major capital facilities which are not financed by Enterprise Funds, Internal Service Funds, and Trust Funds.

The Special Revenue Funds are used to account for proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes.

Non-major Enterprise Funds are used to account for operations, other than the major proprietary funds listed above, which are operated in a manner similar to private business enterprises. Non-major Enterprise Funds include the operation of the municipal radio station and building inspections.

The Internal Service Funds are used to allocate associated costs of centralized services on a cost-reimbursement basis. The services provided to other City departments are vehicles, vehicle maintenance and fuel and lubrication, providing communication services, providing data processing and programming services, providing office supplies, printing, copying and mailing services and providing risk financing and insurance-related activities.

The Pension Trust Funds account for the activities of the City's three contributory defined benefit pension plans: Employees' Retirement System; Police and Fire Pension System; and Supplemental Police and Fire Pension Plan.

The Agency Funds are used to account for assets held by the City, as an agent for individuals (employee war and savings bond fund, cash escrow, confiscated money, disposal deposit fund), private organizations (Travelers Express, Deferred compensation) and other funds for assets held by the City, in a trustee capacity (Walker housing, tax distribution, and employee benefits).

Permanent Funds are used to account for private endowments whereby interest earnings are restricted in accordance with the endowment terms.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes (PILOT) and other charges between the Dallas Water Utilities Fund and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations.

Note 1. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The principal operating revenues of the City's enterprise funds are charges to customers for sales and services while operating expenses include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Cash and Cash Equivalents

Cash includes amounts in demand deposits as well as short-term investments with the exception of the Pension Trust Funds (which consider short-term investments as regular investments). Investment income on the pooled investments is prorated monthly based upon the average daily cash balance in each fund.

Investments in certificates of deposit, U.S. government obligations and other investments are recorded at fair value based on quoted market prices. Pension investments are recorded at fair value based on quoted market values, where available. The amounts recorded in the Pension Trust Funds for real estate funds and venture capital funds represent estimated fair values based upon appraised values or other comparable methods. The Commingled Index Funds estimated fair values are based upon audited financial statements.

F. Property Taxes

The City's property tax is levied each October 1 on the assessed value as of the previous January 1 for all real and income-producing (or business personal) property. Appraised values are established by the Dallas Central Appraisal District equal to 100 percent of appraised market value as required under the State Property Tax Code. The value of real property within the Appraisal District must be reviewed every three years. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. The City establishes tax rates on property within its jurisdiction. If the adopted tax rate, excluding tax rates for bonds and other contractual obligations, exceeds the effective tax rate by more than eight percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate increase to no more than eight percent above the effective tax rate. Property taxes attach as an enforceable lien on property as of January 1 of the subsequent year.

Taxes are due October 1. Full payment can be made prior to the following January 31 to avoid penalty and interest charges. Current tax collections for the year ended September 30, 2007 were 96.43 percent of the tax levy. The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to $2.50 per one hundred dollars of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The tax rate for fiscal year 2007 was $0.7292 per $100 dollars of assessed valuation, $0.5448 for general governmental services and $0.1844 for the payment of principal and interest on general obligation long-term debt.

G. Federal and State Grants and Entitlements

Grants and entitlements received for purposes normally financed through the general government are accounted for within the Special Revenue Funds. Community Development Block Grants are the more significant grants so classified. Grants and similar items are recognized as revenue as soon as all applicable eligibility requirements, including time requirements, have been met.

Current revenues received for operating purposes of enterprise funds for either operations or capital expenditures are recognized in the applicable enterprise fund.

H. Inventories

Inventory is valued at average cost. Inventory for all funds generally consists of expendable supplies and automotive parts held for consumption and are recorded as expenditures (or expense) when consumed. Since the City uses the consumption method of accounting for inventories and has no minimum quantity requirements, no reserve has been established within the fund balances of the Governmental Fund types.

Note 1. Summary of Significant Accounting Policies (continued)

I. Prepaid Items

Prepaid Items are payments made to vendors for services that will benefit periods beyond September 30, 2007, and are included with other assets.

J. Restricted Assets

Proceeds of Enterprise Fund revenue bonds and commercial paper notes, as well as resources set aside for revenue bond repayment, are classified as restricted assets on the balance sheet when their use is limited by applicable covenants. The capital project funds record proceeds of debt issuances restricted for construction. The current Debt Service Funds are used to segregate resources accumulated for debt service payments over the next 12 months.

The assets restricted for revenue bond future debt service is used to report resources set aside to fulfill revenue bond debt reserve requirements. Other restricted assets include funds restricted for construction from revenue bond proceeds, contractual obligation debt service funds, unspent grant proceeds, and customer deposits. Assets restricted for a specific purpose are utilized before the use of unrestricted assets to pay related obligations when authorized to do so.

K. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (examples include streets and bridges), are reported in the applicable governmental or business-type activities columns, in both the government-wide and proprietary fund level statement of net assets. Generally, equipment with an individual cost of at least $5 thousand, infrastructure with a cost of at least $25 thousand, and buildings with a cost of at least $50 thousand and an estimated useful life of more than one year, are capitalized. Purchased or constructed capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Assets acquired by donation are recorded at estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The business-type activities and proprietary funds capitalize interest costs during construction. Interest capitalized in the Dallas Water Utilities fund during the year ended September 30, 2007 was $14.6 million.

Depreciation, which includes amortization of assets under capital leases, is computed using the straight-line method over the estimated useful or service lives of the related assets.

The estimated useful lives of the primary government's capital assets are as follows:

	Useful Life	
	Governmental Activities	Business-type Activities
Infrastructure………………………………………….	10-50 years	50 -100 years
Reservoirs and water rights…………………………	N/A	100 years
Buildings………………………………………………	10-50 years	10-50 years
Improvements other than buildings………………..	10-50 years	10-100 years
Equipment……………………………………………	3-20 years	3-25 years
Utility property………………………………………..	N/A	33-75 years

The City has certain scientific equipment and zoo animals that are not capitalized or depreciated as they are treated as collections, as prescribed by GAAP. Artwork is capitalized but not depreciated. These assets are maintained for public exhibition, education or research and are being preserved for future generations. The proceeds from sales of any pieces of the collection are used to purchase other items for the collection.

Note 1. Summary of Significant Accounting Policies (continued)

L. Compensated Absences

The City's employees earn vacation, sick, and attendance incentive leave which may be used or accumulated up to certain amounts. Unused vacation and attendance incentive leave is paid upon death, retirement or termination. Unused sick leave is reduced to a specified limit when paid upon retirement, certain terminations, or death.

In accordance with the criteria established in the Codification of Governmental Accounting Standards, Section C60, “Compensated Absences,” a liability is recorded for vacation leave earned by employees attributable to past service and sick leave earned by employees attributable to past service only to the extent it is probable that such leave will result in termination pay. In addition, a liability has been recorded for certain salary related payments associated with the payment of accrued vacation and sick leave.

In the government-wide and proprietary fund statements of net assets, all compensated absence liabilities incurred are recorded as liabilities. However, a liability is recorded in the governmental funds balance sheet only if they have matured and are due as a result of employee resignations, retirements, or termination.

M. Risk Management

The City is self-funded for workers’ compensation, employee health insurance, most property damage and the majority of tort liability exposures. Commercial insurance is used where it is legally required, contractually required, or judged to be the most effective way to finance risk. Indemnity and insurance protection is also required for all City contractors, vendors, lessees and permit holders. Claims and judgments are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The recorded estimated liability for claims and judgments includes a provision for Incurred But Not Reported (IBNR) liabilities for workers’ compensation, tort cases, and employee health insurance.

N. Deferred Revenue/Unearned Revenue

Deferred revenue in the governmental funds occurs when potential revenue does not meet both the “measurable” and “available” criteria for recognition. Deferred revenue also occurs when the City receives resources before it has a legal claim to them. In subsequent periods, when both the revenue criteria are met, or when the City has a legal claim to the resources, the deferred revenue is removed from the balance sheet/statement of net assets and revenue is recognized. Unearned revenue is recognized when cash has been received prior to the City earning this revenue.

O. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund financial Statements of Net Assets.

General obligation bonds are issued to fund capital projects of both the general government and certain Proprietary Funds and are to be repaid from tax revenues of the City. Accreted interest on capital appreciation bonds is reflected as interest expense in the governmental activities Statement of Activities and as an addition to general obligations payable in the Statement of Net Assets.

P. Bond Premiums, Discounts, Issuance Costs, and Deferred Amount on Refunding

In the government-wide financial statements and proprietary fund financial statements, bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are deferred and amortized over the term of the bonds based on the straight-line method.

Note 1. Summary of Significant Accounting Policies (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as issuance costs in the current period. The face amount of debt issued is reflected as other financing sources. Premiums are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The deferred amount on refunding related to refunded bonds (difference between the reacquisition price and the net carrying amount of the old debt) is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Q. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the fund level balance sheets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Short-term and long-term interfund loans are classified as notes receivable or payable from other funds with interest rates ranging from 2-4%.

R. Transactions Between Funds

Transactions between funds, which would have been treated as revenues, expenditures, or expenses if they involved organizations external to the government unit, are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expenses in the fund reimbursed. All other nonreciprocal transactions between funds which are not reimbursements and where the funds do not receive equivalent goods or services for the transaction are classified as transfers.

S. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional, and participants select investment options. Investment options include stock funds, bond funds, and money market accounts, including various risk alternatives. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Deferred compensation investments from this plan are not reported in the City’s financial statements. Investments are managed by the plan trustees under one of various pools of investment options offered by Fidelity Investments, at the direction of the covered employee. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable thereto are held in trust for the exclusive benefit of the participants and their beneficiaries.

T. Net Assets

In the government-wide and proprietary funds financial statements, the net assets are reported in three components: (1) invested in capital assets, net of related debt; (2) restricted; and (3) unrestricted. Invested in capital assets, net of related debt represents the City’s total investment in capital assets, net of depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained in perpetuity, and invested for the purpose of producing present and future income, which may be either expended for operation and maintenance of City parks or added to principal. In the governmental fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose, unless a separate fund is utilized for only that purpose. The use of the separate fund itself communicates the legal segregation for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 1. Summary of Significant Accounting Policies (continued)

U. Statement of Cash Flows

For purposes of the statement of cash flows, the City considers pooled cash and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

V. Use of Estimates

The preparation of financial statements in conformity with GAAP, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

W. New Accounting Pronouncements

GASB Statement Number 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" will be implemented by the City as required by the GASB during the fiscal year ending September 30, 2008. Other postembployment benefits (OPEB) include postemployment healthcare, or other benefits other than pensions. The statement improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB cost and providing information about actuarial accrued liabilities.

The City has conducted an actuarial valuation of the impact of unfunded OPEB liabilities. As of October 1, 2007, the unfunded actuarial accrued liability for benefits earned by employees was $651 million. The City has elected to amortize this liability over a 30 year period as a level percentage of payroll. The net OPEB obligation as of September 30, 2008 is estimated to be $35 million.

GASB Statement Number 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" will be implemented by the City as required by the GASB during the fiscal year ending September 30, 2008. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The City has not yet determined the impact of the implementation of this statement on its financial statements.

GASB Statement Number 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" will be implemented by the City as required by the GASB during the fiscal year ending September 30, 2009. The statement addresses accounting and financial reporting standards for pollution remediation obligations. The City has not yet determined the impact of the implementation of this statement on its financial statements.

GASB Statement Number 50, "Pension Disclosures" will be implemented by the City as required by the GASB during the fiscal year ending September 30, 2008. The statement more closely aligns the financial reporting requirements for pensions with those for OPEB.

GASB Statement Number 51, "Accounting and Financial Reporting for Intangible Assets" will be implemented by the City as required by the GASB during the fiscal year ending September 30, 2010. The statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. The City has not yet determined the impact of the implementation of this statement on its financial statements.

GASB Statement Number 52, "Land and Other Real Estate Held as Investments by Endowments" will be implemented by the City as required by the GASB during the fiscal year ending September 30, 2009. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. The City has not yet determined the impact of the implementation of this statement on its financial statements.

Note 1. Summary of Significant Accounting Policies (continued)

GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" will be implemented by the City as required by the GASB during the fiscal year ending September 30, 2010. The statement is intended to improve how state and local governments report information about derivative instruments – financial arrangements used by governments to manage specific risks or make investments – in their financial statements. The City has not yet determined the impact of the implementation of this statement on its financial statements.

Note 2. Stewardship, Compliance and Accountability

A. Legal Compliance – Budgets

The City Council adheres to the following procedures in establishing the budgets reflected in the accompanying combined financial statements.

1) By the fifteenth day of August each year, the City Manager is required to submit to the City Council a proposed budget for the fiscal year beginning the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2) Public hearings are conducted to obtain taxpayers' comments.
3) Prior to October 1, the budget is legally enacted by the City Council through passage of an ordinance.
4) The City Manager is authorized to transfer budgeted amounts between accounts within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Council. The legal level of budgetary control is the department level.
5) Formal budgetary integration is employed as a management control device during the year for the General Fund and Debt Service Fund. Formal budgetary integration is employed as a management control device in the Capital Project Funds for the life of the projects.
6) Annual budgets are legally adopted for the General Fund, Debt Service Fund and Proprietary Funds. Certain differences exist between the basis of accounting used for budgetary purposes and that used for financial reporting in accordance with GAAP. Budgets for the Capital Project Funds are normally established pursuant to the terms of the related bond ordinances on a project basis.

B. Budgets and Budgetary Basis of Accounting

The City prepares its annual appropriated General Fund, Debt Service Fund and Proprietary operating funds' budgets on the budget basis which differs from the GAAP basis. The budget and all transactions of the General Fund are presented in accordance with the City's budget basis in the General Fund Statement of Revenues, Expenditures and Changes in Fund Balances – Non-GAAP Budgetary Basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget and GAAP basis are attributable to the elimination of expenditures budgeted on a non-annual basis and the fact that encumbrances are recorded as the equivalent of expenditures (budget) rather than a reservation of fund balance (GAAP) in the Governmental Funds. Adjustments necessary to convert the excess of revenues and other financing sources over expenditures and other uses on the budget basis to a GAAP basis for the General Fund are provided below:

Excess of revenues and other financing sources over expenditures and other uses--budget basis	$ (7,301)
Tax increment transfer eliminated under GAAP	(6,199)
Change in fair market value of investments	3,356
Decrease in encumbrances	10,445
Excess of revenues and other financing sources over expenditures and other uses--GAAP basis	$ 301

Note 2. Stewardship, Compliance and Accountability (continued)

B. Budgets and Budgetary Basis of Accounting (continued)

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized as an extension of formal budgetary integration in the governmental funds. For budgetary purposes, appropriations lapse at fiscal year end except for that portion related to encumbered amounts. For Governmental Funds, outstanding encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities for GAAP purposes since the goods and services have not been received and the commitments will be honored during the subsequent year.

Certain individual funds within the Special Revenue Funds reflect reserves for encumbrances and corresponding deficits in undesignated fund balances. In accordance with City policy, these reserves are recorded for contractual obligations and other commitments entered into by the City, and for which revenues will not be recognized until the related expenditures are made.

Encumbrances outstanding at year-end are carried forward to the new fiscal year. Such encumbrances constitute the equivalent of expenditures for budgetary purposes and, accordingly, the accompanying financial statements present comparisons of actual results to budget of Governmental Funds on the budget basis of accounting.

C. Fund Balances – Reserves, Designations and Deficit

Reserves of fund balances represent those amounts which are not available for appropriation in future periods or which are legally segregated for specific future uses.

Fund designations indicate tentative plans for utilization of financial resources. The City's designated fund balance in the General Fund of $45.8 million is as follows:

9-1-1 Program	$ 4,850
Cultural Programs	1,410
Risk reserve	1,250
Future expenditures	1,162
Emergencies	18,263
Contingencies	3,772
TU rate case reserve	15,052
Total	$ 45,759

The Risk Fund has a deficit net asset balance of $66.1 million associated with the City's self-insured workers' compensation, auto, and general liability activities. The deficit results from the recognition of certain liabilities that will be paid in future periods. Those liabilities will be funded in the fiscal year in which they will be paid through annual budget appropriations. The City's approach for addressing this deficit is consistent with the budgetary basis of accounting for all funds as indicated in Note 2.B. The Neighborhood Projects capital projects fund has a deficit fund balance of $13.2 million. The deficit results from loans from developers to be repaid from additional ad valorem taxes as a result of increased property values in TIF zones.

Note 3. Cash, Deposits and Investments

The City maintains a cash and investment pool available for use by all City funds. Each fund's portion of this pool is displayed on the balance sheet as "Pooled cash and cash equivalents." The City treats pooled investments and short-term non-pooled investments as cash equivalents. Long-term non-pooled investments are reported as "Other investments, at fair value" in the appropriate funds. In addition, several City funds have investments, which are separately held. A fund may overdraw its account in the pool, with the overdrafts reported as liabilities (due to other funds) on the balance sheet.

Note 3. Cash, Deposits and Investments (continued)

A. In 1987, the City Council adopted the City's Investment Policy which was in compliance with federal and state law and the City Charter. Subsequent amendments were made by the City Council to incorporate changes to the Public Funds Investment Act and to improve management of the City's investments. The Public Funds Investment Act requires that investments shall be made in accordance with written policies at least annually by the governing body; investment policies must address safety of principal, liquidity, yield, diversification and maturity, with primary emphasis on safety of principal. In accordance with this Policy, the City may invest in direct or guaranteed obligations of the U.S. Treasury, certain U.S. agencies and instrumentalities, and the State of Texas or its agencies and instrumentalities with a credit rating no less than A; fully collateralized certificates of deposit and repurchase agreements; no-load money market mutual funds and local government investment pools with credit ratings no less than AAA. The City's Investment Pool is an aggregation of the majority of City Funds which includes tax receipts, enterprise fund revenues, fine and fee revenues, as well as some, but not all, bond proceeds, grants, gifts and endowments. This portfolio is maintained to meet anticipated daily cash needs for City of Dallas operations, capital projects and debt service. The City is precluded from investing in bankers' acceptances, commercial paper, collateralized mortgage obligations, reverse repurchase agreements, and obligations of cities, counties and political subdivisions of other states, all of which are authorized by State law.

Employees' Retirement Fund and Police and Fire Pension Plans, component units of the City, are included under Pension Trust in the following table. Police and Fire Pension Plans include Dallas Police and Fire Pension System and Supplemental Police and Fire Pension Plan. DDDA, a component unit of the City included as a Special Revenue Fund, is also included. A summary of pooled cash and other investments for all City funds including $8.2 million held in agency funds at September 30, 2007, is presented below:

	Cash and Pooled Investments With City Treasurer	Cash and Investments DDDA	Other Cash and Investments Pension Trust	Total	Cash with Discretely Presented Component Units
Pooled cash and investments	$ 475,554	$ -	$ -	$ 475,554	$ 582
Cash and cash equivalents	-	-	596,541	596,541	-
Other investments	29,663	-	6,308,769	6,338,432	-
Restricted cash and investments	1,386,214	12,744	-	1,398,958	-
Total	$ 1,891,431	$ 12,744	$ 6,905,310	$ 8,809,485	$ 582

A summary of the carrying amount of cash on hand, deposits and investments at September 30, 2007, is as follows:

	Cash and Pooled Investments With City Treasurer	Cash and Investments DDDA	Other Cash and Investments Pension Trust	Total	Cash with Discretely Presented Component Units
Deposits	$ 82,929	$ -	$ 596,541	$ 679,470	$ 582
Investments	1,808,502	12,744	6,308,769	8,130,015	-
Total	$ 1,891,431	$ 12,744	$ 6,905,310	$ 8,809,485	$ 582

Note 3. Cash, Deposits and Investments (continued)

At September 30, 2007, the investments held in the City Treasury's General and Investment Pool Programs are as follows:

Type of Investment	Total
Categorized Investments:	
United States Treasury Notes	$ 185,213
Federal Farm Credit Bank Notes	171,555
Federal Farm Credit Bank Notes Callable	28,903
Federal Home Loan Bank Notes	288,325
Federal Home Loan Bank Notes Callable	58,223
Federal Home Loan Mortgage Corporation Notes	348,890
Federal National Mortgage Discount Notes	34,351
Federal National Mortgage Association Notes	230,999
Federal National Mortgage Association Notes Callable	72,826
Total Categorized Investments	$ 1,419,285
Investments Not Categorized:	
Endowment Funds	10,118
BlackRock Money Market Mutual Fund	54,912
Columbia Treasury Escrow Fund	961
Federated Tax-Free Fund	91,743
Reserve Primary Fund	31,483
TexPool - Money Market Mutual Funds	212,744
Total Investments Not Categorized	401,961
Total General and Investment Pool Programs in City Treasury	$ 1,821,246

At December 31, 2006, the investments held in the City's Pension Trust Funds are as follows:

Type of Investment	Total
Categorized Investments:	
Employees' Retirement Fund (at quoted market values)	
Domestic Equities	$ 1,450,143
U.S. and Foreign Government Securities	438,622
Domestic Corporate Fixed Income	490,094
International Equities	651,456
Dallas Police and Fire Pension System	
Plan Interest in Group Master Trust	3,129,922
Plan Interest in Group Master Trust - Supplemental	19,870
Total Categorized Investments	$ 6,180,107

Note 3. Cash, Deposits and Investments (continued)

Investments Not Categorized:	
Employees' Retirement Fund	
Venture Capital	$ 63
Commingled Index Funds	128,599
Total Not Categorized	128,662
Total investments in City's Pension Trust funds	$ 6,308,769

Investments of the City, other than for 2a7-like pools, are valued based upon quoted market values obtained by the City. For investments in 2a7-like pools, the value of the position in the external investment pool is the same as the value of the pool shares, which are valued based on quoted market rates. No investments are reported at amortized cost. The City invests in one 2a7 - like pool, the Texas Local Government Investment Pool (TexPool), which was created under the Interlocal Cooperation Act, Texas Government Code Ann. ch. 791 and the Texas Government Code Ann. ch. 2256. The Texas Treasury Safekeeping Trust Company (the Trust) is trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State Comptroller is sole officer, director and shareholder. The advisory board of TexPool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act, Texas Government Code Ann. ch. 2256.

Texas statutes and City policy authorize operating, capital projects, bond reserve and trust monies to be deposited in demand deposits, time deposits, or certificates of deposit. Texas statutes require all uninsured collected deposits to be fully collateralized.

At year end, the following deposits and bank balance were covered by federal depository insurance or by collateral held by the City's third-party agents pledged in the City's name which is category 1 as defined in the Codification of Governmental Accounting Standards Section C20, "Cash Deposits with Financial Institutions." The fair value of these deposits approximates their costs.

The collateral pledged to the City is held in a joint safekeeping account at the Federal Reserve Bank.

Primary Government	Carrying Value	Bank Balance
Pooled Demand Deposits	$ 82,929	$ 2,510
Cash and cash equivalents – Pension Trust Funds	596,541	596,541
Total	$ 679,470	$ 599,051

Plan interest in Group Master Trust

Beginning January 1, 2006, the Dallas Police and Fire Pension System's (the System) investments are held in the Group Master Trust (Group Trust). JP Morgan Chase served as custodian for the year ended December 31, 2006. The fair value of the System interests in the Group Trusts is based on the unitized interests that it has in the Group Trust. The System's interest in the Group Trust was approximately 99.3691% at December 31, 2006. The Supplemental Plan's interest in the Group Trust was approximately 0.6309% at December 31, 2006. The allocation of investment income between the System and the Supplemental Plan is based on the number of units owned of the Group Trust. Benefits, contributions and administrative expenses are allocated to each plan directly.

Investments and Plan Interest in Group Master Trust:

The following disclosures on investments and plan interest in Group Master Trust are made for both the Group Master Trust as of and for the year ended December 31, 2006.

Note 3. Cash, Deposits and Investments (continued)

The following summarizes the fair value of investments for the Group Trust as of December 31, 2006.

Investments, at fair value		
Cash and cash equivalents	$	270,728
United States Government Securities		58,045
United States government sponsored enterprises		8,981
Foreign government securities		194,262
Commingled funds		86,466
Domestic equities		1,103,204
International equities		741,592
Corporate securities		374,426
Investments, at appraised value - real estate equity funds		767,991
Total Investments		3,605,695
Receivables:		
Accrued interest and dividends		13,468
Forward currency contracts		79,788
Securities sold		51,559
Total receivables		144,815
Total assets		3,750,510
Liabilities and Net Assets		
Repurchase loan agreement		35,710
Payable for securities purchased		56,554
Professional fees payable		2,920
Forward currency contracts		79,788
Securities lending collateral		221,286
Line of Credit		204,460
Total liabilities		600,718
Net assets in the Group Trust	$	3,149,792

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Note 3. Cash, Deposits and Investments (continued)

Deposit and Investment Risk Disclosures of Funds with the City Treasurer

GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* requires disclosure information related to common risks inherent in deposit and investment transactions. Investments are subject to certain types of risks, including custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Exposure of deposited funds and investment risk are disclosed in the following sections of this note.

Custodial Credit Risk

Custodial credit risk is the risk that, in event of the failure of the counterparty, the City will not be able to recover the value of its deposit or collateral securities that are in the possession of an outside party. The city's pension plans and DDDA do not have policies for custodial credit risk. As of September 30, 2007, $933 was fully collateralized and insured by U.S. Federal Agency securities and the Federal Deposit Insurance Corporation. The collateral pledged to the City is held in the City's name at the Federal Reserve Bank.

Fully collateralized and insured deposits held by custodian banks:

Demand Deposits	$	933

At September 30, 2007, total uninsured deposits were $1,577. Safekeeping of investment securities is provided by the City's depository and trust institutions. Securities are held in street name with the bank as nominee. As of September 30, 2007, the City's investments held by the counterparty, and not insured, are as follows:

Security Type		Fair Value
U.S. Treasury Securities	$	185,213
U.S. Agency Securities		1,234,072
Total	$	1,419,285

The DDDA had $12,744 exposed to custodial credit risk.

The Dallas Police and Fire Pension System security investments that were not subject to custodial credit risk were the investments in fixed income and equity investments. The Employees' Retirement Fund had $2,413 of the total Plan investments of $3.2 billion exposed to custodial credit risk as follows:

Uninsured and uncollateralized held by custodian bank outside the United States $2,413.

Concentration of Credit Risk

Investments that individually represent 5% or more of net portfolio assets are stated below. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded.

Note 3. Cash, Deposits and Investments (continued)

Concentration of Credit Risk (continued)

Agency Securities By Issuer	Fair Value	% of Total Portfolio
Federal National Mortgage Assoc. (FNMA)	$ 338,176	18.57%
Federal Home Loan Mortgage Corp. (FHLMC)	348,890	19.16%
Federal Home Loan Bank (FHLB)	346,548	19.03%
Federal Farm Credit Bank (FFCB)	200,458	11.00%
Total Agency Securities	$ 1,234,072	67.76%

The Employees' Retirement Fund board has contracted with investment managers to manage the investment portfolio of the Plan, subject to the policies and guidelines established by the board. Northern Trust Company, as the Plan's custodian bank, had responsibility for the safekeeping of certain investments, handling of transactions based on the instructions of investment managers, and accounting for the investment transactions. The City's pension plans do not have a policy for concentration of credit risk. Investments that individually represent 5% or more of the net assets available for Employees' Retirement Fund Plan benefits at December 31, 2006 were $221,286.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Money Market Mutual Funds and Local Government Investment Pools in the City's portfolio are rated AAAm by Standard & Poor's and/or Aaa by Moody's. U.S. Treasury Notes and Bills are obligations of the U.S. government and are not considered to have credit risk and thus are not rated (NR). Long-term bond ratings are used for the U.S. Government Agencies. Ratings for the City's portfolio are listed on the following table.

Security Type	Fair Value	% of Total Portfolio	S&P/Moody's Ratings
Money Market Mutual Funds and Pools	$ 401,961	22.07%	AAAm/Aaa
U.S. Treasury Securities	185,213	10.17%	NR
U.S. Agency Securities	1,234,072	67.76%	AAA/Aaa
Total Portfolio	$ 1,821,246	100.00%	

Note 3. Cash, Deposits and Investments (continued)

Credit Risk (continued)

The Employees' Retirement Fund investment policy allocates 30 percent of the total assets to fixed income. The policy provides for investments of up to 20 percent of fixed income assets in investment grade assets and up to 10 percent of fixed income assets in below investment grade assets. The investment grade allocation allows the managers to invest up to 20 percent of their portfolio assets in non-US dollar issues. Long term bond ratings for the Employees' Retirement Fund as of December 31, 2006 are as follows:

Bond Category	Moody's Rating* (unless noted)	Fair Value	% of Bond Portfolio
U.S. Agencies	Aaa	$ 193,440	20.83%
U.S. Treasury Notes	Aaa	159,089	17.13%
Corporate Bonds	Aaa	55,726	6.00%
Foreign Bonds	Aaa	9,271	1.00%
Mortgages	Aaa	78,149	8.42%
Corporate Bonds	Aa1	682	0.07%
Corporate Bonds	Aa2	3,003	0.32%
Corporate Bonds	Aa3	5,913	0.64%
Morgages	Aa3	2,941	0.32%
Corporate Bonds	A1	7,055	0.76%
Corporate Bonds	A2	4,673	0.50%
Mortgages	A2	291	0.03%
Corporate Bonds	A3	838	0.09%
Corporate Bonds	Baa1	5,090	0.55%
Foreign Bonds	Baa1	4,812	0.52%
Corporate Bonds	Baa2	8,504	0.91%
Foreign Bonds	Baa2	744	0.08%
Corporate Bonds	Baa3	17,959	1.93%
Foreign Bonds	Baa3	1,789	0.19%
Corporate Bonds	Ba1	18,565	2.00%
Corporate Bonds	Ba2	22,822	2.46%
Private Placements	Ba2	256	0.03%
Corporate Bonds	Ba3	36,728	3.96%
Private Placements	Ba3	513	0.05%
Corporate Bonds	B1	53,655	5.78%
Private Placements	B1	1,015	0.11%
Corporate Bonds	B2	47,059	5.07%
Foreign Bonds	B2	741	0.08%
Private Placements	B2	2,960	0.32%
Corporate Bonds	B3	47,431	5.11%
Private Placements	B3	1,252	0.13%
Corporate Bonds	Caa1	15,297	1.65%
Private Placements	Caa1	2,404	0.26%
Corporate Bonds	Caa2	3,707	0.40%
Private Placements	Caa2	1,489	0.16%
Corporate Bonds	NR	24,296	2.62%
Foreign Bonds	NR	6,674	0.71%
Mortgages	NR	19,821	2.13%
U.S. Agencies	NR	51,935	5.59%
U.S. Treasury Notes	NR	10,126	1.09%
Total		$ 928,715	100.00%

Note 3. Cash, Deposits and Investments (continued)

Credit Risk (continued)

The Dallas Police and Fire Pension System does not have a formal policy limiting investment credit risk, but rather mandates such limits within the Investment Management Services Contract. The System's exposure to investment credit risk in fixed income securities as of December 31, 2006 is as follows:

Bond Category	Moody's Quality Rating	Fair Value	% of Bond Portfolio
Asset Backed Securities	B2	$ 248	0.03%
Asset Backed Securities	Ba1	54	0.01%
Asset Backed Securities	Ba2	869	0.12%
Asset Backed Securities	Ba2	587	0.08%
Asset Backed Securities	WR	3,579	0.50%
Convertible Bonds	B2	430	0.06%
Convertible Bonds	B3	1,427	0.20%
Convertible Bonds	Ba2	916	0.13%
Convertible Bonds	Caa2	2,821	0.39%
Convertible Bonds	Caa3	1,728	0.24%
Convertible Bonds	NR	24,292	3.36%
Convertible Bonds	WR	236	0.03%
Corporate Bonds	A1	1,763	0.24%
Corporate Bonds	A2	4,576	0.63%
Corporate Bonds	A3	2,485	0.34%
Corporate Bonds	Aa1	6,024	0.83%
Corporate Bonds	Aa3	2,371	0.33%
Corporate Bonds	Aaa	9,351	1.29%
Corporate Bonds	B1	54,726	7.58%
Corporate Bonds	B1e	1,218	0.17%
Corporate Bonds	B2	38,797	5.37%
Corporate Bonds	B3	29,375	4.07%
Corporate Bonds	B3e	716	0.10%
Corporate Bonds	Ba1	8,418	1.17%
Corporate Bonds	Ba2	20,483	2.84%
Corporate Bonds	Ba3	18,645	2.58%
Corporate Bonds	Baa1	6,205	0.86%
Corporate Bonds	Baa2	2,911	0.40%
Corporate Bonds	Baa3	9,014	1.25%
Corporate Bonds	Caa1	25,019	3.46%
Corporate Bonds	Caa2	1,517	0.21%
Corporate Bonds	P1	151	0.02%
Corporate Bonds	NR	3,902	0.54%
Corporate Bonds	WR	18,347	2.54%
Mortgage Bonds	B3	1,247	0.17%
Mortgage Bonds	WR	1,823	0.25%
Investment	NR	68,156	9.44%
Foreign Bonds	A2	57,387	7.95%
Foreign Bonds	A3	2,731	0.38%
Foreign Bonds	Aa1	2,240	0.31%
Foreign Bonds	Aa2	2,355	0.33%
Foreign Bonds	Aaa	106,414	14.74%
Foreign Bonds	Ba3	1,433	0.20%
Foreign Bonds	Baa1	10,818	1.50%
Foreign Bonds	NR	10,883	1.51%
Commingled Funds	NR	86,466	11.97%
	Total	$ 655,154	90.72%

Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government totaling $67,026 are not considered to have credit risk and therefore, have not been included in this disclosure.

Note 3. Cash, Deposits and Investments (continued)

Interest Rate Risk

In order to ensure the ability of the City to meet obligations and to minimize potential liquidation losses, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years. The weighted average maturity of the securities held in the City's portfolio is as follows:

Security Type	Fair Value	Weighted Average Maturity (days)
Money Market Mutual Funds and Pools	$ 401,961	1
U.S. Treasury Securities	185,213	35
U.S. Agency Securities	1,234,072	233
Total Portfolio	$ 1,821,246	269

In the Employee's Retirement Fund, Government Mortgage Backed Securities are most sensitive to changes in interest rates as their payments can vary significantly with interest rate changes. This change in prepayments will generally cause the duration, or interest rate risk, of these securities to increase when interest rates rise and decrease when interest rates fall. These securities represent 23% of the total fixed income portfolio with a fair market value of $212,333 at year end 2006. The Employees' Retirement Fund does not have a separate policy for interest rate risk.

As of December 31, 2006, the Employees' Retirement Fund weighted-average maturity of the fixed income securities are as follows:

Fixed Income Securities	Par Value	Weighted Average Maturity (years)
Asset Backed	$ 77,377	0.73
Commercial Mortgage-Backed	48,161	1.87
Corporate Bonds	349,526	3.71
Government Agencies	33,484	0.05
Corporate Convertible Bonds	359	0.01
Government Bonds	182,563	2.12
Government Mortgage-Backed Securities	212,333	8.05
Non-Government Backed C.M.O.'s	29,371	0.91
Total	$ 933,174	
Portfolio weighted average maturity		3.83

Note 3. Cash, Deposits and Investments (continued)

Interest Rate Risk (continued)

As of December 31, 2006, the Dallas Police and Fire Pension Plans had the following investments and maturities:

		Investment Maturity in Years			
Investment Type	Fair Value	Less Than 1 year	1-5 Years	6-10 Years	More Than 10 Years
U.S. Treasury Securities	$ 58,045	$ 9,668	$ 8,527	$ 3,313	$ 36,537
U.S. Government Agency Securities	8,981	-	-	-	8,981
Asset Backed Securities	5,337	-	-	4,120	1,217
Collateralized Mortgage Obligation	3,070	-	-	3,070	-
Corporate Bonds	229,793	5,331	43,797	96,089	84,576
Commingled Funds	86,466	-	-	-	86,466
Convertible Bonds	31,850	1,911	25,771	2,090	2,077
Investment Interests	68,156	-	-	-	68,156
Australian Dollar	11,580	-	3,739	7,841	-
Argentina	1,363	-	1,363	-	-
British Pound Sterling	17,476	-	5,739	11,737	-
Canadian Dollar	10,857	-	8,617	2,240	-
EURO Currency	52,165	2,251	34,690	5,032	10,192
Japanese Yen	36,023	14,091	8,705	13,227	-
Mexican New Peso	10,818	-	9,397	218	1,203
New Zealand Dollar	3,246	-	-	3,246	-
Poland	18,003	-	3,844	8,087	6,072
Peru	1,433	-	-	1,433	-
Singapore Dollar	13,655	8,020	5,635	-	-
South African Rand	7,206	-	3,751	3,455	-
Swedish Krona	10,438	-	10,438	-	-
Australian Dollar	1,356	-	-	1,356	-
British Pound Sterling	11,077	-	6,144	4,933	-
EURO Currency	16,662	5,060	5,366	5,049	1,187
Indonesian Rupiah	2,001	-	2,001	-	-
Thai Bat	5,123	-	5,123	-	-
Total	$ 722,180	$ 46,332	$ 192,647	$ 176,536	$ 306,664

While the Plans do not have a specific investment policy to limit investment maturities as a means of managing their exposure to interest rate risk, the Plans do manage this exposure by mandating maturity limits within the Investment Management Service Contracts.

Note 3. Cash, Deposits and Investments (continued)

Foreign Currency Risk

The Employees' Retirement Fund investment policies limit the aggregate amount that can be invested in each class of investments. The equity investment policy sets an allocation of 20% of assets to international equity. The fixed income policy permits up to 20% of the global manager's portfolio to be invested in global investment grade fixed income bonds. The Fund's positions in these equity securities, invested directly and through commingled funds, was 20.62% of invested assets at December 31, 2006. The Fund's positions in such fixed income assets invested directly were 0.76% of invested assets at December 31, 2006. Employees' Retirement Fund non-US Dollar denominated investments at December 31, 2006 were as follows:

Currency	Investment Type	Balance of Investment (U.S. Dollars)
Australian Dollars	Equity	$ 19,662
Brazil Real	Equity	335
British Pound Sterling	Equity	85,442
Canadian Dollars	Equity	961
Denmark Krone	Equity	2,686
Euro	Equity	115,951
	Fixed Income	884
	Short term	4,411
Hong Kong Dollars	Equity	6,841
Israel Shekel	Equity	213
Japanese Yen	Equity	99,925
	Fixed Income	11,529
Korean Won	Equity	5,172
Mexican Peso	Fixed Income	1,949
Norwegian Krone	Equity	2,802
	Fixed Income	3,156
Phillippines Peso	Equity	158
Singapore Dollar	Equity	3,935
Swiss Francs	Equity	22,832
Swedish Krona	Equity	10,435
	Fixed Income	2,928
Thailand Baht	Equity	204
Turkish Lira	Equity	420
Total		$ 402,831

Note 3. Cash, Deposits and Investments (continued)

Police and Fire Pension Plans do not have specific policy guidelines other than the constraints included in the individual investment manager contracts. Police and Fire Pension Plans non-US Dollar denominated investments at December 31, 2006 were as follows:

Currency	Investment Type	Balance of Investment (U.S. Dollars)
Australian Dollars	Government Bonds	$ 11,580
Argentina	Government Bonds	1,363
British Pound Sterling	Government Bonds	17,476
Canadian Dollar	Government Bonds	10,857
EURO Currency	Government Bonds	52,165
Japanese Yen	Government Bonds	36,023
Mexican New Peso	Government Bonds	10,818
New Zealand Dollar	Government Bonds	3,246
Poland	Government Bonds	18,003
Peru	Government Bonds	1,433
Singapore Dollar	Government Bonds	13,655
South African Rand	Government Bonds	7,206
Swedish Krona	Government Bonds	10,438
Australian Dollar	Corporate Bonds	1,356
British Pound Sterling	Corporate Bonds	11,077
EURO Currency	Corporate Bonds	16,662
Indonesian Rupiah	Corporate Bonds	2,001
Thai Bat	Corporate Bonds	5,123
Pooled international fixed maturity	Fixed Maturity	74,235
Total		$ 304,717

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Note 4. <u>Receivables</u>

Receivables at September 30, 2007 for the government's individual major and nonmajor governmental and internal service funds, including the applicable allowances for uncollectible accounts, consist of the following:

Receivables:	General	Debt service	Nonmajor Governmental Funds	Internal Service Funds	Total Govern-mental Activities
Ad Valorem tax	$ 30,729	$ 11,537	$ -	$ -	$ 42,266
Sales taxes	37,779	-	-	-	37,779
Accounts	74,796	-	15,517	1,437	91,750
Notes	1	-	7,223	-	7,224
Due from other governments	-	-	11,909	-	11,909
Accrued interest	1,232	6	6,651	288	8,177
Gross receivables	144,537	11,543	41,300	1,725	199,105
Less allowance for doubtful accounts	(60,537)	(9,476)	(3, 283)	-	(73,296)
Net total receivables	$ 84,000	$ 2,067	$ 38,017	$ 1,725	$ 125,809

Receivables at September 30, 2007 for the primary government's individual major and nonmajor enterprise funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

Receivables:	Dallas Water Utilities	Convention Center	Airport Revenues	Nonmajor Enterprise Funds	Total Business Type Activities
Accounts	$ 63,239	$ 1,201	$ 2,088	$ 844	$ 67,372
Taxes	-	8,006	-	-	8,006
Due from other governments	-	-	2,296	-	2,296
Accrued interest	4,811	778	318	148	6,055
Gross receivables	68,050	9,985	4,702	992	83,729
Less allowance for doubtful accounts	(10,953)	(691)	-	(2)	(11,646)
Net total receivables	$ 57,097	$ 9,294	$ 4,702	$ 990	$ 72,083

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Intergovernmental revenues and related receivables arise through funding received from federal and state grants. These revenues and receivables are earned through expenditures of monies for grant purposes. At September 30, 2007, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Deferred Revenue	Unearned Revenue
Taxes	$ 4,934	$ -
Accounts	22,648	-
Intergovernmental	-	15,887
Total	$ 27,582	$ 15,887

Note 5. Restricted Assets

The primary government's governmental and business-type restricted assets of $813 million and $586 million are composed of the following at September 30, 2007:

	Governmental Activities	Business-Type Activities
Customer Assessments	$ -	$ 405
Cash and Investments:		
Pooled Cash and Cash Equivalents	-	341,874
Cash and Cash Equivalents	812,966	146,654
Other Investments	-	97,464
Total	$ 812,966	$ 586,397

The restricted amounts are for accumulated resources for debt service payments, deposits from service users, unspent bond proceeds for construction, and retention guarantees from contractors.

Note 6. Joint Ventures

Dallas/Fort Worth International Airport

DFW Airport is owned jointly by the cities of Dallas and Fort Worth and operated by a 12-member board comprised of seven members from Dallas and four members from Fort Worth appointed by the respective City Councils, and on an annual basis, one non-voting member from the neighboring cities of Irving, Grapevine, Euless and Coppell.

Joint Revenue Bonds and Special Facility Revenue Bonds were issued to construct DFW Airport. Concurrent Bond Ordinances provide that the Board shall set rentals, rates, fees and charges such that they are sufficient to produce in each fiscal year gross revenues adequate to pay (a) the operation and maintenance expenses, (b) 1.25 times the amount required to be deposited into the Joint Revenue Bonds Interest and Sinking Fund and (c) an amount equal to any other obligations payable from the revenues of DFW Airport. The Special Facility Revenue Bonds are payable from and secured by the net lease rentals derived from the special facilities.

The outstanding debt and related debt service are accounted for by the DFW Airport Board. The long-term portion of the Joint Revenue Bonds, the Special Facility Revenue Bonds, Facility Improvement Corporation Revenue Bonds and Public Facility Improvement Corporation Revenue Bonds at September 30, 2007 was $3.9 billion which is net of $18.9 million deferred loss on refunding.

The following summary financial information for DFW Airport is as of September 30, 2007:

Total assets	$ 5,739,969
Less, total liabilities	(4,254,876)
Total net assets	$ 1,485,093
Operating revenues	$ 567,612
Non-operating revenues	3,411
Less, operating expenses	(542,534)
Change in net assets	28,489
Net assets, beginning of year	1,456,604
Net assets, end of year	$ 1,485,093

The cities have executed covenants individually, by ordinance, to levy a maintenance tax, if necessary, to ensure DFW Airport will be efficiently operated and maintained. The amount of such tax is limited for each city in their respective ratios to the lesser of 5 cents per one hundred dollars of assessed valuation of the property in each city or the amount of the maintenance tax required.

Note 6. Joint Ventures (continued)

Dallas/Fort Worth International Airport (continued)

The Board has entered into agreements with air carriers and other parties utilizing DFW Airport to provide for adjustments to rentals, fees and other charges which management believes precludes the need for a maintenance tax. To date, the cities have levied no maintenance tax. To obtain the financial statement of the joint venture contact the finance department of DFW Airport at (972) 574-6732.

Note 7. Capital Assets

Capital asset activity for the year ended September 30, 2007 is as follows:

	Balance, Beginning of Year	Additions	Transfers And Retirements	Balance, End Of Year
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$332,332	$27,231	$ -	$359,563
Artwork	48,795	-	-	48,795
Construction in Progress	396,036	144,334	(320,530)	219,840
Total capital assets, not being depreciated	777,163	171,565	(320,530)	628,198
Capital assets, being depreciated:				
Buildings	681,929	88,212	-	770,141
Improvements other than buildings	222,184	64,463	-	286,647
Equipment	419,392	38,652	(12,304)	445,740
Infrastructure assets	1,302,847	156,383	(1,809)	1,457,421
Total capital assets, being depreciated:	2,626,352	347,710	(14,113)	2,959,949
Less accumulated depreciation for:				
Buildings	(302,325)	(16,722)	438	(318,609)
Improvements other than buildings	(62,278)	(10,276)	(764)	(73,318)
Equipment	(314,285)	(32,138)	18,997	(327,426)
Infrastructure assets	(570,926)	(35,501)	(6,256)	(612,683)
Total accumulated depreciation	(1,249,814)	(94,637)	12,415	(1,332,036)
Total capital assets being depreciated, net	1,376,538	253,073	(1,698)	1,627,913
Governmental activities capital assets, net	$2,153,701	$424,638	($322,228)	$2,256,111

Depreciation expense charged to functions:	
General government	$15,573
Public safety	8,484
Streets, street lighting, sanitation and code enforcement	3,914
Environment and Health Services	330
Public works and transportation	33,327
Equipment and building services	18,022
Culture and recreation	14,443
Housing	51
Human Services	493
Total depreciation expense – governmental activities	$94,637

(includes $13,534 of depreciation expense for the Internal Service Funds and $81,103 for the governmental type assets)

Note 7. Capital Assets (continued)

	Balance, Beginning of Year	Additions	Transfers And Retirements	Balance, End Of Year
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 214,080	$ -	$ -	$ 214,080
Construction in Progress	786,370	285,344	(696,513)	375,201
Total capital assets, not being depreciated	1,000,450	285,344	(696,513)	589,281
Capital assets, being depreciated:				
Water rights	353,910	-	-	353,910
Buildings	1,308,482	17,873	-	1,326,355
Improvements other than buildings	177,247	38,936	-	216,183
Infrastructure assets	413,485	2,915	-	416,400
Equipment	430,758	61,927	(658)	492,027
Utility property	1,735,961	593,189	-	2,329,150
Total capital assets, being depreciated:	4,419,843	714,840	(658)	5,134,025
Less accumulated depreciation for:				
Water rights	(80,718)	(3,539)	-	(84,257)
Buildings	(388,326)	(30,454)	27,253	(391,527)
Improvements other than buildings	(59,343)	(4,563)	(4,608)	(68,514)
Infrastructure assets	(160,656)	(7,960)	(3,376)	(171,992)
Equipment	(235,311)	(24,090)	(18,662)	(278,063)
Utility property	(560,930)	(39,017)	-	(599,947)
Total accumulated depreciation	(1,485,284)	(109,623)	607	(1,594,300)
Total capital assets, being depreciated, net	2,934,559	605,217	(51)	3,539,725
Business-type activities capital assets, net	$ 3,935,009	$ 890,561	($696,564)	$ 4,129,006

Business-type activities depreciation expense by function:

Dallas Water Utilities	$ 77,363
Convention center	21,246
Airport Revenue	10,715
Non-major	299
Total depreciation expense-business-type activities	$ 109,623

Note 8. Interfund Receivables, Payables and Transfers

The following tables are summaries of the City's interfund balances at September 30, 2007:

Due To Other Funds/Due From Other Funds

These balances represent amounts due for services provided for Environmental Health Services, equipment notes for Dallas Water Utilities, construction for Environmental Health services, construction for Sanitation and Storm water.

		Due to other funds		
Due from other funds	Amount	General Fund	Nonmajor Governmental Funds	Dallas Water Utilities
General fund	$ 530	$ -	$ 530	$ -
Debt Service funds	1,147	-	-	1,147
Dallas Water Utilities	268	268	-	-
Total	$ 1,945	$ 268	$ 530	$ 1,147

Interfund Notes Receivable and Payable

Interfund notes receivable and payable balances at September 30, 2007 were as follows:

		Note payable		
Note receivable	Amount	General Fund	Nonmajor Governmental Funds	Dallas Water Utilities
Debt Service	$ 1,071	$ -	$ -	$ 1,071
Nonmajor Governmental funds	4,288	127	4,161	-
Dallas Water Utilities	4,881	-	4,881	-
Total	$ 10,240	$ 127	$ 9,042	$ 1,071

These balances relate to long-term borrowings to finance various capital acquisitions and equipment purchases.

Note 8. Interfund Receivables, Payables and Transfers (continued)

Transfers In/Out

Transfers made between funds during the year are listed below:

		Transfers Out							
Transfers In	Amount Transferred	General fund	Debt Service Fund	Nonmajor Govern-mental funds	Dallas Water Utilities	Convention Center	Airport Revenues	Nonmajor Business-Type funds	Internal Service funds
General fund	$ 6,024	$ -	$ -	$ 2,521	$ -	$ 3,400	$ -	$ 103	$ -
Debt Service	39,929	27,104	-	11,341	272	20	27	576	589
Nonmajor Governmental funds	11,130	4,317	-	3,939	2,748	-	-	126	-
Dallas Water Utilities	86	-	86	-	-	-	-	-	-
Convention Center	3,860	3,854	6	-	-	-	-	-	-
Airport Revenues	8	-	8	-	-	-	-	-	-
Nonmajor Enterprise funds	16	-	16	-	-	-	-	-	-
Total	$ 61,053	$ 35,275	$ 116	$ 17,801	$ 3,020	$ 3,420	$ 27	$ 805	$ 589

These transfers were for support of construction projects, to purchase equipment, and to service the debt associated with the respective funds.

Note 9. Accounts Payable and Accrued Expenses

The primary government's accounts payable and accrued expenses at September 30, 2007 are broken down as follows:

	General	Debt Service	Nonmajor Governmental	Internal Service	Total Governmental Activities
Accrued payroll	$ 19,510	$ -	$ 262	$ 305	$ 20,077
Accounts payable	18,184	-	22,448	8,717	49,349
Due to other governments	2,973	-	2,126	-	5,099
Construction accounts payable	-	-	22,054	-	22,054
Contracts payable	-	-	64,337	-	64,337
Other	5,501	760	4,758	1,264	12,283
Total	$ 46,168	$ 760	$ 115,985	$ 10,286	$ 173,199

	Dallas Water Utilities	Convention Center	Airport Revenues	Non-major Enterprise Funds	Total Business-Type Activities
Accrued payroll	$ 927	$ 87	$ 89	$ 191	$ 1,294
Accounts payable	15,116	2,857	2,665	187	20,825
Due to other governments	-	3	-	-	3
Other	792	1,651	398	119	2,960
Construction accounts payable	34,630	-	-	-	34,630
Total	$ 51,465	$ 4,598	$ 3,152	$ 497	$ 59,712

Note 10. Long-Term Debt

A. Governmental Activities

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One year
Bonds, Notes, Certificates of Obligation:					
General Obligation Bonds, Series 1996	$ 10,260	$ -	$ 3,420	$ 6,840	$ -
General Obligation Bonds, Series 1997	8,640	-	2,880	5,760	2,880
Equipment Acquisition Contractual Combination Tax and Revenue Certificates of Obligation, Series 1997	640	-	640	-	-
General Obligation Refunding and Improvement Bonds, Series 1998	106,685	-	14,100	92,585	17,750
Tax Increment Financing Reinvestment Zone Number Two Bonds, Series 1998	2,395	-	350	2,045	370
General Obligation Bonds, Series 1999	13,875	-	3,470	10,405	3,470
General Obligation Bonds, Series 2000	27,100	-	5,420	21,680	5,420
Combination Tax and Revenue Certificates of Obligation, Series 2000	9,650	-	2,305	7,345	2,375
Tax Increment Financing Reinvestment Zone Number Two Bonds, Series 2000	3,810	-	750	3,060	785
General Obligation Bonds, Series 1999	44,235	-	3,405	40,830	3,405
Equipment Acquisition Obligations, Series 2002	2,235	-	2,235	-	-
Certificates of Obligation, Series 2003	25,200	-	3,600	21,600	3,600
General Obligation Refunding Bonds, Series 2003	30,325	-	14,070	16,255	6,260
General Obligation Bonds Series 2006	-	221,830	-	221,830	11,680
General Obligation Bonds Series 2007	-	130,775	-	130,775	6,540
Equipment Acquisition Obligations Series 2006	-	13,000	1,175	11,825	2,960
General Obligation Refunding Bonds, Series 2003-A	43,150	-	2,715	40,435	6,130
General Obligation Bonds, Series 2003	155,120	-	9,125	145,995	9,125
Equipment Acquisition Obligations, Series 2003	8,700	-	4,350	4,350	4,350

continued

Note 10. Long-Term Debt (continued)

B. Governmental Activities (continued)

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One year
Tax Increment Bonds, Series 2004	$ 5,105	$ -	$ 795	$ 4,310	$ 815
General Obligation Bonds, Series 2004	154,020	-	8,560	145,460	8,560
Equipment Acquisition Obligations, Series 2004	14,120	-	4,705	9,415	4,705
Combination Tax and Revenue Certificates of Obligation, Series 2004	4,915	-	555	4,360	570
Taxable General Obligation Pension Bonds Series, 2005A	132,612	-	12,180	120,432	13,073
Taxable General Obligation Pension Bonds, Series 2005B	102,917	-	-	102,917	-
Taxable General Obligation Pension Bonds, Series 2005C	56,025	-	-	56,025	-
General Obligation Refunding Bonds, Series 2005	156,850	-	-	156,850	-
Risk Management Certificate of Obligation Taxable, Series 2005	5,980		1,480	4,500	1,500
General Obligation Bonds, Series 2006	179,810	-	9,465	170,345	9,465
Tax Increment Contract Revenue Bonds, Series 2006	50,605	-	-	50,605	-
Combination Tax and Revenue Certificates of Obligation, Series 2006	5,785	-	545	5,240	570
Equipment Acquisition Notes, Series 2006	26,225	-	5,955	20,270	5,955
Bonds, Notes, Certificates of Obligation	1,386,989	365,605	118,250	1,634,344	132,313
Add: Unamortized Premium/Discount	124,205	13,690	(2,102)	139,997	-
Add: Accretion on Capital Appreciation Bonds	16,364	18,001	-	34,365	-
Less: Refunding Deferral	(9,129)	-	(1,618)	(7,511)	-
Total Bonds, Notes, Certificates Of Obligation	$ 1,518,429	$397,296	$ 114,530	$1,801,195	$ 132,313

continued

Note 10. Long-Term Debt (continued)

Governmental Activities (continued)

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One year
Other Liabilities:					
Arbitrage Rebate	$ 179	$ 3,013	$ 179	$ 3,013	$ -
Compensated Absences	115,402	58,335	47,716	126,021	50,157
Landfill closure/post closure	28,854	2,760	1,751	29,863	1,023
Estimated unpaid claims	83,668	74,613	67,750	90,531	67,750
Note Payable	-	219	50	169	50
Sales Tax Refund Liability	14,193	-	599	13,594	731
Capital Leases	12,587	2,607	4,280	10,914	2,510
Total other liabilities	254,883	141,547	122,325	274,105	122,221
Governmental activities long-term liabilities	$ 1,773,312	$538,843	$236,855	$2,075,300	$254,534

For governmental activities, General Fund resources will be utilized to liquidate other liabilities.

B. Governmental General Obligation Bonds (GO Bonds)

General Obligation Bonds are direct obligations of the City for which its full faith and credit are pledged and are payable from taxes levied on all taxable property located within the City. In October 2006 the City issued $221.8 million (excludes premium of $8.8 million) of General Obligation Bonds, Series 2006 with an interest rate of 4.5 to 5.0 percent and maturities through fiscal year 2026. In October 2006, the City issued $13.0 million (excludes premium of $77 thousand) of Equipment Acquisition Obligations, Series 2006 with an interest rate of 3.75 to 4.0 percent and maturities through fiscal year 2011 for various capital equipment purchases. In June 2007, the City issued $130.8 million (excludes premium of $4.7 million) of General Obligation Bonds, Series 2007 with an interest rate range of 5.0 to 5.25 percent and maturities through fiscal year 2027 for various improvements to City facilities.

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Note 10. Long-Term Debt (continued)

B. Governmental General Obligation Bonds (GO Bonds) (continued)

The General Obligation bonds outstanding as of September 30, 2007 are as follows:

	Final Maturity	Interest Rates	Amount
Series 560	2016	4.0% to 6.0%	$ 6,840
Series 563	2017	4.75% to 5.5%	5,760
Series 571	2019	5.0%	92,585
Series 574	2019	5.125% to 5.5%	10,405
Series 578	2020	5.0% to 5.75%	21,680
Series 583	2021	4.0% to 5.0%	40,830
Series 589	2011	3.74 % to 5.0%	40,435
Series 592	2014	4.0% to 5.0%	16,255
Series 593	2023	3.5% to 5.0%	145,995
Series 597	2024	4.0% to 5.0%	145,460
Series 604	2020	5.0%	156,850
Series 606	2025	3.25% to 5.00%	170,345
Series 615	2026	4.5% to 5.0%	221,830
Series 617	2027	5.0% to 5.25%	130,775
Total			$ 1,206,045

The Equipment Acquisition Contractual Obligations outstanding as of September 30, 2007 are as follows:

	Final Maturity	Interest Rates	Amount
Series 616	2011	3.75% to 4.00%	$ 11,825
Series 594	2008	2.00% to 2.50%	4,350
Series 598	2009	3.00%	9,415
Series 608	2015	3.25% to 5.00%	20,270
Total			$ 45,860

The Certificates of Obligation outstanding as of September 30, 2007 are as follows:

	Final Maturity	Interest Rates	Amount
Series 580	2010	4.75%	$ 7,345
Series 591	2013	2.00% to 3.25%	21,600
Series 599	2014	3.00% to 3.55%	4,360
Series 605	2010	4.00% to 4.99%	4,500
Series 607	2015	3.50% to 4.00%	5,240
Total			$ 43,045

The Pension Obligation Bonds outstanding as of September 30, 2007 are as follows:

	Final Maturity	Interest Rates	Amount
Series 600	2035	3.20 % to 5.19%	$ 120,432
Series 601	2035	3.81 % to 5.50%	102,917
Series 602	2024	5.25% to 8.00%	56,025
Total			$ 279,374

Note 10. Long-Term Debt (continued)

C. Tax Increment and Dallas Downtown Development Authority Bonds

The City has also issued Tax Increment bonds. The total of these bonds outstanding, including the DDDA bonds, as of September 30, 2007 are as follows:

	Final Maturity	Interest Rates	Amount
Series 566	2012	4.60% to 5.00%	$ 2,045
Series 577	2012	4.75% to 5.75%	3,060
Series 596	2012	2.50% to 3.25%	4,310
Series DDDA	2036	5.25% to 5.66%	50,605
			$ 60,020

D. Governmental Debt Service Requirement

The following is a summary of the future debt service principal and interest payment requirements for the City's General Obligation, Contractual Obligations and Certificates of Obligation at September 30, 2007.

	Governmental Activities		
	Principal	Interest	Total
Fiscal year ending September 30:			
2008	$ 132,313	$ 69,025	$ 201,338
2009	124,250	66,677	190,927
2010	122,282	57,176	179,458
2011	103,883	58,840	162,723
2012	100,160	55,633	155,793
2013-2017	420,362	235,883	656,245
2018-2022	344,458	156,520	500,978
2023-2027	219,385	127,454	346,839
2028-2032	38,702	189,970	228,672
2033-2037	28,549	130,111	158,660
Total	$ 1,634,344	$ 1,147,289	$ 2,781,633

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Note 10. Long-Term Debt (continued)

E. Business-type Activities

The changes in the business-type activities long-term liabilities for the year ended September 30, 2007 are as follows:

Dallas Water Utilities:	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One year
Revenue Bonds:					
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 1993-A	$ 4,715	$ -	$ -	$ 4,715	$ -
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 1998	292,380	-	165,245	127,135	18,960
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 1999	13,205	-	5,300	7,905	2,490
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2000	23,225	-	10,345	12,880	2,965
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2001	107,105	-	86,180	20,925	4,900
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2002	23,260	-	12,065	11,195	3,430
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2002-A	101,350	-	17,215	84,135	18,985
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2003	275,465	-	127,885	147,580	13,830
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2003-A	151,960	-	6,155	145,805	6,275
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2005	235,805	-	124,815	110,990	2,825
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2007	-	678,480	-	678,480	2,750
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2006	255,375	-	5,625	249,750	5,855
Revenue Bonds Payable	1,483,845	678,480	560,830	1,601,495	83,265
Add : Unamortized Premium	51,771	26,207	23,690	54,288	-
Less: Deferred Amount on Refunding	(9,511)	(11,142)	(1,854)	(18,799)	-
Total Revenue Bonds for Water Utilities	1,526,105	693,545	582,666	1,636,984	83,265
Pension Obligation Bonds	73,305	-	3,062	70,243	3,287
Add: Accretion on Capital Appreciation Bonds	4,114	3,429	-	7,543	-
Add: Net Premium/Discount	24,294	-	(1,993)	26,287	-
Total Water Utilities Bonds	1,627,818	696,974	583,735	1,741,057	86,552
Other: Compensated Absences	10,800	2,066	5,149	7,717	3,072
Total Long-Term Debt for Water Utilities	$ 1,638,618	$ 699,040	$ 588,884	$ 1,748,774	$ 89,624

continued

Note 10. Long-Term Debt (continued)

E. Business-type Activities (continued)

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Convention Center:					
Revenue Bonds					
Civic Center Convention Complex Revenue Refunding and Improvement Bonds, Series 1998	$ 279,130	$ -	$ 11,245	$ 267,885	$ 11,835
Sports Arena Project-Tax Exempt Special Tax Bonds, Series 1998A	83,410	-	2,285	81,125	2,405
Sports Arena Project-Taxable Special Tax and Lease Bonds, Series 1998B	31,380	-	735	30,645	780
Revenue Bonds Payable	393,920	-	14,265	379,655	15,020
Add : Net Premium/Discount	(2,075)	-	4,303	(6,378)	-
Less: Deferred Amount on Refunding	(7,728)	-	(698)	(7,030)	-
Total Convention Center Revenue Bonds	$ 384,117	$ -	$ 17,870	$ 366,247	$ 15,020
Pension Obligation Bonds	5,215		218	4,997	234
Add: Accretion on Capital Appreciation Bonds	293	245	-	538	-
Add: Net Premium/Discount	1,779	-	(97)	1,876	-
Total Convention Center Bonds	391,404	245	17,991	373,658	15,254
Other: Compensated Absences	898	317	290	925	368
Total Long-Term Debt for Convention Center	$ 392,302	$ 562	$ 18,281	$ 374,583	$ 15,622
Airport Revenues:					
Revenue Bonds					
Texas Airport System Revenue Bonds, Series 2001	$ 32,555	$ -	$ 6,000	$ 26,555	$ 6,240
Add : Unamortized Premium	858	-	664	194	-
Pension Obligation Bonds	6,868	-	287	6,581	308
Add: Accretion on Capital Appreciation Bonds	386	321	-	707	-
Add: Net Premium/Discount	2,275	-	(189)	2,464	-
Other: Compensated Absences	986	382	404	964	384
Total Long-Term Debt for Airport Revenues	$ 43,928	$ 703	$ 7,166	$ 37,465	$ 6,932
Non-Major Business-Type:					
Pension Obligation Bonds	$ 13,356	$ -	$ 558	$ 12,798	$ 599
Add: Accretion on Capital Appreciation Bonds	749	625	-	1,374	-
Add: Net Premium/Discount	4,375	-	(412)	4,787	-
Other: Compensated Absences	2,288	1,254	1,232	2,310	919
Total Long-Term Debt for Non-major Business-type funds	$ 20,768	$ 1,879	$ 1,378	$ 21,269	$ 1,518
Total Business-Type Activities - Long-Term Liabilities	$ 2,095,616	$ 702,184	$ 615,709	$ 2,182,091	$ 113,696

Note 10. Long-Term Debt (continued)

E. Business-type Activities (continued)

The Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2007 were issued for $678.5 million with interest rates of 4.0% to 5.0% and maturities through fiscal year 2037 with a premium of $26.2 million. The proceeds of the bonds and the premium received were used to retire $197.6 million of outstanding commercial paper and to retire a portion of previously issued revenue bonds in the amount of $481.5 million. Proceeds of $502.4 million were deposited with an escrow agent to be used to pay the outstanding amount of the bonds. As a result, $484 million of these bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the financial statements. The refunding resulted in a difference of $11.1 million between the net carrying amount of the old debt and the acquisition price. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. Total debt service payments decreased by $22.2 million as a result of the refunding. The City also incurred an economic gain (difference between the present values of the old and new debt service payments) of $19.3 million.

F. Water Works and Sewer System Revenue Bonds and Pension Obligation Bonds

The Waterworks and Sewer System Debt Service Fund provides for the payment of principal and interest on the water department outstanding revenue bonds. Pension Obligation bonds are paid through increased City contributions to the Pension Debt Service fund. Operating revenues from water operations and interest earned on the cash balance in the debt service fund are pledged for repayment of the debt. Revenues are transferred from the Water Operating Fund to the Debt Service Fund to meet annual principal and interest obligations. The Water Works and Sewer System bonds outstanding as of September 30, 2007 are as follows:

Series Description	Final Maturity	Interest Rates	Amount
554 Rev Bonds	2014	4.00 %	$4,715
570 Rev Bonds	2030	4.25% - 5.00 %	127,135
573 Rev Bonds	2021	4.75% - 5.50 %	7,905
576 Rev Bonds	2021	5.25% - 5.50 %	12,880
582 Rev Bonds	2022	5.00% - 5.25 %	20,925
586 Rev Bonds	2014	3.00% - 5.50 %	11,195
587 Rev Bonds	2011	3.00% - 5.00 %	84,135
590 Rev Bonds	2023	3.00% - 5.375%	147,580
595 Rev Bonds	2024	3.50% - 5.00 %	145,805
603 Rev Bonds	2025	5.00 %	110,990
610 Rev Bonds	2036	4.25% - 5.00 %	249,750
613 Rev Bonds	2037	4.00% - 5.00 %	678,480
Pension Obligation Bonds	2035	3.81% - 5.50 %	70,243
Total Outstanding			$1,671,738

G. Convention Center (Revenue Bonds and Pension Obligation Bonds)

The 7% Hotel Occupancy Tax, operating revenues of the Convention Center Complex, and interest earned on cash balances in the bond reserve and Debt Service Funds are pledged for repayment of the debt. Pension Obligation bonds are paid through increased City contributions to the Pension Debt Service fund. Additionally, the City has reserve funds to provide for the payment of operating and maintenance expenses of the Convention Center Complex, should a shortfall in Convention Center revenues occur. Revenue from the Convention Center Operating Fund is transferred to the Debt Service Fund to meet annual principal and interest payments. The Convention Center bonds outstanding as of September 30, 2007 are as follows:

Series Description	Final Maturity	Interest Rates	Amount
Civic Center Convention Complex	2028	4.6% - 6.0 %	$267,885
Special Tax Revenue Bonds	2028	4.2% - 5.375%	81,125
Special Tax and Lease Revenue Bonds	2027	6.02%-6.65%	30,645
Pension Obligation Bonds	2035	4.1% - 5.5%	4,997
Total Outstanding			$384,652

Note 10. Long-Term Debt (continued)

H. Airport Revenues (Revenue Bonds and Pension Obligation Bonds)

The Airport Debt Service Fund provides for the payment of principal and interest on the Department of Aviation's outstanding revenue bonds. Pension Obligation bonds are paid through increased City contributions to the Pension Debt service fund. Operating revenues from Airport operations and interest earned on the cash balance in the debt service fund are pledged for repayment of the debt. Revenues are transferred from the Airport operating fund to the debt service fund to meet annual principal and interest obligations.

Airport revenue bonds and pension obligation bonds outstanding as of September 30, 2007 are as follows:

	Final Maturity	Interest Rates	Amount
Airport System Revenue Bonds	2011	5.0%	$26,555
Pension Obligation Bonds	2035	3.81% - 5.5%	6,581
Total Outstanding			$33,136

I. Business-Type Activities Debt Service Requirement

The debt service principal and interest payment requirement to maturity at September 30, 2007, for the business-type activities revenue bonds and pension obligation bonds are as follows:

Dallas Water Utilities

	Revenue Bonds		Pension Obligation Bonds		
Fiscal year	Principal	Interest	Principal	Interest	Total
2008	$83,265	$76,549	$3,287	$2,143	$165,244
2009	87,710	71,014	2,326	2,098	163,148
2010	91,985	66,623	3,545	2,042	164,195
2011	74,640	62,503	2,084	1,969	141,196
2012	75,930	58,747	1,957	1,969	138,603
2013-2017	384,015	234,930	8,870	10,134	637,949
2018-2022	348,370	147,659	16,185	10,054	522,268
2023-2027	210,485	78,281	18,616	3,485	310,867
2028-2032	137,720	40,144	7,548	1,581	186,993
2033-2037	107,375	11,748	5,825	397	125,345
Total	$1,601,495	$848,198	$70,243	$35,872	$2,555,808

Note 10. Long-Term Debt (continued)

I. Business-Type Activities Debt Service Requirement (continued)

Convention Center

	Revenue Bonds		Pension Obligation Bonds		
Fiscal year	Principal	Interest	Principal	Interest	Total
2008	$ 15,020	$ 19,340	$ 234	$ 152	$ 34,746
2009	15,820	18,543	165	149	34,677
2010	15,615	17,782	252	145	33,794
2011	16,385	17,016	148	140	33,689
2012	17,200	16,199	139	140	33,678
2013-2017	100,160	66,841	631	721	168,353
2018-2022	113,430	38,567	1,151	715	153,863
2023-2027	77,380	14,607	1,324	248	93,559
2028-2032	8,645	432	537	112	9,726
2033-2033	-	-	416	28	444
Total	$ 379,655	$ 209,327	$ 4,997	$ 2,550	$ 596,529

Airport Revenues Fund

	Revenue Bonds		Pension Obligation Bonds		
Fiscal year	Principal	Interest	Principal	Interest	Total
2008	$ 6,240	$ 1,328	$ 308	$ 201	$ 8,077
2009	6,495	1,016	218	197	7,926
2010	6,765	691	332	191	7,979
2011	7,055	352	195	185	7,787
2012	-	-	183	185	368
2013-2017	-	-	831	950	1,781
2018-2022	-	-	1,516	942	2,458
2023-2027	-	-	1,744	327	2,071
2028-2032	-	-	707	148	855
2023-2033	-	-	547	37	584
Total	$ 26,555	$ 3,387	$ 6,581	$ 3,363	$ 39,886

J. Bonds Authorized and Unissued

At September 30, 2007, authorized and unissued bonds consisted of General Obligation Bonds in the amount of $1.4 billion. An election must be held to deauthorize bonds. The following is a schedule of authorized but unissued bonds at September 30, 2007.

Note 10. Long-Term Debt (continued)

J. Bonds Authorized and Unissued (continued)

	Date of Authorization	Amount Authorized	Amount Unissued
1998 Capital Improvement Program	05-02-98	$ 246,000	$ 40,238
2006 Capital Improvement Program	11-07-06	1,353,520	913,625
Total		$ 1,599,520	$ 953,863

K. Compliance with Debt Covenants

For the year ended September 30, 2007, management of the City believes that it was in compliance with all financial bond covenants on outstanding revenue and general obligation bonded debt. Compliance was met in the Airport Revenue Fund by including available cash with revenues.

L. Commercial Paper Notes

On September 24, 1997, the Dallas City Council authorized a second ten-year exempt commercial paper program for improvements to the City's water and wastewater system, limited to $120 million commercial paper outstanding and maturity terms of not more than 270 days for interim financing of capital improvements. On December 12, 2001, the Dallas City Council approved increasing the commercial paper program Series B to an aggregate principal amount of $150 million. On September 30, 2002, the City Council authorized additional commercial paper notes, Series C, limited at any one time to $50 million principal amount outstanding. On August 25, 2004, the City Council authorized an increase of $50 million to the Series B program to an aggregate principal amount of $200 million and an increase of $50 million to the Series C program to an aggregate principal amount of $100 million. The City Council also established a 10-year program by extending the maturity date to September 30, 2014.

On an annual basis, Dallas Water Utilities retires commercial paper through refinancing with revenue bonds or use of other available water and wastewater funds. In FY 2007, the City issued commercial paper of $216.7 million and retired $197.6 million. As of September 30, 2007, $179.7 million commercial paper notes were outstanding with an average maturity from issue of 91 days, and a weighted average interest rate of 3.68%.

Commercial paper notes are supported by two Bank of America N.A. line of credit agreements. The credit agreements supporting the Series B notes, which extend to September 28, 2008 are an aggregate amount not exceeding $214.8 million, and the credit agreement supporting the Series C notes, which extends to September 28, 2008, an aggregate amount not exceeding $102.5 million constitute an obligation subordinate to the City's water and wastewater system revenue bonds. Any advances for payments of commercial paper under the line of credit are secured by a subordinate lien on water and wastewater revenues. No such advances have occurred. Changes in short-term obligations during fiscal year 2007 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Commercial Paper	$ 160,538	$ 216,736	$ 197,576	$ 179,698

Note 11. Leases

A. As Lessee

As lessee, the City is committed under various leases for building and office space, data processing and communications equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the fiscal year ended September 30, 2007, amounted to $5 million.

Future minimum lease payments for these leases are as follows:

Year ending September 30	Rental Payments	Governmental Activities	Business-type Activities
2008	$ 5,037	$ 4,126	$ 911
2009	4,533	3,808	725
2010	3,896	3,480	416
2011	2,242	1,816	426
2012	1,791	1,361	430
2013-2017	1,456	1,349	107
2018-2022	76	76	-
Thereafter	327	327	-
Minimum future rentals	$ 19,358	$ 16,343	$ 3,015

The City is also committed under capital leases for the purchase of computer equipment and for the purchase of a parking garage. The liability for future capital lease payments totals $10.9 million. Future minimum lease payments for capital leases including interest and principal are as follows:

Year ending September 30	Rental Payments
2008	$ 3,007
2009	2,177
2010	1,362
2011	1,000
2012	1,000
2013 - 2017	2,725
2018 - 2022	1,750
Thereafter	350
Total minimum future lease payments	13,371
Less: Amount representing interest	(2,457)
Present value of net minimum lease payments	$ 10,914

The following schedule provides an analysis of the City's investments in capital assets under capital lease arrangements as of September 30, 2007.

Building and Equipment		$ 17,010
Less: Accumulated depreciation		(6,712)
	Total	$ 10,298

Note 11. Leases (continued)

B. As Lessor

The City is also under several lease agreements as lessor whereby it receives revenues from leasing airport terminal space, hangars, parking spaces, ramps, land, buildings, and office space to air carriers and other tenants. These revenue leases are considered for accounting purposes to be operating leases. Additionally, other City departments receive revenues under various agreements for the operation of concessions. Most of these revenues are determined based on various percentages of gross sales for the concessions.

Revenues for the fiscal year ended September 30, 2007 were $24.2 million. The following is a schedule of minimum future rentals on noncancelable operating leases as of September 30, 2007:

Year ending September 30	Government Activities	Dallas Water Utilities	Airport Revenues	Total
2008	$ 1,146	$ 65	$ 23,127	$ 24,338
2009	1,021	41	17,922	18,984
2010	1,013	41	10,758	11,812
2011	1,009	42	9,615	10,666
2012	1,009	42	5,449	6,500
2013-2017	4,960	208	17,246	22,414
2018-2022	3,818	125	14,505	18,448
Thereafter	1,139	5	14,309	15,453
Minimum future rentals	$ 15,115	$ 569	$ 112,931	$ 128,615

The above amounts do not include contingent rentals of the Airport Revenues Fund, which may be received under certain leases; such contingent rentals received totaled $8.1 million in 2007.

The following schedule provides an analysis of the Airport's Revenues Fund investment in property under operating lease arrangements as of September 30, 2007:

Buildings	$ 231,483
Land	10,611
Subtotal	242,094
Less: Accumulated depreciation	(67,237)
Total	$ 174,857

Note 12. Defeasance of Debt

In prior years, the City legally defeased certain outstanding general obligation, mortgage revenue and enterprise bonds and certificates of obligation by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments of the refunded bonds. Accordingly, the trust accounts and the defeased bonds are not included in the City's basic financial statements.

The amount of defeased bonds repaid was $23 million for the fiscal year ended September 30, 2007. As of September 30, 2007, the City had a total of $143.4 million defeased outstanding General Obligation Bonds and $553.9 million defeased outstanding revenue bonds.

Note 13. Risk Management – Estimated Claims and Judgments Payable

The City is self-insured for all third-party general liability claims. Claims adjusting services are provided by an administrative services contractor. Interfund premiums are based primarily upon the insured funds' claims experience and exposure and are reported as cost reimbursement interfund transactions. The liability for unpaid claims includes the effects of specific incremental claims, adjustment expenses and if probable and material, salvage and subrogation.

All known City property, primarily buildings and contents, is insured through commercial insurance policies, subject to a $1 million deductible per loss occurrence. The amount of settlements has not exceeded insurance coverage for the past three fiscal years.

The City is insured for workers' compensation losses in excess of $750 thousand per occurrence. Claims adjusting services are provided by an independent "administrative services" only contractor. Workers' compensation premiums are billed periodically by Risk Management to the different funds based on the loss experience and full time equivalents (FTE's) in the respective departments.

All workers' compensation losses are accumulated in a clearing fund which is being reimbursed by the premiums collected. When losses exceed premiums, the deficiencies are prorated and supplemented by the various applicable funds. Accrued workers' compensation liability consists of incurred but not reported as well as unpaid reported claims of which $59.9 million at September 30, 2007, is recorded in the Risk Funds. The City maintains a group health insurance plan for employees and dependents which is self-insured by the City. The City also offers enrollment in one health maintenance organization as an alternative. Premiums are determined based on the annual budget. The City also maintains a group life insurance plan which offers term-life and accidental death and dismemberment for employees and dependents. The City is fully insured for employee term-life. Health claims and claims incurred but not reported that are probable and can be reasonably estimated are accrued in the accompanying basic financial statements at September 30, 2007, in the amount of $10.1 million in the Risk Funds.

At September 30, 2007, the City estimates its workers' compensation liability at $59.9 million. Of this amount, $10.9 million is estimated to be payable in the next fiscal year.

At September 30, 2007, the City estimates its general liability at $20.6 million, which includes $16.9 million for auto and general liability and $3.7 million for probable claims and lawsuits.

Changes in the balances of claims liabilities during the past year are as follows:

	Workers' Compensation		Health		General Liability	
	2007	2006	2007	2006	2007	2006
Unpaid claims, beginning of year	$ 59,564	$ 58,795	$ 6,730	$ 12,509	$ 17,374	$ 20,932
Incurred claims (including IBNRs claims and changes in estimates)	11,276	12,080	51,882	48,023	6,195	(922)
Claim payments	(10,968)	(11,311)	(48,542)	(53,802)	(2,980)	(2,636)
Unpaid claims, end of year	$ 59,872	$ 59,564	$ 10,070	$ 6,730	$ 20,589	$ 17,374

Note 14. Accrued Landfill Liability

The City owns and operates the McCommas Bluff landfill located in the southern portion of the City with an estimated remaining useful life of 45 years. Closure and post-closure care of this landfill is subject to the requirements of Subtitle D of the Resource Conservation and Recovery Act (P.L. 94-580) and Sections 330.250-256 of Title 30 of the Texas Administrative Code administered by the Texas Commission on Environmental Quality (TCEQ). These regulations require the City to place a final cover on each cell of the landfill when it ceases to accept waste and perform certain maintenance and monitoring functions for thirty years after the closure of each cell.

Because final contours have not been achieved, the City has not yet initiated closure of any of this landfill or incurred closure expenses. Therefore, the estimated $22.5 million liability for closure/post-closure care is based on 31.87 percent of the capacity subject to TCEQ regulations--none of which is expected to be paid from current available resources.

The estimated total liability of $69.8 million is based on current dollar average cost per acre calculations for this specific landfill as originally provided by consulting firms and has been revised annually by the City to accommodate inflation, deflation, technology, and developmental or regulation changes. In accordance with the provisions of Codification of Governmental Accounting and Financial Reporting Standards, Section L10, "Landfill Closure and Post closure Care Costs," the City has recorded a closure and post-closure liability of $22.5 million as a long-term liability. Closure and post-closure care are funded through current General Fund revenues generated by landfill operations. Effective April 9, 1997, Sections 330.280-284 of Title 30 of the Texas Administrative Code requires landfill owners to demonstrate financial assurance on an annual basis that they will have sufficient financial resources to satisfy closure and post-closure care expenditures at such time as these become payable.

The City also owns and operates the Deepwood & Loop 12 landfill located at South Miller Road and SW of Loop 12. The estimated total annual liability for post closure care costs for the entire 47 acres of the closed landfill (132 acres of the Landfill Property) of the landfill is $220, and the total liability for 30 years would be $7.4 million. In addition to the $220, there will also be a one time payment of $803 in fiscal year 2008, making the total amount presented as due in one year $1,023.

Note 15. Pension Plans

A. Plan Descriptions

The City participates in funding three contributory, defined benefit employee pension plans. These plans are single-employer pension plans and use the entry-age-normal cost method. Membership is a condition of employment for all full-time, permanent employees.

The excess of contributions made to the Employees' Retirement Fund over required pension contributions (as computed in accordance with GASB No. 27) is recorded as a net pension asset in the Statement of Net Assets in accordance with Codification of Governmental Accounting Standards, Section P20.

The City is also legally obligated to fund the Dallas Police & Fire Pension Plan and the Supplemental Police and Fire Pension Plan in an amount actuarially determined each year. In the opinion of the City Attorney, the City is not legally obligated to fund any additional amounts. The activities of the entities as of December 31, 2006 are reported in the City's Pension Trust Funds. Their separate audited financial statements may be obtained through the City.

Note 15. Pension Plans (continued)

A. Plan Descriptions (continued)

Employees' Retirement Fund: The legal authority for this plan is Chapter 40A of the Dallas City Code. This plan is for the benefit of all eligible employees of the City, excluding firefighters and police officers. Members have vested rights to retirement benefits after five years of service. Benefits are based on credited service and the average monthly earnings for the three highest paid calendar years. Members of the Fund are entitled to normal retirement pension at age 60; early retirement pension at age 55 if employed prior to May 9, 1972 or age 50 and years of service total 78; service retirement pension at any age after 30 years of credited service and disability retirement pension as determined by the board of trustees. Contribution percentages of covered wages are 9.03% for employees and 15.38% for the City. The City's 15.38% is divided into 6.99% cash to the Plan and 8.39% for debt service payments on the pension obligation bonds.

		2006 Membership Consisted of
Retirees and beneficiaries currently receiving benefits and inactive members entitled to benefits but not yet receiving them	Total inactive members	6,177
Current members:		
Vested		5,216
Non vested		2,556
	Total current members	7,772
	Total membership	13,949

Dallas Police and Fire Pension System: The System is a retirement fund for police officers and firefighters employed by the City of Dallas. The System is comprised of a single defined benefit pension plan, called the "Combined Pension Plan," designed to provide retirement, death and disability benefits for firefighters and police officers (members). The legal authority for the Plan is former Article 6243a-1 of the Revised Civil Statutes of Texas. All active, eligible police officers and firefighters employed by the City are required to participate. The Plan consists of Group A and Group B membership. Group A members may elect to receive one of two benefit structures Options 1 and 2. Option 1: members with 20 years or more of pension service are entitled to normal monthly pension benefits beginning at age 50 equal to 50% of the base pay as defined as the maximum monthly civil service pay established by the City at the time of retirement plus 50% of the longevity pay the member was receiving at the time he or she left active service with the City or the effective date the member joined the Deferred Retirement Option Plan (DROP). Option 2: members with 20 years or more of pension service are entitled to normal monthly pension benefits beginning at age 55 equal to 3% of the base pay computed as noted in Option 1 for each year with a maximum of 32 years. In addition, a member receives 50% of the longevity pay and 1/24 of any City service incentive pay the member was receiving at the time he or she left active service with the City or the effective date the member joined DROP. Under Group B, members with five or more years of pension service are entitled to monthly pension benefits beginning at age 50 equal to 3% of the member's average computation pay determined over the highest 36 consecutive months of computation pay, multiplied by the number of years of pension service, up to maximum of 32 years. In addition, Group B benefits are increased by 4% of the initial benefit amount each October 1. The City is required to make contributions of 27.5% of total wages and salaries as defined in the System's plan document. The contribution percentage for members in Group A is 6.5% of their base pay. Group B members are required to contribute 8.5% of their computation pay.

Note 15. Pension Plans (continued)

A. Plan Descriptions (continued)

	2006 Membership Consisted of
Nonactive Member:	
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them:	
Firefighters	1,384
Police Officers	1,814
Terminated vested members not yet receiving benefits	158
Total inactive members	3,356
Current Vested Employees:	
Firefighters	1,420
Police Officers	2,390
Current Nonvested Employees:	
Firefighters	263
Police Officers	666
Total current employees	4,739

Supplemental Police and Fire Pension Plan. The legal authority for this Plan is Subsection 35 of Chapter II of the Charter of the City of Dallas and Ordinance 14084 of 1973. This plan includes officials in the Fire and Police Departments who hold rank higher than the highest corresponding Civil Service rank available as a result of competitive examination. Employees with five or more years of service are entitled to annual pension benefits beginning at normal retirement age 50. Members of the Supplemental Plan contribute 8.5% of their pay that is applicable to the Supplemental Plan on a bi-weekly basis. The City does a one time annual contribution to the Supplemental Plan based on the actuarial analysis, not to exceed a $100,000 increase over the previous year. For 2006 the City contribution was $1.3 million.

	2006 Membership consisted of
Nonactive members	
Retirees and beneficiaries currently receiving benefits:	
Firefighters	45
Police Officers	64
Total non-active members	109
Current Vested Employees:	
Firefighters	17
Police Officers	24
Total current employees	41

Note 15. Pension Plans (continued)

B. Schedule of Employer Contributions

	Employees' Retirement Fund		Dallas Police and Fire Pension System		Supplemental Police and Fire Pension Plan	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
12/31/06	$14,380	159.94%	$91,653	100.0%	$1,300	100.0%
12/31/05	$27,898	2,027.30%	$87,373	100.0%	$1,200	100.0%
12/31/04	$71,382	49.4%	$83,291	100.0%	$1,100	100.0%

C. Employees' Retirement Fund - Net Pension Obligation (NPO)/ Net Pension Asset (NPA) for 2006, 2005 and 2004

	2006	2005	2004
Annual required contribution (ARC)	$14,380	$27,898	$71,382
Interest on NPO/(NPA)	(30,533)	(29,664)	11,110
Adjustment to the ARC	24,095	23,409	(8,085)
Annual Pension Cost	7,942	21,643	74,407
Contribution Made	(23,000)	(32,172)	(568,648)
Change in NPO/(NPA)	(15,058)	(10,529)	(494,241)
NPO/(NPA), beginning of year	(370,096)	(359,567)	134,674
NPO/ (NPA), end of year	$(385,154)	$(370,096)	($359,567)

The net pension obligation (asset) has been allocated between governmental activities and business-type activities based on percentage of contribution by each. For governmental activities, this was 74.4% ($286,537) and for business-type activities, 25.6% ($98,617). The amount of net pension asset allocated by business-type activity is 18.9% ($73,208) to Dallas Water Utilities; 1.4% ($5,236) to Convention Center; 1.8% ($6,849) to Airport Revenues; and 3.5% ($13,324) to nonmajor enterprise funds.

The percent contributed may vary from the legally required rate as the annual required contributions are based upon covered payroll as of the actuarial valuation date, January 1, whereas contributions are calculated and paid based upon actual payrolls throughout the year.

D. Police and Fire Pension - Net Pension Obligation (NPO) for 2006, 2005 and 2004

Dallas Police and Fire Pension System	2006	2005	2004
Annual required contribution (ARC)	$ 91,653	$ 87,373	$ 83,291
Interest on NPO	-	-	-
Adjustment to the ARC	-	-	-
Annual Pension Cost	91,653	87,373	83,291
Contribution Made	(91,653)	(87,373)	(83,291)
Change in NPO	-	-	-
NPO, beginning of year	-	-	-
NPO, end of year	$ -	$ -	$ -

Note 15. Pension Plans (continued)

Supplemental Police and Fire Pension Plan	2006	2005	2004
Annual required contribution (ARC)	$ 1,300	$ 1,200	$ 1,100
Interest on NPO	-	-	-
Adjustment to the ARC	-	-	-
Annual Pension Cost	1,300	1,200	1,100
Contribution Made	(1,300)	(1,200)	(1,100)
Change in NPO	-	-	-
NPO, beginning of year	-	-	-
NPO, end of year	$ -	$ -	$ -

E. Significant Actuarial Methods and Assumptions

Assumptions	Employees' Retirement Fund	Dallas Police and Fire Pension System	Supplemental Police and Fire Pension Plan
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level Percentage	Level Percentage	Level Percentage
Asset valuation method	3-year smoothed market	5-year smoothing	Fair market value
Amortization period	30 Years – Open Period	20 Years – Open Period	5 Years – Open Period
Investment rate of return	8.25%	8.50%	8.50%
Inflation rate	3.00%	4.00%	4.00%
Projected salary increase	3.50%	4.30%-10.00%	4.30%-10.00%
Projected post-retirement benefit increase	3.00%	4.00%	4.00%

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Note 15. Pension Plans (continued)

F. Securities Lending Transactions

The Employees' Retirement Fund and Dallas Police and Fire Pension System Boards have authorized the Plans to enter into agreements with the Northern Trust ("Northern") and JP Morgan Chase ("JP Morgan") respectively, for the lending of certain of the Plans' securities (the "Securities Lending Program" or Program) including, but not limited to, stocks and bonds to counter party brokers and banks ("borrowers"), for a predetermined period of time and fee. Such transactions are not prohibited by state statute.

During the December 31, 2006 fiscal year, Northern lent, on behalf of the Employees' Retirement Fund, securities held by Northern, as a custodian, and received United States dollar cash, United States government agency securities and irrevocable bank letters of credit as collateral. Northern did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to put up collateral for each loan equal to: (i) in the case of loaned securities in which collateral is all denominated in the same currency as the loaned securities, 102% of the fair market value of the loaned securities plus any accrued but unpaid distributions thereon, and (ii) in the case of loaned securities denominated in a different currency from the loaned securities, 105% of the fair market value of the loaned securities plus any accrued but unpaid distributions thereon. The following table shows the type of collateral held, the market value of the securities on loan, and the market value of the collateral held for open loans at December 31, 2006 and 2005.

Collateral Type	Collateral Market Value 12/31/2006	Fair Value	Collateral Percentage	Collateral Market Value 12/31/2005	Fair Value	Collateral Percentage
Cash	$ 502,669	$ 488,311	103%	$ 428,180	$ 416,626	103%
Non-cash	37,235	36,309	103%	16,908	16,508	102%
Total	$ 539,904	$ 524,620		$ 445,088	$ 433,134	

During the December 31, 2005 fiscal year, JP Morgan lent, on behalf of the Dallas Police and Fire Pension System, securities held by JP Morgan as a custodian, and received United States dollar cash and United States Government securities as collateral. JP Morgan did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to put up collateral for each loan equal to: (i) in the case of loaned securities denominated in United States dollars or whose primary trading market was In the United States or sovereign debt issued by foreign governments, 102% of the fair market value of the loaned securities, and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not in the United States dollars, 105% of the fair market value of the loaned securities. At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The market value of securities on loan and collateral held for the System as of December 31, 2006 and December 31, 2005 were $221.3 million and $207.8 million, respectively.

The Boards did not impose any restrictions during the fiscal year on the amount of the loans that Northern and JP Morgan made on their behalf. There were no failures by any borrowers to return the loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal years resulting from a default of the borrowers or Northern and JP Morgan. Northern is contractually obligated to fully indemnify the Plan for a borrower's failure to return the loaned securities.

During the fiscal year, the Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral was invested, together with the collateral of other qualified tax-exempt plan lenders, in a collective investment pool maintained by Northern. The relationship between the average maturities of the investment pool and the Plan's loans was affected by the maturities of the loans made by other plans' entities that invested cash collateral in the collective investment pool, which the Board could not determine. On December 31, 2006 and 2005, the Plan had no credit risk exposure to borrowers.

Note 16. Commitments and Contingencies

A. Pending Lawsuits and Claims

Various claims and lawsuits are pending against the City. In accordance with GAAP, those judgments which are considered "probable" and estimable are accrued, while those claims and judgments which are considered "reasonably possible" are disclosed but not accrued.

In the opinion of the City Attorney, the potential loss resulting from all significant claims which are considered possible, excluding condemnation proceedings, is approximately $19.5 million as of September 30, 2007. At September 30, 2007, approximately $3.7 million has been recorded in the Risk Funds for claims and lawsuits considered to be probable. In the opinion of the City Attorney, this is the total of all such claims which represent probable loss to the City.

B. Commitments and Contingencies

The City participates in a number of federally assisted and State grant programs. Principally, the Community Development Block Grant; Women, Infants and Children; and HOME Programs. The programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of the expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amount, if any, to be immaterial.

The City has several major construction projects planned or in progress as of September 30, 2007. These projects are evidenced by contractual commitments and include the following: $392 million for General Purpose Capital Improvements and $338 million for Water Utilities Capital Improvements.

C. Conduit Debt Obligations

In January 2001, the City approved issuance of City of Dallas Housing Finance Corporation Single Family Mortgage Revenue Bonds Series 2001A and Series 2001B, in an aggregate principal amount not to exceed $25 million. The approval by the City is provided solely for the purpose of satisfying the conditions and requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended, and receiving the City's consent to issuance and plan of financing of these Bonds shall not be construed so as to subject the City, its officers or employees to any liability or obligation with respect to the Bonds. The Bonds specifically provide that they are not a debt of the City of Dallas and the State of Texas and that the City of Dallas and the State of Texas are not liable with respect to the bonds, and accordingly, no amounts related to these bonds have been accrued in the City's financial statements as of September 30, 2007. As of September 30, 2007, total debt outstanding is $3.9 million for Series 2001A, and no outstanding debt for Series 2001B bonds, which were called June 1, 2002.

Note 17. Post Employment Benefits

In addition to pension benefits, various Council resolutions require the City to provide certain healthcare and life insurance benefits for retired employees. The City is self insured for these programs. The costs of these benefits are recognized as expenditures on a cash basis when the underlying claims are paid.

For retired employees over 65, the City pays on average $393 (not in thousands) per moth for Medicare “A” if the retirees are not eligible for Social Security coverage. The retirees are responsible for Medicare “B”.

For retirees who qualify and choose the City health plan, the City pays approximately 50 percent of the retiree premium and the retiree pays the other 50 percent. Spouses of retirees, like active employees, pay 100% of premiums. There were 3,316 retiree participants in the health plan at September 30, 2007. Total claim payments for fiscal year 2007 were approximately $6.2 million net of participants' and pension plans' contributions.

For retirees under 65, the City pays post-employment benefits that are expensed and funded on a pay-as-you-go basis. The City recognizes the cost of providing these benefits as an expense and corresponding revenue in the Employee Benefits Fund. Medical claims are reported in the Employee Benefits Fund. The estimated cost to the City of providing these benefits for 2,464 retirees was $19.3 million in fiscal year 2007 and $16.1 million in 2006 for 2,654 retirees.

Note 18. Discretely Presented Component Units' Condensed Financial Information

Housing Finance Corporation is the only "major" discretely presented component unit, as considered by management. Summary component unit condensed financial information as of September 30, 2007, is presented below:

Condensed Statement of Net Assets

	Housing Finance Corporation	Non-Major Component Unit	Totals
Assets			
Current assets	$ 628	$ 541	$ 1,169
Total assets	628	541	1,169
Liabilities			
Current liabilities	10	-	10
Notes payable	-	150	150
Total liabilities	10	150	160
Net assets			
Unrestricted	618	391	1,009
Total net assets	$ 618	$ 391	$ 1,009

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	Housing Finance Corporation	Non-Major Component Units	Totals
Operating revenues			
Intergovernmental	$ 356	$ 24	$ 380
Other	-	269	269
Total operating revenues	356	293	649
Operating expenses	169	170	339
Operating income	187	123	310
Nonoperating income			
Investment income	19	5	24
Income before contributions	206	128	334
Change in net assets	206	128	334
Total net assets, beginning of year	412	263	675
Total net assets, end of year	$ 618	$ 391	$ 1,009

Note 19. Subsequent Events

In October 2007, DDDA issued TIF Revenue bonds of $29 million on behalf of the City with an interest rate range of 5.49 to 6.28 percent and a final maturity on August 15, 2036 for various permanent public improvements in the DDDA TIF zone.

In November 2007, the City issued $363 million of General Obligation Bonds with an interest rate range of 4.0 to 5.0 percent and a final maturity on February 15, 2027 for various permanent public improvements in the City and to refund a portion of the City's outstanding debt.

In November 2007, the City also issued $31 million in Equipment Acquisition Contractual Obligation with an interest rate range of 3.5 to 4.0 percent and a final maturity of August 15, 2012 for various types of capital equipment.

Note 19. Subsequent Events (continued)

In November 2007, the City also issued $5.5 million in Combination Tax and Revenue Certificates of Obligation with an interest rate range of 3.5 to 4.0 percent and a final maturity of February 15, 2017 for relocation of electric utilities underground in the vicinity of the West Levee switching station and the Woodall Rodgers bridge across the Trinity River in furtherance of the Trinity River Project, renovation and replacing of HVAC equipment and systems at The Museum of Nature and Science and Jack Evans Police headquarters building, and the costs of issuance of the Certificates.

In May 2008, the City also issued $40 million in Contractual Obligation notes with an interest rate range of 2.0 to 5.0 percent and a final maturity of February 15, 2018 for various capital purchases.

In May 2008, the City issued $159 million in Water and Sewer Revenue Refunding Bonds Series 2008 with an interest rate range of 4.00 to 5.00 percent and a final maturity of October 1, 2037 to retire a portion of outstanding commercial paper.

On June 25, 2008, the City Council authorized the City Manager to implement the following plan related to closing Reunion Arena: A) Close Reunion Arena and cease accepting bookings for events after June 30, 2008. B) Secure the building in preparation for demolition. C) Develop a Reunion Arena demolition financing plan and schedule to present it to the Economic Development Committee and City Council for consideration during the fiscal year 2008-2009 budget deliberations. D) Develop a renovation and operation plan for the Dallas Convention Center Arena in light of Reunion Arena's closing, and brief the Economic Development Committee on its findings and recommendation within 60 days. E) The land under Reunion Arena is not to be considered surplus property at this time. The Reunion Arena had revenues and operated throughout fiscal year 2007, and through June 30, 2008. The Reunion Arena will be considered an impaired asset in fiscal year 2008, and the balance of the book value for the structure will be expensed at that time. The book value of the asset was $2 million at September 30, 2007.

CITY OF DALLAS, TEXAS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS (UNAUDITED)

Employee's Retirement Fund (ERF)
Dallas Police and Fire Pension System (DPFPS)
And
Supplemental Police and Fire Pension Plan (SPFPP)
Year Ended September 30, 2007
(in millions)

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c))
12/31/06	ERF	$ 2,998	$ 2,761	$ (237)	108.6%	$ 345	(68.6%)
12/31/05	ERF	2,739	2,606	(133)	105.0%	332	(40.0%)
12/31/04	ERF	2,482	2,488	6	99.0%	331	1.9%
01/01/07	DPFPS	2,962	3,371	409	87.9%	306	133.7%
01/01/06	DPFPS	2,700	3,282	582	82.3%	295	197.3%
01/01/05	DPFPS	2,485	3,074	589	80.8%	282	208.9%
01/01/07	SPFPP	23	29	5	81.0%	1	618.0%
01/01/06	SPFPP	20	26	6	76.0%	1	691.0%
01/01/05	SPFPP	19	24	5	76.0%	1	706.0%

The actuarial information presented is determined by an actuarial valuation and is the amount that results from applying various assumptions with regard to termination, disability, mortality and the time value of money to the accumulated plan benefits.

APPENDIX C

FORM OF CO-BOND COUNSEL OPINIONS

FORM OF CO-BOND COUNSEL OPINIONS

[Closing Date]

$324,940,000
CITY OF DALLAS, TEXAS
CIVIC CENTER CONVENTION COMPLEX REVENUE
REFUNDING AND IMPROVEMENT BONDS
SERIES 2009

WE HAVE represented the City of Dallas, Texas (the "City"), as its co-bond counsel in connection with an issue of bonds (the "Bonds") described as follows:

> CITY OF DALLAS, TEXAS, CIVIC CENTER CONVENTION COMPLEX REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2009, dated February 1, 2009
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the Ordinance adopted by the City Council of the City authorizing their issuance (the "Ordinance") and the Pricing Certificate executed pursuant to the Ordinance.

WE HAVE represented the City as its co-bond counsel for the purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as co-bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds which contains certified copies of certain proceedings of the City; an escrow agreement (the "Escrow Agreement") between the City and U.S. Bank National Association, as escrow agent (the "Escrow Agent"); a report (the "Report") of Grant Thornton LLP, Certified Public Accountants (the "Verification Agent"), verifying the sufficiency of the deposits made with the Escrow Agent for defeasance of the obligations being refunded (the "Refunded Bonds") and the mathematical accuracy of certain computations of the yield on the Bonds and obligations acquired with the proceeds of the Bonds; customary certificates of officers, agents and representatives of the City and other public officials and other certified showings relating to the authorization and issuance of the Bonds. We have also examined executed Bond No. 1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the City;

(2) The Bonds are payable solely from and are equally secured by a lien on and pledge of the Pledged Revenues (as defined in the Ordinance);

(3) The City has reserved the right, subject to restrictions stated or adopted by reference in the Ordinance, to issue additional obligations payable from the same source on a parity with and equally secured in the same manner as the Bonds;

(4) The holders of the Bonds shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation except the Pledged Hotel Occupancy Tax; and

(5) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and therefore, the Refunded Bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION THAT:

(1) Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law; and

(2) The Bonds are not "private activity bonds" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than an S corporation, regulated investment company, REIT, REMIC or FASIT) for purposes of computing its alternative minimum tax.

In providing such opinions, we have relied on representations of the City, the City's Co-Financial Advisors and the underwriters of the Bonds with respect to matters solely within the knowledge of the City, the City's Co-Financial Advisors and the underwriters, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. We have further relied on the Report of the Verification Agent regarding the mathematical accuracy of certain computations. If such representations or the Report are determined to be inaccurate or incomplete or the City fails to comply with the foregoing provisions of the Ordinance, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of the Bonds.

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted in the Ordinance not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

APPENDIX D

HVS REPORT

Civic Center Revenue Fund Financial Analysis

Dallas, Texas

Submitted to:

Mr. Frank Poe
Director
Dallas Convention Center
650 South Griffin Street
Dallas, Texas 75202
Phone: 214-939-2700
Email: frank.poe@dallasconventioncenter.com

Prepared by:

HVS Convention, Sports & Entertainment Facilities Consulting
A Division of HVS Global Hospitality Services
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January 30, 2009

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January 30, 2009

Mr. Frank Poe
Director
Dallas Convention Center
650 South Griffin Street
Dallas, Texas 75202
Phone: 214-939-2700
Email: frank.poe@dallasconventioncenter.com

Dear Mr. Poe,

Pursuant to our contract, we herewith submit our Civic Center Revenue Fund Report. The purpose of this study is to assess the amount of revenue available to support the Civic Center Convention Complex Revenue Refunding and Improvement Bonds, Series 2009 (the "Bonds"). The Bonds are to be repaid with Pledged Revenues to be deposited in the Revenue Fund.

Based on the research and analysis presented in the attached report, HVS views the projections of available Pledged Revenues as reasonable and achievable.

We hereby certify that we have no undisclosed interest in the Bonds and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein. We have enjoyed working with you.

Sincerely,

Thomas Hazinski

Thomas Hazinski
Managing Director
HVS Convention, Sports & Entertainment
Facilities Consulting
A Division of HVS International

1. Executive Summary and Civic Center Description

Introduction Scope of the Assignment

The City of Dallas ("City") engaged HVS Convention, Sports and Entertainment Facilities Consulting ("HVS") to assess the amount of revenue available to support the Civic Center Convention Complex Revenue Refunding and Improvement Bonds, Series 2009 (the "Bonds"). The Bonds are to be repaid with certain revenues from the "Civic Center Revenue Fund" (the "Revenue Fund").

The facilities operated under the Revenue Fund are called the "Civic Center Convention Complex" or "Civic Center". The Civic Center includes the Dallas Convention Center ("DCC"), the Park Plaza Parking Garage, and Union Station. The Revenue Fund also receives tax revenue from a portion of Hotel Occupancy Tax ("HOT"), which is pledged to the repayment of the Bonds. To the full extent required to assure efficient and proper operation, the City pledges to use the Mixed Beverage Tax ("MBT") to pay operation and maintenance costs of the Civic Center.

This study evaluates the ability of the Pledged Revenues to be deposited in the Revenue Fund to pay debt service on the Bonds as well as expenses.

Scope of the Assignment

The scope of the analysis presented in this report includes:

- **Market Area Analysis—**overview and assessment of economic factors that may affect the Enterprise Fund operations.
- **Convention Center Industry Trends—**an overview of industry trends that describes the state of the convention and meetings industry and the influence of national trends on the potential for local success.
- **Convention Center Demand Analysis—**this report includes: 1) analysis of a set of comparable convention center venues that includes assessment of their building programs and event demand: 2) a detailed survey of event planners assessing their

facility needs and interest in holding their events in at the DCC; 3) analysis of lost business, 4) analysis of advance bookings, and 5) a forecast of potential convention center event demand including the number of events by type and attendance.

- **Hotel Occupancy Tax Forecast**—an analysis for the Dallas hotel market, historical tax collections, and a forecast of future revenue.
- **Mixed Beverage Tax Forecast**—an analysis of market factors affecting the collection of alcohol beverage taxes and a forecast of future collections.
- **Civic Center Revenue Fund Financial Operations**—review of historical performance and a forecast of future performance of the Revenue Fund.
- **Debt Service Coverage Analysis**

Description of Revenue Fund Assets

The Dallas Convention Center is located downtown in Dallas' primary business district. Owned and operated by the City of Dallas, the facility features 1.1 million gross square feet of exhibit, ballroom, and meeting space and, at 203,000 square feet, the largest column free exhibit hall in the United States. Part of the Dallas Civic Center Convention Complex, the DCC is within walking distance to Dallas City Hall, Pioneer Plaza, and Union Station.

Aerial View of the Dallas Convention Center

Source: Dallas Convention Center

The original Dallas Memorial Auditorium opened in 1957 and featured 70,000 square feet of exhibit space, a 1,700-seat theater, and a 9,000-seat arena. The City of Dallas financed the facility's first major expansion in 1973 and renamed it the Dallas Convention Center. Subsequent expansions occurred in 1984, 1994, and 2002 and all were funded by the City of Dallas. The DCC is the largest convention facility in Texas and since 2002, it has had the largest column-free exhibit hall in the United States.

Exhibit Space

Exhibition space is critical for several types of events such as conventions, tradeshows, and consumer shows. Table 1-1 shows a breakdown of exhibition space at the DCC.

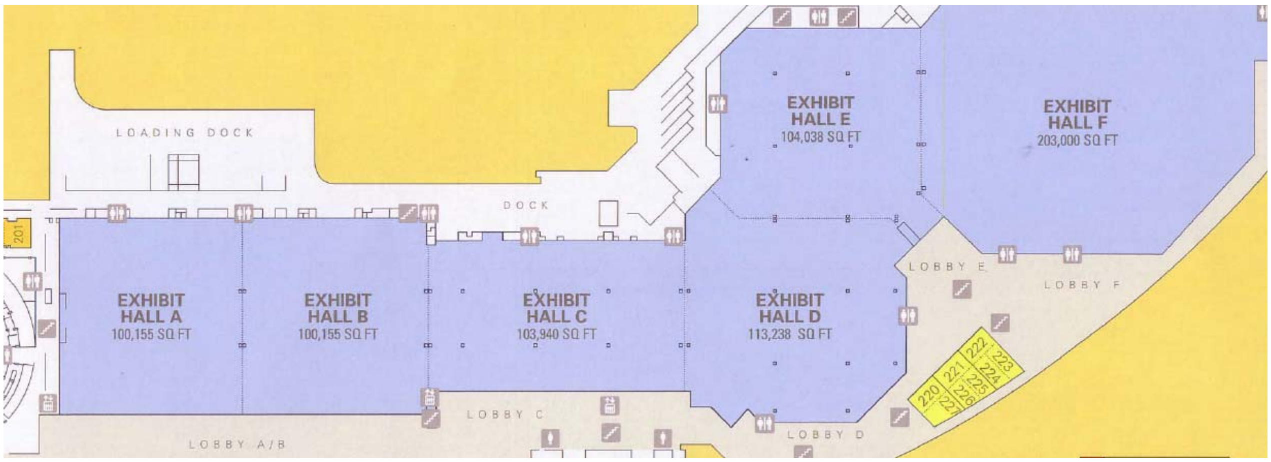
Table 1-1
Summary of Exhibit Space

Type of Space	Useable Area (SF)	Capacity
Ground Floor		
Exhibit Hall	225,000	10,000
Exhibit Level		
Hall A	100,155	8,015
Hall B	100,155	8,015
Hall C	103,940	8,394
Hall D	113,238	9,324
Hall E	104,038	8,624
Hall F	203,000	16,300
Combined Halls A-F	724,526	--
TOTAL	949,526	--

Source: Dallas Convention Center

The majority of primary exhibit space is located on the second floor. When combined, the main hall measures roughly 725,000 square feet and is divisible into six distinct halls. Constructed in 2002, the 203,000-square foot F Hall is the largest column-free exhibit hall in the nation. Halls A-F can accommodate up to 350 pounds per square foot ("PSF") and are accessible via 75 adjacent loading docks. An additional exhibit hall located on level one measures 225,000 square feet; this hall can be used as a parking lot providing 523 additional spaces. It carries a max of 150 PSF, and is accessible via drive-up dock and freight doors. Loading docks and back of house facilities are all located on the southern side of the Convention Center.

Figure 1-1
Exhibit Hall Floor plans



Source: Dallas Convention Center

Banquet Space

The DCC has two finished ballrooms both of which are divisible into four meeting rooms. Ballrooms A and C are located on the DCC's second floor. Table 1-2 shows ballroom specifications and totals all designated pre-function space.

Table 1-2
Summary of Banquet & Pre-Function Space

		Capacity		
Type of Space	**Useable Area (SF)**	**Theatre**	**Classroom**	**Banquet**
Area A Ballroom				
A One	6,748	675	390	480
A Two	6,748	675	390	480
A Three	6,748	675	390	480
A Four	6,748	675	390	480
TOTAL	26,992	--	--	--
Area C Ballroom				
C One	4,747	475	270	340
C Two	4,820	475	270	340
C Three	4,820	475	270	340
C Four	4,747	475	270	340
TOTAL	19,134	--	--	--
Pre Function				
Ballroom Foyer A	14,400	--	--	--
Lobby A/B	56,807	--	--	--
Lobby C	19,443	--	--	--
Lobby D	32,162	--	--	--
Lobby E	33,185	--	--	--
Lobby F	36,952	--	--	--

Source: Dallas Convention Center

The Area A Ballroom measures roughly 27,000 square feet; each of its four sections measure roundly 7,000 square feet and can accommodate between 390 and 675 persons. Ballroom A is adjacent to the DCC arena, kitchen and café dining area on the eastern side of the facility. The Area B Ballroom measures roughly 19,000 square feet and its four sections measures either 4,700 or 4,800 square feet, with a capacity of 270 to 475 persons. Ballroom C is located on the western side of the center across from Exhibit Hall C.

Figure 1-2
Ballroom & Pre-Function Space

Source: Dallas Convention Center

Lobbies A-F are located on the northern side of the facility and run adjacent to the exhibit halls A-F.

Meeting Space

DCC meeting space is flexible, with a majority of the rooms located on the ground floor. Table 1-3 provides a breakdown of meeting space by floor, including total area and maximum capacities.

Table 1-3
Summary of Meeting/Breakout Space

Meeting Room Block	Useable Area (SF)	Number of Rooms	Capacity		
			Theater	Class	Banquet
Area A Meeting Rooms - Level 1	15,947	36	1,570	959	1,078
Area C Meeting Rooms - Level 1	26,816	16	2,581	1,484	1,626
Area D Meeting Rooms - Level 1	27,012	16	2,549	1,527	1,737
Area A Meeting Rooms - Level 2	1,938	2	352	208	240
Area D Meeting Rooms - Level 2	12,491	8	1,186	621	730
Area A Meeting Rooms - Level 3	12,102	10	1,209	713	810
Total Meeting Space	96,306	88	9,447	5,512	6,221

Source: Dallas Convention Center

Meeting rooms are centralized on the first floor of the DCC. Level One houses Area A, C, and D Meeting Rooms, which provide 36, 16, and 8 rooms respectively all of varying size. Level two houses Area A and D Meeting Rooms and level three has 10 meeting rooms able to accommodate between 50 and 200 persons depending on the seating arrangement. All of these rooms vary significantly in size, accommodating a diverse group of events like meetings, banquets, training sessions etc.

Figure 1-3
Meeting Space – Level 1, 2, 3

Source: Dallas Convention Center

Other Convention Center Amenities

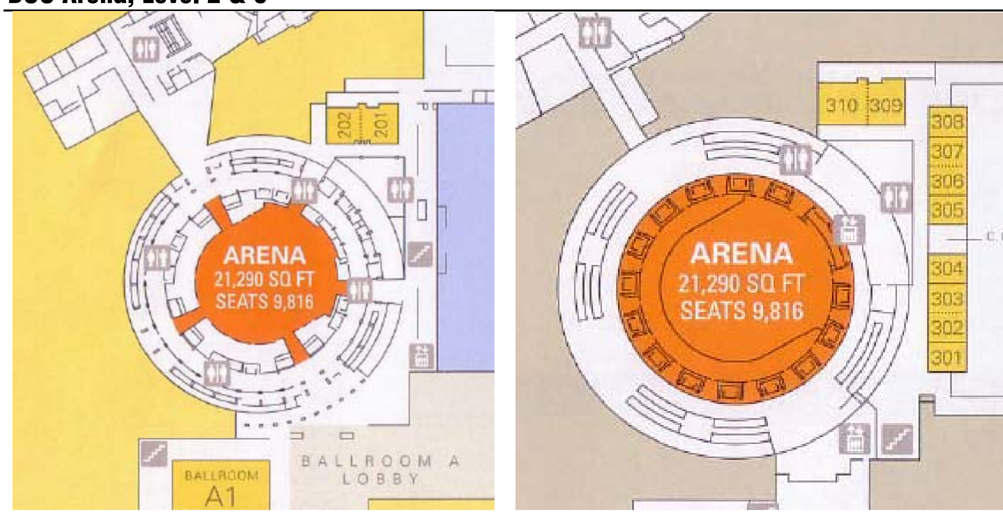
Convention center amenities include a full-service business center, multiple gift shops, first aid stations throughout the Center, concierge services, and two covered parking garages with 550 spaces each. An outdoor parking lot adjacent to Lobby C currently provides an additional 170 spaces. The DCC also provides full-service catering managed by Centerplate and an array of telecommunication and event technology services through Smart City.

Additional Event Space

In addition to standard exhibit, banquet and meeting space, the DCC has an Arena and a 1,750 fixed-seat theater. Additional venues within short walking distance from the DCC are often utilized when additional event space is necessary:

DCC Arena—is a two-level arena able to accommodate up to 9,000 event attendees. It is available for large meetings, concert and entertainment events; it is often used as additional exhibit space for large conventions and tradeshows. There is fixed-seating for 7,428 persons and flexible floor-space on the floor level for 2,388 temporary seats.

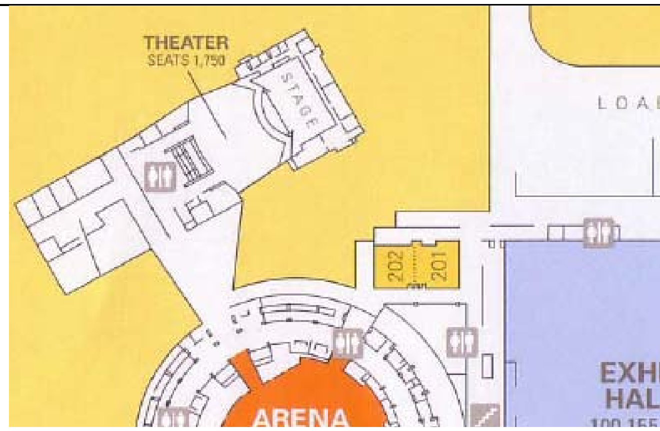
Figure 1-4
DCC Arena, Level 2 & 3



Source: Dallas Convention Center

Naomi Burton Theatre—is a permanent theater with seating for up to 1,770 persons. The Theatre hosts various local and touring concerts, plays, and musicals; it is also used for opening session and business meetings for large events at the DCC. Adjacent to the Arena, event attendees have direct access via covered walkway from the DCC.

Figure 1-5
Naomi Burton Theater



Source: Black Academy of Arts & Letters, Dallas Convention CenterUnion Station

Union Station

Union Station, approximately 104,000 square feet, was constructed in 1916 as the Dallas Union Terminal. The structure was built to consolidate five rail stations into one, making Dallas a major transportation center in the Southwestern United States.

Union Station Exterior

Union Station is included in the National Register of Historic Places and has been designated both a Recorded Texas Historic Landmark and a Dallas Historic Landmark

In 1973, voters approved the acquisition of the terminal and the surrounding railroad property. The City acquired Union Station to preserve it as an historic structure and for future use as a downtown transportation center. Union Station is located in the reunion district of downtown. Today, Union Station serves as a hub for the City's major transportation providers. The City leases space to the Dallas Rapid Transit (DART) Light rail system and AMTRAK. The light rail station opened on June 14, 1996.

Proximate Lodging Accommodations

The Convention Center does not have a headquarters hotel; the most closely associated property is the Hyatt Regency Dallas, which is connected via underground concourse to Union Station. The hotel is within walking distance of the Convention Center. The DCC works with the following six properties to arrange lodging for event attendees and exhibitors. See Table 1-4.

Table 1-4
Area Hotels

Property Name	Year Open	Rooms	Meeting Space (SF)	Chain Scale
Sheraton Dallas	1959	1,840	204,000	Upscale
Hyatt Regency Reunion	1978	1,122	160,000	Upper Upscale
The Adolphus	1912	422	24,000	Indep Upper
Westin City Center	1980	407	51,520	Upper Upscale
The Magnolia Hotel Dallas	1999	330	8,000	Indep Upper
Hotel Lawrence	1923	118	1,600	Indep Middle
TOTAL	--	4,239	449,120	--

Source: Smith Travel Research, Respective Facilities

All of the above properties are within walking distance of the Convention Center. As the DCC is located in Dallas's downtown business district, all of the hotels represent chain or independent middle- to upper-upscale properties.

Proposed Headquarters Hotel

A proposed headquarters hotel on a site adjacent to the DCC is expected to feature 1,000 rooms, two restaurants, a lounge, a coffee kiosk, 100,000 - 140,000 square feet of meeting space, an outdoor pool, an outdoor whirlpool, a fitness center, a business center, retail outlets, and vending areas.

The term "headquarters" is given to that hotel which serves as the center of operations for an event occurring in the city's convention center. This type of hotel typically dedicates the largest room block to the event, sometimes devoting up to 90% of its room count during the peak day(s) of a convention or tradeshow. The headquarters property also handles a majority of the food and beverage needs of the group (outside of those held in the convention center); in particular, receptions and banquet lunches and dinners. While the adjacent convention center may handle the large-scale exhibits and meetings, the convention headquarters hotel will often handle smaller ancillary meetings and breakouts, and pre- and post- group meetings.

The headquarters property typically features one of the larger room counts in the given market with one or two of the larger ballrooms. The most prominent brands for a convention headquarters hotel include Hyatt, Hilton, Marriott, Starwood's Westin and Sheraton brands, Gaylord, Omni, Loews, and Peabody.

The City has demonstrated its commitment to completing the proposed headquarters hotel by January 2012 with the following actions:

- The City purchased the proposed site adjacent to the DCC for approximately $40.0 million.
- The City selected a development company and negotiated a pre-development agreement that requires the City expend up to $8.0 million in predevelopment costs.
- The City issued an RFP to select an operating company; as of the writing is in the process of evaluating responses to the RFP and selecting an operator.

The Bonds, which are the subject of this study, are not part of the financing plan for the proposed headquarters hotel. A separate and later issuance of public debt has been proposed to finance the proposed hotel.

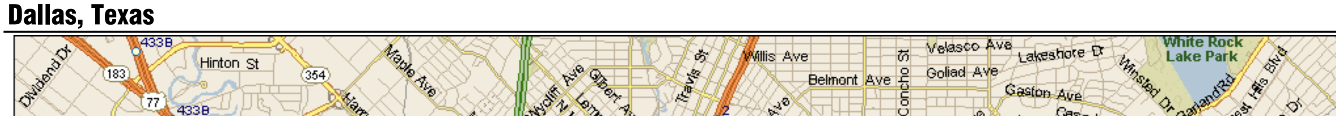
While the City has demonstrated its commitment to the project, HVS can provide no assurances that it will occur. Later in this report, HVS provides two forecasts of Revenue Fund Operations: 1) assuming the headquarters hotel opens in 2012, and 2) assuming the project is not completed.

2. Market Analysis

Market Overview

The purpose of the market area analysis is to review specific economic and demographic trends that will reflect the overall condition of the local economy in Dallas. The economic vitality of the area (the City of Dallas, the county of Dallas, and the state of Texas) is an important consideration in forecasting the financial operations of the Civic Center Revenue Fund. The market area for a convention center is the geographical region where the sources of demand and the competitive supply are located. Dallas is part of the Dallas-Ft. Worth-Arlington Metropolitan Statistical Area ("MSA"). HVS will focus on economic data and market trends in Dallas and the MSA.

Dallas, Texas



Source: Microsoft Streets & Trips

Dallas is part of a "Metroplex" that includes Fort Worth and many surrounding suburbs. The Dallas economy is diversified, and the City is the leading commercial, marketing, and industrial center of the southwest. Led by the technology sector, major industry sectors include defense, financial services, information technology and data, life sciences, telecommunications, and transportation. Approximately 50 percent of jobs in the region are service-oriented in sectors including, healthcare, recreation and tourism, and finance.

Economic & Demographic Overview

Based on fieldwork conducted in the area and our in-house data sources, HVS evaluated various economic and demographic statistics to determine trends in economic growth. Historical statistics are based on U.S Census data and information published by the Bureau of Economic Analysis and forecasting models developed by Woods and Poole and ESRI, both highly regarded demographic forecasting firms.

Population Trends

Table 2-1 shows historical, current, and projected population data for the City of Dallas, Dallas County, the MSA, Texas, and the nation.

Table 2-1
Population

				CAGR	
Market	2000	2007	2012	2000-2007	2007-2012
Dallas City	1,188,580	1,259,459	1,309,176	0.8%	0.8%
Dallas County	2,218,899	2,378,203	2,487,978	1.0%	0.9%
Dallas-Ft Worth-Arlington MSA	5,161,544	6,118,183	6,888,211	2.5%	2.4%
Texas	20,851,820	23,986,432	26,358,319	2.0%	1.9%
United States	281,421,906	306,348,230	325,526,398	1.2%	1.2%

Source: ESRI

According to ESRI, the population of the MSA increased by 2.5 percent annually, between 2000 and 2007 faster than anywhere else examined. Population growth was significantly slower in Dallas, where the population grew by 0.8 percent annually. During the same period the population throughout the State of Texas increased by 2.0 percent annually. By comparison, the population throughout the nation increased by 1.2 percent annually during this period.

The population of the MSA is expected to increase by 2.4 percent annually through 2012. The Dallas County population is projected to grow by 0.9 percent annually while the statewide population is projected to increase by

1.9 percent annually over the same time period. Forecasts for the United States indicate an average annual compounded population increase of 1.2 percent between 2007 and 2012.

Income Trends

Table 2-2 shows income trends, as reported by ESRI, in the city, county, MSA, state, and nation.

Table 2-2
Income Trends

	2000			2007			2012 Projections			Avg. HH Income Growth Trends	
Market	Average Household Income	Median Household Income	Per Capita Income	Average Household Income	Median Household Income	Per Capita Income	Average Household Income	Median Household Income	Per Capita Income	2000-2007	2007-2012
Dallas City	$57,577	$37,839	$22,183	$75,032	$48,696	$28,108	$92,554	$57,875	$34,524	3.9%	4.3%
Dallas County	61,320	43,561	22,603	79,603	55,842	28,577	97,647	66,099	34,794	3.8%	4.2%
Dallas-Ft Worth-Arlington MSA	64,077	47,789	23,645	85,745	62,125	30,955	106,989	75,378	38,468	4.2%	4.5%
Texas	54,412	39,928	19,617	71,098	51,090	25,413	87,230	60,298	31,088	3.9%	4.2%
United States	56,644	42,164	21,587	73,126	53,154	27,916	88,685	62,503	33,873	3.7%	3.9%

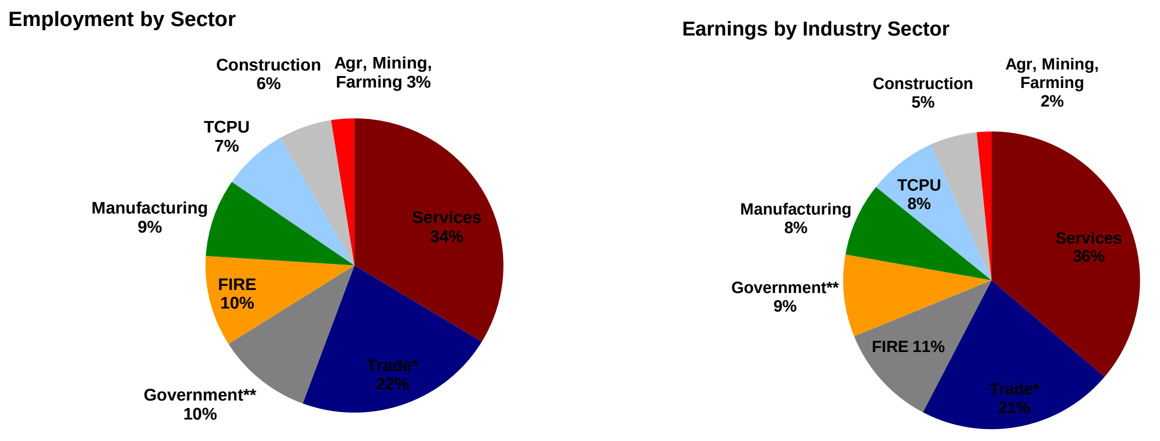
Source: ESRI

The average household income in Dallas is approximately $75,000, approximately the average income of the state and nation but less than the county and significantly less than the MSA whose average income is roughly $86,000 annually. From 2000 to 2007, aggregate income growth in the MSA outpaced the city, county, state and nation. Aggregate income rose at an average annual compounded rate of 3.9 percent in Dallas from 2000 through 2007. In the MSA aggregate income has grown at an average annual rate of about 4.2 percent from 2000 to 2007, higher than the nation as a whole. Income is forecast to grow 4.3 percent annually through 2012. Over the next five years, average income is expected to grow at an annual rate of 4.2 and 4.5 percent in Dallas County and MSA respectively. Average income is projected to grow at an annual rate of 4.2 percent in Texas throughout the same time period as well. Average household income across the nation is expected to grow at an annual rate of 3.9 percent between 2007 and 2012.

Work Force Characteristics

Figure 2-1 gives the distribution of total employment by sector and the distribution of earnings by industry for the local MSA.

Figure 2-1
Local MSA Employment and Industry Data



* Includes retail and wholesale trade positions
**Includes Federal civilian, military, state and local government positions

Source: Woods & Poole

The labor market in the MSA depends significantly on service and trade jobs. As a portion of total employment, government, finance, insurance and real estate, (FIRE) and manufacturing positions each represent approximately 10 percent of the total. Similarly, the services and trade sectors contribute 57 percent of total earnings. As is typical in most markets, the services sector had the largest share of earnings in 2007 with approximately 36 percent of earnings; followed by income earned in the trade and finance, insurance, and real estate sectors. Government, manufacturing and TCPU contribute between nine and eight percent respectively to total earnings in the Dallas MSA.

Table 2-3 lists the 10 largest employers in the Dallas metro area, excluding government positions including school districts.

Table 2-3
Largest Employers

Rank	Company	Employees
1	Texas Instruments	14,300
2	Parkland Memorial Hospital	6,857
3	UT Southwestern Medical Center	6,000
4	CompuCom Campus	5,300
5	Baylor Medical Center	5,225
6	Presbyterian Hospital	4,352
7	United Parcel Services Inc.	4,300
8	Children's Medical Center	4,154
9	Southwest Airlines	3,200
10	Veterans Administration Medical Center	3,168

Source: Dallas Book of Lists 2007

The largest employer is Texas Instruments, which employs 14,300 workers followed by Parkland Memorial Hospital with approximately 6,900 workers. Highlighting the diversity of the market economy, the above list of employers also reflects the prominence of several employment sectors including healthcare and technology.

The MSA is home to the following Fortune 500 companies, including Exxon Mobil.

Table 2-4
Fortune 500 Companies

Company	Location	Rank	Company	Location	Rank
Exxon Mobil	Irving	1	Tenet Healthcare	Dallas	236
AMR Corporation	Ft. Worth	105	Southwest Airlines	Dallas	300
Electronic Data Systems	Plano	108	Commercial Metals	Irving	329
JC Penney	Plano	118	Energy Transfer Partners	Dallas	347
Kimberly-Clark	Dallas	140	Celanese	Dallas	356
DR Horton	Ft. Worth	162	Blockbuster, Inc	Dallas	366
Texas Instruments	Dallas	167	Radio Shack	Ft. Worth	423
Fluor Corporation	Irving	169	Atmos Energy	Dallas	430
Burlington Northern Santa Fe Corp.	Ft. Worth	171	Triad Hospitals	Plano	432
Centex	Dallas	175	Affiliated Computer Services	Dallas	471
Dean Foods	Dallas	216	Comerica	Dallas	487
TXU	Dallas	228	Brinker International	Dallas	499

Source: Dallas Office of Economic Development

Office Space Statistics

Table 2-5 summarizes office space statistics for the Dallas market area.

Table 2-5
Office Space Statistics

Product Type	Rentable Area* (SF)	Overall Vacancy Rate (%)	Total Net Absorption (SF)	Under Construction (SF)	Rental Rate ($/SF/YR)
Dallas (Citywide)	125.3	19.1	949,570	2.2*	$19.10
Class A	58.6	18.1	447,010	2.2*	$21.73
Class B	52.8	22.2	431,171	4,440	$16.56
Class C	13.9	11.6	71,389	0	$15.59

** Millions*

Source: CB Richard Ellis, 4th Quarter 2007 Market Index Brief

Overall, office vacancy is about 19 percent, and the area's lease rate was $19.10. Class A and C show the lowest vacancy with approximately 18 and 12 percent respectively. Over one million square feet of available office space is in the Class B category, of which, roughly 11,600 square feet lies vacant, resulting in a vacancy rate of 22 percent. At the close of 2007 there was roughly 2.2 millions square feet of Class A office space under construction.

Unemployment

Table 2-6 shows full employment data for the City of Dallas and unemployment rates for the local county, MSA, state, and nation.

Table 2-6
Labor Force Data

	City of Dallas				Unemployment Rate			
Year*	Labor Force	Employment	Unemployment	Unemployment Rate	Dallas County	MSA	Texas	U.S.
1997	646,127	614,603	31,524	4.9%	4.2%	3.7%	5.4%	4.9%
1998	653,213	624,465	28,748	4.4	3.8	3.3	4.9	4.5
1999	664,043	636,197	27,846	4.2	3.6	3.1	4.7	4.2
2000	619,245	590,136	29,109	4.7	3.9	3.6	4.4	4.0
2001	627,393	587,165	40,228	6.4	5.3	4.7	5.0	4.7
2002	630,892	574,977	55,915	8.9	7.4	6.5	6.4	5.8
2003	623,050	567,637	55,413	8.9	7.4	6.6	6.7	6.0
2004	621,107	572,147	48,960	7.9	6.6	5.8	6.0	5.5
2005	591,037	557,442	33,595	5.7	5.6	5.2	5.4	5.1
2006	604,558	573,002	31,556	5.2	5.1	4.8	4.9	4.6
2007	615,887*	588424**	27463**	4.5**	4.4	4.2**	4.3	4.8***

** 1997-1999 reflects 2000 Census-based geography and new model-based controls at the state level, while 2000-2007 reflects revised inputs, reestimation, and new statewide controls through 2007.*

*** December 2007*

**** February 2008*

Source: U.S. Dept. of Labor Statistics

Unemployment rates increased steadily from 2000 through 2003 in the city, county, MSA, state and nation. The City of Dallas experienced the largest unemployment rates reaching a peak of 8.9 percent in 2002 and 2003, followed by Dallas County who had an unemployment rate of 7.4 percent over the same time period. Rates steadily declined after 2004 returning to between four and five percent across all of the segments listed above. The MSA and the Nation as a whole had the most similar unemployment rates with Dallas, the county, and Texas experiencing the highest.

There were approximately 631,000 potential workers in 2002 about 575,000 of these workers were employed in 2002. As the national and regional economies entered a recession in 2001, the total unemployment increased gradually in Dallas, reaching a peak of 56,000 workers unemployed in 2002. Throughout the State of Texas the average unemployment rate was 4.3 percent in 2007, slightly less than February 2008 national unemployment rate of 4.8 percent.

Transportation

The following map shows the roadways serving the Dallas metro area.

Regional Access Map

Source: Microsoft Streets & Trips

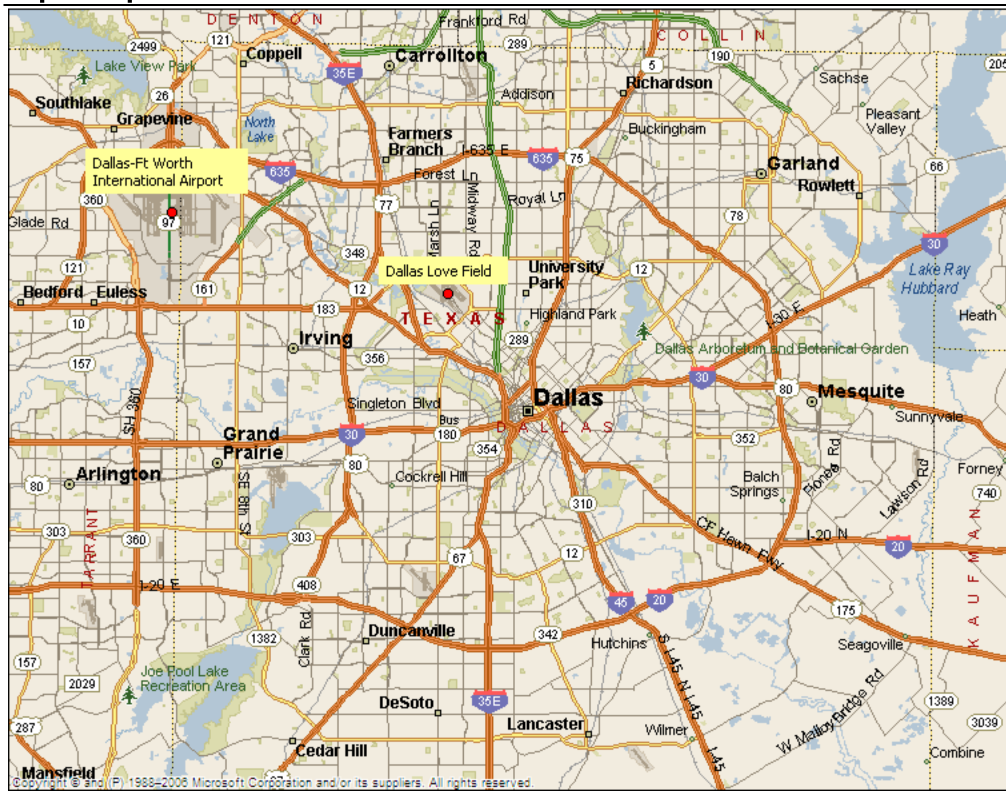
The Dallas market area benefits greatly from its proximity to several major highways and interstates. Interstate 20, 30, 35, and 45 converge within the City limits. Interstate 35 and 45 are north-south roadways. I-35 splits into I-35E and I-35W from Denton to Hillsboro; I-35E goes through Dallas while the I-35W travels through Dallas. East-west routes include I-30, I-20, and I-45; Interstate 30 and 45 connect Dallas to Ft. Worth and Houston respectively.

Additional infrastructure includes two major loop roads and 19 Federal and State highways. The loop roads allow drivers to bypass both Dallas and Ft. Worth, which helps to relieve traffic congestion. A large number of construction projects are planned or underway to alleviate these congestion problems, including the Trans-Texas Corridor, which will run adjacent to Dallas.

Public transit options throughout the Dallas area are somewhat limited. The Dallas Area Rapid Transit (DART) operates a 45-mile light rail system, which goes as far north as Plano. Future plans for the DART passenger rail system include expanding the 45-mile system to 110 miles by the year 2030. In addition to the light rail system, three major rail lines run through the City of Dallas, including the Burlington Northern San Fe line, Southern Pacific, and Union Pacific Short line.

Air Access

Airport Map



Source: Microsoft Streets & Trips 2007

Dallas/Fort Worth International Airport is one of the nation's largest airports, offering over 125 non-stop domestic routes and 36 international routes, including 16 to Mexico. The facility serves as headquarters for American Airlines, which generates over 80 percent of the airport's activity. A new international terminal and a Grand Hyatt Hotel opened at the airport in the summer of 2005. A high-speed tram system, Skylink, was also completed in 2005 to transport passengers among the airport's five terminals.

Dallas Love Field is a public airport located northwest of Dallas, Texas. Love Field was the primary airport for Dallas until Dallas/Fort Worth International Airport opened in 1974. Love Field celebrated 85 years in the aviation industry in 2002 and was designated as a Texas State Historical Site in 2003. Love Field is now Dallas' secondary airport and is primarily serviced by Southwest Airlines, which flies to Albuquerque, Amarillo, Austin, El Paso, Houston-Hobby, Kansas City, Little Rock, Lubbock, Midland/Odessa, New Orleans, Oklahoma City, St. Louis, San Antonio and Tulsa. Continental Express also services Love Field, flying to Houston-Intercontinental, and American Airlines flies to Kansas City and St. Louis, with American Eagle flying to Austin and San Antonio.

Table 2-7 shows recent operating statistics for the two commercial airport facilities serving the Dallas Metroplex.

Table 2-7
Airport Statistics

	Dallas-Fort Worth International Airport*		Dallas-Love Field**	
Year	Total Passengers	% Change	Total Passengers	% Change
2000	60,771,052	--	7,077,549	--
2001	55,150,693	-9.2%	6,685,618	-5.5%
2002	52,814,185	-4.2%	5,622,754	-15.9%
2003	53,253,607	0.8%	5,588,930	-0.6%
2004	59,412,217	11.6%	5,889,756	5.4%
2005	59,176,265	-0.4%	5,909,599	0.3%
2006	60,226,138	1.8%	6,874,717	16.3%
YTD 2006	24,569,869	--	3,351,637	--
YTD 2007	24,096,890	-1.9%	3,920,532	17.0%

** May 2007*
***June 2007*

Source: Respective Facilities

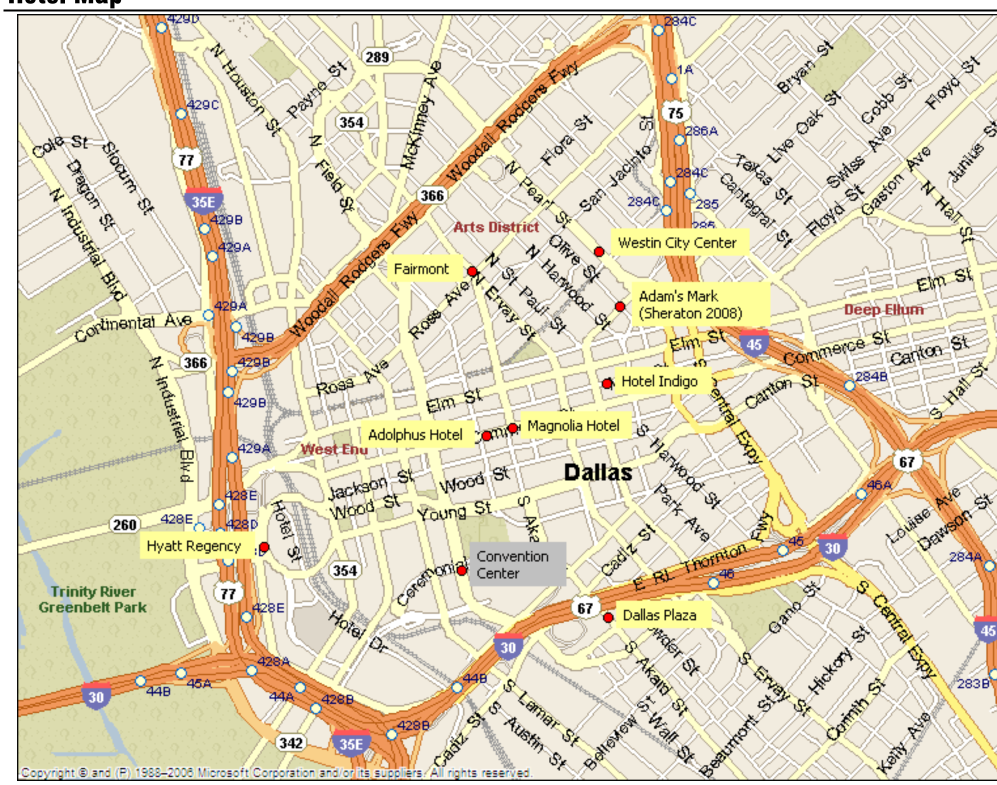
Passenger volume at the DFW Airport decreased 9.2 percent between 2000 and 2001, followed by continued passenger losses of 4.2 percent the following year. Dallas-Love Field experienced similar losses over the same two year period losing a total of 21.4 percent of passengers. These losses may be due in part to the events of September 11, 2001.

Both airports saw passenger volume increase in subsequent years. DFW International increased passenger volume 13.8 percent since 2003, while Dallas Love Field increased passenger volume 16.3 percent since 2004. Love Field continued this growth in 2007 hosting 3,920,532 passenger in June, an increase of 17 percent from June 2006. Meanwhile, DFW International passenger volume at DFW International decreased 1.9 percent from May 2007 and 2006.

Local Hotel Inventory

A convention center's ability to attract out-of-town groups depends greatly on the availability of adjacent or nearby hotel rooms within walking distance. The following map shows the location of hotels within a one mile radius of the Dallas Convention Center.

Hotel Map



Source: Microsoft Streets & Trips

There are currently eight hotel properties and 5,200 rooms within a mile of the Convention Center. These hotels are located in the City's center proximate to Dallas's Arts and West End districts. Together these properties provide approximately 525,000 square feet of additional meetings space.

The entire hotel market is described in greater detail in Section 5 of this report.

Activities & Attractions

The market benefits from a variety of tourist and leisure attractions in the area. The peak season for tourism in this area is from May to September. During other times of the year, weekend demand comprises travelers passing through en route to other destinations, people visiting friends or relatives, and other similar weekend demand generators. Primary attractions in the area include the following:

- **Dallas Museum of Art**—opened in Dallas's Arts District in 1984. The varied collection includes European and American painting, sculpture and paper works from the impressionist, modernist and post-modernist eras. Additionally, the museum features over 400 pieces of Egyptian and Nubian art and an entire wing devoted to the Decorative Arts. The museum is part of the downtown Arts District and is within walking distance of the several museums and performance venues, including the Dallas Museum of Contemporary Art, Nascher Sculpture Center, Morton H. Meyerson Symphony Center, Crow Collection of Asian Art, the Dallas Theater Center, Ad-Libs Comedy Club and the planned Dallas Center for the Performing Arts.
- **Fair Park—**is located two miles east of downtown Dallas and features six performance venues, nine museums, the Dallas Aquarium, Texas Hall of State, the Texas Vietnam Veterans Memorial, and the Cotton Bowl Stadium. In 1986, the park was designated a National Historic Landmark. It features the largest collection of Art Deco architecture in the United States and nearly 750,000 square feet of rentable event space. Every fall, Fair Park hosts the State Fair of Texas, an event that draws an average of seven million visitors annually.
- **Deep Ellum**—is a popular arts, entertainment and shopping district proximate to the Dallas city center. Deep Ellum is one of the City's many unique and historic neighborhoods. It is known for its many live music venues, small theaters, restaurants, dance halls, and bars; historically, the neighborhood was home to the Dallas Jazz and blues community in the twenties and thirties.

- **Sixth Floor Museum at Dealey Plaza—**is dedicated to President John F. Kennedy. The museum is located on the site of his assassination in the Texas School Book Depository overlooking Dealey Plaza in downtown Dallas. Exhibits include historic films, artifacts, and photographs from the assassination, as well as photographs and documents from the subsequent investigation. The museum relies solely on private donations and ticket sales and opened in 1989.

Table 2-8 presents a more comprehensive list of activities and attractions in the greater Dallas area.

Table 2-8
Area Attractions & Activities

Name	Type	Name	Type
Sixth Floor Museum	Specialty Museum	White Rock Lake Park	Nature/Recreation
Cathedral Santuario de Guadalupe	Cultural	Dallas Theater Center	Theater/Architecture
Conspiracy Museum	Specialty Museum	Meadows Museum of Art	Visual Arts
Cotton Bowl	Sports Events	Millermore Mansion	Historic
Crow Collection of Asian Art	Visual Arts	Urban Market	Shopping District
Dallas Arboretum/Botanical Gardens	Nature/Recreation	Texas School Book Depository	Landmark
Dallas Center for the Performing Arts	Performing Arts	Texas Stadium	Sports/Events
Dallas Cowboys	Football/NFL	Harry Hines Boulevard	Historic District
Dallas Desperadoes	Arena Football	Dallas Farmer's Market	Shopping
Dallas Heritage Village at Old City Park	Historical	Keller's Drive-In	Movie Theater
Dallas Mavericks	Basketball/NBA	ComedySports DFW	Performing Arts
Dallas Museum of Art	Visual Arts	Dallas Holocaust Museum	Specialty Museum
Dallas Stars	Hockey/NHL	Dallas Arts District	Tourist/Recreation
Dallas World Aquarium	Family	Oak Lawn	Tourist/Recreation
Dallas Zoo	Family/Recreation	Greenville Avenue	Tourist/Recreation
Deep Ellum	Cultural	West End	Historic District
FC Dallas	Soccer	Knox-Henderson	Tourist/Recreation
Fountain Place	Landmark	Bishop Arts District	Visual Arts/Shopping
Freedman's Cemetery Memorial	Historic	Ad-Libs Improv Comedy Club	Performing Arts
Galleria Dallas	Luxury Shopping	Women's Museum	Specialty Museum
Highland Park Village	Shopping	Southern Methodist University	University
JFK Memorial Plaza	Landmark	Majestic Theater	Tourist/Recreation
Latino Cultural Center	Cultural	Magnolia Theater	Tourist/Recreation
McFarlin Memorial Auditorium	Events Center	Dunn & Brown Contemporary	Visual Arts
McKinney Avenue Trolley	Transportation	Museum of Biblical Art	Visual Arts
Mockingbird Station	Luxury Shopping	Trinity River	Nature/Recreation
Morton H. Meyerson Symphony Center	Performing Arts	Dallas Art Institute	Visual Arts
Museum of the American Railroad	Specialty Museum	Winfrey Point	Tourist/Recreation
Nasher Sculpture Center	Visual Arts	Hall of Negro Life	Specialty Museum
Neiman Marcus	Luxury Shopping	Dallas City Hall	Landmark
North Park Center	Shopping Mall	African-American Museum	Specialty Museum
Pioneer Plaza	Landmark	Bank of America Tower	Landmark
Plaza of the Americas	Landmark	Dallas County Historical Plaza	Landmark
Swiss Avenue Historic District	Historical	American Museum of the Miniature Arts	Specialty Museum
Texas Motor Speedway	NASCAR	Dallas Visual Arts Center	Visual Arts
Texas Rangers	Baseball/MLB	Medieval Times	Dinner Theater
Texas State Fair at Fair Park	Event/Cultural	Crossroad Market	Shopping
Thanks-Giving Square	Landmark	Western Height Cemetery	Cemetery
Victory Park	Shopping	Trammel Crow Sculpture Garden	Visual Arts, Recreation
West Village	Shopping	Reunion Arena	Sports/Events
Winspear Opera House	Performing Arts	Tenison Highlands	Golf Course
Reunion Tower Lookout	Tourist/Recreation	Dallas Nature Center	Family/Recreation
Frontiers of Flight Museum	Specialty Museum	Dealy Plaza National Historic District	Historic Landmark
Science Place	Family/Activity Center	Six Flags Over Dallas	Recreation

Source: Greater Dallas Convention & Visitor's Bureau

Downtown Revitalization

- **Dallas Center for the Performing Arts**—is scheduled to open in 2009 adjacent to the City's existing downtown Arts District. The $275-million multi-venue center was designed by two major architectural firms Foster & Partners (London) and Office for Metropolitan Architecture (Rotterdam, New York City). To date, 93 percent of the center's cost has been privately funded. Planned venues include:

- **The Margot & Bill Winspear Opera House—**will seat 2,200 in the state if the art Margaret McDermott Performance Hall. It is the future of the Dallas Opera.
- **The Dee & Charles Wyly Theater—**will consist 75,000 square feet of performance space, allowing for maximum diversity of stage and seating configurations. The theater will seat 600 attendees depending on the layout and will be able to host a wide range of theatrical events. The building is unique for performance venues and at 11 stories high, it will be one of the first such venues in the country.
- **The Annette Strauss Artist Square**—the Center's outdoor performance venue, will accommodate up to 5,000 attendees and will host concerts, theatrical events, dance performances and festivals.
- **City Performance Hall—**will seat a total of 750 attendees. The building will also include venues for smaller performing arts organizations including a Black Box Theater and Chamber Music Hall. Constructed by the City of Dallas, the final concept for the Performance Hall is still being decided.
- **Performance Park—**will be the first public park in the Dallas Arts District. The 10-acre urban park will unify the new venues and will host pre and post performance events.

Market Summary & Conclusions

The local economy directly influences the financial operation of the Revenue Fund. The forecast for growth in the Dallas and the MSA economies exceed projections for the nation as a whole. Continued economic growth will result in increased revenues from the alcohol beverage tax and in local attendance at convention center events. Growth in population and commercial property development will increase transient and leisure demand for lodging, thereby increasing hotel tax revenue. The potential for more downtown redevelopment, including the addition of a headquarters hotel will improve the attractiveness of Dallas as a convention destination, thereby encouraging increased business and leisure tourism.

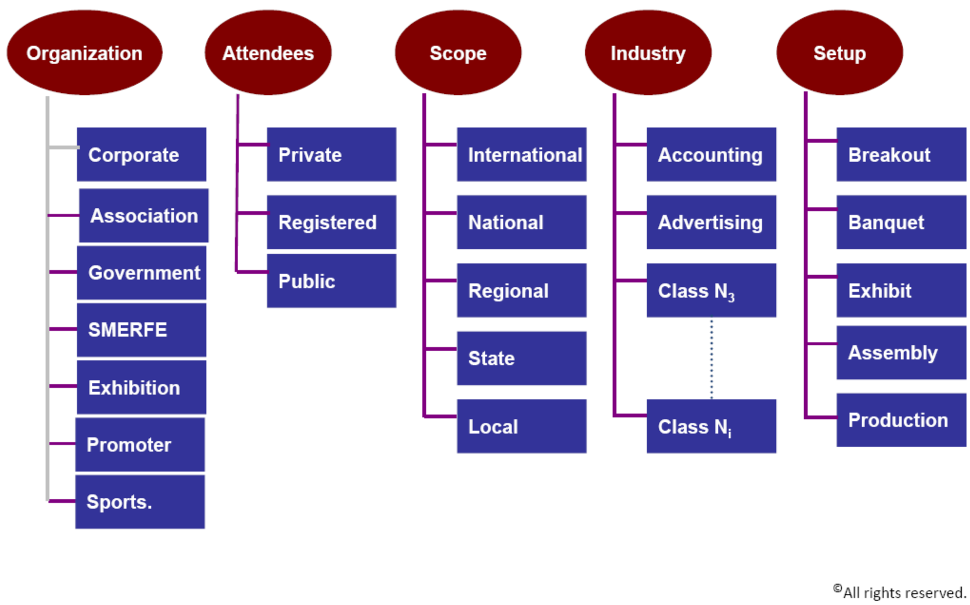
3. Convention Center Industry Trends

In the following section, HVS presents an analysis of the convention, tradeshow and meeting industry, including trends in the supply and demand of meeting and convention facilities, as well as trends in expenditures and meeting planner preferences. The purpose of this trends analysis is to provide background information necessary to assess the ability of the DCC to remain competitive in the market place. This section of the report also provides definitions of industry terms used throughout the remainder of this report.

OASIS© Event Classification System

Convention centers measure their performance by tracking event activity, but the definition and classification of events lacks consistency throughout the industry. Each convention center or marketing organization has their own way of classifying and measuring event demand. HVS has developed a proprietary method of event classification called OASIS Event Classification Method© or OASIS©, which is a convenient acronym for five criteria of event categorization: Organization, Attendees, Scope, Industry and Set-up. See the figure below.

Figure 3-1
OASIS Event Classification Method©



Source: HVS – All rights reserved

Following are definitions of the criteria in the OASIS Event Classification Method© and descriptions of the categories within in each.

ORGANIZATION—the organization that sponsors or owns the event provides an important area of classification and can be described in five mutually exclusive categories:

- **Corporations**—corporations, or private business interests, are responsible for organizing the majority of events. The event organizers may be internal to the business or professional meeting planners.

- **Associations**—associations are usually membership organizations centered on specific business types, professions or political purposes.

- **Government**—international, national, state or local government organizations sponsor events. This category is particularly important in markets with a large government office presence.

- **Exhibition Company—**exhibiting organizations are companies or subsidiaries of companies for the purpose of owning and promoting exhibiting events, such as trade and consumer shows.

- **Event Promoter**—event promoters are organizations that exist for the purpose of promoting concerts, entertainment and other types of live events that require production set-up.

- **Sports Enterprise**—sports enterprises are companies or subsidiaries of companies that exist for the purpose of owning and promoting sporting events.

- **Social, Military, Educational, Religious, Fraternal and Ethnic ("SMERFE")**—although similar to associations, this category includes the types of organizations described in the title. SMERFE represents a distinct category because members of this category tend to be more price-sensitive and less profit-oriented than associations.

The organization criterion is most useful to marketing and sales organizations that rely on this information to make decisions on the allocation of staff and resources according to the type of organization sponsoring the event. Other industry participants, such as destination management companies and venue operators, also need to understand the type of organizations active in sponsoring events and value personal relationships with the event planners that represent them.

ATTENDEES–Event attendees can be placed in four distinct categories that distinguish among the ways in which attendees gain access to events:

- **Private—**attendees come to the event by invitation only and do not pay a registration or admission fee. Private attendees may be individually asked to attend, as to a wedding, or invited by virtue of belonging to a certain group, such as company employees or shareholders.

- **Registered**—attendees do not necessarily need an invitation, but must pay an advance registration fee to attend the event. Registered attendees are often called delegates or qualified buyers and they usually attend an event for multiple days.

- **Public—**the event is open to the general public. Attendees may need to purchase a ticket for admission such as at a consumer show. Other civic events may be free of charge.

- **Combination—**combination shows typically have an initial period of attendance by registered attendees only, and later by the public.

This category is particularly important to venue operators and industry analysts. Understanding the type of attendee is critical for assessing the impact on convention center operations and projecting the economic impact of events. The length of stay of attendees and their spending patterns varies considerably among the types of attendees.

SCOPE—this category refers to the geographic origin of the attendees. Events are classified accordingly if a significant proportion of the attendees come from the indicated geographic region surrounding the convention center. Five categories capture all the potential geographic scopes and are self-explanatory:

- **International**
- **National**
- **Regional**
- **State/Provincial**
- **Local**

Understanding the origin of attendees is critical to event planners and in the estimation of the economic impact of events. Events that draw attendees from larger geographic regions tend to have higher new spending associated with the event. The allocation of marketing and sales resources may also break down according to the geographic scope of events.

INDUSTRY—in North America, HVS recommends relying on the North American Industry Classification System ("NAICS") which replaced the previously used U.S. Standard Industrial Classification ("SIC") system. NAICS was developed jointly by the U.S., Canada and Mexico to provide new comparability in statistics about business activity across North America. Other economic regions and countries have similar industrial classification systems that are widely used and can be adopted for the purposes of classifying events by industry.

NAICS has hundreds of categories but these categories are organized hierarchically in five levels. All categories can be rolled up into twenty of the top levels in the hierarchy. However, not all top level industry classifications are useful for event classification because little or no event activity is associated with them. Other top level categories, such as Manufacturing, are too broad to provide meaningful information, and level two or three categories can be used to form a useful breakdown of events.

The choice of industry classifications should result in a reasonable share of events falling into each category. According to the *Tradeshow Week* data book, the leading industries that are represented by conventions, tradeshows and exhibition include:

- **Medical and Health Care**
- **Home Furnishings and Interior Design**
- **Sporting Goods and Recreation**
- **Apparel**
- **Building and Construction**
- **Landscape and Garden Supplies**
- **Computers and Computer Applications**
- **Education**
- **Gifts**
- **Associations**

Use of the NAICS codes allows for the orderly roll-up of industrial classifications across different events and venues, regardless of the categories or the hierarchical levels that different people may choose to use. Industrial classification information is useful for those planning to develop new events and for other analysts that need to understand how trends in economic health of the underlying industries affect the success of particular events and venues.

Space Setup—this final criterion provides for the categorization of events by set-up of the function spaces they utilize. Unlike all the other criteria, these categories are not mutually exclusive as events may use any combination of the four primary types of event set-up.

- **Breakout—**typically involves the use of meeting rooms, boardrooms or other multi-purposes spaces for meeting functions in a classroom or meeting setting. This set-up may involve some catering services such as coffee breaks or lunches.

- **Banquet**--includes the set-up for catered banquets events such as a wedding and may include some staging for presentations such as at a general session event.

- **Exhibit—**includes the set-up displays in exhibition halls or other multi-purpose space. Concession services and buffet lunches are often a component of this set-up.

- **Assembly**—includes set-up in theater style seating in plenary halls and fixed seat theaters or other multi-purposes spaces that are used primarily for assemblies and general sessions.

- **Production—**includes the set-up for concerts, entertainment, sporting events and other types of events that require significant staging, lighting, and other live-event related set-up.

Event Types

Application of the OASIS© system can provide precise definitions of commonly used event classifications. All commonly used terms for event types can be defined by a combination of three OASIS© categories: organization, attendees and space set-up as shown in the following table.

Table 3-1
Event Types and Characteristics

Translation Key

●	always included in event type
ϴ	sometimes included in event type
○	always excluded from event type

	Event Type	Convention	Tradeshow	Combination Show	Consumer Show	Conference	Meeting	Banquet	Assembly	Fair	Civic Event	Entertainment	Sports
Organization	Corporate	○	ϴ	ϴ	○	ϴ	ϴ	ϴ	ϴ	○	○	○	○
Organization	Association	ϴ	○	○	○	ϴ	ϴ	ϴ	ϴ	ϴ	○	○	○
Organization	Government	ϴ	○	○	○	ϴ	ϴ	ϴ	ϴ	ϴ	●	○	○
Organization	SMERFE	ϴ	○	○	○	ϴ	ϴ	ϴ	ϴ	ϴ	○	○	○
Organization	Exhibition Company	○	ϴ	ϴ	●	○	○	○	○	○	○	○	○
Organization	Event Promoter	○	○	○	○	○	○	○	○	○	○	●	○
Organization	Sports Enterprise	○	○	○	○	○	○	○	○	○	○	○	●
Attendees	Private	○	○	○	○	ϴ	ϴ	ϴ	○	○	○	○	○
Attendees	Registered	●	●	●	○	ϴ	ϴ	ϴ	○	○	○	○	ϴ
Attendees	Public	○	○	●	●	○	○	ϴ	●	●	●	●	ϴ
Space Set-Up	Breakout	●	ϴ	ϴ	○	ϴ	ϴ	○	○	○	○	○	○
Space Set-Up	Banquet	●	ϴ	ϴ	○	●	○	●	○	○	○	○	○
Space Set-Up	Exhibit	●	●	●	●	○	○	○	○	●	○	○	○
Space Set-Up	Assembly	ϴ	ϴ	ϴ	○	ϴ	ϴ	○	●	ϴ	●	○	○
Space Set-Up	Production	○	○	○	○	○	○	○	○	ϴ	○	●	●

Source: HVS

Conventions—associations, government, and SMERFE organizations register attendees for multi-day events. Facility set up includes breakout, banquet and exhibit space set-up and may include plenary sessions. Typically, the primary purpose of a convention is information exchange.

Tradeshows—provide a means for wholesalers and retailers to transact business with industry buyers. Like conventions, tradeshows offer a forum for exchanging industry ideas. In order to clearly differentiate conventions from tradeshows, HVS assumes that only corporations and enterprises can sponsor and produce tradeshows.. Similar to conventions, tradeshows require registered attendees. While they also require exhibit space set-up, they only sometimes require banquet or breakout space set-up.

Combination Shows—are either corporate or enterprise produced, with a part of the shows being a public event, and the rest of the show being a registered event. Always requiring exhibit set-up, they sometimes require plenary, banquet and/or breakout set-up for additional portions of their show.

Consumer Shows—are public, ticketed events featuring the exhibitions of merchandise for sale or display. Only enterprises can produce consumers shows, as they provide a means of product distribution and advertising. They only require exhibit space set-up.

Conferences—require a mix of banquet and breakout space set-up, but do not require any exhibit set-up. Conferences can be corporate, association, government or enterprise, but always require attendees to be registered.

Meetings—only require breakout space set-up. Like conferences, they can be produced from any of the above named organization types, but unlike conferences, they are private events to which one must be invited.

Banquets—only require a banquet set-up for food and beverage meal service. These events also can be produced by any organizational type, but are also private.

Assemblies—usually involve a ceremony, a speech, or another similar activity that attracts a crowd of spectators. Produced only by SMERFE groups (social, military, educational, religious, fraternal and ethnic), they are always public events. Additionally, assemblies only require a plenary set-up.

Fairs—usually involve an exhibit booth set-up for a public event in which a number of organizations or companies represent themselves and/or a product or service, with a similar theme or purpose uniting the event. Associations, governments or SMERFE groups may present a fair.

Civic Event—is typically a local event, always produced by some form of governmental entity. These are public events that always only require a plenary set-up.

Entertainment—usually a concert or some form of live entertainment, owned and organized by an event promoter for the public. Entertainment events only require a production set-up.

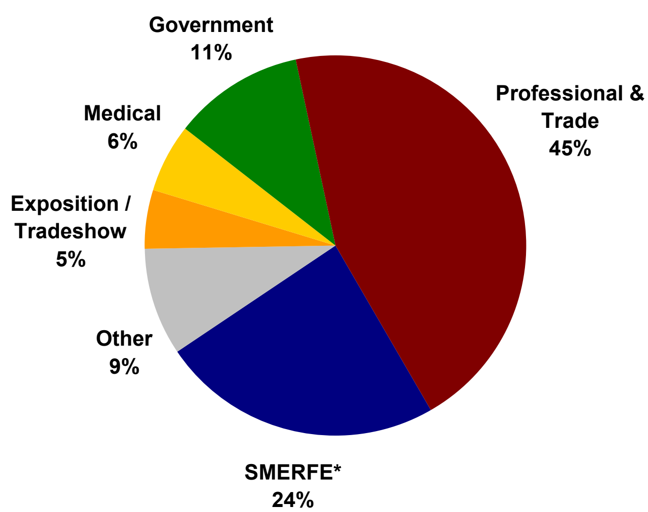
Sports—require only a production set-up. Attendees to sporting events, which are always organized by sports enterprises, may be public, or registered. Some sporting events have both a registered and public aspect to the event over the span of a few days.

The purpose of this section is to describe the convention and meeting industry and analyze trends in the number of events, attendance, and the supply of meeting and exposition facilities. The definitions provided herein will aid in understanding the current market position of the Dallas Convention Center.

Event Characteristics

Various industry organizations track data on different types of events. Destination Marketing Association International ("DMAI"), formerly known as the International Association of Convention and Visitor Bureaus, conducts research on the distribution of events according to sponsoring organization. Figure 3-2 shows the distribution of events identified by the DMAI survey.

Figure 3-2
Distribution of Convention Events by Type of Sponsoring Organization



*Social, military, educational, religious, fraternal and ethnic
Source: DMAI Spending Survey

Professional and trade events account for the largest share of events. This category will represent the primary target market for the proposed facility. Organizations in the medical and SMERF segments may also represent significant demand sources for the subject property.

Tradeshow Trends

Table 3-2 shows the historical growth in exhibit-space square footage, the number of trade and consumer shows, and the net square footage of exhibit space that exhibitors use. *Tradeshow Week* data focus on larger consumer shows, trade shows, and conventions in the United States and Canada with exhibitions that typically occur in convention and exhibition centers.

Table 3-2
Historical Annual Supply of Exhibit Space, Number of Trade & Consumer Shows, and Net Square Footage Used

Year	SF of Exhibit Space (millions)	% Change	Number of Trade & Consumer Shows	% Change	Net Square Feet Used (millions)	% Change
1989	47.3	--	3,289	--	321.8	--
1990	52.0	9.8%	3,783	15.0%	338.8	5.3%
1991	54.6	5.0%	3,887	2.7%	351.0	3.6%
1992	55.9	2.3%	4,066	4.6%	348.9	-0.6%
1993	57.7	3.3%	4,172	2.6%	350.7	0.5%
1994	60.6	5.1%	4,316	3.5%	368.6	5.1%
1995	60.1	-0.9%	4,315	0.0%	385.5	4.6%
1996	62.0	3.2%	4,400	2.0%	409.4	6.2%
1997	63.0	1.6%	4,336	-1.5%	429.9	5.0%
1998	63.0	0.0%	4,295	-0.9%	459.1	6.8%
1999	63.4	0.6%	4,503	4.8%	485.8	5.8%
2000	65.5	3.3%	4,637	3.0%	504.7	3.9%
2001	67.6	3.2%	4,333	-6.6%	520.3	3.1%
2002	72.4	7.1%	4,342	0.2%	512.5	-1.5%
2003	77.2	6.6%	4,578	5.4%	485.4	-5.3%
2004	80.5	4.3%	4,778	4.4%	483.4	-0.4%
2005	82.3	2.2%	4,889	2.3%	501.2	3.7%
2006	85.1	3.4%	5,000	2.3%	558.9	7.9%
2007	85.9	0.9%	5,036	0.7%	640.9	14.7%
2008	88.5	3.0%	4,924	-2.2%	694.5	8.4%
2009*			4,927	0.1%	707.5	1.9%
CAGR 89-08		3.3%		2.1%		4.1%

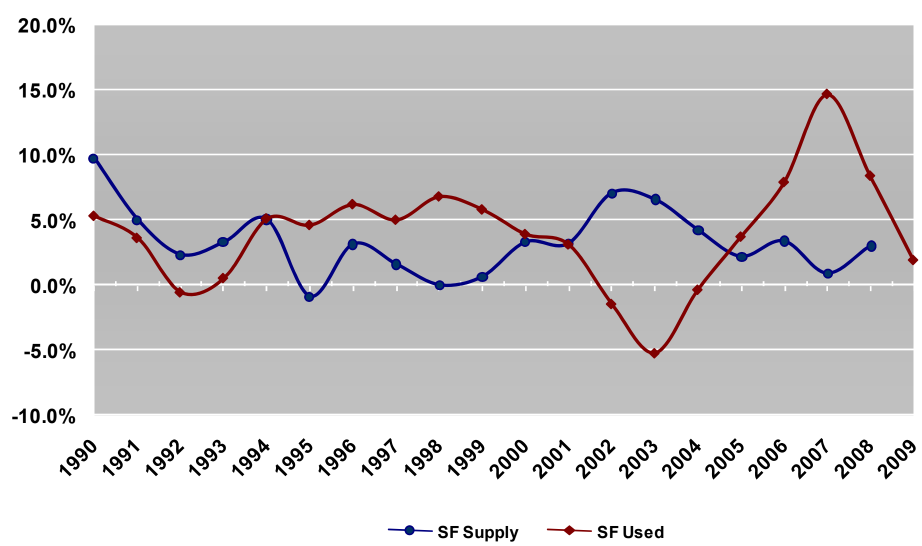
*Supply estimates not yet available for 2009
Source: Tradeshow Week

The demand for exhibit space declined between 2000 and 2004. During this same period, a substantial number of facility expansions and new projects increased the supply of exhibit space at a rate that exceeded the historical supply growth rate. Because development projects are planned and funded many years before their completion, changes in supply generally lag behind key economic indicators. This phenomenon created an over supply of space and facility managers often had to make significant financial concessions in their efforts to attract business.

In 2005, demand growth resumed. Demand growth continued at an accelerating pace through 2006 and 2007 as this industry, and the economy at large, expanded. 2008 saw a 2.2 percent dip in the total number of events, but an 8.4 percent in net square feet used. Similarly, estimates for 2009 show a small increase in the number of events over 2008, but a 1.9 percent increase in net square feet used. Supply, however, continues to grow, with a 3.0 percent increase in 2008. Estimates for supply growth in 2009 are not yet available. While demand, in terms of number of events, saw a decline in 2008, and most likely will see a similar level in 2009, net square feet used continues to increase, illustrating demand for fewer, but significantly larger shows.

Figure 3-3 presents in graphic form the previously shown *Tradeshow Week* data on the total square feet of exhibit space available and the total amount of square feet that events utilize.

Figure 3-3
Annual Percent Change in Supply of and Demand for Exhibit Space



Source: Tradeshow Week

The chart shows that the rate of change in the demand for exhibit space was consistently above the rate of change in supply between 1994 and 2001. During this period, several expansions and new convention centers were planned in response to the strong growth in the demand for space. However, the economic downturn helped cause the demand for space to plummet beginning in 2001. Perhaps in response to this decline in the demand for space, the rate of increase in the supply began a steady decline in 2003 with relative small increases in 2006 through 2008.

The rate of increase in demand has increased significantly from 2003 through 2007, with a decrease in 2008, and an even greater drop to a rate of 1.9 percent projected for 2009. If supply, in 2009, grows at a rate greater than 2.0 percent, supply for the first time since 2004, would surpass the rate of increase in demand.

Table 3-3 presents exposition budgets of organizations, as reported by event planners. This data is taken from the *Annual Meeting Markets Survey*, a report from Convene Magazine, which surveyed event managers and planners.

Table 3-3
Exposition Budget Trends

Year	< 100	100-499	500-999	1,000-2,500	2,500+
2007	10.0%	26.0%	14.0%	18.0%	18.0%
2006	8.0%	18.0%	15.0%	19.0%	20.0%
2005	6.0%	14.0%	17.0%	24.0%	25.0%
2004	9.7%	24.2%	17.7%	23.2%	20.2%
2003	6.1%	32.6%	19.6%	24.8%	17.2%
2002	6.6%	27.3%	14.8%	27.0%	14.5%
2001	6.0%	21.0%	17.0%	25.5%	18.5%
2000	8.0%	22.0%	17.0%	24.0%	16.0%
1999	9.0%	32.0%	16.0%	22.0%	13.0%
1998	9.0%	29.0%	20.0%	26.0%	16.0%
1997*	--	--	--	--	--
1996	7.6%	36.1%	14.5%	20.3%	15.1%

* Data not reported for year 1997
Source: Annual Meeting Markets Survey

In past years, most planners reported their organizations' exposition budget was $1.0 - $2.5 million, while a majority of planners recorded budgets of $2.5 million and above for the first time in 2005. From 1996 to 2004, a large percentage of budgets recorded were between $100,000 and $499,999, while a much smaller percentage recorded budgets in that bracket in 2005 and 2006. The large percentage of budgets over $1.0 million from 2004 to 2006 indicates growth in size of exposition budgets for that period. Increases in 2007 budget sizes between $100,000 and $499,999 show some tightening in budgets, although the percentage of planners with a budget of more than $1 million still grew in 2007.

Competitive Set Trends

The DCC competes with other large convention center in major U.S. cities for events that rotate throughout the country, and with other convention centers in Texas for rotating state business. Table 3-4 summarizes recent expansions and renovations at competitive venues.

Table 3-4
Competitive Venues – Expansions and Renovations

Year Completed or to be Completed	Facility (Location)	Expansion and/or Renovation Details
2003	Fort Worth Convention Center (Fort Worth)	Added 82,040 square feet of exhibit space
2003	Orange County Convention Center (Orlando)	Added a new building, including 950,000 square feet of exhibit space, two 92,000 square foot assembly halls and 92 breakout rooms
2004	Gaylord Texan (Grapevine)	Facility Built
2004	George R. Brown Convention Center (Houston)	Added 300,000 square feet of exhibit space
2005	Colorado Convention Center (Denver)	Doubled the size of the facility and a 1,100 headquarter hotel
2006	Ernest Morial Convention Center (New Orleans)	Complete renovation; plans to expand in future are on hold
2007	McCormick Place (Chicago)	Added a new building, including a 460,000 exhibit hall, a 100,000 square foot ballroom and 47 meeting rooms
2008	Henry B. Gonzalez Convention Center (San Antonio)	Headquarter hotel - 1,003 guest rooms
2008	Phoenix Convention Center (Phoenix)	Adding a new building, including 500,000 square feet of exhibition space, a 45,000 square foot ballroom and 56 meeting rooms
2008	Phoenix Convention Center (Phoenix)	Headquarter hotel - 1,000 guest rooms
2009	Fort Worth Convention Center (Fort Worth)	Headquarter hotel - 607 guest rooms
2010	Arlington Convention Center (Arlington)	Adding 50,000 square feet of exhibit space and a 300-room headquarter hotel
2011	Las Vegas Convention Center (Las Vegas)	Adding 500,000 square feet of function space
2012	Anaheim Convention Center (Anaheim)	Adding 200,000 square feet of function space, a headquarter hotel and parking lot
undetermined	George R. Brown Convention Center (Houston)	Considering building a second headquarter hotel

Source: Tradeshow Week, Respective Facilities

Within the state competitor set, recent new entries in supply includes:

- Gaylord Texan in Grapevine, Texas, is a self-contained resort with roughly 290,000 square feet of function space and 1,511 hotel rooms. While this is the only large new convention center built within the past five years, a number of state competitors have undergone renovations and expansions, including the addition of headquarters hotels.

- The Henry B. Gonzalez Convention Center now features an adjacent 1,003 headquarters hotel, the Grand Hyatt San Antonio, which opened in Spring of 2008. This hotel comes in addition to the Marriott Rivercenter and the Marriott Riverwalk, which both sit adjacent to the Henry B. Gonzalez Convention Center.

- The Omni Fort Worth Hotel, with 607 rooms, opened in January 2009, across the street from the Fort Worth Convention Center, which finished a $75 million renovation and expansion in 2003, adding 82,040 square feet of exhibit space. Additionally, the City of Fort Worth is building a 1,057- space garage one block north of the Omni hotel, while a Sheraton Fort Worth Hotel and Spa opened mid-2008 one block south of the Fort Worth Convention Center.

- The George R. Brown Convention Center expanded in 2004, by adding roughly 300,000 square feet of exhibit space. The Hilton Americas-Houston, with 1,200 guest rooms adjacent to the convention center. Currently, the City is considering building another adjacent headquarters hotel.

- Due to its small size, the Arlington Convention Center currently rarely competes with Dallas Convention Center, but it may become more competitive as the Arlington Convention Center Development Corporation is planning an expansion that would add roughly 50,000 square feet of exhibit space, and a 300-room headquarters hotel, which may increase its competitiveness with the DCC.

- Irving has begun construction on a new convention center, which will tentatively open in 2010. The facility will offer a 50,000 square foot exhibit hall, a 30,000 square foot ballroom and 20,000 square feet of meeting space. A headquarter hotel, intended to be a private-public partnership with 350 to 400 guest rooms is planned to open shortly after the convention center. Additional plans call for an entertainment district on the site, in addition to a DART station.

While no new national competitors entered the market in the past five years, many of the national competitive venues have undergone significant expansions.

- In 2003, the Orange County Convention Center underwent an expansion that added the North/South Building, which features

950,282 square feet of contiguous exhibition space, two 92,000 square foot general assembly areas and 94 breakout rooms.

- In 2007, McCormick Place underwent an $882 million expansion, adding the West Building, which offers 47 meeting rooms, a 460,000 square foot ballroom and a 100,000 square foot ballroom.

- The Colorado Convention Center underwent a $310.7 million major expansion in 2005, doubling the size of the facility. The adjacent Hyatt Regency Denver also opened in 2005 with 1,100 guest rooms.

- The Anaheim Convention Center is now seeking developers for an expansion including the addition of 200,000 square feet of function space, a minimum three-star hotel and 1,500 parking spaces. The estimated completion of this expansion is 2012.

- The Las Vegas Convention Center is currently undergoing an expected $737 million, 500,000 square foot expansion, which will include 145,000 of dedicated meeting space and a ballroom of 100,000 square feet. The expansion, begun in 2006, is expected take five years.

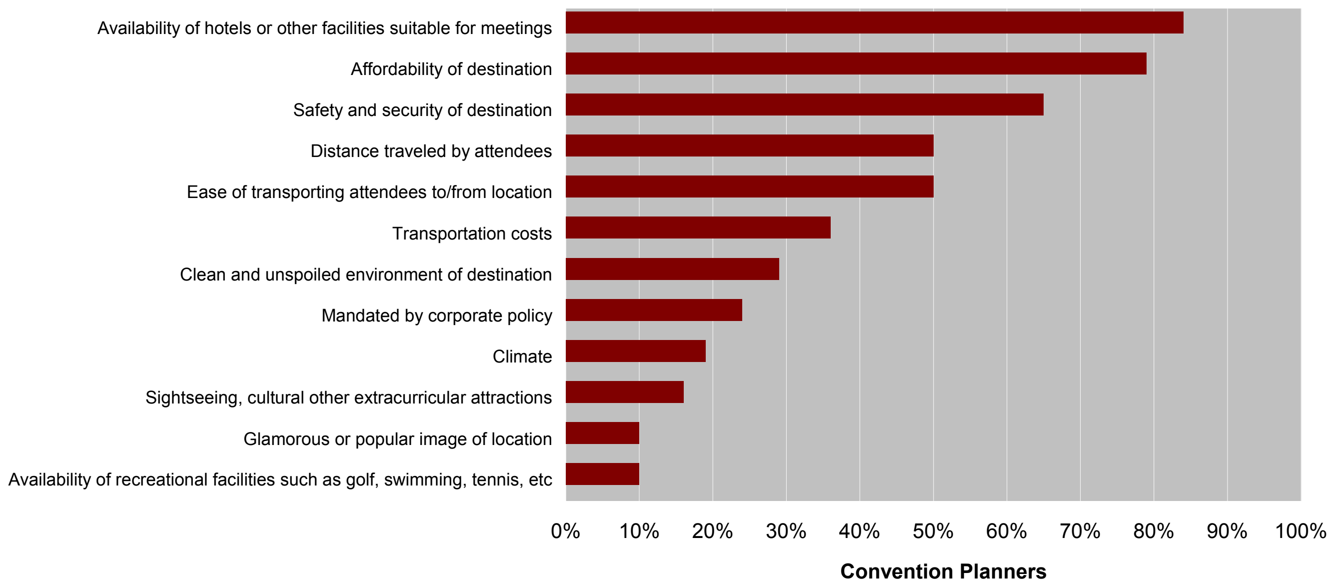
- The Phoenix Convention Center is also currently undergoing an expansion, with the new North Building expected to open in December of 2008. The North Building will feature a 312,500 square feet of exhibition hall on the lower level connecting the North and West Buildings. It will feature another 190,000 square feet of exhibition space, a 45,600 square foot ballroom and 56 meeting rooms totaling 84,920 square feet. Additionally, the Sheraton Phoenix Downtown Hotel, which opened in October of this year, is adjacent to the Phoenix Convention Center with 1,000 guest rooms.

- The Ernest M. Morial Convention Center underwent a complete renovation of the facility in November of 2006. The facility was planning on an expansion that would add 524,000 square feet of exhibition space; however, this has been temporarily delayed.

Event Planner Location Criteria

The following data is from *Meeting Market Report*'s survey asking respondents how important certain factors were in selection of a destination for their major convention. Figure 3-4 shows the factors that meeting planners ranked in order of importance for the destination selection process.

Figure 3-4
Share of Convention Planners Citing Factors as Important in Selection of a Destination City

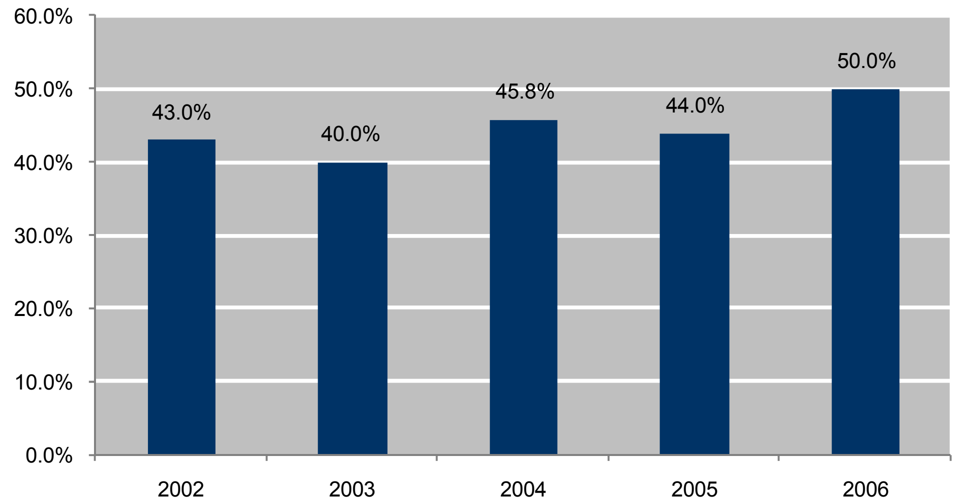


Source: Meetings and Conventions

Key criteria for planners included the availability of hotels or other facilities suitable for meetings and affordability of the destination. In addition, ranking high in importance, were safety and security of destination, distance traveled by attendees, and ease of transporting attendees to/from the location. Both the image of the location and the availability of recreational facilities were least important in determining a destination.

Convene Magazine asked planners to qualify the type of facility in which they held their expositions. Figure 3-5 presents the average percentage of expositions held in suburban hotels and convention centers from 1998 to 2006. The graph illustrates that convention centers have continually been a stable market for expositions in the past five years. The strongest years for convention centers, with regard to expositions, was 2006.

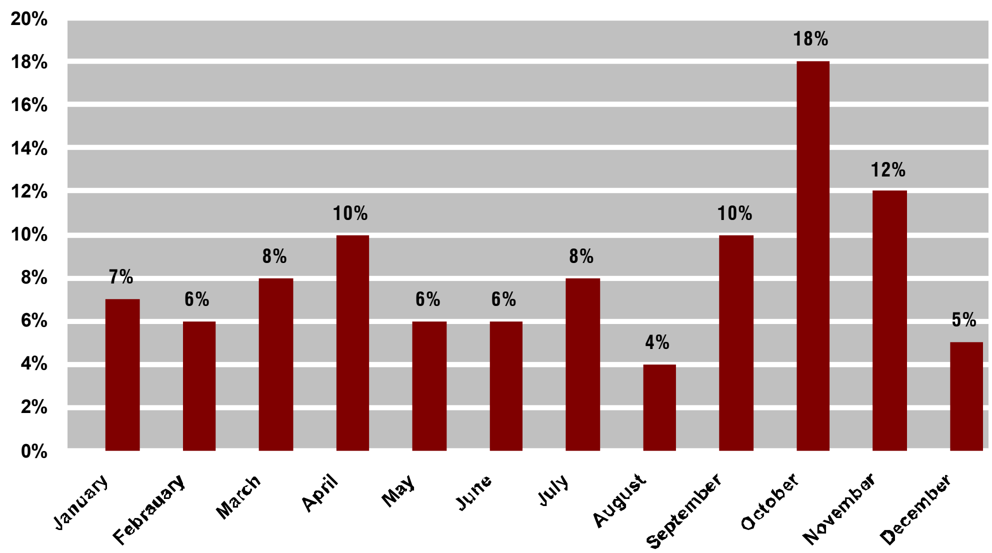
Figure 3-5
Share of Planners Expositions at Convention Centers and Suburban Hotels



Source: Annual Meetings Market Survey

Figure 3-6 presents the seasonality of expositions, displaying which months draw the greatest number of events. October and September draw the greatest number while June and April also are popular months. The winter months of November, December, and January, on average, attract the least amount of meetings and conventions. Exposition demand historically has peaked in the spring and fall months.

Figure 3-6
Seasonality

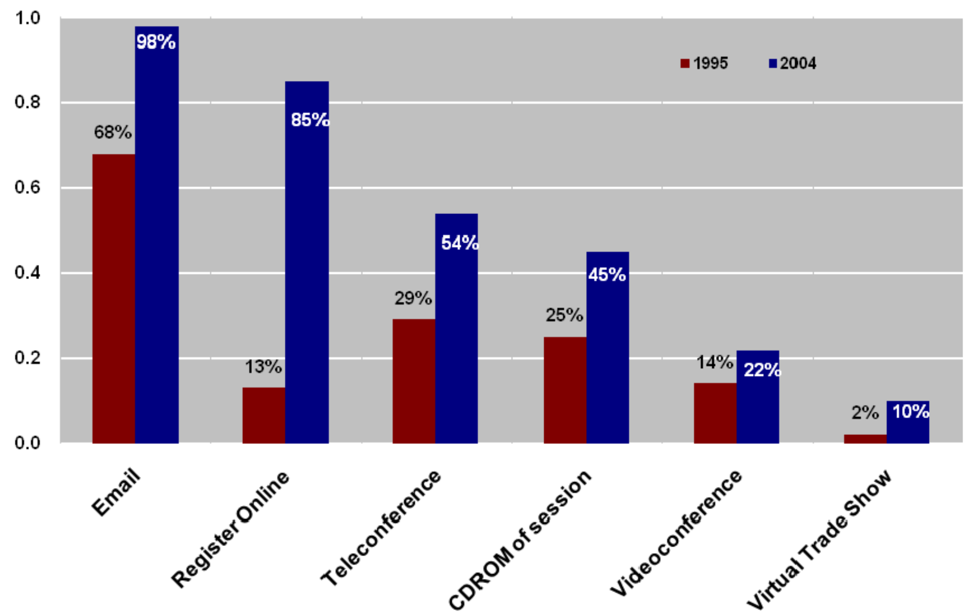


Source: Meetings and Conventions

Use of Technology in Meeting Facilities

Overall, the meeting and conference industry uses a moderate amount of technology during events – typically computers with Internet access and audiovisual presentation equipment. In the past decade, technological requirements and the complexity of technology used at meetings and conventions has increased dramatically, as indicated in Figure 3-7 below.

Figure 3-7
Technology Used to Deliver Meeting Content

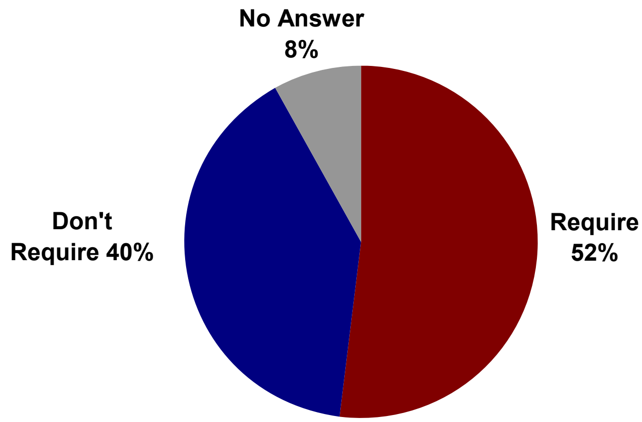


Source: Annual Meetings Market Survey

From 1995 to 2004, the amount of planners who use online registration has skyrocketed, with only 13 percent using it in 1995 and 85 percent employing it in 2005. For use during meetings and conventions, teleconference ability is reported as having been required 54 percent of the time in 2004, a large difference from only 29 percent in 1995. Videoconferencing has grown slightly more popular, while the virtual trade show still lacks strong demand.

The variety of methods used for delivering meeting content indicates that conference center facilities need to be as flexible as possible in how they are configured. Conference center facilities need to incorporate design elements that facilitate the use of a wide variety of technologies. The numerous methods used for delivering meeting content suggest that portable elements or easily adaptable elements are preferred to permanent, built-in elements. Over 50 percent of planners reported that they required wireless access at meetings and conventions in 2006 as shown in Figure 3-8 below.

Figure 3-8
Wireless Access (2006)



Source: Annual Meetings Market Survey

4. Convention Center Demand Analysis

This section of the report presents a forecast of convention center event demand and analysis that supports that forecast including:

- Historical demand of the DCC
- Comparisons with national and state competitors
- Historical lost business analysis and survey
- Analysis of advance bookings for the DCC

Historical Demand Analysis

HVS evaluated historical convention center demand of the DCC as a starting point in forecasting the annual number of events and attendance at the DCC for the next five years. The DCC currently tracks the number of events and corresponding attendance. The DCC provided HVS with detailed historical event data for complete fiscal years 2005 through 2007. HVS used the data provided by DCC management to profile annual historical event demand by event type.

Table 4-1 shows historical event demand and attendance estimates for the DCC during fiscal years 2005 through 2007.

Table 4-1
Historical Event Demand and Attendance by Event Type

Number of Events	FY06/07	FY05/06	FY04/05	Average
Conferences	13	15	13	14
Conventions/Tradeshows	34	29	28	30
Consumer Shows	22	22	14	19
Meetings	15	12	10	12
Assemblies	42	35	56	44
Banquets	8	5	5	6
Sports	9	9	9	9
Other	30	21	11	21
Total/ Average	173	148	146	156
Average Attendance				
Conferences	1,765	4,418	5,102	3,762
Conventions/Tradeshows	8,574	9,614	7,176	8,455
Consumer Shows	23,061	22,940	35,402	27,134
Meetings	471	914	383	589
Assemblies	1,521	2,266	1,493	1,760
Banquets	1,216	608	999	941
Sports	4,490	1,510	5,286	3,762
Other	2,141	1,569	3,841	2,517
Average Event Length				
Conferences	1.9	1.7	2.9	2.2
Conventions/Tradeshows	3.1	2.8	2.4	2.8
Consumer Shows	2.2	1.9	1.9	2.0
Meetings	1.9	1.4	3.9	2.4
Assemblies	1.1	1.4	1.1	1.2
Banquets	1.1	1.0	1.0	1.0
Sports	1.6	2.1	1.8	1.8
Other	1.8	1.2	1.3	1.4
Total Attendance				
Conferences	22,946	66,268	66,324	51,846
Conventions/Tradeshows	291,511	278,804	200,931	257,082
Consumer Shows	507,350	504,681	495,625	502,552
Meetings	7,065	10,968	3,830	7,288
Assemblies	63,875	79,315	83,600	75,597
Banquets	9,730	3,040	4,994	5,921
Sports	40,410	13,587	47,575	33,857
Other	64,226	32,958	42,250	46,478
Total/ Average	1,007,113	989,621	945,129	980,621

Sources: DCC & HVS

From fiscal year 2005 to fiscal year 2007, the DCC has hosted, on average, 156 events annually, which generated an average annual attendance of approximately 980,620 people each year. Consumer show attendance accounts for more than half of total attendance, as a result of the Dallas Auto Show, which annually draws between 350,000 and 390,000 attendees. Conventions and tradeshows account for roughly one third of the total attendance at the DCC. The facility hosts a significant number of assemblies, with the Reunion Church accounting for more than half of total assemblies. Recently, the DCC has experienced an increase in events categorized as "other". A majority of these events are city and civic events and concerts. Fiscal year 2005 saw greater average attendance than fiscal year 2006 and 2007 in most event types. However, in fiscal year 2005, the facility hosted fewer events, resulting in total attendance smaller than in more recent years.

Data on event start- and end-dates allowed HVS to calculate the number of event days and the average event length for each category of events. Event days do not include move-in and move-out days. On average, for fiscal year 2005 through fiscal year 2007, conferences, conventions and tradeshows, consumers shows and meetings average between 2.0 and 2.8 event days, while banquets, assemblies, sports and other average between 1.0 and 1.8 event days.

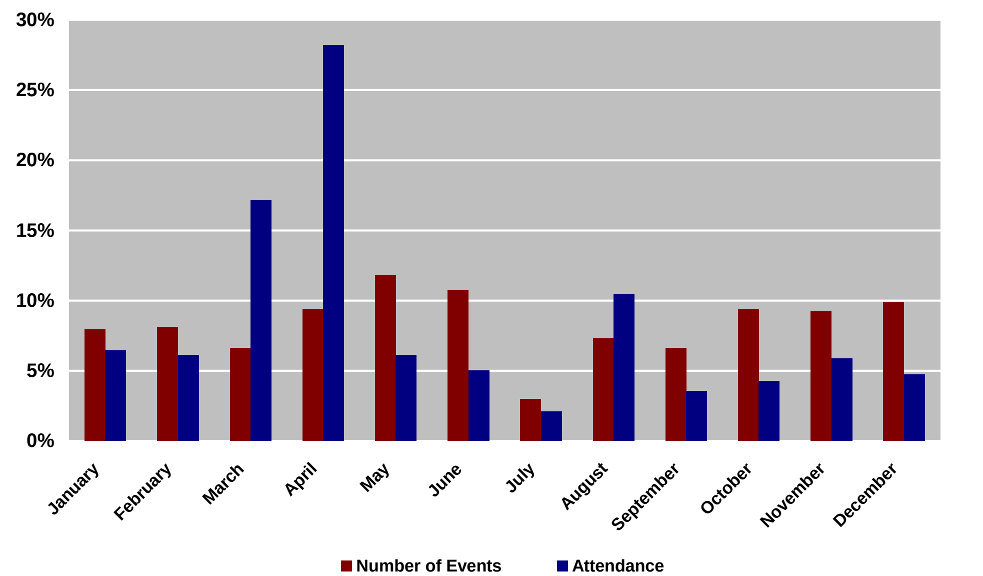
The mix of business at the DCC remained fairly stable in the past three years, as a result of strong repeat business. From fiscal year 2005 through fiscal year 2007, the DCC hosted an average of 30 conventions and tradeshows. The number of conventions and tradeshows has increased over prior years, with five more in fiscal year 2007, than in fiscal year 2006. Over this period the total number of events has increased by roughly 18 percent, from 146 to 173 events. The growth in attendance has not been as strong, with a seven percent increase in attendance over the same period. However, the industry as a whole has seen decreases in average attendance for many event types.

Convention and tradeshow demand represented roughly 20 percent of the number of events and 29 percent of total attendance in fiscal year 2007. From fiscal year 2004 to fiscal year 2007, the DCC has increased the number of civic events and concerts. While serving as a venue for civic and local events is an important function of the DCC, these events have less impact than conventions and tradeshows that bring large numbers of guests from outside the City.

Seasonality

Figure 4-1 shows monthly data estimates for the DCC for the average of fiscal years 2005 through 2007.

Figure 4-1
Seasonality of Events and Attendance by Month – Average of Fiscal Years 2005 Through 2007



Sources: DCC & HVS

Attendance peaks in April and March due to the Dallas Auto Show, held in April in 2005 and 2006, and held in March in 2007. Typical of most convention centers, the spring and fall months draw the greatest demand. The DCC hosted the largest number of events in May and June, while July and September had the fewest number of events.

HVS analyzed the performance of state and national competitive facilities that compete directly with the DCC. Our examination of facility programs, adjacent hotel capacities, and market conditions provide an important basis of comparison for understanding the current position of the DCC and projecting the future performance of the DCC.

HVS analyzed the following fifteen competitive venues. The George R. Brown Convention Center and the Henry B. Gonzalez Convention Center are analyzed as both state and national competitors, as they compete for nationwide business with the DCC.

State Competitors:

- Arlington Convention Center
- Austin Convention Center
- Fort Worth Convention Center
- Gaylord Texan
- George R. Brown Convention Center
- Henry B. Gonzalez Convention Center

National Competitors:

- Anaheim Convention Center
- Colorado Convention Center
- Ernest N. Morial Convention Center
- George R. Brown Convention Center
- Georgia World Congress Center
- Henry B. Gonzalez Convention Center
- Las Vegas Convention Center
- McCormick Place
- Orange County Convention Center
- Phoenix Convention Center
- San Diego Convention Center

Competitive Facility Overview

The following table illustrates exhibition, ballroom, and meeting space capacities of all state and national competitors. Detailed descriptions of each of these venues including floor plans analysis of the function spaces is provided in an Appendix 1.

Table 4-2
Competitive Facilities' Function Space

Name of Venue	Exhibition Halls			Ballrooms			Meeting SF		
	Floor Area		Divisions	Floor Area		Divisions	Floor Area		Divisions
State Competitors									
Arlington Convention Center	48,600	sf	4	30,000	sf	2	8,500	sf	12
Austin Convention Center	246,097		5	66,718		7	56,856		55
Fort Worth Convention Center	182,300		6	28,200		3	58,850		41
Gaylord Texan	179,280		6	59,370		9	47,600		60
George R. Brown Convention Center	862,000		7	31,600		3	185,000		117
Henry B. Gonzalez Convention Center	401,102		4	67,786		5	100,045		57
Average	319,897	sf	5	47,279	sf	5	76,142	sf	57
National Competitors									
Anaheim Convention Center	815,000	sf	5	35,058	sf	1	130,000	sf	52
Colorado Convention Center	584,000		6	82,156		8	91,542		63
Ernest Morial Convention Center	1,068,508		12	66,935		4	282,827		140
George R. Brown Convention Center	862,000		7	31,600		3	185,000		117
George World Congress Center	1,366,000		12	58,748		7	294,426		114
Henry B. Gonzalez Convention Center	401,102		4	67,786		5	100,045		57
Las Vegas Convention Center	1,984,755		16	-		-	246,840		145
McCormick Place	2,598,500		11	226,521		16	420,670		170
Orange County Convention Center	2,053,817		16	62,182		1	518,790		235
Phoenix Convention Center	646,500		6	118,800		8	162,020		106
San Diego Convention Center	525,701		7	81,661		10	118,729		63
Average	1,173,262	sf	9	83,145	sf	6	231,899	sf	115

Source: Respective Facilities

State venues, with an average of approximately 320,000 square feet of exhibition space, compete with the DCC for rotating state business. The national peer venues, with an average of nearly 1.2 million square feet, compete for rotating conventions and tradeshows.

Potential New Convention Space

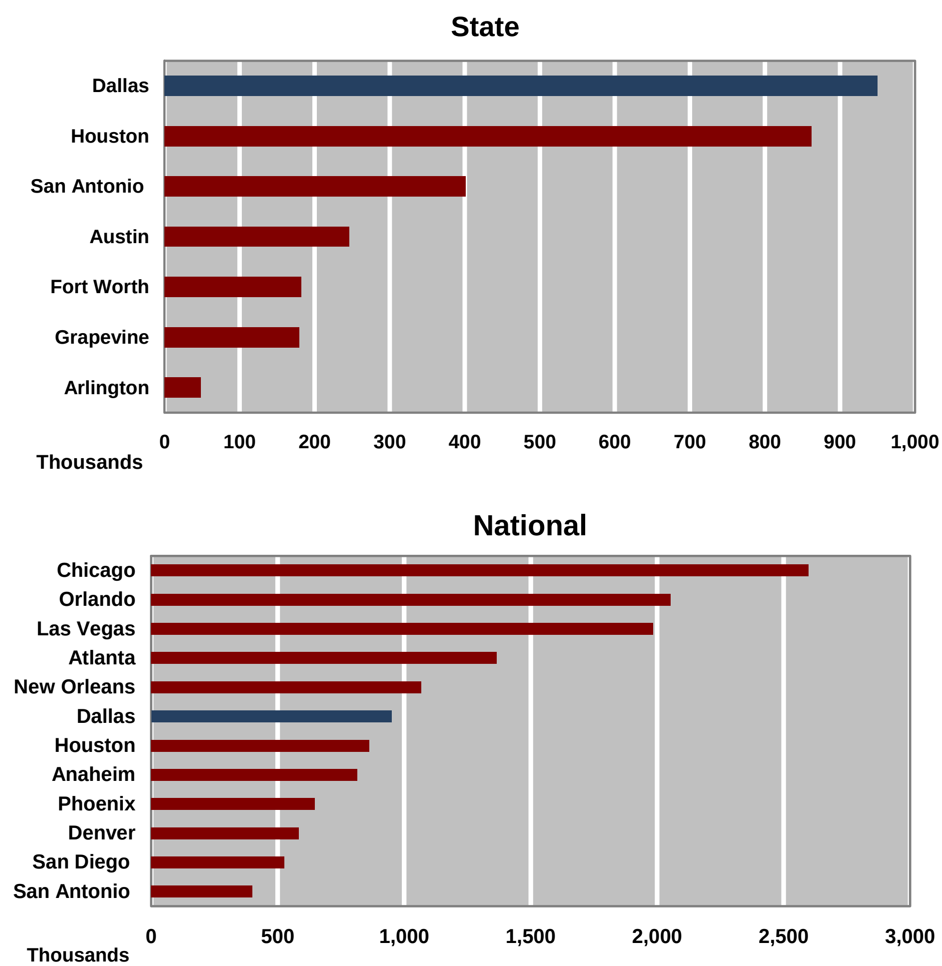
Potential new convention center development in the Dallas metro area includes:

- The Arlington Convention Center currently offers a 50,000 square foot exhibit hall, a 30,000 square foot ballroom and 8,000 square feet of meeting space. Located adjacent to, but not attached to the convention center, is a 310-room Sheraton. The City of Arlington plans to add 300 rooms to the Sheraton and build an attached, enclosed walkway between the Sheraton and the convention center. The City is currently planning an expansion of the convention center.

Exhibition Space Assessment

Exhibition space is critical for several types of events such as conventions, tradeshows, and consumer shows. The quantity of exhibition space available at convention centers generally determines the facility's capacity in terms of the number and size of exhibiting events it can accommodate. The quality of exhibition space in a venue often determines what types of groups will want to hold events there and what level of rents they will be willing to pay. In this part of the report, we quantify and qualify the exhibition space available at each of the selected comparable facilities to help develop an opinion about whether the subject property will be superior, similar, or inferior to each of the selected comparable facilities with regard to its exhibition space.

Figure 4-2
Exhibition Space in Comparable Venues (square feet)



Source: Respective Facilities

Among all state competitors, the DCC offers the greatest amount of exhibition space, with 90,000 square feet more exhibition space than the George R.

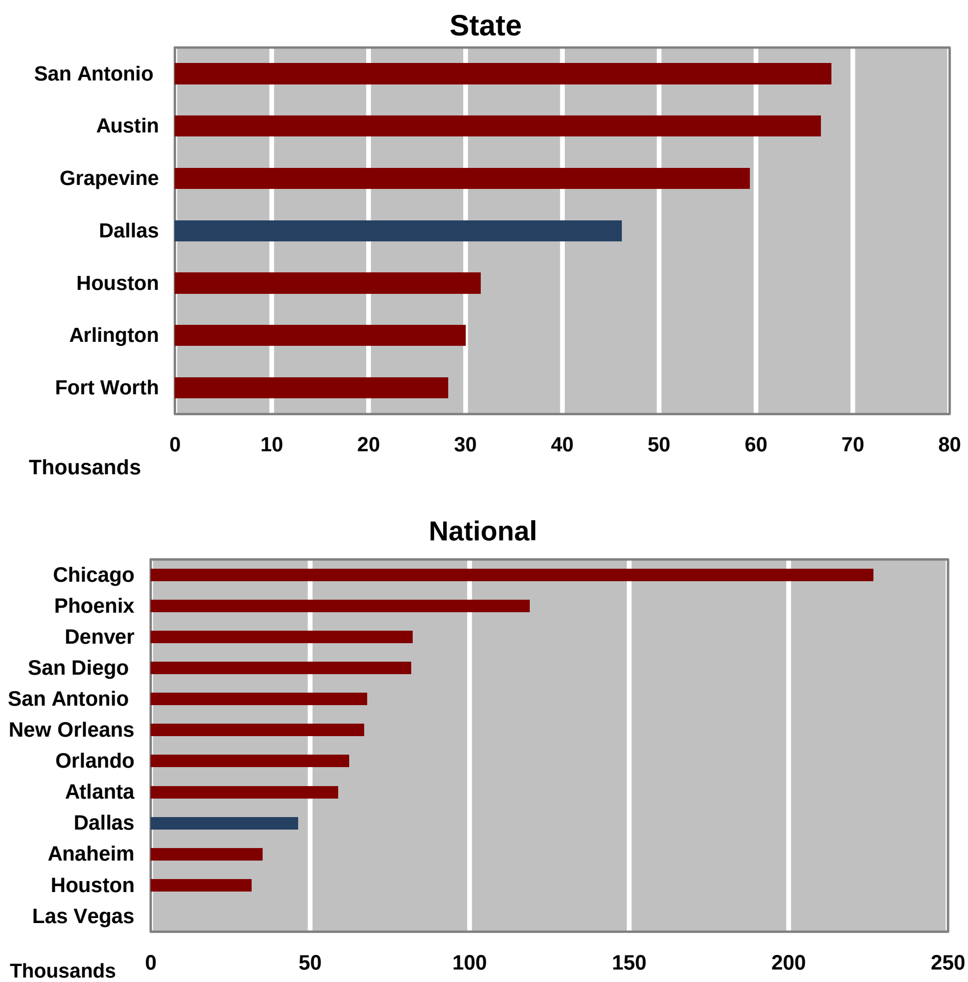
Brown Convention Center. All remaining state competitive venues offer 400,000 square feet or less of exhibition space. Therefore among facilities within the State of Texas, the DCC and the George R. Brown Convention Center have the greatest capacity for large conventions and tradeshows.

The DCC offers more exhibition space than a majority of national competitors. Five of the national competitors offer more than one million square feet of exhibit space, while six of the national competitors offer less than 900,000 square feet of exhibit space. The DCC, with almost one million square feet of exhibit space, has the ability to compete with a majority of its national competitors for large conventions and tradeshows with respect to its exhibit space capacities.

Banquet Space Assessment

Banquet space has become increasingly important for convention centers during the past two decades, as facility operators have attempted to grow food service revenues at their facilities. In addition to banquets, several other types of events, such as conventions and tradeshows, typically have a dining component that utilizes banquet space.

Figure 4-3
Banquet Space in Comparable Venues (square feet)



Source: Respective Facilities

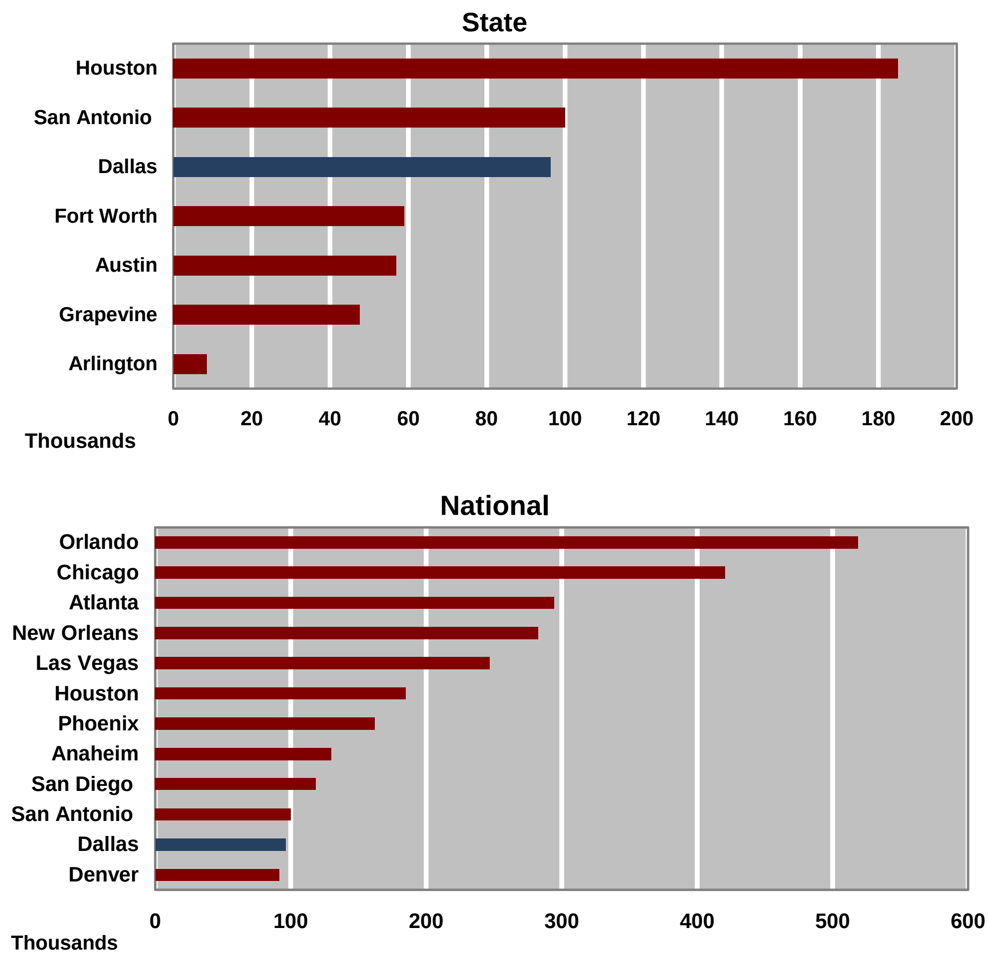
The DCC offers considerably less banquet space than the Henry B. Gonzalez Convention Center in San Antonio, the Austin Convention Center, and the Gaylord Texan in Grapevine. However, both the Austin Convention Center and the Gaylord Texan offer less than 300,000 square feet of exhibit space. Therefore, these facilities may target fewer large conventions and tradeshows that require expansive exhibit space similar to that offered at the George R. Brown Convention Center and the DCC. Alternatively, they may occasionally utilize their ballroom space as exhibit space for large events.

Among national competitive venues, only the George R. Brown Convention Center and the Anaheim Convention Center offer less banquet space than the DCC. The Las Vegas Convention Center does not offer any banquet space but has expansive meeting space that can be used for banquet functions. McCormick Place offers almost double the amount of banquet space of its closest competitor, the Phoenix Convention Center. All remaining national competitive facilities, seven of the national competitors, offer between 82,000 square feet and 35,000 square feet of banquet space, with the DCC falling to the bottom of this range. The DCC has a disadvantage in attracting groups that require large banquet space, while the lack of banquet space also minimizes the ability for the facility to host simultaneous events.

Meeting/Breakout Space Assessment

Meeting rooms can accommodate sub-groups as they break out of larger events such as conventions and tradeshows. Additionally, these smaller rooms can accommodate self-contained meetings, training sessions, seminars, classes, and a variety of small meeting functions. A facility's meeting rooms are often its most frequently used function spaces. Generally, convention centers should offer meeting space that is proportionate to the amount of exhibition space available at the facility. However, the optimum amount of meeting space can vary depending on a facility's target market.

Figure 4-4
Meeting Space Areas in Comparable Venues (square feet)



Source: Respective Facilities

The George R. Brown Convention Center offers double the amount of meeting space of that of the Henry B. Gonzalez Convention Center and the DCC. The DCC offers 96,000 square feet of meeting space and all remaining state competitors offer less than 60,000 square feet of meeting space.

Among all national competitive venues, the Orange County Convention Center in Orlando offers the greatest amount of meeting space, followed by the McCormick Place in Chicago. Five national competitive facilities offer between 100,000 and 200,000 square feet of meeting space, while only the

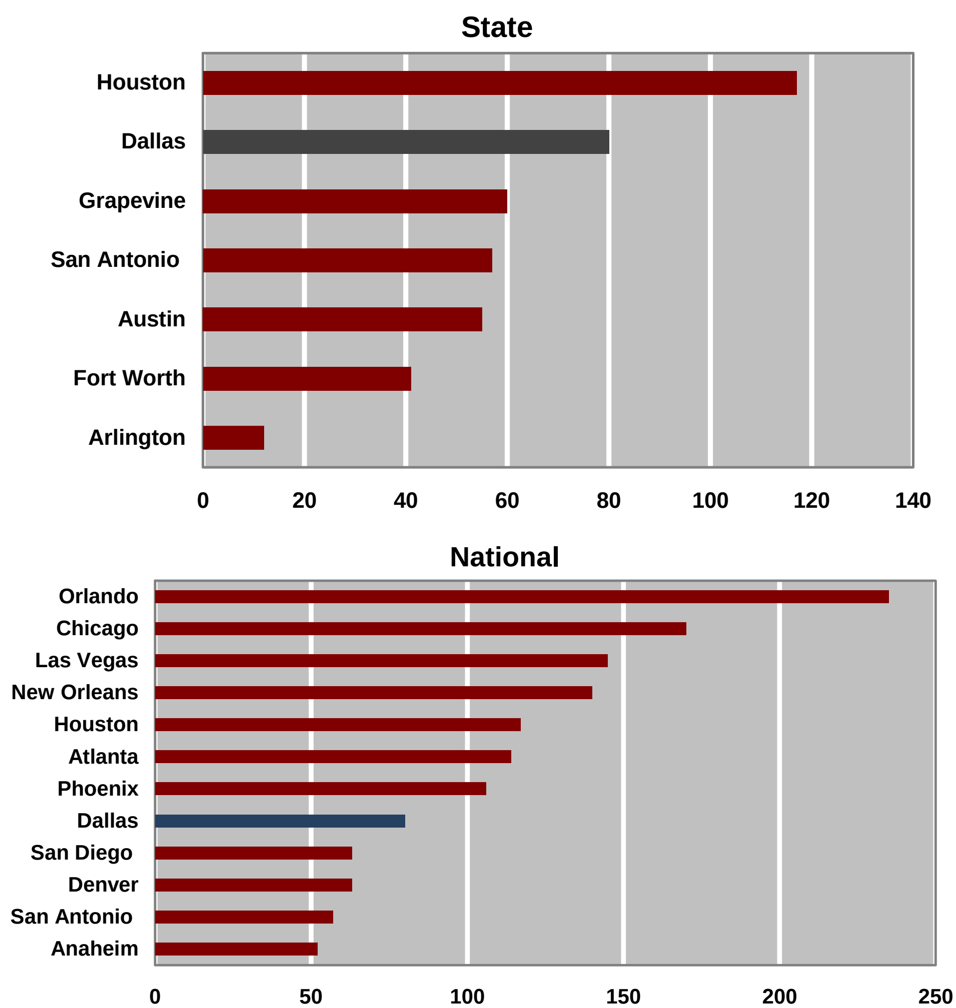
DCC and the Colorado Convention Center offer less than 100,000 square feet of meeting space.

As meeting space increasingly becomes used for breakout sessions for large conventions and tradeshows, the DCC may experience difficulties in attracting these groups. In addition, the facility may experience a constraint on the number of simultaneous events the facility can hold, especially with its limited banquet space.

Divisibility of Meeting/Breakout Spaces

The divisibility of meeting and banquet space is especially important for venues that serve a broad range of event types that represent different space needs. Divisibility adds flexibility in the amount of space the facility can rent, thereby allowing it to best match rented space with customer needs. Divisibility and flexibility also allow venues to serve multiple events simultaneously, thereby maximizing facility utilization.

Figure 4-5
Number of Breakout Rooms in Comparable Venues



Source: Respective Facilities

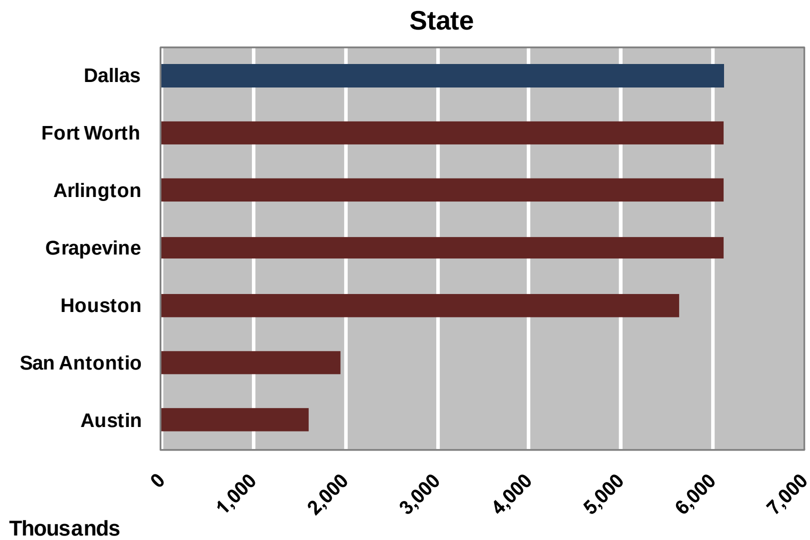
With 80 meeting rooms, the DCC offers more meeting rooms than all state competitors, with the exception of the George R. Brown Convention Center, which offers 117 meeting rooms.

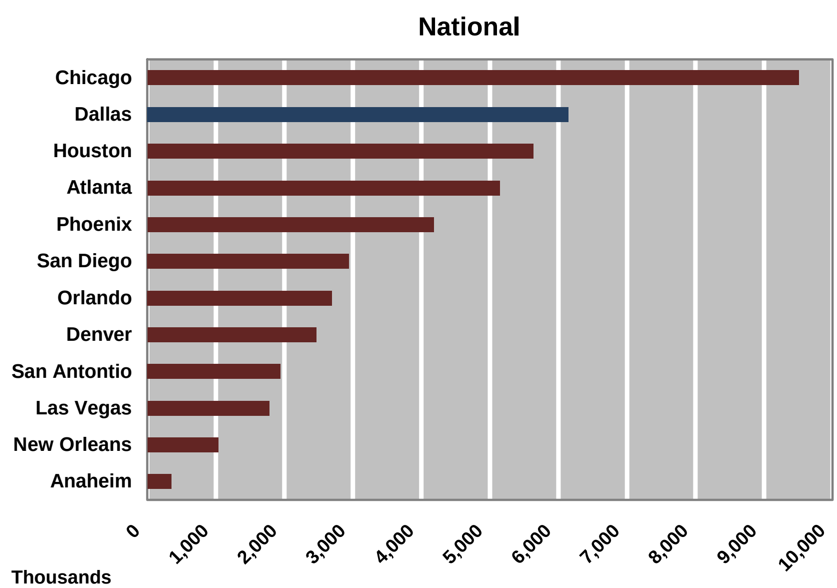
The DCC offers less total meeting space than all but one state competitor, however it offers more divisibility than four national competitors. The seven national competitors with more meeting rooms than the DCC offer at least 163,000 square feet of total meeting space. While the DCC holds a disadvantage in its meeting space capacities, the excellent divisibility of this meeting space may offset some of this disadvantage.

Population Comparisons

Local area population data can provide evidence of a community's overall economic size and ability to support public services and visitor amenities that are important for convention center users. Local area population data can also provide a basis for understanding demand potential for certain types of events such as locally-generated meetings, banquets, religious events, graduation ceremonies, and consumer shows. However, because most convention centers primarily target out-of-town users, local area population figures rarely have a direct correlation with overall demand potential at convention centers.

Figure 4-6
MSA Population in Comparable Cities (000s)





Source: Local and/or State Government

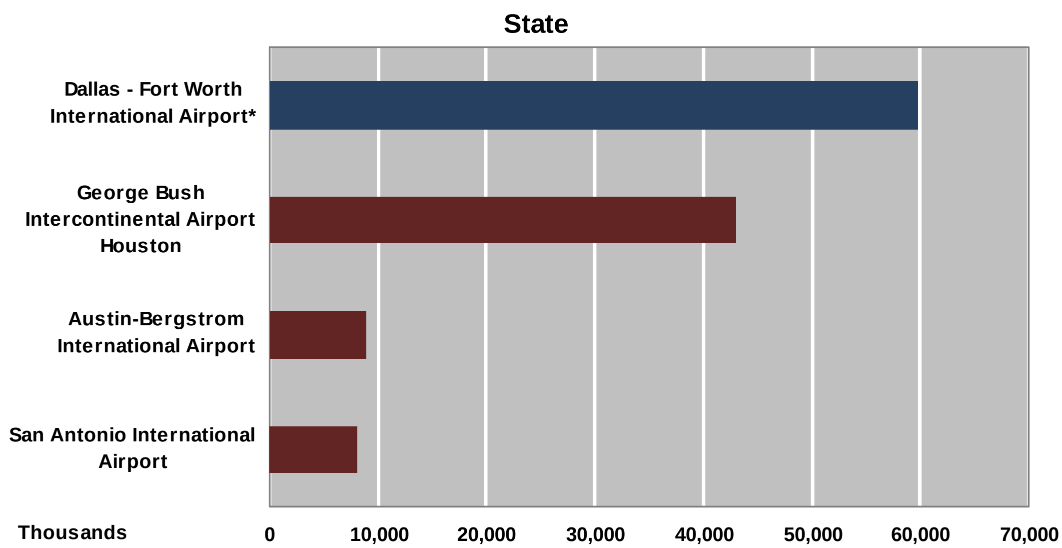
Within the State of Texas, the MSA has the greatest population with over six million people. While Houston has more than 5.5 million in its respective MSA population, Dallas holds a slight advantage.

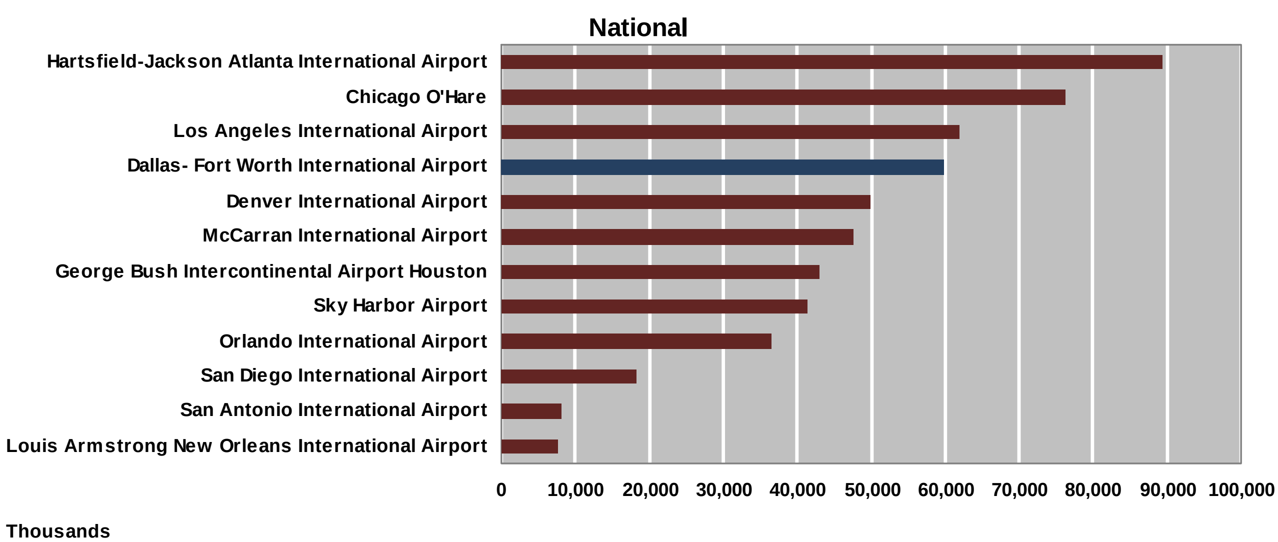
Among all national competitive facility markets, the MSA population is only smaller than that of the Chicago MSA population. Only Phoenix, Atlanta and Houston have MSA populations greater than four million. While the local population does not play a major role in out-of-state events, the large Dallas MSA population still provides an advantage for the DCC, as it allows the community to support and sustain the DCC and its surrounding neighborhoods and market area.

Air Service Capacity

Transportation linkages, including airports, can play a critical role in the success of convention centers that target regional and national user groups. One of the best indicators of an airport's ability to enhance a convention center's draw is its service capacity, generally measured as total annual passenger volume, or traffic. An airport with relatively high annual passenger volumes generally is more convenient and has a wider draw than an airport with relatively low annual passenger volumes.

Figure 4-7
Air Service Capacity in Primary Airports in Comparable Cities (Total Passengers 000s))





Source: Respective Airports

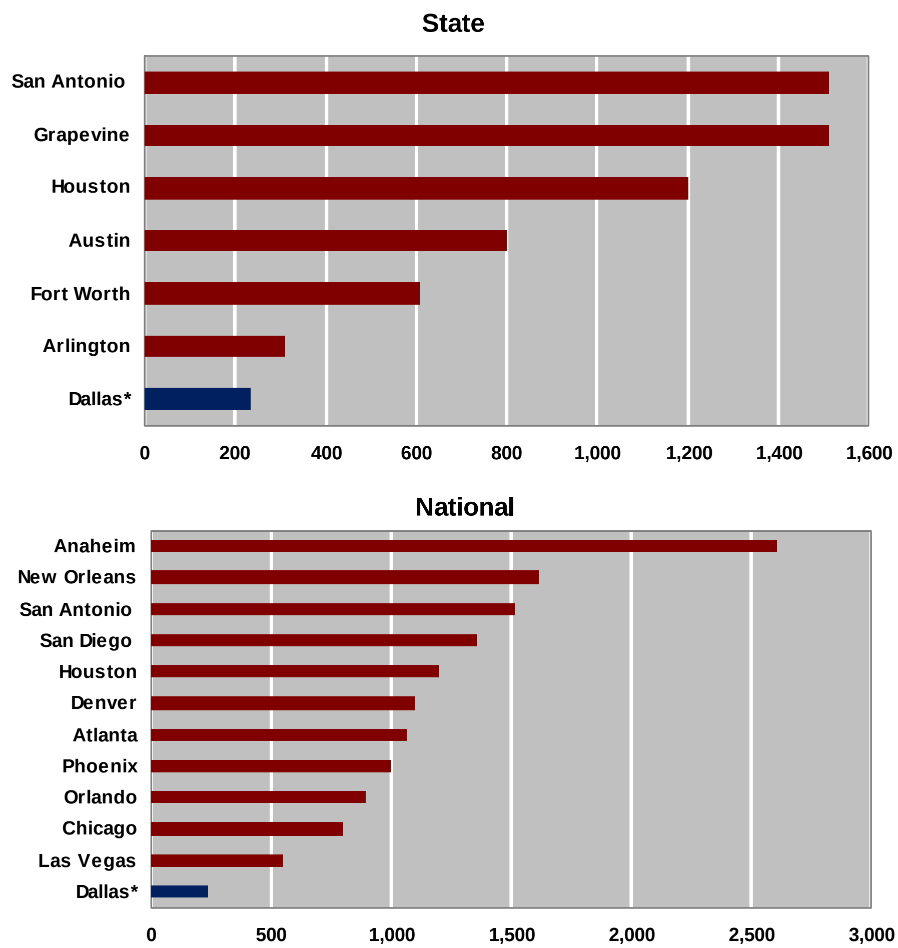
The Dallas-Fort Worth International Airport, which serves the DCC, the Fort Worth Convention Center, and the Arlington Convention Center, saw almost 60 million passengers in 2007, the busiest airport in the State of Texas.

Among national competitor major airports, the Dallas-Fort Worth International Airport ranks fourth in total passengers. The air service capacity of the Dallas Fort-Worth International Airport provides the DCC with easier out-of-state travel capabilities than a number of its national competitors, whose nearby major airports have much less passenger capacity.

Adjacent Hotel Capacity

The quality and proximity of hotel supply has increasingly become one of the most important selection factors for facility users in recent years. To attract out-of-town groups, an adequate supply of nearby hotel rooms should support the lodging needs of delegates, exhibitors, and other attendees. Proximity and connectivity are critical factors that event planners consider in evaluating overall hotel packages available in competing communities. Generally, the number of rooms offered at one or more hotels that are adjacent or connected to the convention center is the key point of comparison. Other factors that can be important are hotel brands, service levels, age of building, management, and available meeting and banquet spaces in these hotels.

Figure 4-8
Hotel Capacity Proximate to Comparable Venues (Number of Rooms)



*Includes a 250-room Ramada Hotel, which is not considered to be a headquarters hotel and is not comparable to the proximate hotels in the competitive set.
Source: Respective Facilities

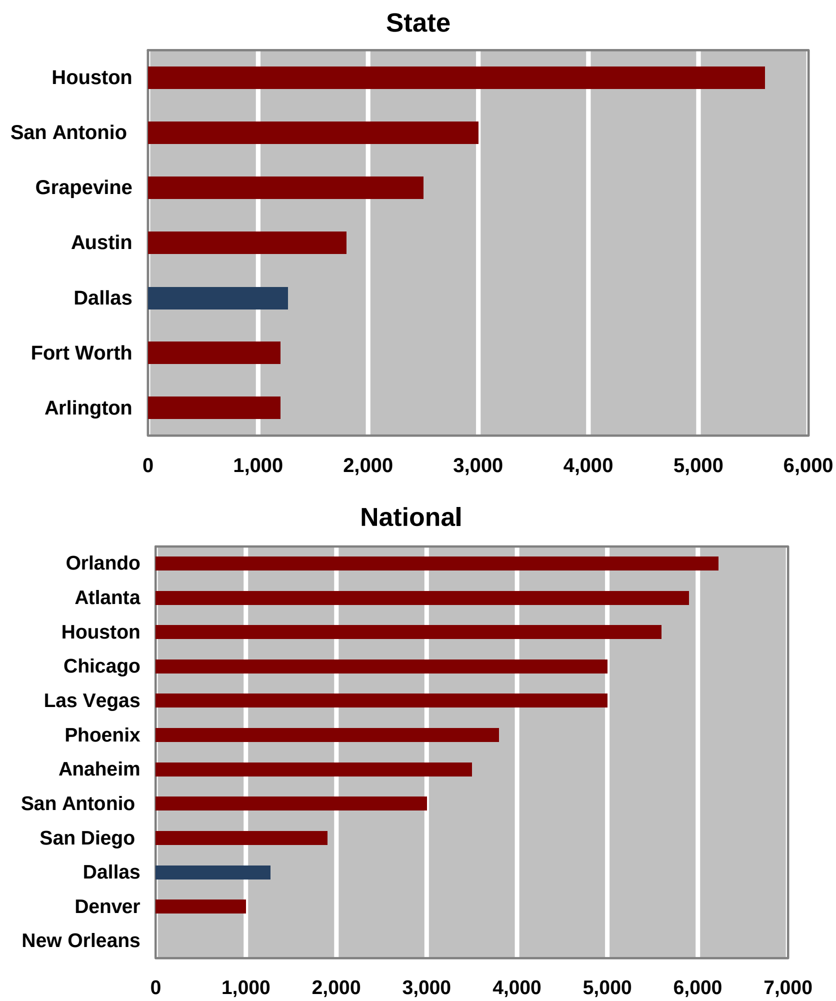
The DCC offers the fewest number of adjacent hotel rooms among state and national competitors.

Among both state and national competitors, the DCC has a large disadvantage in its lack of adjacent hotel capacity, especially in today's market, with event planners requiring at least one adjacent hotel. While there are a number of hotels within walking distance of the DCC many are independent hotels, which are generally not preferred by event planners. While the handful of nearby hotels provides necessary hotel rooms for current demand, connectivity between the hotel, or hotels, and convention center has become a crucial factor in venue selection by event planners and will play a strong role in the future demand potential of the DCC.

Parking Capacity

Most convention centers experience highly variable parking demand levels depending on event scheduling, seasonality, and location. Conventions, tradeshows, consumer shows, religious assemblies, and graduation ceremonies can create spikes in parking demand during peak demand periods. However, parking demand may be much lower for the majority of operational days throughout a given year. Urban convention centers often benefit from multi-story parking structures and good public transportation linkages, whereas suburban centers generally utilize surface parking, reflecting lower land prices. Parking supply should reflect a convention center's target market, event schedule, and location.

Figure 4-9
Parking Availability in Comparable Venues (square feet)



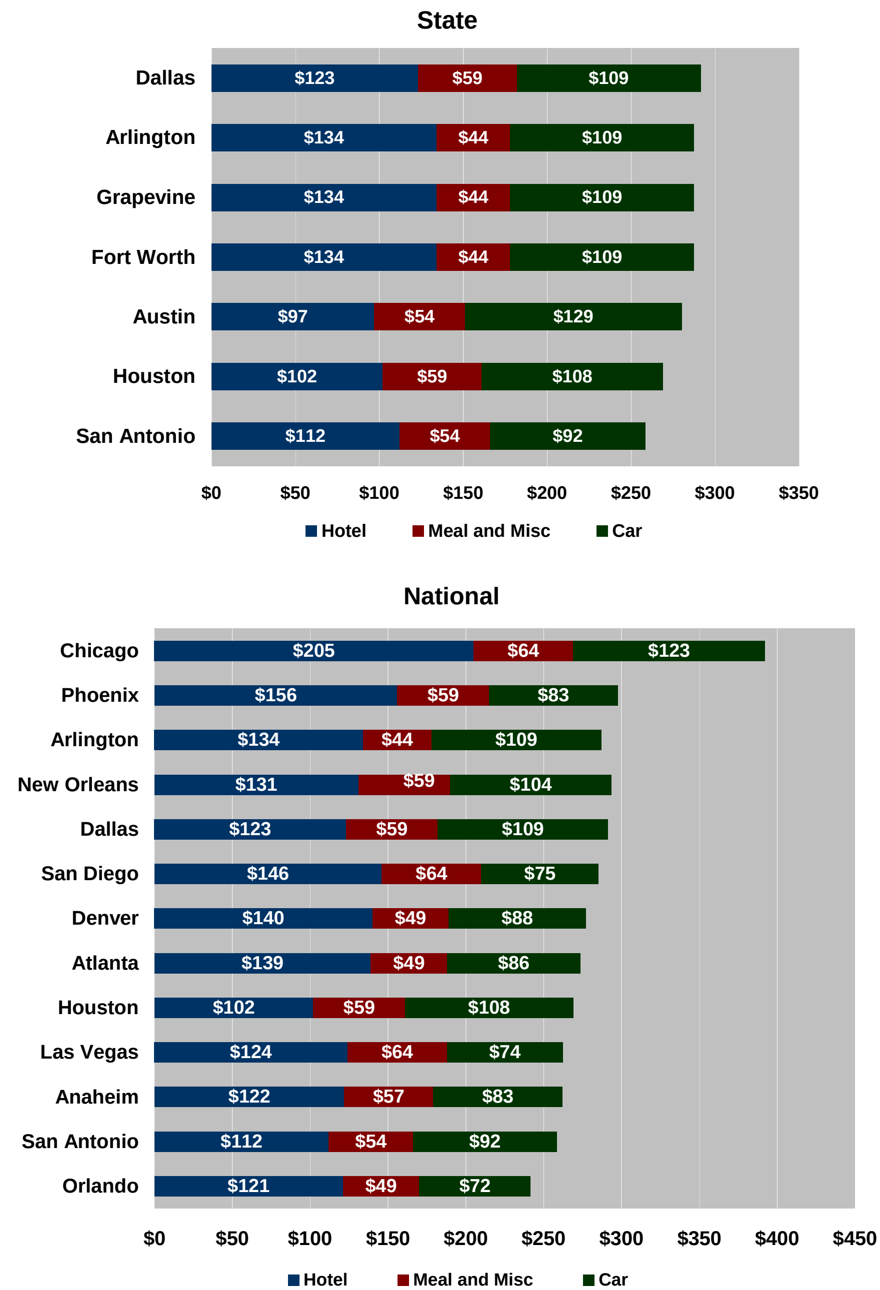
Source: Respective Facilities

The George R. Brown Convention Center has the most available parking spaces among state competitors, while the DCC offers event parking for only 1,270 cars. Among national competitive venues the DCC offers more parking spaces than the Colorado Convention Center, while the Ernest Morial Convention Center does not have any adjacent parking spaces. The lack of parking spaces at the DCC may create a disadvantage in attracting shows with a drive-in market that require significant parking spaces, although this market typically does not create high economic impacts for the community.

Travel Costs

Travel costs associated with attending a convention center event can contribute to a facility's overall ability to attract delegates, exhibitors, and attendees. High travel costs can become a deterrent for certain types of groups in a facility's potential market whereas low travel costs can be a competitive advantage in attractive certain price-sensitive groups. HVS evaluates three primary travel expense categories that include costs associated with hotel accommodations, meals, and car rentals.

Figure 4-10
Comparison of Estimated Travel Costs



Source: Corporate Travel Index, U.S. General Services Administration

Dallas has the highest travel costs of all state competitor markets at an average of $291. However, Grapevine, Fort Worth, and Arlington closely follow with at least $287 in average travel costs per diem. Among all national competitive facility markets, Chicago has significantly higher travel costs than the rest of the set with an average of $392 per diem. The rest of the national competitive set markets have an average of between $242 and $298 in travel costs, with Dallas ranking fourth of all national competitive markets.

Competitive Historical Demand

An analysis of the demand of competitive facilities, in comparison with the DCC, provides a greater comprehension of the market that both state and national competitors target and serve, in relation to the DCC. Event demand at convention centers is typically measured by the number of events and the level of attendance at these events. HVS presents competitive historical demand in Table 4-3.

Table 4-3
Competitive Historical Demand

	Denver CO	New Orleans LA	Fort Worth TX	Houston TX	Atlanta GA	San Antonio TX	Las Vegas CA	Chicago IL	San Diego CA	Average Available Data
Data Year	FY 2007	CY 2007	FY 2007	CY 2007	CY 2005	CY 2006	FY 2007	CY 2007	CY 2006	
Number of Events										
Conventions/Tradeshows	80	27	26	56	39	95	78	39	60	56
Consumer Shows	25	5	10	32	12	33	15	8	15	17
Banquets	26	3	31	23	0	33	0	2	29	21
Meetings & Conferences	109	33	192	97	0	151	3	15	122	90
Other	88	33	71	86	0	132	0	7	55	67
Total	328	101	330	294	51	444	96	71	281	222
Average Attendance										
Conventions/Tradeshows	3,462	7,346	9,575	4,307	11,596	3,471	-	16,884	7,713	8,044
Consumer Shows	13,625	4,600	27,021	5,358	26,183	6,627	-	167,375	12,274	32,883
Banquets	869	92	320	1,574	0	601	-	9,000	834	1,661
Meetings & Conferences	207	1,957	76	284	0	600	-	4,070	672	983
Other	2,318	1,335	6,773	2,098	0	1,615	-	30,771	3,594	6,063
Overall Average	2,759	3,270	3,105	2,234	15,029	1,964	-	0	3,383	3,968
Total Attendance										
Conventions/Tradeshows	276,984	198,353	248,954	241,183	452,258	329,713	-	658,476	462,762	446,906
Consumer Shows	340,616	23,000	270,210	171,453	314,196	218,700	-	1,339,000	184,108	566,316
Banquets	22,585	275	9,906	36,203	0	19,842	-	18,000	24,178	34,883
Meetings & Conferences	22,509	64,586	14,534	27,549	0	90,598	-	61,050	81,987	88,731
Other	242,297	44,041	480,908	180,469	0	213,126	-	215,397	197,675	408,821
Total	904,991	330,255	1,024,512	656,857	766,454	871,979	-	2,291,923	950,710	1,545,657

Source: Respective Facilities, HVS

While the Las Vegas Convention Center and McCormick Place host fewer events than a majority of competitors, the events these facilities host, mostly conventions, tradeshows and consumers, are among the largest in the United States, drawing in average attendance figures significantly higher than a majority of competitors. Attendance data for the Las Vegas Convention Center was not available for calendar year 2007; however, the Las Vegas Convention Center recorded 1,644,594 total attendees in 2005, while McCormick Place hosted 71 events with roughly 2.3 million attendees in 2007.

The Henry B. Gonzalez Convention Center hosted the largest number of events among all competitive facilities, with 444 events in 2006. However, the facility hosts considerably smaller events than a majority of national competitors, with average attendance at conventions and tradeshows of 3,500 and average consumer show attendance of 6,627. The Fort Worth Convention Center hosted 330 events in 2007, with over one million in attendance, due to the large consumer show attendance and strong convention and tradeshow attendance. The Colorado Convention Center, with 328 events in 2007, finished with over 900,000 in attendance, with a relatively low average convention and tradeshow attendance.

The San Diego Convention Center and the George R. Brown Convention Center host a similar number of events and a similar distribution of events with a large number of meetings and conferences and a considerable number of conventions and tradeshows. However, the San Diego Convention Center, with over 950,700 in total attendance, has considerably larger average attendance at both conventions and tradeshows and consumer shows.

The Ernest N. Morial Convention Center hosted 101 events in 2007, but saw events and attendance decrease in the aftermath of Katrina. It hosted a significant number of conventions and tradeshows, meetings and conferences and events categorized as "other", many which were religious gatherings; however, it hosted few consumer shows and even fewer banquets, with only 330,255 total attendees in 2007.

In 2005, the Georgia World Congress Center hosted the smallest number of events, 51, but with 26,000 in average attendance at consumer shows and 11,600 in average convention and tradeshow attendance, the facility attracted more attendees than both the George R. Brown Convention Center and the Ernest Morial Convention Center. Additionally, it is likely that the Georgia World Congress Center hosted, a handful of meetings, conferences and banquets that were not reported to HVS.

With a comparatively small number of events, corresponding with high average attendance figures, and thus, high total attendance figures, the DCC seems to resemble closely the demand at the Las Vegas Convention Center and McCormick Place. However, the DCC offers considerably less function space than these two competitors, and features a large number of meetings and conferences and assemblies, of which the Las Vegas Convention Center and McCormick Place host few.

The DCC's average attendance figures are smaller than McCormick Place and the Las Vegas Convention Center, due to its smaller function space and lack of a headquarters hotel. Rather, with respect to average attendance per event type, the DCC 's figures closely match the average attendance at the Fort Worth Convention Center and the San Diego Convention Center.

Conclusion of Comparable Venue Demand Analysis

This data indicates that the DCC is performing below the national average with respect to conventions and tradeshow attendance. The proposed improvements to the DCC, the addition of a headquarters hotel, and nearby amenity development would increase the attractiveness of the DCC for these types of events.

Event Planner Findings

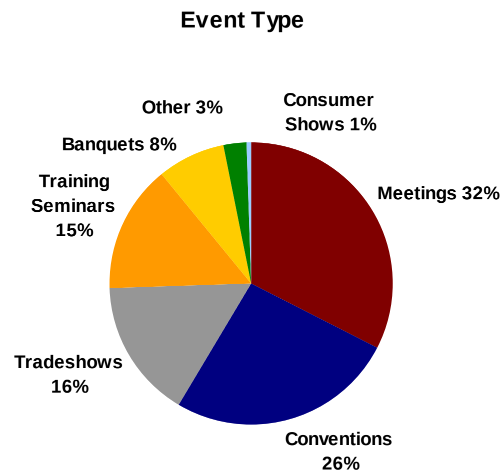
In conjunction with HVS, National Service Research (NSR) conducted a web-based survey of state association event planners located in and around Texas. The Dallas CVB provided NSR with the 277 surveyed event planners; NSR received 61 replies which calculated to a response rate of 22 percent. The size of the associations surveyed included a wide range of membership sizes. Eighteen percent have fewer than 1,000 members and 24 percent have over 25,000.

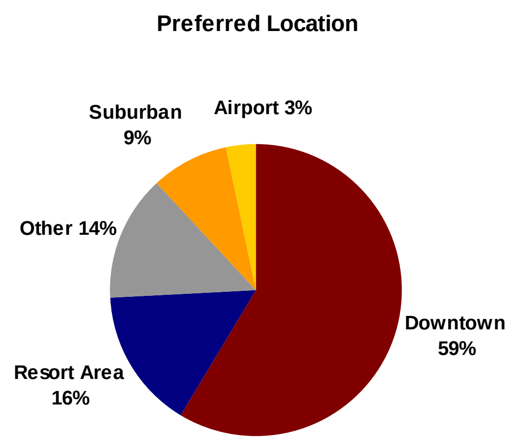
Survey responses provide a positive outlook for event demand for the City of Dallas as a convention destination. The most critical items to consider include the amount and flexibility of meeting space, hotel rates and facility rental rates, headquarter hotel rooms, proximity to amenities, and event planners' knowledge of Dallas as a meeting and convention destination.

Event Profile

Event planners were asked to describe the types of events they plan, as well as the event's general location, geographic scope, and attendance.

Figure 4-11
Type and Location





Source: NSR Event Planner 2008

Meetings, conventions, tradeshows, and tradeshows are the most common types of events planned by survey participants. A majority of conventions and meetings last two to five nights with almost half lasting three nights. Roughly 61 percent of event planners describe their events as statewide and 17 percent are either national or international in scope. When asked to forecast future attendance trends over the next five years, most were optimistic with 38 percent expecting attendance to increase and 62 percent expecting to remain stable. This survey was completed before the recent decline of economic conditions. The optimism of event planners should be viewed in this context. Fifty-nine percent of event planners preferred a downtown location to 16 percent who preferred a resort area.

A majority of conventions and meetings last two to five nights with almost half lasting three nights. The participants have varying demand for peak room nights with nearly 50 percent requiring between 100 and 500 rooms, while roughly five percent of respondents required less than 100 rooms or over 5,000 rooms.

Respondents indicated that their events are typically planned on certain days of the week or months of the year. Mid-week represents the most frequently citied days on which planners wish to book their events. The peak demand seasons throughout the year appear to be spring, early summer and fall.

Facility Use

NSR asked event planners to approximate their facility requirements with respect to each of three basic types of event space, including exhibition, ballroom, and meeting space.

Table 4-4
Average Space Requirements of Hotel and Non-Hotel Events

Type of Space	Hotel Events	Non-Hotel Events
Exhibition Space	55,640	84,100
Meeting Space	17,260	18,270
Ballroom Space	14,300	15,150

Source: NSR Event Planner 2008

Site Selection Criteria

Event planners value specific attributes and amenities over others when selecting a host city. The survey respondents indicated that hotel and event space availability, overall per diem cost, and the ability to attract attendees to be "very important" in determining a location for their events.

NSR asked event planners to rate the overall attractiveness of Dallas and other selected markets considering the existing facilities located within each market and each city's unique atmosphere and amenities. Dallas ranked third behind San Antonio and Austin.

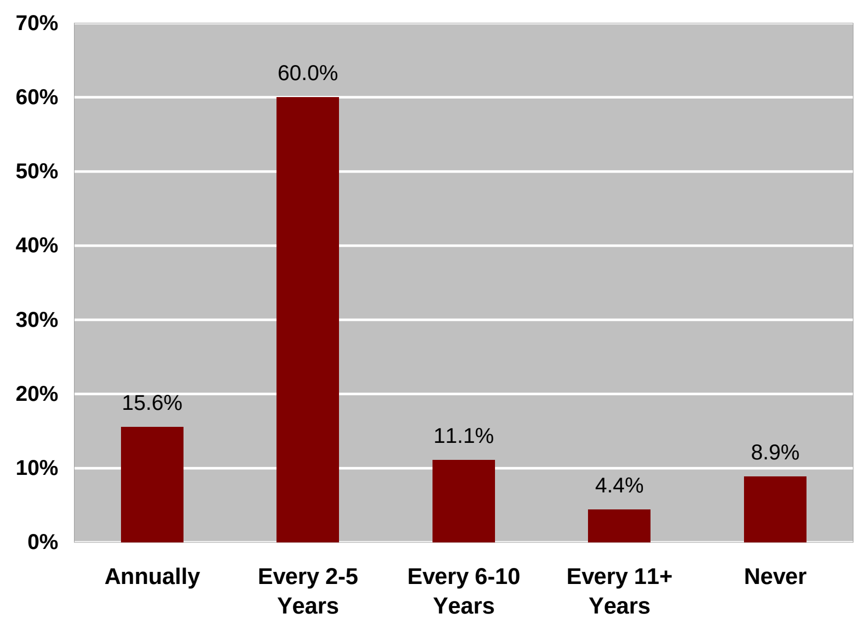
When asked to name specific site selection criteria important to event planners in deciding where to locate an event, participants clearly indicate the importance of overall hotel costs, availability and flexibility of meeting space, overall value, and a headquarters hotel as key criteria in selecting facilities to host their events.

Knowledge & Interest

The majority of respondents consider themselves to be "somewhat familiar" with the DCC as a convention and meeting destination. About one-third of respondents are "very familiar" with the DCC. Only 13 percent of respondents indicated that they were "not at all" familiar with the DCC. Likewise, only 13 percent have never hosted a meeting at the DCC, while over one-third have held an event at the DCC within the past year.

When asked how often they anticipated holding events at the DCC, over 50 percent said they were likely to use Dallas every two to five years.

Figure 4-12
Past and Anticipated Usage of the DCC



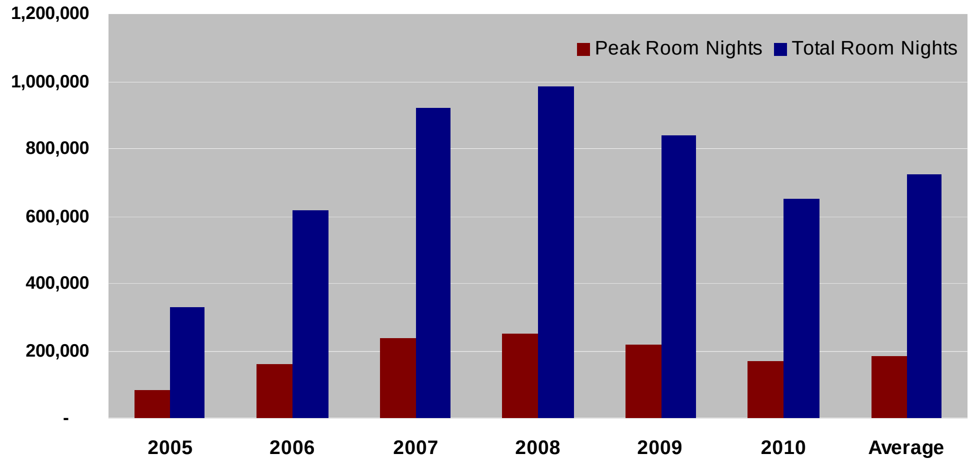
Source: NSR Event Planner 2008

Seventeen percent of event planners would hold an event at the DCC annually, while only nine percent would never consider the DCC for their events. Respondents cited high per diem costs particularly in the lodging market to be their primary reasons for avoiding the DCC.

Lost Business Analysis

The CVB also provided HVS with lost business data. HVS categorized and organized the data into ten categories from years 2005 through 2010.

Figure 4-13
Reported Lost Business by Year (Room Nights)



Source: Dallas CVB, HVS

On average, the DCC loses 722,397 total room nights and 185,230 peak room nights. The CVB recorded the highest number of lost room nights and peak nights in 2008. HVS assumes that the DCC will lose additional business in 2009 and 2010. Survey findings on this lost business are presented below.

As part of the DCC analysis, NSR conducted a survey of “lost business”, i.e. events on which the DCC bid but was not chosen. Release dates ranged from 2004 through 2008 for these events.

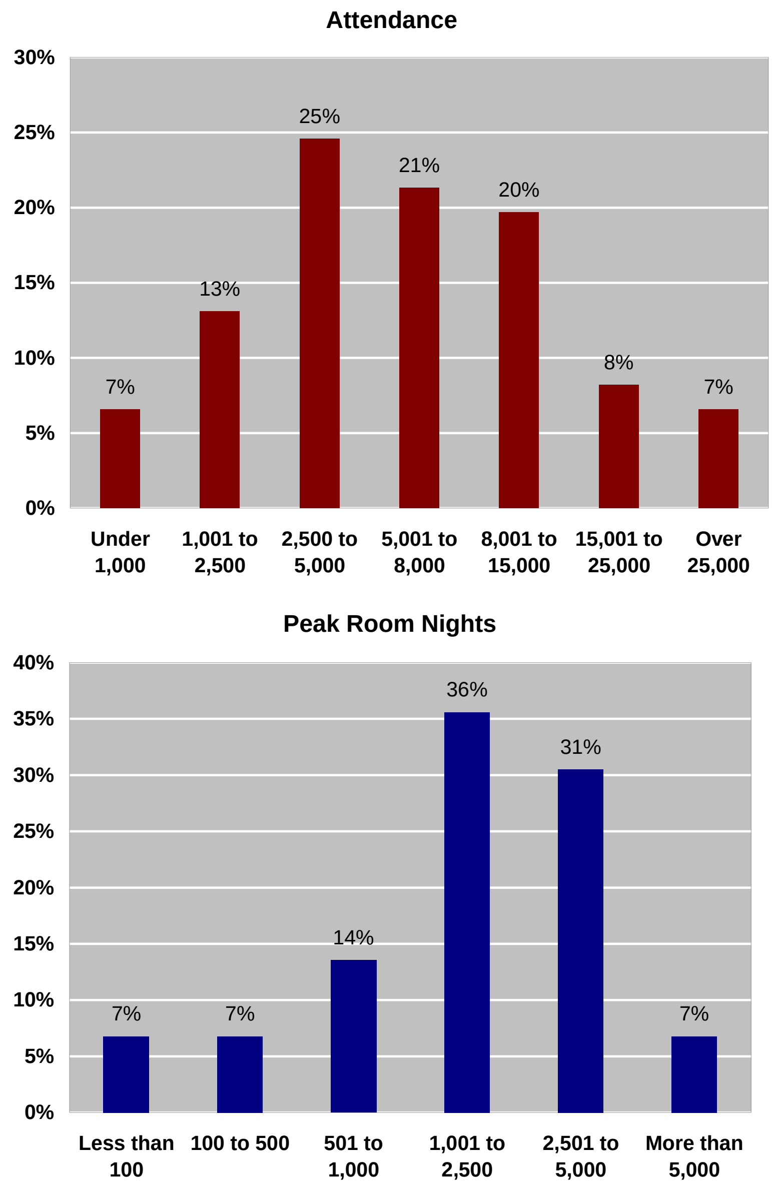
Lost Business Survey

As part of the Revenue Fund analysis, NSR conducted a second survey of “lost business”, i.e. events on which the Dallas Convention Center bid but was not chosen. Release dates ranged from 2004 through 2008 for these events. The Dallas Convention and Visitors Bureau provided the list of contacts. NSR contacted 405 event planners and interviewed 61 planners by telephone from April 18 through May 9 of 2008. Each event planner was contacted four times in an attempt to complete the interview. Of the original 405 contacts, seventeen individuals were no longer at the company; 30 telephone numbers provided were disconnected; eight were the wrong number, seven events actually did take place in Dallas and one planner had not yet chosen a host city for their event. This results in a total sample size of 342, indicating a response rate of 18 percent.

Lost Business Indicators

Expected event attendance and corresponding peak room night requirements are important indicators of potential hotel, exhibit, and meeting space demand. NSR asked event planners to provide general attendance and hotel usage information for the event(s) bid on by the DCC. The results are shown below in Figure 4-14.

Figure 4-14
Anticipated Attendance and Peak Room Nights



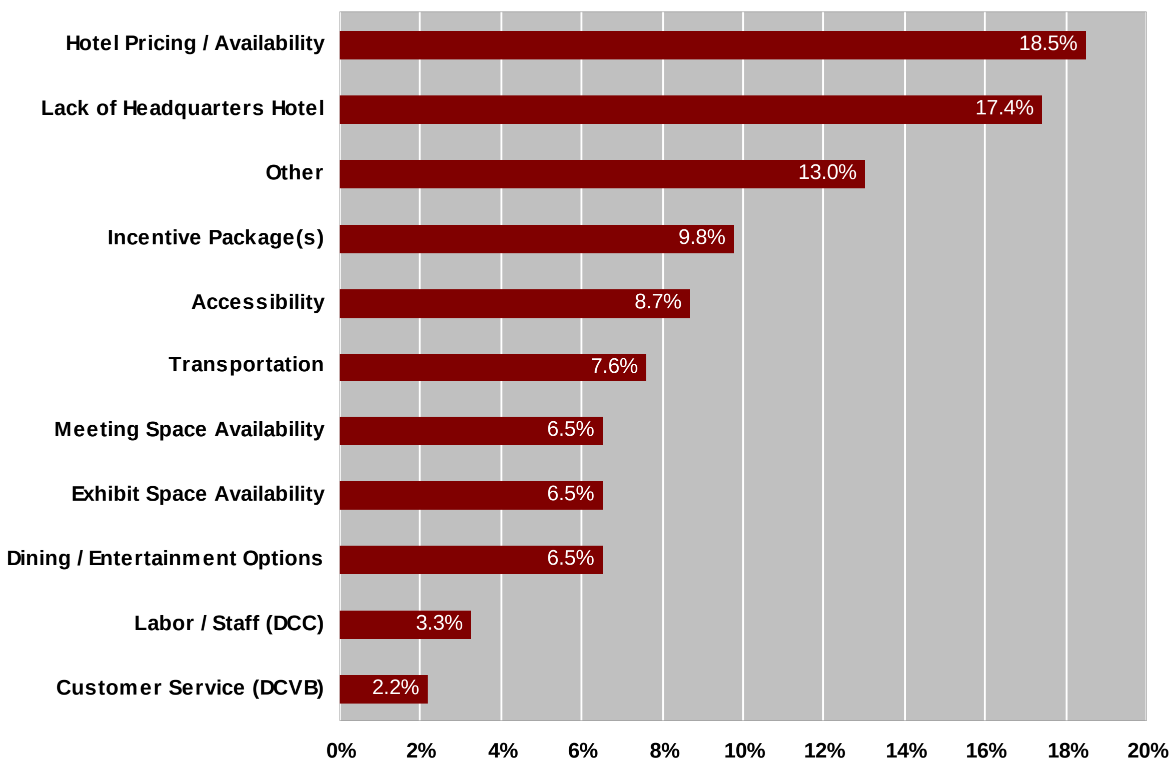
Source: NSR Lost Business Survey 2008

Approximately 65 percent of survey respondents anticipated hosting events with 2,500 to 15,000 attendees with nearly 25 percent planning for 2,500 to 5,000 attendees. The average expected attendance was 8,500 among all event planners surveyed. Almost 70 percent of potential DCC events required between 1,000 and 5,000 peak room nights, with an average of 2,200 peak nights per group that was considering Dallas as a host city for their event.

Selection Criteria

NSR asked respondents to indicate the single primary reason the DCC was not selected. Respondents indicated that the lack of a headquarters hotel within walking distance of the convention center, and the pricing of nearby hotels were the largest reasons for the DCC losing their business. Respondents also indicated that Dallas' suffers from a lack of destination appeal. Figure 4-15 provides complete results.

Figure 4-15
Reasons for Lost Business



Source: NSR Lost Business Survey 2008

"Other" reasons included: lack of incentives, transportation, too far of a distance from attendee base, availability of exhibition, meeting and breakout space, and availability of entertainment options close to the convention center. Remarks included in the other category include the cost was not aggressive enough, the event would not work well with the space, small/older looking meeting rooms, the city did not work with us, and the client did not want a convention setting.

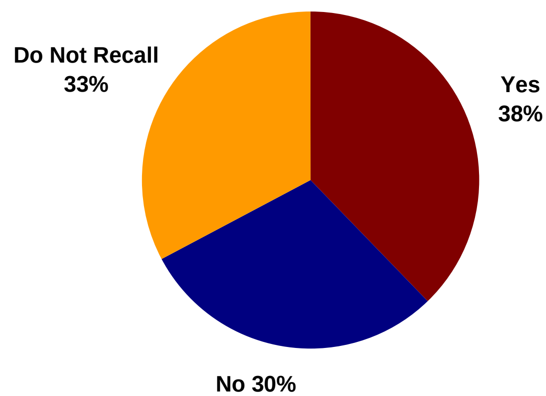
Host and Second Choice Cities

Two respondents reported that they held their event at a hotel within Dallas instead of the Dallas Convention Center. Three percent reported none were chosen due to the event being cancelled and 11 percent do not recall the host city that was chosen. Host cities chosen include:

- 13 percent chose a Texas city other than Dallas (Houston, San Antonio, Fort Worth, Grapevine)
- Eight percent chose Orlando, FL
- Seven percent chose Nashville, TN
- Seven percent chose New Orleans, LA
- Five percent chose Denver, CO
- Three percent EACH chose Reno, Washington D.C., Las Vegas, San Francisco, or Louisville
- Two percent EACH chose Philadelphia, Chicago, New York, Indianapolis, Long Beach, San Jose, Grand Rapids, Kansas City, Minneapolis, Pittsburg, San Diego, Los Angeles, or Boston

NSR asked survey respondents if Dallas was their second choice city to host their events. More than one-third of respondents reported Dallas was their second choice city.

Figure 4-16
Second Choice

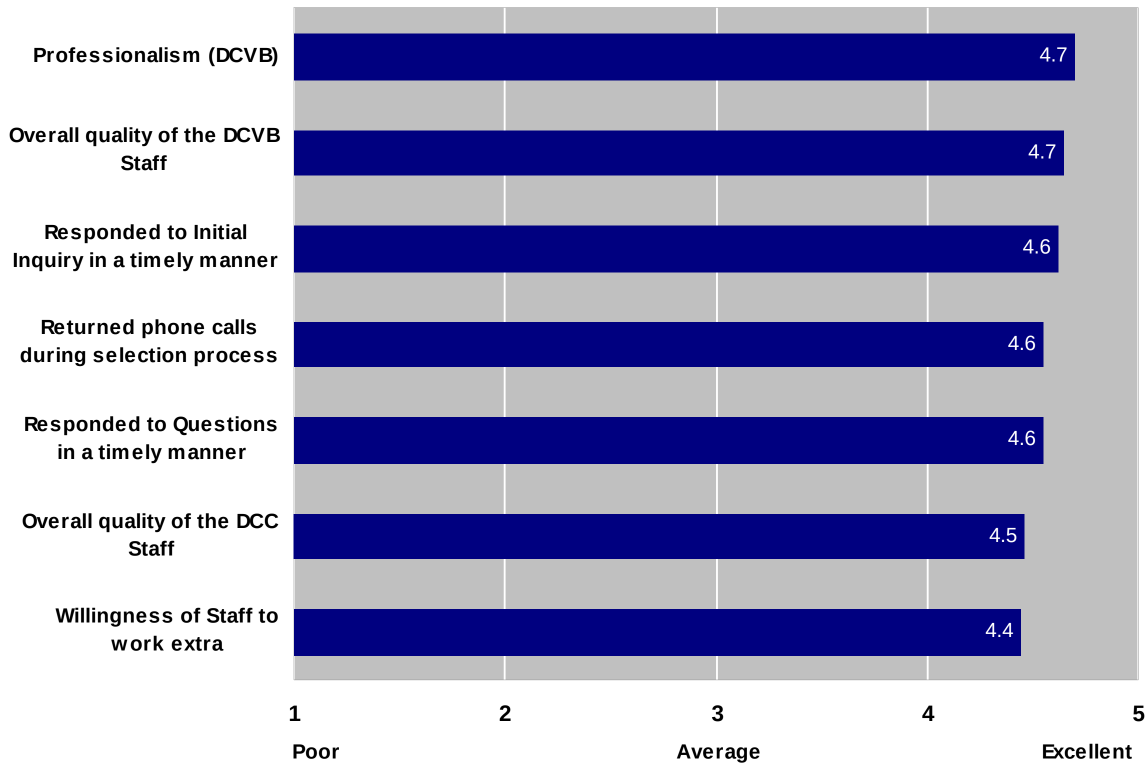


Source: NSR Lost Business Survey 2008

Customer Service

An important factor in evaluating lost business is the customer service received during the proposal/bid process. Figure 4-17 present the respondent's average rating of several customer service characteristics; the scores exclude those who could not provide a ranking. Each of these characteristics is extremely important for the Dallas Convention and Visitor's Bureau ("DCVB") and Convention Center staff to keep in the forefront during any proposal process.

Figure 4-17
Customer Service



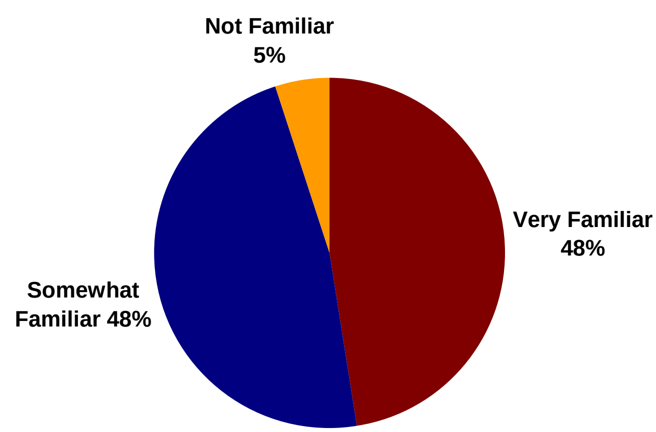
Source: NSR Lost Business Survey 2008

Both the DCVB and the DCC staff received a rating between 4 and 5 for customer service. The professionalism and general quality of the DCVB staff received the highest ranking. Respondents indicated very good to excellent experiences with the DCVB and Convention Center staff, suggesting that lost business, at least in these instances, is not significantly correlated with customer service.

Knowledge

Event planners generally choose locations they are familiar with for their events. Figure 4-18 below indicates how knowledgeable survey respondents are about Dallas. Almost half of respondents reported they are very familiar with Dallas, while 48 percent are only somewhat familiar and five percent are not familiar.

Figure 4-18
Event Planner Familiarity of Dallas

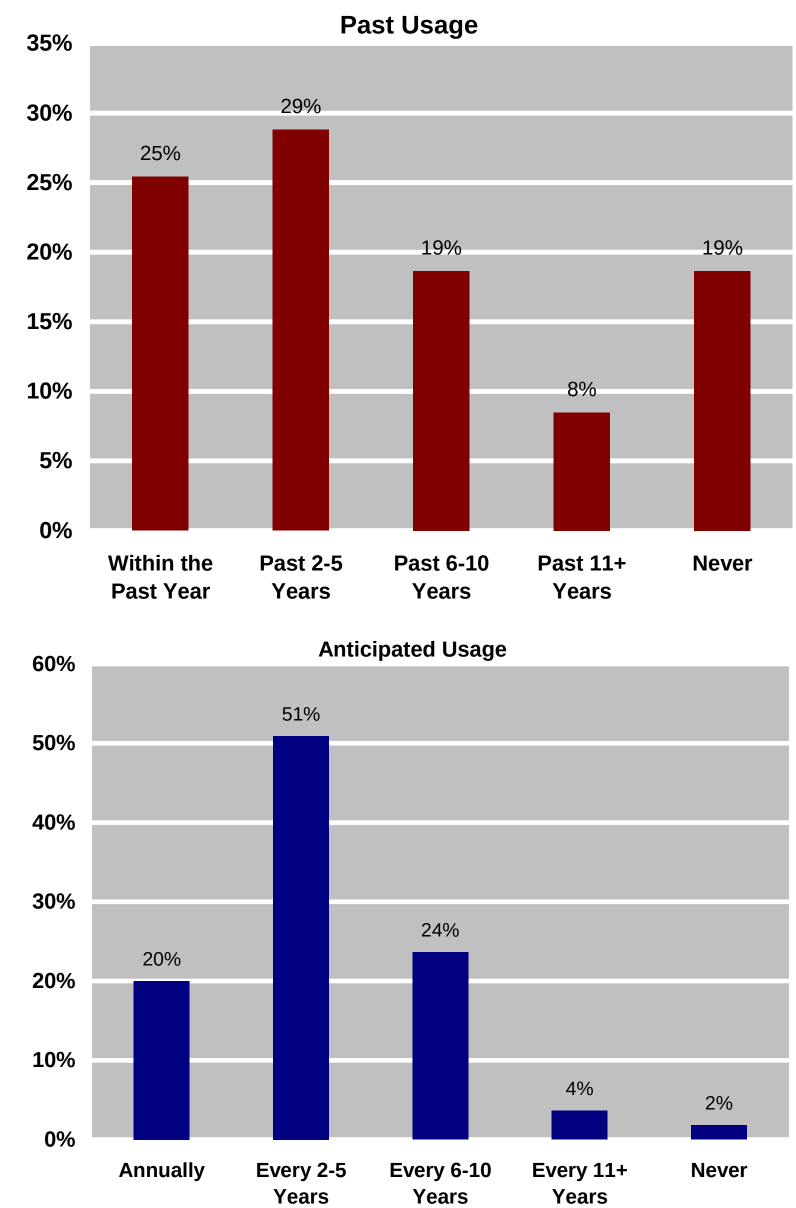


Source: NSR Lost Business Survey 2008

Past and Future Bookings

NSR asked lost business survey participants about their past and anticipated usage of the Dallas Convention Center. Figure 4-19 shows more than one-third of event planners held an event at the Dallas Convention Center within the past year, while 13 percent have never hosted a meeting at the Dallas Convention Center.

Figure 4-19
Past and Future Interest in Holding Events at the Dallas Convention Center



Source: NSR Lost Business Survey 2008

The likelihood of planning an event in Dallas is crucial in determining a realistic projection of future demand. The results, shown in the figure above, are a positive indicator for demand potential for the Dallas Convention Center. More than half are likely to plan an event at the Dallas Convention Center every two to five years and 17 percent are likely to have an event annually at the Dallas Convention Center.

Conclusion

Responses from both the event planner and lost business surveys provide a positive outlook for event demand for the Dallas Convention Center. The most critical items for event planners include the amount and flexibility of meeting space, cost of the hotel room block, a headquarter hotel in close proximity to the convention center, and the proximity to shopping, dining and entertainment. The proposed development of a headquarters hotel and amenities would address the concerns held by a majority of events planners.

Demand Projections

HVS forecasted the event demand for the Dallas Convention Center, assuming the full operating status of the headquarters hotel in 2012. These projections are based on historical demand analysis, provided in the beginning of this chapter, research on comparable properties, and event planner survey results. The demand projections presented herein reflect the continuation of current operating and marketing structures, with the addition of a headquarters hotel in 2012.

HVS projects that the DCC will experience a stabilized level of event demand until the opening of the headquarters hotel, at which time substantially increases should occur. HVS has organized event demand into the following basic event categories. These six event categories are generally consistent with event demand tracking at national and regional convention centers throughout the United States.

Table 4-5 shows event demand projections for the proposed convention center for fiscal years 2009 through 2014.

Table 4-5
DCC Projected Events and Attendance

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Events						
Conventions & Tradeshows	34	35	35	45	48	50
Consumer Shows	22	22	22	22	22	22
Conferences	15	15	15	30	30	30
Meetings	15	15	15	30	30	30
Banquets	10	10	10	10	10	10
Assemblies	40	40	40	40	40	40
Sports	10	10	10	10	10	10
Other	30	30	30	30	30	30
Total	176	177	177	217	220	222
Average Attendance						
Conventions & Tradeshows	8,600	8,600	8,600	8,600	8,600	8,600
Consumer Shows	23,100	23,100	23,100	23,100	23,100	23,100
Conferences	1,800	1,800	1,800	1,800	1,800	1,800
Meetings	450	450	450	450	450	450
Banquets	1,200	1,200	1,200	1,200	1,200	1,200
Assemblies	1,500	1,500	1,500	1,500	1,500	1,500
Sports	4,500	4,500	4,500	4,500	4,500	4,500
Other	2,150	2,150	2,150	2,150	2,150	2,150
Total Attendance						
Conventions & Tradeshows	292,400	301,000	301,000	387,000	408,500	430,000
Consumer Shows	508,200	508,200	508,200	508,200	508,200	508,200
Conferences	27,000	27,000	27,000	54,000	54,000	54,000
Meetings	6,750	6,750	6,750	13,500	13,500	13,500
Banquets	12,000	12,000	12,000	12,000	12,000	12,000
Assemblies	60,000	60,000	60,000	60,000	60,000	60,000
Sports	45,000	45,000	45,000	45,000	45,000	45,000
Other	64,500	64,500	64,500	64,500	64,500	64,500
Total	1,015,850	1,024,450	1,024,450	1,144,200	1,165,700	1,187,200

Source: HVS

HVS projects the facility will continue to see demand levels between roughly 176 to 177 events in fiscal years 2009 and 2010. With the addition of a headquarters hotel in 2012, the facility is projected to stabilize in fiscal year 2014 with 222 events and 1,187,200 in attendance. HVS uses fiscal year 2014 for stabilization, as it will take a few years for lost business and potential new business event planners to become aware of the new headquarters hotel and then consequently book an event at the DCC. HVS predicts that multiday convention and tradeshow demand will increase substantially, along with meetings. HVS predicts there will be no change in average attendance with the addition of the headquarters hotel.

Comparison of DCC Forecast and Comparable Venues

Table 4-6 compares the HVS event and attendance forecast for the proposed DCC with the average of the comparable venues. Historical demand for each venue is shown earlier in Table 4-3. The table below compares the average of comparable venues with HVS projections for the DCC.

Table 4-6
Comparison of Comparable Venues to HVS Forecast

	Before HQ Hotel	Stabilized with HQ Hotel	Average of Peers
Number of Events			
Conventions & Tradeshows	35	50	56
Conferences	15	30	-
Consumer Shows	22	22	17
Banquets	10	10	21
Meetings	15	30	90
Assemblies	40	40	-
Sports	10	10	-
Other	30	30	67
Total	177	222	222
Average Attendance			
Conventions & Tradeshows	8,600	8,600	8,044
Conferences	1,800	1,800	-
Consumer Shows	23,100	23,100	32,883
Banquets	1,200	1,200	1,661
Meetings	450	450	-
Meetings and Conferences	-	-	983
Assemblies	1,500	1,500	-
Sports	1,500	4,500	-
Other	4,500	2,150	6,063
Overall Average	2,150	5,348	3,968
Total Attendance			
Conventions & Tradeshows	301,000	430,000	446,906
Conferences	27,000	54,000	-
Consumer Shows	508,200	508,200	556,316
Banquets	12,000	12,000	34,883
Meetings	6,750	13,500	-
Meetings and Conferences	-	-	88,731
Assemblies	60,000	60,000	-
Sports	15,000	45,000	-
Other	135,000	64,500	408,821
Total	1,024,450	1,187,200	1,545,657

Source: HVS

The DCC, similar to historical demand, is projected to perform slightly below the average number of events held by comparable venues, drawing over one million attendees. With the addition of a headquarters hotel the DCC is projected to perform similar to the comparable venue set in terms of number of events, while it is projected to draw 1.2 million attendees, less than the average of comparable venues.

5. Hotel Occupancy Tax Forecast

Hotel Occupancy Tax Description

Beginning in 1969, the City levied a Hotel Occupancy Tax ("City HOT"), which is currently at the rate of seven percent of the charge for rental of lodging accommodations. The City derives authority to impose the tax from Chapter 351 of the Texas Tax Code and Chapter 44 of the Dallas City Code. In January 1998, City voters approved the collection of an additional two percent hotel occupancy tax to be used only for the purposes of financing a portion of a sports and community venue project. This tax, which was authorized pursuant to Chapter 334 of the Texas Local Government Code and Article VII to Chapter 44 of the Dallas City Code, became effective on August 1, 1998 and will expire upon retirement of the debt on the American Airlines Center. The combined rate of the City's two lodging taxes is nine percent.

The City HOT applies to the gross revenue from the rental of all commercial, hotel sleeping rooms costing $2.00 or more per day. Exemptions to this include rentals for representatives of federal government agencies, certain designated state officials, and rentals for any consecutive period of 30 or more days. The ordinance imposing the City HOT defines "hotel" as any building in which members of the public obtain sleeping accommodations for consideration. Accommodations include hotels, motels, tourist homes, tourist houses, tourist courts, lodging houses, inns, rooming houses, or bed and breakfasts. The incidence of the tax falls on the lodger and the hotel establishment collects the tax from guests and remits those receipts to the City each month. Hotels retain an administration fee (one percent of the hotel occupancy tax collected) if the remittance is made in a timely manner. The Special Collections Group (SCG), a section of the City Comptroller's office, administers the City's tax collection. State law requires that revenues derived from the collection of the (7.0 percent) City HOT be used for designated purposes, which include programs to attract tourists and conventions, expenditures in connection with a convention/visitor center complex, and debt service on bonds issued for a convention center. The tax is due and payable by the business that collects it on or before the 15th day of the month immediately succeeding the month in which it is collected.

The State of Texas currently levies a Hotel Occupancy Tax ("State HOT") at a rate of six percent of the room charge pursuant to Chapter 156 of the Texas Tax Code. The State HOT applies to the gross revenue derived from the rental of all commercial, hotel sleeping rooms costing $15.00 or more per day. Exemptions to this include the same categories as the City HOT, as well as with individuals and groups representing educational, religious, and charitable organizations. Like the City HOT, the lodging property collects the taxes from guests and remits the receipts to the state each month. Hotels retain an administration fee (one percent of the State HOT collected) if the remittance is made in a timely manner. The revenues derived from the collection of the State HOT are deposited in the state treasury to the credit of the general revenue fund. The Comptroller of Public Accounts administers the state's tax collection. The tax is due and payable by the business that collects it on or before the 20th day of the month immediately succeeding the month in which it is collected.

Pledged Hotel Occupancy Tax ("Pledged HOT") means the gross revenues due and owing to, or received by the City, from the City HOT representing 4.718 percent of the consideration paid by a person who, under a lease, concession, permit, right of access, license, contract or agreement, pays for the use or possession, or for the right to the use or possession of a room that is in a hotel, costs more than $2.00 each day, and ordinarily used for sleeping, less any amounts withheld to pay the costs of collecting such taxes as permitted by the ordinances of the City and applicable State law; provided that City HOT amounts attributable to the proposed headquarters hotel will not constitute part of the Pledged HOT.

On September 12, 2008 in response to the effects of Hurricane Ike, the Governor of the State of Texas issued a proclamation that suspended the collection of all state and local hotel occupancy taxes in Texas for a period beginning on September 8, 2008. Amendments to this proclamation extended the suspension end-date to October 27, 2008. The Texas Comptroller determined that the exemption only applied to relief workers and to persons living in a declared disaster area in Texas or in the disaster area of another state as determined by the governor of that state. In order to claim the exemption, hotel managers were required to obtain from their hotel guests, an exemption certificate stating that the reason for their hotel stay was due to Hurricane Ike.

City of Dallas Hotel Market

HVS acquired a list of all properties in the City from Smith Travel Research ("STR"). Founded in 1985 as an independent research firm, the lodging industry recognizes STR as the leader in providing information and analysis to all major North American lodging chains and key hotel companies in Europe and Asia. Each month STR collects performance data (rooms available for occupancy, rooms sold, and room revenue) on over 24,500 hotels representing more than 2.9 million rooms. This data comes from chain headquarters, management companies, owners, and directly from independent hotels. The data is audited for accuracy and checked for adherence to the STR reporting guidelines. Although most major brands and hotel companies require each property to give information to STR, the reporting of data is voluntary. We note that several, smaller independent hotels do not report data to STR, although they are listed in the overall database. In addition, a small minority of lodging properties that are required to collect the City HOT are not included in the STR census of properties.

Table 5-1 shows the current supply of hotel properties in the City according to STR.

Table 5-1
Dallas Hotel Supply

	Number of Hotels	Number of Rooms	% of Total
Supply (2007)			
Economy	33	3,616	10.8%
Midscale without Food & Beverage	26	2,601	7.8%
Midscale with Food & Beverage	15	2,520	7.5%
Upscale	25	4,151	12.4%
Upper Upscale	23	11,742	35.0%
Luxury	4	1,185	3.5%
Independents	85	7,731	23.0%
Total	211	33,546	100.0%
Potential Supply (2008 - 2012)			
Economy	--	–	0.0%
Midscale without Food & Beverage	9	740	26.0%
Midscale with Food & Beverage	--	–	0.0%
Upscale	4	618	21.7%
Upper Upscale	1	1000	35.1%
Luxury	2	289	10.1%
Independents	1	201	7.1%
Total	17	2,848	100.0%

Source: STR

STR reports that in 2007, the City had 211 hotels, which offered a total of 33,546 rooms. The upper upscale segment recorded the largest amount of rooms, at 35 percent of the total, although it was the third smallest segment in terms of the number of hotel properties. The largest properties in this category include the Hilton Anatole, Sheraton Dallas Hotel, and Hyatt Regency Dallas, which comprised 4,568 rooms.

Seventeen potential new properties in the City would add an additional 2,848 rooms by 2012, which is a supply increase of roughly 8.5 percent. The majority of these proposed hotels will be in the midscale without food and beverage segment, but most rooms will be added to the upper upscale segment. The anticipated upper upscale property includes the proposed 1,000-unit Dallas Convention Center hotel, which for the purposes of this study we assume will open in January 2012.

Table 5-2 shows the name, room count, and projected opening dates of new properties. We note that at the time of this study, the opening dates for the potential properties listed in the following chart were preliminary and the dates may change due to construction delays or financial problems.

Table 5-2
Potential New Supply

Proposed Hotel	Room Count	Opening
Holiday Inn Express & Suites Medical Center	80	Apr-09
Comfort Suites	61	May-09
Aloft Hotel Downtown	193	Jul-09
Hampton Inn & Suites Cockrell Hill	79	Jul-09
Holiday Inn Express & Suites Dallas East	81	Aug-09
Holiday Inn Express & Suites Dallas West	89	Dec-09
Comfort Suites	75	Feb-10
Holiday Inn Express & Suites Galleria Area	102	Mar-10
Hotel Valencia	201	Mar-10
Hampton Inn & Suites Dallas Market Center	90	Jul-10
Courtyard by Marriott Uptown	140	Oct-10
Residence Inn Uptown	120	Oct-10
Candlewood Suites Dallas	83	Nov-10
Hilton Garden Inn Dallas Downtown	165	Jan-11
Saint Regis Cedar Springs	150	Jan-11
Mandarin Oriental Hotel & Residences Dallas*	139	Dec-11
Convention Center Hotel	1,000	Jan-12
Total Proposed Room Count	2,848	

* STR indicates that this project has been delayed indefinitely.

Source: STR

Table 5-3 shows the annual occupancy and average daily rate ("ADR") from 1997 through October 2008 for hotels that report to STR in the City. We note that the figures below are based on roughly 65 percent of the total hotel supply in the City, due to several hotels not reporting financial data to STR. Most of the hotels that do not report are smaller, independent properties.

Table 5-3
City of Dallas Annual Occupancy and Average Daily Rate

Calendar Year	Overall Average ADR	% Change	Overall Occupancy	% Change
1997	$93.03	--	67.4%	--
1998	96.85	4.1%	66.7%	-1.0%
1999	98.52	1.7%	62.3%	-6.7%
2000	99.49	1.0%	64.0%	2.7%
2001	95.50	-4.0%	54.8%	-14.3%
2002	94.45	-1.1%	53.8%	-1.9%
2003	90.32	-4.4%	53.3%	-0.9%
2004	90.07	-0.3%	55.5%	4.1%
2005	94.20	4.6%	59.3%	6.8%
2006	104.44	10.9%	61.1%	3.0%
2007	111.11	6.4%	58.4%	-4.4%
Year-to-Date Through October				
2007	$111.21	--	60.1%	--
2008	114.11	2.6%	60.6%	0.8%

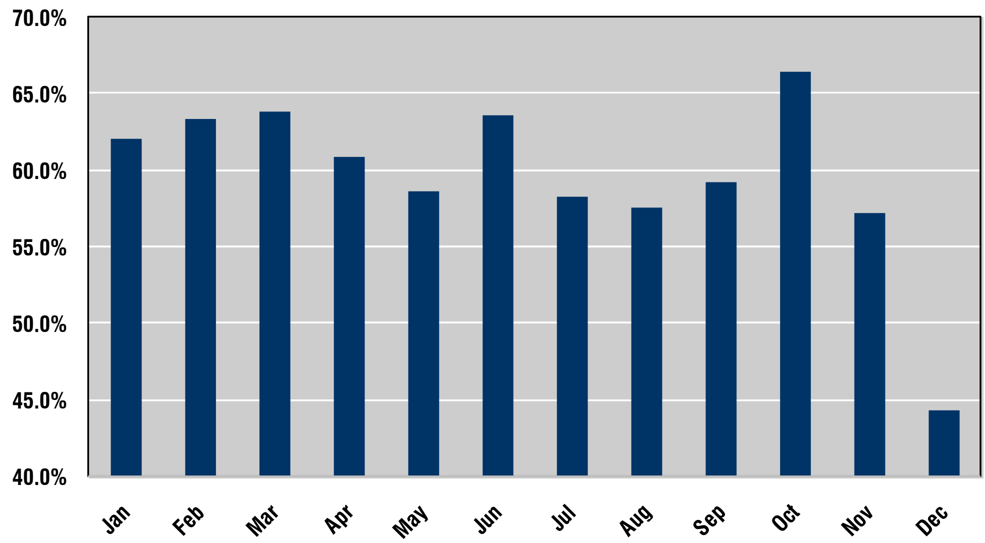
Source: STR

Since 1997 the City's average daily rate has increased by $16.40. Occupancy declined from a peak of 67.4 percent in 1997 to 58.4 percent in 2007. The declines in ADR and occupancy from 2001 through 2003 are a result of the geopolitical events surrounding the terrorist attacks of September 11, 2001 and weak national economic conditions during that three year period. From 2004 through 2007, ADR recorded continuous yearly increases, which resulted in a net gain of roughly $21.00 over the four-year period. Year-to-date ADR data through October 2008 show an increase of 2.6 percent, or roughly $2.90 in absolute terms, as compared to the same period of the previous year. Occupancy recorded a slight increase of 0.8 percent in 2008.

We note that the 2008 year-to-date increase in occupancy is in part due to the effects of Hurricane Ike, which took place in September 2008. During September, Dallas hotels filled with coastal residents fleeing the storm and with displaced persons in the aftermath of the event. In September 2008 occupied room nights were nearly 90,000 room nights above the same month in the prior year. Without the effects of Hurricane Ike, year-to-date 2008 occupancy rates would probably be 59.6 percent, one percent less than the reported occupancy rate.

Figure 5-1 illustrates the seasonality of demand experienced in the City hotel market from 1997 through 2007. Using monthly occupancy data obtained from STR, HVS averaged occupancy rates to show the seasonality of demand by month.

Figure 5-1
Seasonality of Demand



Source: STR & HVS

Occupancies peak in February, March, June and October at roughly 65 percent. December generates the lowest occupancy rates that average roughly 45 percent.

Since the market is dominated by transient business demand, occupancy peaks during the mid-week and falls off dramatically on the weekends.

Historical State HOT Collections

State HOT data from the Texas Comptroller of Public Accounts' website provided a second source of historical information on the Dallas hotel market and provides a list of tax payers along with their reported number of rooms, Gross Receipts, and Exempt Receipts. Table 5-4 summarizes this information for the calendar years 2001 through 2007.

Table 5-4
Historical State HOT Payers, Gross Receipts, and Taxable Receipts

Calendar Year	Average Number of Payers Per Quarter	Average Number of Rooms per Quarter	Gross Receipts	Taxable Receipts	Percent Growth	Exempt Receipts	Percent Exempt
2001	240	31,090	$503,546,057	$439,732,927		$63,813,130	12.7%
2002	246	30,108	$483,642,791	$428,185,619	-2.6%	$55,457,172	11.5%
2003	246	30,242	$457,483,725	$404,418,494	-5.6%	$53,065,231	11.6%
2004	250	30,370	$477,842,542	$420,534,723	4.0%	$57,307,818	12.0%
2005	247	29,984	$523,130,286	$451,608,195	7.4%	$71,522,090	13.7%
2006	250	30,577	$599,882,899	$534,115,753	18.3%	$65,767,147	11.0%
2007	243	29,607	$607,937,441	$540,349,255	1.2%	$67,588,185	11.1%
Compound Annual Growth Rate (2001-2007)					**3.5%**		

Source: Texas Comptroller of Public Accounts

Key observations include the following:

- State HOT Gross Receipts declined during the poor economy in 2001 through 2003, but recovered along with strong growth in lodging demand and ADR from 2004 through 2006.
- As demand declined in 2007, the State HOT grew by only one percent in 2007.
- The number of payers peaked in 2006 at 265 and declined to 256 in 2007. The number of reporting rooms has fluctuated from a high of 31,614 to a low of 30,400.
- Over the seven year period shown above, Exempt Receipts as a percentage of Gross Receipts ranged from 13.7 percent to 11.0 percent.
- The State HOT Taxable Receipts grew at a compound annual growth rate of 3.5 percent from 2001 through 2007.

Despite its apparent volatility, the State HOT has provided strong long-term growth in tax revenue.

City HOT

The City provided HVS with three full calendar years of historical data on the City HOT.

Table 5-5 shows the historical City HOT collections from 2005 through 2007.

Table 5-5
City HOT Collections

Calendar Year	Gross Room Revenue	Exemptions	Taxable Room Revenue	HOT Collections (7% tax rate)	Percent Change
2005	503,798,994	56,372,443	447,426,551	31,319,859	--
2006	575,024,062	52,060,306	522,963,756	36,607,463	16.88%
2007	572,944,671	49,976,761	522,967,910	38,410,481	4.93%
CAGR[1]	6.6%	-5.8%	8.1%	10.7%	

[1] *Compound Annual Growth Rate 2005-2007*

Source: City of Dallas

The current total City HOT tax rate is seven percent. HVS calculated the City HOT compound annual growth rate for the City at 10.7 percent from 2005 through 2007.

Comparison of City and State HOT within Dallas

In order to forecast future City HOT collections, HVS relied upon the data that was provided by the City as opposed to the data that was obtained from the Texas Comptroller of Public Accounts' website. Table 5-6 shows the differences between the Gross Receipts reported by the City and State.

Table 5-6
State and City Gross Room Revenue Differences

Calendar Year	State Gross Receipts	City Gross Receipts	Amount Difference	Percent Difference
2005	523,130,286	503,798,994	19,331,292	3.7%
2006	599,882,899	575,024,062	24,858,837	4.1%
2007	607,937,441	572,944,671	34,992,770	5.8%

Sources: City of Dallas & Texas Comptroller of Public Accounts

Although the tax bases for the State and City HOT are the same, reported State Gross Receipts were consistently above City Gross Receipts from 2005 and 2007. The State HOT shows an average of over 250 payers, whereas the City Hot database for the most recent year contains approximately 210 payers. These differences may originate from the following:

- The timing of reporting and process of tax receipts may differ between the City and State.
- Although we have made our best efforts to include only Dallas hotel properties our analysis of the State HOT data, the database that we derived from a listing of metro area properties may include some properties outside the City limits.
- Compliance with the tax and reporting of Gross Receipts may differ between the State and the City HOT.

HOT Payments to Dallas

Table 5-7 shows historical HOT payments to the City of Dallas from fiscal year 1999 through fiscal year 2008.

Table 5-7
HOT Payments to the City of Dallas (for Fiscal Years at a 7% tax rate)

Fiscal Year	HOT Payment To Dallas	Percent Change	CAGR [1]
1998-99	$34,472,826	---	---
1999-00	36,706,545	6.5 %	6.5 %
2000-01	36,459,045	(0.7)	2.8
2001-02	29,888,382	(18.0)	(4.6)
2002-03	28,438,024	(4.9)	(4.7)
2003-04	29,193,677	2.7	(3.3)
2004-05	29,660,692	1.6	(2.5)
2005-06	36,018,413	21.4	0.6
2006-07	38,558,958	7.1	1.4
2007-08	38,175,043	(1.0)	1.1

[1] *Compounded Annual Growth Rate*

Sources: City of Dallas - Department of Convention and Event Services

- HOT Payments to the City increased at an annual compounded growth rate of 1.1 percent between fiscal year 1999 and fiscal year 2008. This ten-year history includes the unprecedented and dramatic drop in HOT payments to Dallas during the last recession. As a result the compound annual growth rate may not be representative of long-term future average annual growth rates.

- Unlike the last economic recession, which caused a decrease of roughly 18.0 percent in HOT Payments in fiscal year 2001/02, HOT Payments declined by 1.0 percent in fiscal year 2007/08.

- STR data (described earlier in this section) indicates that the 2008 calendar year-to-date average daily room rate increased by 2.6 percent and that room night demand increased 0.8 percent during the same period. This would have caused an approximately 3.0 percent increase in room revenue and in subsequent HOT Payments but for the hurricane related suspension of certain HOT collections in September 2007. While gross room revenue may have increased, the large number of tax exempt room sales caused HOT Payments to decline in fiscal year 2007/08.

Historical Changes in Supply and Demand

Table 5-8 shows historical room supply, demand and occupancy rates in the City. The data includes all of the available rooms and occupied rooms in the City.

Table 5-8
Historical Room Supply, Demand, and Occupancy Rate

Calendar Year	Room Night Supply (000's)	% Change	Market Occupancy	% Change	Occupied Room Nights (000's)	% Change
1997	10,238.3	--	67.4%	--	6,903.4	--
1998	11,006.6	7.5%	66.7%	-1.0%	7,346.5	6.4%
1999	11,604.1	5.4%	62.3%	-6.7%	7,226.1	-1.6%
2000	11,988.8	3.3%	64.0%	2.7%	7,669.7	6.1%
2001	11,970.5	-0.2%	54.8%	-14.3%	6,563.7	-14.4%
2002	12,106.0	1.1%	53.6%	-2.3%	6,484.9	-1.2%
2003	12,109.2	0.0%	53.0%	-1.1%	6,412.2	-1.1%
2004	11,969.8	-1.2%	55.1%	4.0%	6,591.5	2.8%
2005	12,011.4	0.3%	59.0%	7.2%	7,089.3	7.6%
2006	12,164.7	1.3%	61.0%	3.3%	7,418.7	4.6%
2007	12,215.8	0.4%	58.7%	-3.8%	7,167.3	-3.4%
Average			59.6%			
CAGR	**1.8%**		**-1.4%**		**0.4%**	

Sources: STR & HVS

- Room supply grew at compound annual growth rate of 1.8 percent from 1997 through 2007, a net increase that includes the closure of 18 properties from 2001 through 2007.

- From 1997 through 2007, Dallas' market occupancy declined by a compound annual growth rate of 1.4 percent. However, on average, the market experienced occupancy of 59.6 percent during the time period. Occupancy rates declined because supply generally grew faster than demand, which should not be interpreted as a signal of weakening market. During the period, Dallas' occupied room nights grew at a compound annual growth rate of 0.4 percent.

Forecast Changes in Supply and Demand

Table 5-9 shows the forecast of changes in supply and demand for the City as a whole from 2008 through 2024.

Table 5-9
Projected Room Supply, Demand, and Occupancy Rate for the City of Dallas

Year	Room Night Supply (000's)	% Change	Market Occupancy	% Change	Occupied Room Nights (000's)	% Change
2008	12,033.7	-1.5%	57.5%	-1.9%	6,923.1	-3.4%
2009	12,137.0	0.9%	57.0%	-0.9%	6,923.1	0.0%
2010	12,323.5	1.5%	57.3%	0.5%	7,061.6	2.0%
2011	12,434.5	0.9%	57.6%	0.6%	7,167.5	1.5%
2012	12,744.7	2.5%	57.6%	0.0%	7,346.7	2.5%
2013	12,744.7	0.0%	58.2%	1.0%	7,420.1	1.0%
2014	12,744.7	0.0%	58.8%	1.0%	7,494.3	1.0%
2015	12,872.2	1.0%	58.8%	0.0%	7,569.3	1.0%
2016	13,000.9	1.0%	58.8%	0.0%	7,645.0	1.0%
2017	13,130.9	1.0%	58.8%	0.0%	7,721.4	1.0%
2018	13,262.2	1.0%	58.8%	0.0%	7,798.6	1.0%
2019	13,394.8	1.0%	58.8%	0.0%	7,876.6	1.0%
2020	13,528.8	1.0%	58.8%	0.0%	7,955.4	1.0%
2021	13,664.0	1.0%	58.8%	0.0%	8,035.0	1.0%
2022	13,800.7	1.0%	58.8%	0.0%	8,115.3	1.0%
2023	13,938.7	1.0%	58.8%	0.0%	8,196.5	1.0%
2024	14,078.1	1.0%	58.8%	0.0%	8,278.4	1.0%
CAGR	**1.0%**		**0.1%**		**1.1%**	

Source: STR & HVS

- Smith Travel Research pipeline data reports that from 2008 through 2012 approximately 2,850 new rooms will open in the City of Dallas including the proposed 1,000-room headquarters hotel in 2012. Over the same period HVS estimates that approximately 1,530 rooms will close resulting in a net increase in supply of 1,320 rooms or roughly 481,800 available room nights per year.

- In the long run—2015 and beyond—room night supply is expected to grow at an average rate of one percent per year, in order to keep pace with expected growth in room night demand.

- The historical performance of the market indicates a stabilized occupancy of roughly 59 percent. Once the market achieves a level near this percent in 2014, HVS assumes that supply will grow at an average of 1.0 percent per year afterwards.

- With respect to convention center group demand, 2008 is forecast to be slightly slower than the previous year in terms of citywide, high-impact events. However, data on advanced group bookings from the Dallas Convention and Visitors Bureau suggest that 2009 and 2010 should improve over 2008.

- Based on year-to-date data from STR, that indicates weakening lodging demand associated with the weak national economy, HVS projects that overall room night demand will decrease by 3.4 percent, or roughly 244,200 occupied room nights, in 2008. In 2009, HVS assumes that continued sluggishness in the economy will result in no overall growth in occupied room nights despite stronger convention center demand. We assume some economic recovery beginning in 2010 resulting in a 2.0 percent growth in demand.

- With the scheduled opening of a 1,000-unit headquarters hotel in January 2012, demand is forecast to experience growth of 2.5 percent in 2012 and 1.0 percent per year thereafter. With the addition of this hotel, the Dallas Convention Center is expected to increase the number of large events it attracts on an annual basis, causing an increase in demand for hotel rooms in the city.

- Once the market reaches a stabilized occupancy of roughly 59 percent in 2014, HVS assumes that demand will grow at an average of 1.0 percent per year thereafter.

- These projections result in an estimated compound annual growth rate for occupied rooms of 1.1 percent from 2008 through 2024.

TRPOR

HVS calculated the taxable receipts per occupied room ("TRPOR"), which is the taxable receipts divided by the estimated number of occupied room nights. TRPOR is significantly less than the average daily room rate ("ADR") reported by STR for two reasons:

- Unlike the reporting of taxable receipts, not all of the hotels in the City report financial data to STR, and the hotels that do not report tend to be smaller independents with lower ADR.
- Tax exemptions (described earlier in this section) exclude a significant portion of Gross Receipts from the tax base which are included in calculation of ADR.

As a general rule, change in price lags changes in room night demand. However, in the current year, STR shows that year-to-date recorded an increase in ADR, while occupancy declined.

Table 5-10 shows TRPOR, gross room revenue, and net available City HOT collections.

Table 5-10
Historical and Projected TRPOR, Taxed Room Revenue, and Net Available City HOT

Year (CY)	TRPOR [1]	% Change	Taxable Receipts ($000's)	City HOT Revenue [2] (7.0% tax rate) ($000's)	City HOT Revenue [2] (7.0% tax rate) % Change
Actual					
2007	$76.65	----	549,405	38,458	----
Projected					
2008	$78.19	2.0%	541,299	37,891	-1.5%
2009	78.97	1.0%	546,712	38,270	1.0%
2010	81.34	3.0%	574,376	40,206	5.1%
2011	83.78	3.0%	600,481	42,034	4.5%
2012	86.29	3.0%	633,958	44,377	5.6%
2013	88.88	3.0%	659,507	46,165	4.0%
2014	91.55	3.0%	686,085	48,026	4.0%
2015	94.29	3.0%	713,734	49,961	4.0%
2016	97.12	3.0%	742,498	51,975	4.0%
2017	100.04	3.0%	772,420	54,069	4.0%
2018	103.04	3.0%	803,549	56,248	4.0%
2019	106.13	3.0%	835,932	58,515	4.0%
2020	109.31	3.0%	869,620	60,873	4.0%
2021	112.59	3.0%	904,666	63,327	4.0%
2022	115.97	3.0%	941,124	65,879	4.0%
2023	119.45	3.0%	979,051	68,534	4.0%
2024	123.03	3.0%	1,018,507	71,295	4.0%
CAGR [3]	**2.9%**		**4.0%**		

[1] Taxable Receipts per Occupied Room Night (taxable receipts divided by estimated room nights)
[2] After 1.0% Administrative Fee
[3] Projected Compound Annual Growth Rate (2008-2024)

Source: STR & HVS

- HVS projects that the TRPOR will grow by 2.0 percent in 2008, and 1.0 percent in 2009. Thereafter, HVS forecasts the TRPOR to grow at an average inflationary rate of 3.0 percent.
- City HOT revenue collections were roughly 38.4 million dollars in 2007 as a decrease in occupied room night demand offset an increase in TRPOR.

- City HOT revenue collections, from 2008 through 2024, are projected to grow at an average annual compounded rate of 4.0 percent. By 2024, City HOT collections are anticipated to be roughly 71.2 million dollars.

Table 5-11 shows projected Pledged HOT amounts from fiscal year 2008/09 through fiscal year 2023/24.

Table 5-11
Projected Pledged HOT Amounts (000's)

Fiscal YEAR	Gross City HOT (7.0%)	Excluded HQ Hotel HOT (7.0%)	Net HOT (7.0%)	Pledged HOT (4.718%)*
2008/09	$38,171	$0	$38,171	$25,727
2009/10	39,699	0	39,699	26,757
2010/11	41,555	0	41,555	28,008
2011/12	43,763	1,765	41,998	28,307
2012/13	45,697	2,650	43,047	29,014
2013/14	47,539	2,970	44,568	30,039
2014/15	49,454	3,189	46,265	31,183
2015/16	51,447	3,310	48,137	32,444
2016/17	53,521	3,409	50,111	33,775
2017/18	55,678	3,512	52,166	35,160
2018/19	57,921	3,617	54,304	36,601
2019/20	60,256	3,726	56,530	38,101
2020/21	62,684	3,837	58,847	39,663
2021/22	65,210	3,952	61,258	41,288
2022/23	67,838	4,071	63,767	42,979
2023/24	70,572	4,193	66,379	44,739

**Pledged HOT for the Bonds is 4.718%, however, only 4.65% was pledged to the bonds being refunded.*

- We note that the headquarters hotel's HOT collections are not included as part of the total Pledged HOT paid to the City of Dallas.
- Pledged HOT payments increase from $28.3 million in fiscal year 2011/12 to $44.7 million in fiscal year 2023/24, an increase of roughly $16.4 million.

Alternative Scenario – No Headquarters Hotel

Table 5-12 shows projected supply, occupancy, demand, TRPOR, and taxable receipts for the City of Dallas without the addition of the headquarters hotel.

Table 5-12
Projected Supply, Occupancy, Demand, TRPOR, and Taxable Receipts without the Addition of a Headquarters Hotel

Calendar Year	Room Night Supply (000's)	Room Night Supply % Change	Market Occupancy	Occupied Room Nights (000's)	Occupied Room Nights % Change	TRPOR	% Change	Taxable Receipts ($000's)
2008	12,034		57.5%	6,923		$78.19		541,299
2009	12,137	0.9%	57.0%	6,923	0.0%	78.97	1.0%	546,712
2010	12,323	1.5%	57.3%	7,062	2.0%	81.34	3.0%	574,376
2011	12,434	0.9%	57.6%	7,167	1.5%	83.78	3.0%	600,481
2012	12,434	0.0%	58.2%	7,239	1.0%	86.29	3.0%	624,681
2013	12,434	0.0%	58.8%	7,312	1.0%	88.88	3.0%	649,856
2014	12,546	0.9%	58.9%	7,385	1.0%	91.55	3.0%	676,045
2015	12,672	1.0%	58.9%	7,459	1.0%	94.29	3.0%	703,289
2016	12,799	1.0%	58.9%	7,533	1.0%	97.12	3.0%	731,632
2017	12,927	1.0%	58.9%	7,608	1.0%	100.04	3.0%	761,117
2018	13,056	1.0%	58.9%	7,685	1.0%	103.04	3.0%	791,790
2019	13,186	1.0%	58.9%	7,761	1.0%	106.13	3.0%	823,699
2020	13,318	1.0%	58.9%	7,839	1.0%	109.31	3.0%	856,894
2021	13,451	1.0%	58.9%	7,917	1.0%	112.59	3.0%	891,427
2022	13,586	1.0%	58.9%	7,997	1.0%	115.97	3.0%	927,351
2023	13,722	1.0%	58.9%	8,077	1.0%	119.45	3.0%	964,723
2024	13,859	1.0%	58.9%	8,157	1.0%	123.03	3.0%	1,003,602
CAGR	**0.9%**		**0.1%**	**1.0%**		**2.9%**		**3.9%**

- With the absence of a headquarters hotel, the Dallas hotel market is forecast to stabilize at 58.7%, roughly one-tenth of a percentage point higher than projected if the hotel is built.

- Occupied room nights grow more slowly in 2012 (1.0 percent as compared to 2.5 percent in the baseline scenario) because room night demand growth associated with the headquarters hotel does not occur in the market.

- TRPOR is expected to stay the same regardless if a headquarters hotel is built or not.

- Taxable receipts are forecast to record a compounded annual growth rate of 3.9% between 2008 and 2024, which is down from the projected 4.0% if the hotel is built.

Table 5-13 shows projected Pledged HOT amounts from fiscal year 2007/08 through fiscal year 2023/24.

Table 5-13
Projected Pledged HOT Amounts Without the Addition of a Headquarters Hotel (000's)

Fiscal Year	Gross City HOT (7.0%)	Pledged HOT*
2008/09	$38,171	$25,727
2009/10	39,699	26,757
2010/11	41,555	28,008
2011/12	43,284	29,173
2012/13	45,028	30,349
2013/14	46,843	31,572
2014/15	48,731	32,844
2015/16	50,694	34,168
2016/17	52,737	35,545
2017/18	54,863	36,977
2018/19	57,074	38,468
2019/20	59,374	40,018
2020/21	61,767	41,631
2021/22	64,256	43,308
2022/23	66,845	45,054
2023/24	69,539	46,869

**Pledged HOT for the Bonds is 4.718%, however, only 4.65% was pledged to the bonds being refunded.*

- Gross City HOT (at 7.0%) is forecast to be lower without the development of a headquarters hotel.
- Although Gross City HOT is less without the headquarters hotel, Pledged HOT is greater after fiscal year 2011/12 because City HOT is not diverted to the headquarters hotel project. Without the headquarters hotel, Pledged HOT would be approximately $866,000 greater in 2011/12, and would be $2.1 million greater by 2023/24.

Risk Factors

This forecast of City HOT collections is based on a series of assumptions about future growth in hotel supply, demand, and price. Actual events and circumstances may differ from these assumptions and these differences may have a material effect on the availability of City HOT collections.

All projections are subject to a variety of known and unknown risks. Several of the most important known potential risk factors that could significantly affect revenue projections are described below.

Market Risk

The condition of the national economy presents the greatest risk factor affecting future City HOT collections. If hotel demand trends in the City roughly track national economic cycles, then we expect to see hotel demand trends that are consistent with estimates of key economic indicators such as Gross Domestic Product ("GDP") and Gross Private Domestic Investment ("GPDI").

HVS reviewed data from the Bureau of Economic Analysis ("BEA") to evaluate whether this is true. Corporate spending, as measured by private domestic investment, experienced three sustained periods of decline during the past 15 years. The first contraction began in the third quarter of 2000, fluctuated some, but did not fully end until the second quarter of 2003. The second contraction began in the third quarter of 2006 and ended in the second quarter of 2007. The third contraction began in the fourth quarter of 2007 and shows a continued decline in the first quarter of 2008.

As expected, these economic indicators generally match the hotel demand trends we observed earlier in this report. Hotel gross room revenue in the City has declined three times in the last 11 years. All of these years were associated with the 2001 national economic recession, as defined by the National Bureau of Economic Research. In contrast, significant upward spikes in gross room revenue correspond with strong years of economic growth and business spending in the U.S. economy.

Spending on business travel is particularly sensitive to changes in economic conditions. Historically, business travel is curtailed during recessions and spending on hotels may fail to grow, or may even decline. The effect of the business cycle on individual business and leisure travel has historically caused volatility in City HOT collections. Since the timing of business cycles cannot be predicted, the projections assume a steady rate of long-term growth. Even if the projected long-term growth rates materialize, annual revenues are likely to be greater or less than the annual projections, depending on the phase of the business cycle. The impact of the current economic crisis on the amounts of future Pledged HOT cannot be forecast with certainty at this time.

Geopolitical Risks

Geopolitical risks comprise another category of potential events that could have negative impacts on City HOT collections. The terrorist attacks in September 2001 produced a sharp, but temporary, decline in hotel demand throughout the US.

Geopolitical risks are real. Unfortunately, they are almost impossible to predict. HVS has attempted to factor this risk into our projections by including the volatile years of 2001 and 2002 in our calculations for historical growth in both supply and demand.

Inflation Risk

The projections are based on certain assumptions regarding future inflation rates. Long-term inflation growth at the rates assumed for the purposes of these projections cannot be assured. Inflation rates lower than the assumed rates would reduce total City HOT revenue available to the City.

Long-Term Future of Business Travel

Long-term changes in communications technology and in methods of information exchange may reduce the amount of future business travel. Such a long-term reduction could reduce spending on hotels and thereby reduce the amounts of projected City HOT collections.

6. Mixed Beverage Tax Forecast

Mixed Beverage Tax Description

The State of Texas currently levies a mixed beverage tax ("MBT") rate of 14 percent of gross beverage receipts pursuant to Chapter 183 of the Texas Tax Code. The State imposes this gross receipts tax on the amount received from the sale or service of mixed beverages or from the sale, preparation, or service of ice or nonalcoholic beverages that are sold prepared or served for the purpose of being mixed with an alcoholic beverage and consumed on the premises of the mixed beverage permittee. The statute imposing this tax defines "permittee" as a holder of a mixed beverage permit, a mixed beverage late hours permit, a mixed beverage permit holding a food and beverage certificate, a daily temporary mixed beverage permit, a private club registration permit, a private club exemption certificate permit, a private club late hours permit, a daily temporary private club permit, a private club registration permit holding a food and beverage certificate, or a caterer's permit issued by the Texas Alcoholic Beverage Commission (TABC).

The incidence of the MBT falls on the person or organization holding the mixed beverage permit and not the customer. The MBT may not be added to the selling price as a separate charge and may not be backed out from the amount received. Permit holders remit those taxes due to the state each month. The revenues derived from the collection of MBT are deposited in the state treasury to the credit of the general revenue fund. The Comptroller of Public Accounts administers the state's tax collection. The tax is due and payable by the business that collects it on or before the 20th day of the month immediately succeeding the month in which it is collected. At the end of each calendar quarter, the Comptroller of Public Accounts issues a payment to each incorporated municipality an amount equaled to 10.7143 percent of total receipts paid by permit holders within the respective municipality.

Historical Gross Domestic Product

Table 6-1 shows the historical gross domestic product of food services and drinking places ("F&B-GDP") for the State of Texas and the United States from 1997 through 2006. While this category of GDP is broader than the tax base for the MBT, it is the closest available data that provides and indicator or long-term trends in sales and income.

Table 6-1
Historical Gross Domestic Product (Food Services and Drinking Places) in Millions

Year	State of Texas	Percent Change	United States	Percent Change
1997	10,968	---	141,062	---
1998	11,872	8.2 %	151,077	7.1 %
1999	12,906	8.7	159,677	5.7
2000	14,006	8.5	170,771	6.9
2001	14,690	4.9	178,318	4.4
2002	15,564	5.9	190,015	6.6
2003	16,320	4.9	200,982	5.8
2004	17,328	6.2	215,290	7.1
2005	18,106	4.5	225,849	4.9
2006	19,458	7.5	241,285	6.8
Compounded Annual Growth Rate (1997 - 2006)		6.6 %		6.1 %

Source: Bureau of Economic Analysis

- F&B-GDP for the State of Texas grew at a compounded annual growth rate of 6.6 percent between 1997 and 2006, while the United States' F&B-GDP grew at a slower 6.1% during the same period.

- On average, the F&B-GDP for the State of Texas made up roughly 8.0% of the F&B-GDP for the United States for the period reviewed.

Historical MBT Payments to the City of Dallas

Table 6-2 shows the historical MBT payments from the Comptroller of Public Accounts to the City of Dallas from 1991 through 2008.

Table 6-2
Historical MBT Payments to the City of Dallas

Year	Amout Paid to Dallas	Percent Change	CAGR *
1991	$4,158,358	---	---
1992	4,186,242	0.7 %	0.7 %
1993	4,184,279	(0.0)	0.3
1994	4,295,120	2.6	1.1
1995	4,439,287	3.4	1.6
1996	4,644,651	4.6	2.2
1997	4,781,524	2.9	2.4
1998	5,095,056	6.6	2.9
1999	5,735,925	12.6	4.1
2000	6,286,580	9.6	4.7
2001	6,427,224	2.2	4.5
2002	6,410,636	(0.3)	4.0
2003	6,178,864	(3.6)	3.4
2004	6,254,914	1.2	3.2
2005	6,536,916	4.5	3.3
2006	7,090,854	8.5	3.6
2007	7,569,191	6.7	3.8
2008	7,855,929	3.8	3.8

* Compounded Annual Growth Rate

Source: Texas Comptroller of Public Accounts

- The total amount of the MBT paid back to the City of Dallas was roughly $7.57 million for 2007 and $7.86 million for 2008, which equates to roughly $504.6 million and $523.7 million, respectively, in gross alcohol receipts for the two years.

- Data through 2008 show an increase of 3.8% in MBT payments to the City of Dallas, over the 2007 level, which equates to an increase of roughly $19.1 million in gross alcohol receipts for the period.

- MBT payments to the City of Dallas have increased at an annual compounded growth rate of 3.8% between 1991 and 2008.

Forecast of MBT payments to the City of Dallas

Table 6-3 shows the HVS forecast of future MBT payments from the Comptroller of Public Accounts to the City of Dallas from 2009 through 2018.

Table 6-3
Forecast of MBT Payments to the City of Dallas

Year	Amout Paid to Dallas	Percent Change
2009	7,855,929	0.0 %
2010	8,052,327	2.5
2011	8,293,897	3.0
2012	8,542,714	3.0
2013	8,798,995	3.0
2014	9,062,965	3.0
2015	9,334,854	3.0
2016	9,614,900	3.0
2017	9,903,347	3.0
2018	10,200,447	3.0

- As a result of slowed consumer spending expected for the near future, MBT payments are forecast to remain flat in 2009 and grow by 2.5 percent in 2010.

- MBT payments, from 2011 onward, are projected to grow at an inflationary rate of 3.0%.

Risk Factors

This forecast of MBT Payments is based on a series of assumptions about future growth in the consumption and price of alcoholic beverages. Actual events and circumstances may differ from these assumptions and these differences may have a material effect on the availability of MBT Payments.

All projections are subject to a variety of known and unknown risks. Several of the most important known potential risk factors that could significantly affect revenue projections are described below.

Market Risk

The condition of the national economy presents the greatest risk factor affecting future MBT Payments. In 2002 and 2003, during a period of economic stress, MBT Payments declined. Similar economic pressure in the future could cause at temporary decline the MBT payments. The business cycle on has historically caused some volatility in MBT Payments collections. Since the timing of business cycles cannot be predicted, the projections assume a steady rate of long-term growth. Even if the projected long-term growth rates materialize, annual revenues are likely to be greater or less than the annual projections, depending on the phase of the business cycle.

Geopolitical Risks

Geopolitical risks comprise another category of potential events that could have negative impacts on MBT Payments. The terrorist attacks in September 2001 were followed by a temporary, decline in MBT Payments in 2002 and 2003.

Geopolitical risks are real. Unfortunately, they are almost impossible to predict. HVS has attempted to factor this risk into our projections by including the volatile years of 2001 and 2002 in our calculations for historical growth in both supply and demand.

Inflation Risk

The projections are based on certain assumptions regarding future inflation rates. Long-term inflation growth at the rates assumed for the purposes of these projections cannot be assured. Inflation rates lower than the assumed rates would reduce total MBT Payments to the City.

7. Civic Center Revenue Fund

For the purposes of issuing the Civic Center Convention Complex Revenue Refunding and Improvement Bonds Series 2009 (the "Bonds") the City of Dallas has established a "Civic Center Revenue Fund" (the "Revenue Fund"). This section of the report will present historical financial operation and a ten-year forecast of the Revenue Fund.

The facilities operated under the Revenue Fund are called the "Civic Center Convention Complex" or "Civic Center" and include: 1) the Dallas Convention Center, including the DCC arena building, 2) the Park Plaza Parking Garage, and 3) Union Station. The Civic Center is a subset of facilities and activities operated under the Convention and Event Services Enterprise Fund, which, in addition to the Civic Center, includes the Reunion Arena, the Reunion Arena Parking Garage, certain surface parking lots located adjacent to Reunion Arena, Special Events, Lot C (the approximately 170-space auto surface parking lot located north of and adjacent to the Dallas Convention Center), and the operations of the downtown Farmers Market.

Revenue Fund Operations

The Revenue Fund operates on a fiscal year beginning October 1 and ending September 30. HVS analyzed historical data of the Revenue Fund Operations. HVS reclassified the historical data into four categories: operating revenue, operating expenses, non-operating revenue, and non-operating expenses.

Table 7-1 shows historical Revenue Fund operations.

Table 7-1
Historical Revenue Fund Operations

	2004/05			2005/06		2006/07		2007/08	
	$	% of Total	*	$	% of Total	$	% of Total	$	% of Total
PLEDGED REVENUE									
** Pledged HOT (4.718%)	$19,991,306	56.5%		$24,276,410	55.9%	$26,099,000	57.8%	$25,729,979	61.1%
Facility & Equipment Rental	$3,098,927	8.8%		$2,769,708	6.4%	$3,462,301	7.7%	$2,802,407	6.7%
Food & Beverage	6,533,304	18.5%		9,969,296	22.9%	9,000,772	19.9%	8,367,695	19.9%
Event Services	2,774,544	7.8%		2,826,227	6.5%	3,050,279	6.8%	1,833,395	4.4%
Other Operating	1,660,558	4.7%		2,019,069	4.6%	1,067,949	2.4%	1,147,892	2.7%
Parking	834,640	2.4%		695,958	1.6%	898,591	2.0%	608,457	1.4%
Less Lot C Commissions	(122,148)	-0.3%		(131,153)	-0.3%	(84,653)	-0.2%	(83,205)	-0.2%
Union Station	349,868	1.0%		128,481	0.3%	160,761	0.4%	263,360	0.6%
Interest Income	247,000	0.7%		907,000	2.1%	1,511,000	3.3%	1,465,543	3.5%
Total	$35,368,000	100.0%		$43,460,997	100.0%	$45,166,000	100.0%	$42,135,523	100.0%
DEBT SERVICE EXPENSE	22,644,277	64.0%		24,742,152	70.0%	24,645,716	69.7%	25,045,078	70.8%
REVENUE AVAILABLE FOR OPERATIONS									
Excess Pledged Revenue	$12,723,723	66.1%		$18,718,845	72.5%	$20,520,284	73.1%	$17,090,446	68.5%
Mixed Beverage Tax	6,536,916	33.9%		7,090,854	27.5%	7,569,191	26.9%	7,855,929	31.5%
Total	$19,260,639	100.0%		$25,809,699	100.0%	$28,089,475	100.0%	$24,946,374	100.0%
OPERATING EXPENSES									
Salaries & Benefits	$5,049,669	26.2%		$5,177,940	26.9%	$5,707,685	29.6%	$5,346,890	27.8%
Food & Beverage	5,160,798	26.8%		6,143,849	31.9%	7,104,836	36.9%	5,227,097	27.1%
Energy	4,315,461	22.4%		5,077,674	26.4%	5,604,265	29.1%	5,010,101	26.0%
Operations & Maintenance	10,969,375	57.0%		9,363,892	48.6%	9,499,225	49.3%	9,731,320	50.5%
Union Station	844,697	4.4%		1,151,645	6.0%	839,989	4.4%	486,451	2.5%
Total	$26,340,000	136.8%		$26,915,000	139.7%	$28,756,000	149.3%	$25,801,860	134.0%
TOTAL INCOME (LOSS) BEFORE CITY CONTRIBUTIONS	($7,079,361)	-36.8%		($1,105,301)	-4.3%	($666,525)	-2.4%	($855,485)	-3.4%
Other City Contributions	4,414,000			4,636,000		3,854,000		3,943,786	
TOTAL NET INCOME (LOSS)	($2,665,361)	-11.3%		$3,530,699	11.6%	$3,187,475	10.0%	$3,088,301	10.7%

* Debt Service Expense is a percentage of Total Pledged Revenue
Total Operating Expenses is a percentage of Total Revenue Available For Operations
Total Income (Loss) Before City Contributions is a precentage of Total Revenue Available for Operations
Total Net Income (Loss) is a percentage of Total Revenue Available For Operations plus Other City Contributions

** Pledged HOT for the bonds is 4.718%, however, only 4.65% was pledged to the bonds being refunded.

Source: City of Dallas – Restated by HVS

Pledged Revenues

HVS itemized all operating revenue of the Revenue Fund as follows:

Hotel Occupancy Tax—of the 7.0 percent Hotel Occupancy Tax ("HOT") Taxable Receipts received by the City of Dallas, 4.718 percent is allocated to the Revenue Fund and pledged to the repayment of debt. See Section 5 for a description of historical and projected HOT.

Facility and Equipment Rental—reflects the rental revenue the facility receives from clients that reserve one or more function areas in the facility and facility owned equipment rented by the client. Convention centers typically charge event planners either a fixed daily fee per exhibit hall or a rate based on occupied days, meaning the total number of days the event is using the facility, including move-in days, event days, and move-out days. Event space revenue can also be tied to revenue from ticket sales for certain entertainment functions or public shows. Not all events pay directly for the use of function space. In many cases, a facility will waive the space rental charges if an event generates a certain threshold of food and beverage revenue.

Food and Beverage—most events that use convention center function space will arrange for food service for their attendees during their events. This food service includes catering which can range from coffee breaks associated with a meeting to a full dinner associated with a convention or banquet and concessions sold during arena events. Most conventions and conferences generate demand for multiple meals during the course of these multi-day events. Meetings and banquets generally include a single meal or refreshment services. Concessions operate during consumer shows, entertainment events, and most civic functions.

Since 2002, food and beverage services in the Civic Center have been provided under a management agreement with Centerplate, a nationally known food service company. The food and beverage management agreement is a seven-year agreement with a provision for renewal in 2009. Centerplate operates food services on the account of the City for an annual management fee of approximately $250,000. Gross food and beverage revenue is reported in the above line item and includes revenue from a sub-lease to a Starbucks outlet.

Event Services—include the fees charged to tenants for services that could include business services, audio and video technical assistance, set-up and take down of function spaces, cleaning services, security services, electricity and other utilities, commissions from decorators and other services provided by third-party contractors at events. All events use utilities. Many events also require audio, video, communications and Internet services. Banquets and other upscale events can often require elaborate decorating services. Almost all events require cleaning services; cleaning of common areas may be complimentary for most events while cleaning services offered to individual exhibitors can represent a significant source of revenue. Service charges vary by type of event. Some of these services may be included in the rental charges for using the facility, but others will be add-on service charges.

Other—other operating income includes a variety of items such as parking revenue and commissions from preferred providers of products and services such as event telecommunications, security and medical services.

Parking—includes primarily revenue from leases of parking facilities. HVS restated historical revenues to exclude commissions from Lot C. Although Lot C revenues were historically pledged to the repayment of debt, under the proposed ordinance for refunding of the bonds, these revenues would be excluded.

Union Station

In 1975, the City entered into a lease with Hunt-Woodbine Realty Corporation for a 50-year primary lease with five 10-year renewal options, which was restated and amended in 2007 ("Restated Lease"). The City leases a majority of space to the Hunt Investment Group who in turn subleases to various offices and retail establishments. An amended and restated Union Terminal lease agreement between the City and Hunt-Woodbine Realty Corporation was approved by the City Council on June 20, 2007.

The Restated Lease, as amended on May 1, 2008 economics are as follow:

- $192,827.10 per annum lease payment from Hunt-Woodbine Realty Corporation to the City, CPI adjusted every five years (subject to cap on CPI of four percent in any year), commencing earlier of Certificate of Occupancy or 14 months.

- Until the $192,824.10 annual lease payment commences, interim rent of $123,193 per annum pro-rated for actual period to be paid by Hunt-Woodbine Realty Corporation to the City.

- Lease term matches operator term (10-year primary term plus 5-year options).

- Utility costs sharing methodology has been agreed. Lessee will pay for the additional incremental utility usage associated with the tenant improvement area.

- All other subleases will keep the Fixed Minimum Rent of $2.80/ Square Foot. Additional Rent of 20 percent of the difference obtained by subtracting the amount of Fixed Minimum Rent for each sublease from all rental and other gross revenue derived by Lessee from such subleases.

- Calculations are based on gross, rather than net, sublease revenues.

- All Union Station sub-tenant lease rentals payable to City will be pooled and offset by common area maintenance performance by Hunt-Woodbine on behalf of City, if requested.

The 2007 Restated Lease City Obligation for Operations:

- City R&M responsibilities will generally continue as outlined in the existing lease, reduced by janitorial responsibilities taken on by Hunt-Woodbine with respect to the Grand Hall, second and third floor, loggia, stairways, and loading docks.

- Security will be shared as outlined in existing lease, although the addition of the Grand Hall to the DRM lease should reduce City's security staffing requirements.

- City common area maintenance limited to the first floor (exclusive of DRM sub-lease space on first floor), pedestrian tunnel, and stairwells.

Investment in Union Station

As a condition of the restated lease Hunt-Woodbine will invest approximately $20.0 million in improving the interior of Union Station. On November 7, 2006, the voters of the City approved the issuance of General Obligation Bonds as specified in *Proposition 1 – Street and Transportation Improvements to Union Station*. The City Council subsequently approved the use of future bond proceeds up to $3.96 million for roof replacement, exterior restoration, mechanical, electric and plumbing improvements, and freight elevator/escalator replacement.

The historical revenues of Union Station vary significantly on an annual basis from a low of $62,313 in 2002/03 to a high of $349,868 in 2004/05. The restated lease with Hunt-Woodbine will have a significant but uncertain impact on future revenues. HVS projected revenue based on the low estimate in the 2007/08 budget. The terms of the Restated Lease could result in significantly higher revenues to the City.

Expenses also showed significant annual volatility, with a low of $617,891 in 2002/03 and a high of $1,151,645 in 2005/06. Expenses adopted of 2007/08 were on the low side of prior years but the expected favorable impact on the Restated Lease with Hunt-Woodbine supports the lower expenses estimate.

Revenue Available for Operations

Operating expenses are paid by excess Pledged Revenues, the Mixed Beverage Tax and Other City Contributions:

- **Excess Pledged Revenue**—the amounts that Pledged Revenue exceeded debt service requirements ranged from $12.7 to 20.6 million.
- **Mixed Beverage Tax**—the State of Texas currently levies a mixed beverage tax ("MBT") rate of 14 percent of certain gross alcoholic beverage receipts. Each incorporated municipality, including the city of Dallas, receives an amount equaled to 10.7143 percent of total receipts paid by permit holders within the respective municipality. See Section 7 of this report for a description of historical and projected MBT.

Operating Center Expenses

Salaries and Benefits—expenses cover the salaries, wages, benefits, and related expenses for full-time and part-time employees at the facility. Benefits are calculated as a percentage of salaries. The Revenue Fund includes the salaries and benefits of approximately 100 employees.

Food and Beverage—represents the costs associated with providing food services to events at the conference center. This includes the cost of goods sold, overhead and labor expenses for full- and part-time food service employees. The food service costs vary with the level of food and beverage sales. Historically food and beverage expense has varied between 62 to 80 percent of gross revenue and this variance is caused largely by the differences in types and profitability of individual events held at the convention center from year to year.

Energy—these expenses refer to utilities charges—primarily electricity bills paid by the facility and varies to some extent with the level of building utilization. However, some energy use is necessary even when the facility is not being used for events.

Operations and Maintenance—includes the direct costs to the facility operator of day-to-day operations as well as routine and one-time expenses for maintaining the facility and repairing damaged or worn-out equipment. This includes the costs of operating and maintaining equipment rented to facility tenants. These costs fluctuate substantially from year to year, depending on the condition of equipment and the level of facility use. Event Services Costs—the costs to the facility of providing event services such as security, cleaning, event set-up and event labor to its event tenants are also included in this line item.

Total revenue pledged to the repayment of debt ranged from $35.4 to $45.2 million each year. Over 1.5 times the amount needed for debt service has been available from fiscal years 2004/05 through 2007/08.

Other City Contributions

Other City Contributions—contributions from available funds which included General Fund monies and excess Pledged Revenues available from prior fiscal years.

Debt Service

Debt Service—includes the amounts of debt repayment specified in the Civic Center Convention Complex Revenue Refunding and Improvement Bonds, Series 1998 dated April 1, 1998, less interest earnings on certain available bond funds.

Forecast of Revenue Fund Financial Operations

HVS uses a proprietary financial operating model to forecast the revenue and expenses of the Revenue Fund. This model quantifies the key variables and operating ratios that determine revenue potential and expenses. HVS analyzes both fixed and variable components of revenues and expenses. Variable components of expenses are estimated based on the evel of anticipated facility use as projected earlier in this report. The model projects fixed expenses based on our knowledge of the project and the industry, as well as historical data on Revenue Fund operations.

The HVS operating model estimates individual revenue and expense items for each of several major financial operating categories. HVS assumes an annual inflation rate of 3.0 percent, unless indicated otherwise, which applies both to revenue and expenses.

Table 7-2 shows a 5-year detailed forecast of Revenue Fund Operations. This forecast assumes that the proposed 1,000-room headquarters hotel adjacent to the convention center will open in January 2012.

Table 7-2
Five-Year Detail Forecast of the Revenue Fund

	Year End		Forecast									
	2007/08		2008/09		2009/10		2010/11		2011/12		2012/13	
	$	% of Total	$	% of Total	$	% of Total	$	% of Total	$	% of Total	$	% of Total
PLEDGED REVENUE												
Pledged HOT (4.718%)	$25,729,979	61.1%	$25,727,000	60.7%	$26,757,000	60.6%	$28,008,000	61.0%	$28,307,000	56.3%	$29,014,000	55.5%
Facility & Equipment Rental	2,802,407	6.7%	2,972,000	7.0%	3,088,000	7.0%	3,181,000	6.9%	3,685,000	7.3%	3,871,000	7.4%
Food & Beverage	8,367,695	19.9%	8,119,000	19.2%	8,534,000	19.3%	8,790,000	19.1%	11,588,000	23.0%	12,404,000	23.7%
Event Services	1,833,395	4.4%	2,393,000	5.6%	2,487,000	5.6%	2,562,000	5.6%	2,968,000	5.9%	3,118,000	6.0%
Other Operating	1,147,892	2.7%	2,103,000	5.0%	2,186,000	5.0%	2,251,000	4.9%	2,612,000	5.2%	2,744,000	5.2%
Parking	608,457	1.4%	825,000	1.9%	850,000	1.9%	875,000	1.9%	901,000	1.8%	929,000	1.8%
Less Lot C Commissions	(83,205)	-0.2%	(90,000)	-0.2%	(93,000)	-0.2%	(96,000)	-0.2%	(99,000)	-0.2%	(102,000)	-0.2%
Union Station	263,360	0.6%	332,000	0.8%	334,000	0.8%	336,000	0.7%	338,000	0.7%	343,000	0.7%
Interest Income	1,465,543	3.5%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	$42,135,523	100.0%	$42,381,000	100.0%	$44,143,000	100.0%	$45,907,000	100.0%	$50,300,000	100.0%	$52,321,000	100.0%
DEBT SERVICE EXPENSE	25,045,078	59.4%	15,684,000	37.0%	17,424,000	39.5%	18,254,000	39.8%	18,680,000	37.1%	19,180,000	36.7%
REVENUE AVAILABLE FOR OPERATIONS												
Excess Pledged Revenue	17,090,446	68.5%	26,697,000	77.3%	26,719,000	76.8%	27,653,000	76.9%	31,620,000	78.7%	33,141,000	79.0%
Mixed Beverage Tax	7,855,929	31.5%	7,856,000	22.7%	8,052,000	23.2%	8,294,000	23.1%	8,543,000	21.3%	8,799,000	21.0%
Total	$24,946,374	100.0%	$34,553,000	100.0%	$34,771,000	100.0%	$35,947,000	100.0%	$40,163,000	100.0%	$41,940,000	100.0%
OPERATING EXPENSES												
Salaries & Benefits	$5,346,890	21.4%	$5,993,000	17.3%	$6,173,000	17.8%	$6,358,000	17.7%	$6,549,000	16.3%	$6,746,000	16.1%
Food & Beverage	5,227,097	21.0%	6,535,000	18.9%	6,869,000	19.8%	7,075,000	19.7%	9,327,000	23.2%	9,984,000	23.8%
Energy	5,010,101	20.1%	5,600,000	16.2%	5,768,000	16.6%	5,941,000	16.5%	6,119,000	15.2%	6,303,000	15.0%
Operations & Maintenance	9,731,320	39.0%	9,562,000	27.7%	9,923,000	28.5%	10,218,000	28.4%	11,662,000	29.0%	12,221,000	29.1%
Union Station	486,451	1.9%	807,000	2.3%	831,000	2.4%	856,000	2.4%	882,000	2.2%	909,000	2.2%
Total	$25,801,860	103.4%	$28,497,000	82.5%	$29,564,000	85.0%	$30,449,000	84.7%	$34,539,000	86.0%	$36,163,000	86.2%
TOTAL INCOME (LOSS) BEFORE CITY CONTRIBUTIONS	(855,485)	-3.4%	6,056,000	17.5%	5,207,000	15.0%	5,498,000	15.3%	5,624,000	14.0%	5,777,000	13.8%
Other City Contributions	3,943,786		0		0		0		0		0	
TOTAL NET INCOME (LOSS)	$3,088,301	10.7%	$6,056,000	17.5%	$5,207,000	15.0%	$5,498,000	15.3%	$5,624,000	14.0%	$5,777,000	13.8%

Sources: HVS and First Southwest (debt service estimates only)

The primary assumptions used in the model were derived from analysis of historical operations and review of the proposed budget for the first projection year—Fiscal Year 2008/09.

Pledged Revenues:

- **Pledged HOT**—the forecast of Pledged HOT is provided in Section 5 of this report.
- **Facility Equipment Rental**—is estimated at approximately $3.10 per attendee.
- **Food and Beverage**—is also calculated per attendee but varies by type of events;
  - Conventions and Tradeshows, Conferences, Meeting and Banquets – approximately $20.00 per attendee
  - Consumer shows - $2.50 per attendee
  - Assemblies - $2.00 per attendee
  - Sports - $4.00 per attendee
- **Event Services Revenue** - $2.50 per attendee
- **Other Operating Revenue** - $2.25 per attendee.
- **Parking** – approximately $825,000 in lease revenue in the base year less commission from Lot C.
- **Union Station** – the lease terms are described above.

Debt service is estimated assuming the bonds will be refunded and a new debt service schedule implemented in Fiscal Year 2009. HVS relied on Debt Service estimates provided by the City's Financial Advisor—First Southwest Company.

Table 7-3 shows the annual debt service requirements and coverage pro forma from fiscal year 2008/09 through fiscal year 2037/38.

Table 7-3
Annual Debt Service Requirements and Coverage Pro-Forma

Fiscal Year Ending (FYE)	Estimated Total Debt Service (1)	Pledged Revenues (2)	Gross Debt Sevice Coverage (2)	Net Income Before Debt Service (2)	Net Debt Sevice Coverage
2009	15,684	42,381	2.70	21,740	1.39
2010	17,424	44,143	2.53	22,631	1.30
2011	18,254	45,907	2.51	23,753	1.30
2012	18,680	50,300	2.69	24,304	1.30
2013	19,180	52,321	2.73	24,957	1.30
2014	19,941	54,745	2.75	25,948	1.30
2015	20,723	56,622	2.73	26,964	1.30
2016	21,594	58,640	2.72	28,095	1.30
2017	22,506	60,746	2.70	29,287	1.30
2018	23,464	62,933	2.68	30,531	1.30
2019	23,462	62,933	2.68	30,531	1.30
2020	23,464	62,933	2.68	30,531	1.30
2021	23,463	62,933	2.68	30,531	1.30
2022	23,464	62,933	2.68	30,531	1.30
2023	23,465	62,933	2.68	30,531	1.30
2024	23,464	62,933	2.68	30,531	1.30
2025	23,461	62,933	2.68	30,531	1.30
2026	23,465	62,933	2.68	30,531	1.30
2027	23,464	62,933	2.68	30,531	1.30
2028	23,462	62,933	2.68	30,531	1.30
2029	23,461	62,933	2.68	30,531	1.30
2030	23,462	62,933	2.68	30,531	1.30
2031	23,462	62,933	2.68	30,531	1.30
2032	23,464	62,933	2.68	30,531	1.30
2033	23,465	62,933	2.68	30,531	1.30
2034	23,460	62,933	2.68	30,531	1.30
2035	23,463	62,933	2.68	30,531	1.30
2036	23,462	62,933	2.68	30,531	1.30
2037	23,464	62,933	2.68	30,531	1.30
2038	23,465	62,933	2.68	30,531	1.30
Total	666,710				

(1) Preliminary, Subject to Change
(2) Assumes no future increases after FYE 2018

Source: HVS and First Southwest

Revenue Available for Operations:

- **Excess Pledged Revenues—**the amounts Pledged Revenues less debt service payment are available to support operations of the Civic Center.

- **Mixed Beverage Tax—**revenues are also available to support the operations of the Civic Center. See Section 6 of this report for a detailed analysis of available revenue.

Operating Expense:

- **Salaries and Benefits—**are budgeted at approximately $6.0 million in the base year.

- **Food & Beverage Expense**—is calculated at 85 percent of food & beverage revenue.

- **Energy Expense---**is estimated at approximately $5.6 million in the base year.

- **Operations and Maintenance Expense**—is assumed to be $4.5 million in the base year plus 32 percent of total operating revenue.

Other City Contributions—are not anticipated during the projection period.

Table 7-4 shows a ten-year forecast of Revenue Fund revenue and expenses.

Table 7-4
Projected Revenue Fund Operations

	Actual 2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
PLEDGED REVENUE											
Pledged HOT (4.718%)	$25,729,979	$25,727,000	$26,757,000	$28,008,000	$28,307,000	$29,014,000	$30,039,000	$31,183,000	$32,444,000	$33,775,000	$35,160,000
Facility & Equipment Rental	2,802,407	2,972,000	3,088,000	3,181,000	3,685,000	3,871,000	4,065,000	4,187,000	4,313,000	4,442,000	4,576,000
Food & Beverage	8,367,695	8,119,000	8,534,000	8,790,000	11,588,000	12,404,000	13,259,000	13,657,000	14,067,000	14,489,000	14,923,000
Event Services	1,833,395	2,393,000	2,487,000	2,562,000	2,968,000	3,118,000	3,274,000	3,372,000	3,474,000	3,578,000	3,685,000
Other Operating	1,147,892	2,103,000	2,186,000	2,251,000	2,612,000	2,744,000	2,882,000	2,969,000	3,058,000	3,149,000	3,244,000
Parking	608,457	825,000	850,000	875,000	901,000	929,000	956,000	985,000	1,015,000	1,045,000	1,076,000
Less Lot C Commissions	(83,205)	(90,000)	(93,000)	(96,000)	(99,000)	(102,000)	(105,000)	(108,000)	(111,000)	(114,000)	(118,000)
Union Station	263,360	332,000	334,000	336,000	338,000	343,000	375,000	377,000	380,000	382,000	387,000
Interest Income	1,465,543	0	0	0	0	0	0	0	0	0	0
Total	$42,135,523	$42,381,000	$44,143,000	$45,907,000	$50,300,000	$52,321,000	$54,745,000	$56,622,000	$58,640,000	$60,746,000	$62,933,000
DEBT SERVICE EXPENSE	25,045,078	15,684,000	17,424,000	18,254,000	18,680,000	19,180,000	19,941,000	20,723,000	21,594,000	22,506,000	23,464,000
REVENUE AVAILABLE FOR OPERATIONS											
Excess Pledged Revenue	$17,090,446	$26,697,000	$26,719,000	$27,653,000	$31,620,000	$33,141,000	$34,804,000	$35,899,000	$37,046,000	$38,240,000	$39,469,000
Mixed Beverage Tax	7,855,929	7,856,000	8,052,000	8,294,000	8,543,000	8,799,000	9,063,000	9,335,000	9,615,000	9,903,000	10,200,000
Total	$24,946,374	$34,553,000	$34,771,000	$35,947,000	$40,163,000	$41,940,000	$43,867,000	$45,234,000	$46,661,000	$48,143,000	$49,669,000
OPERATING EXPENSES											
Salaries & Benefits	$5,346,890	$5,993,000	$6,173,000	$6,358,000	$6,549,000	$6,746,000	$6,948,000	$7,156,000	$7,371,000	$7,592,000	$7,820,000
Food & Beverage	5,227,097	6,535,000	6,869,000	7,075,000	9,327,000	9,984,000	10,672,000	10,992,000	11,322,000	11,661,000	12,011,000
Energy	5,010,101	5,600,000	5,768,000	5,941,000	6,119,000	6,303,000	6,492,000	6,687,000	6,887,000	7,094,000	7,307,000
Operations & Maintenance	9,731,320	9,562,000	9,923,000	10,218,000	11,662,000	12,221,000	12,812,000	13,194,000	13,586,000	13,991,000	14,409,000
Union Station	486,451	807,000	831,000	856,000	882,000	909,000	936,000	964,000	994,000	1,024,000	1,055,000
Total	$25,801,860	$28,497,000	$29,564,000	$30,448,000	$34,539,000	$36,163,000	$37,860,000	$38,993,000	$40,160,000	$41,362,000	$42,602,000
TOTAL INCOME (LOSS) BEFORE CITY CONTRIBUTIONS	($855,485)	$6,056,000	$5,207,000	$5,499,000	$5,624,000	$5,777,000	$6,007,000	$6,241,000	$6,501,000	$6,781,000	$7,067,000
Other City Contributions	3,943,786	0	0	0	0	0	0	0	0	0	0
TOTAL NET INCOME (LOSS)	$3,088,301	$6,056,000	$5,207,000	$5,499,000	$5,624,000	$5,777,000	$6,007,000	$6,241,000	$6,501,000	$6,781,000	$7,067,000

Sources: HVS and First Southwest (debt service estimates only)

Decreased amounts of annual debt service is primarily responsible for the forecast improved performance of the Revenue Fund, which increases total net income, before city contributions, from negative $855,000 in fiscal year 2007/08 to $6.1 million in fiscal year 2008/09.

Alternative Scenario – No Headquarters Hotel

Table 7-5 shows event demand projections for the proposed convention center for fiscal years 2009 through 2014 without the addition of a headquarters hotel.

Table 7-5
DCC Projected Events and Attendance – No Headquarters Hotel

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Events						
Conventions & Tradeshows	34	35	35	34	34	33
Consumer Shows	22	22	22	22	22	22
Conferences	15	15	15	15	15	15
Meetings	15	15	15	15	15	15
Banquets	10	10	10	10	10	10
Assemblies	40	40	40	40	40	40
Sports	10	10	10	10	10	10
Other	30	30	30	30	30	30
Total	176	177	177	176	176	175
Average Attendance						
Conventions & Tradeshows	8,600	8,600	8,600	8,600	8,600	8,600
Consumer Shows	23,100	23,100	23,100	23,100	23,100	23,100
Conferences	1,800	1,800	1,800	1,800	1,800	1,800
Meetings	450	450	450	450	450	450
Banquets	1,200	1,200	1,200	1,200	1,200	1,200
Assemblies	1,500	1,500	1,500	1,500	1,500	1,500
Sports	4,500	4,500	4,500	4,500	4,500	4,500
Other	2,150	2,150	2,150	2,150	2,150	2,150
Total Attendance						
Conventions & Tradeshows	292,400	301,000	301,000	292,400	292,400	283,800
Consumer Shows	508,200	508,200	508,200	508,200	508,200	508,200
Conferences	27,000	27,000	27,000	27,000	27,000	27,000
Meetings	6,750	6,750	6,750	6,750	6,750	6,750
Banquets	12,000	12,000	12,000	12,000	12,000	12,000
Assemblies	60,000	60,000	60,000	60,000	60,000	60,000
Sports	45,000	45,000	45,000	45,000	45,000	45,000
Other	64,500	64,500	64,500	64,500	64,500	64,500
Total	1,015,850	1,024,450	1,024,450	1,015,850	1,015,850	1,007,250

- Without a headquarters hotel, the convention center is expected to be less competitive in the national market. Therefore, by fiscal year 2017/18, the number of conventions and tradeshows is forecast to decrease to 30, with convention event attendance falling to 258,000.

Table 7-6 shows a ten-year forecast of Revenue Fund revenue and expenses without the addition of a headquarters hotel.

Table 7-6
Projected Revenue Fund Operations – No Headquarters Hotel

	Actual 2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
PLEDGED REVENUE											
Pledged HOT (4.718%)	$25,729,979	$25,727,000	$26,757,000	$28,008,000	$29,173,000	$30,349,000	$31,572,000	$32,844,000	$34,168,000	$35,545,000	$36,977,000
Facility & Equipment Rental	2,802,407	2,972,000	3,088,000	3,181,000	3,247,000	3,345,000	3,414,000	3,484,000	3,589,000	3,662,000	3,737,000
Food & Beverage	8,367,695	8,119,000	8,534,000	8,790,000	8,872,000	9,138,000	9,219,000	9,297,000	9,576,000	9,652,000	9,724,000
Event Services	1,833,395	2,393,000	2,487,000	2,562,000	2,615,000	2,694,000	2,749,000	2,806,000	2,890,000	2,950,000	3,010,000
Other Operating	1,147,892	2,103,000	2,186,000	2,251,000	2,298,000	2,367,000	2,415,000	2,465,000	2,539,000	2,590,000	2,643,000
Parking	608,457	825,000	850,000	875,000	901,000	929,000	956,000	985,000	1,015,000	1,045,000	1,076,000
Less Lot C Commissions	(83,205)	(90,000)	(93,000)	(96,000)	(99,000)	(102,000)	(105,000)	(108,000)	(111,000)	(114,000)	(118,000)
Union Station	263,360	332,000	334,000	336,000	338,000	343,000	375,000	377,000	380,000	382,000	387,000
Interest Income	1,465,543	0	0	0	0	0	0	0	0	0	0
Total	$42,135,523	$42,381,000	$44,143,000	$45,907,000	$47,345,000	$49,063,000	$50,595,000	$52,150,000	$54,046,000	$55,712,000	$57,436,000
DEBT SERVICE EXPENSE	25,045,078	15,684,000	17,424,000	18,254,000	18,680,000	19,180,000	19,941,000	20,723,000	21,594,000	22,506,000	23,464,000
REVENUE AVAILABLE FOR OPERATIONS											
Excess Pledged Revenue	$17,090,446	$26,697,000	$26,719,000	$27,653,000	$28,665,000	$29,883,000	$30,654,000	$31,427,000	$32,452,000	$33,206,000	$33,972,000
Mixed Beverage Tax	7,855,929	7,856,000	8,052,000	8,294,000	8,543,000	8,799,000	9,063,000	9,335,000	9,615,000	9,903,000	10,200,000
Total	$24,946,374	$34,553,000	$34,771,000	$35,947,000	$37,208,000	$38,682,000	$39,717,000	$40,762,000	$42,067,000	$43,109,000	$44,172,000
OPERATING EXPENSES											
Salaries & Benefits	$5,346,890	$5,993,000	$6,173,000	$6,358,000	$6,549,000	$6,746,000	$6,948,000	$7,156,000	$7,371,000	$7,592,000	$7,820,000
Food & Beverage	5,227,097	6,535,000	6,869,000	7,075,000	7,141,000	7,355,000	7,420,000	7,483,000	7,707,000	7,769,000	7,827,000
Energy	5,010,101	5,600,000	5,768,000	5,941,000	6,119,000	6,303,000	6,492,000	6,687,000	6,887,000	7,094,000	7,307,000
Operations & Maintenance	9,731,320	9,562,000	9,923,000	10,218,000	10,440,000	10,752,000	10,995,000	11,232,000	11,566,000	11,815,000	12,070,000
Union Station	486,451	807,000	831,000	856,000	882,000	909,000	936,000	964,000	994,000	1,024,000	1,055,000
Total	$25,801,860	$28,497,000	$29,564,000	$30,448,000	$31,131,000	$32,065,000	$32,791,000	$33,522,000	$34,525,000	$35,294,000	$36,079,000
TOTAL INCOME (LOSS) BEFORE CITY CONTRIBUTIONS	($855,485)	$6,056,000	$5,207,000	$5,499,000	$6,077,000	$6,617,000	$6,926,000	$7,240,000	$7,542,000	$7,815,000	$8,093,000
Other City Contributions	3,943,786	0	0	0	0	0	0	0	0	0	0
TOTAL NET INCOME (LOSS)	$3,088,301	$6,056,000	$5,207,000	$5,499,000	$6,077,000	$6,617,000	$6,926,000	$7,240,000	$7,542,000	$7,815,000	$8,093,000

Sources: HVS and First Southwest (debt service estimates only)

- Total operating revenue and total operating expenses are expected to be less from fiscal year 2011/12 through fiscal year 2017/18, if no headquarters hotel is built, resulting in a lower operating loss during the same period.

- Assuming no headquarters hotel is built; total non-operating revenue is forecast to be higher than if the property was built, due to increased Pledged HOT amounts. See Section 5 for further explanation of this alternative forecast of Pledged HOT.

- By fiscal year 2017/18, the Revenue Fund is expected to achieve a total net income of roughly $1 million more if the headquarters hotel is not built.

8. Debt Service Coverage Analysis

Security and payment of the Bonds is provided by operating and non-operating revenues of the Civic Center Fund ("Pledged Revenues"). The purpose of this section is to present and assess the level of debt service coverage on the Bonds.

Estimated Gross Debt Service Coverage is defined as Pledged Revenues divided by the Estimated Annual Debt Service. Table 8-1 provides the calculation of ten years of coverage beginning in fiscal year 2008/09, assuming the addition of a headquarters hotel.

Table 8-1
Estimated Gross Debt Service Coverage

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Pledged HOT (4.718%)	$25,727	$26,757	$28,008	$28,307	$29,014	$30,039	$31,183	$32,444	$33,775	$35,160
Pledged Civic Center Revenue	16,654	17,386	17,899	21,993	23,307	24,706	25,439	26,196	26,971	27,773
PLEDGED REVENUES	$42,381	$44,143	$45,907	$50,300	$52,321	$54,745	$56,622	$58,640	$60,746	$62,933
Estimated Annual Debt Service	$15,684	$17,424	$18,254	$18,680	$19,180	$19,941	$20,723	$21,594	$22,506	$23,464
Gross Debt Service Coverage Ratio	2.70	2.53	2.51	2.69	2.73	2.75	2.73	2.72	2.70	2.68

Sources: HVS and First Southwest (Estimated Annual Debt Service Only)

Estimated Gross Debt Service Coverage exceeds 2.51 times debt service in every projection year.

Net Debt Service Coverage is defined as the Net Operating Income of the Revenue Fund divided by Estimated Debt Service. Table 8-2 provides the calculation of ten years of net coverage beginning in fiscal year 2008/09.

Table 8-2
Estimated Net Debt Service Coverage

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Pledged Revenues	$42,381	$44,143	$45,907	$50,300	$52,321	$54,745	$56,622	$58,640	$60,746	$62,933
Mixed Beverage Tax	7,856	8,052	8,294	8,543	8,799	9,063	9,335	9,615	9,903	10,200
TOTAL REVENUE	$50,237	$52,195	$54,201	$58,843	$61,120	$63,808	$65,957	$68,255	$70,649	$73,133
Operating Expense	$28,497	$29,564	$30,448	$34,539	$36,163	$37,860	$38,993	$40,160	$41,362	$42,602
NET INCOME BEFORE DEBT SERVICE	$21,740	$22,631	$23,753	$24,304	$24,957	$25,948	$26,964	$28,095	$29,287	$30,531
Estimated Annual Debt Service	$15,684	$17,424	$18,254	$18,680	$19,180	$19,941	$20,723	$21,594	$22,506	$23,464
Net Debt Service Coverage Ratio	1.39	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30

Sources: HVS and First Southwest Company (Estimated Annual Debt Service Only)

Estimated Net Debt Service Coverage is 1.30 or greater in debt service in every projection year.

Alternative Scenario – No Headquarters Hotel

Table 8-3 provides the calculation of ten years of coverage beginning in fiscal year 2008/09, assuming no headquarters hotel.

Table 8-3
Estimated Gross Debt Service Coverage – No Headquarters Hotel

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Pledged HOT (4.718%)	$25,727	$26,757	$28,008	$29,173	$30,349	$31,572	$32,844	$34,168	$35,545	$36,977
Pledged Civic Center Revenue	16,654	17,386	17,899	18,172	18,714	19,023	19,306	19,878	20,167	20,459
TOTAL PLEDGE REVENUE	$42,381	$44,143	$45,907	$47,345	$49,063	$50,595	$52,150	$54,046	$55,712	$57,436
Estimated Annual Debt Service	$15,684	$17,424	$18,254	$18,680	$19,180	$19,941	$20,723	$21,594	$22,506	$23,464
Gross Debt Service Coverage Ratio	2.70	2.53	2.51	2.53	2.56	2.54	2.52	2.50	2.48	2.45

Sources: HVS and First Southwest (Estimated Annual Debt Service Only)

Estimated Gross Debt Service Coverage still exceeds 2.45 times debt service in every projection year, without the addition of a headquarters hotel.

Table 8-4 provides the calculation of ten years of net coverage beginning in fiscal year 2008/09, assuming no headquarters hotel.

Table 8-4
Estimated Net Debt Service Coverage – No Headquarters Hotel

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Pledged Revenue	$42,381	$44,143	$45,907	$47,345	$49,063	$50,595	$52,150	$54,046	$55,712	$57,436
Mixed Beverage Tax	7,856	8,052	8,294	8,543	8,799	9,063	9,335	9,615	9,903	10,200
TOTAL REVENUE	$50,237	$52,195	$54,201	$55,888	$57,862	$59,658	$61,485	$63,661	$65,615	$67,636
Operating Expense	$28,497	$29,564	$30,448	$31,131	$32,065	$32,791	$33,522	$34,525	$35,294	$36,079
NET INCOME BEFORE DEBT SERVICE	$21,740	$22,631	$23,753	$24,757	$25,797	$26,867	$27,963	$29,136	$30,321	$31,557
Estimated Annual Debt Service	$15,684	$17,424	$18,254	$18,680	$19,180	$19,941	$20,723	$21,594	$22,506	$23,464
Net Debt Service Coverage Ratio	1.39	1.30	1.30	1.33	1.34	1.35	1.35	1.35	1.35	1.34

Sources: HVS and First Southwest (Estimated Annual Debt Service Only)

Under the alternative scenario without the development of a headquarters hotel, estimated Net Debt Service Coverage is 1.30 or greater in every projection year.

9. Statement of Assumptions & Limiting Conditions

1. This report is to be used in whole and not in part.
2. No responsibility is assumed for matters of a legal nature.
3. We have made no survey of the Civic Center, and we assume no responsibility in connection with such matters. Sketches, photographs, maps, and other exhibits are included to assist the reader in visualizing the property. It is assumed that the use of the land and improvements is within the boundaries of the property described, and that there is no encroachment or trespass unless noted.
4. All information, estimates, and opinions obtained from parties not employed by HVS are thought to be reliable and assumed to be true and correct. However, we can assume no liability resulting from misinformation.
5. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the public facilities discussed in this report.
6. This report is intended to be used solely to assess the adequacy of Pledged Revenues to support the proposed issuance of Civic Center Convention Complex Revenue Refunding and Improvement Bonds Series 2009 (the Bonds). This report may be used in offering statements that support the issuance of the Bonds, but it should not be used for any other purpose and we assume no responsibility for any other use of this report.
7. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per diem fees and travel costs are paid prior to the appearance.
8. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.

9. We take no responsibility for any events or circumstances that take place subsequent to the date of our field inspection. This report reflects actual fiscal year 2008 Revenue Fund financial performance made available to HVS in January 2009; however, forecasts of future Pledged Revenue rely on information available to HVS as of December 7, 2008.
10. The quality of a convention center facility's on-site management and organization that market the facility have a direct effect on a center's economic viability. The forecasts presented in this analysis assume responsible ownership, competent management and effective marketing and sales. Any departure from this assumption may have a significant impact on the projected operating results.
11. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded. Thus, these figures may be subject to small rounding errors.
12. The use of this report is subject to the terms and conditions set forth herein.
13. This report was prepared by HVS Convention, Sports & Entertainment Facilities Consulting, a division of HVS. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of these two organizations, as employees, rather than as individuals.
14. This report is set forth as an analysis of the Pledged Revenues intended to support the proposed issuance of Civic Center Convention Complex Revenue Refunding and Improvement Bonds Series 2008; this is not an appraisal report.

10. Certification

We, the undersigned, hereby certify:

1. that the statements of fact presented in this report are true and correct to the best of our knowledge and belief;
2. that the reported analyses, opinions, and conclusions presented in this report are limited only by the assumptions and limiting conditions set forth, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. that Tom Hazinski and Brian Harris personally inspected the convention center site and market described in this report; Nina Vetter, Jared Muenks, and Katherine Fullan participated in the analysis and research supporting this study, but did not personally inspect the subject site and market;
4. that we have no current or contemplated interests in the real estate nor the Bonds that are the subject of this report;
5. that we have no personal interest or bias with respect to the subject matter of this report or the parties involved;
6. that this report sets forth all of the limiting conditions (imposed by the terms of this assignment) affecting the analyses, opinions, and conclusions presented herein;
7. that the fee paid for the preparation of this report is not contingent upon our conclusions, or the occurrence of a subsequent event directly related to the intended use of this report;

8. that our engagement in this assignment was not contingent upon developing or reporting predetermined results; and
9. that no one other than those listed above and the undersigned prepared the analyses, conclusions, and opinions concerning the real estate that are set forth in this market study.

Thomas Hazinski

Thomas Hazinski
Managing Director

Appendix 1 – State and National Competitive Venue Descriptions

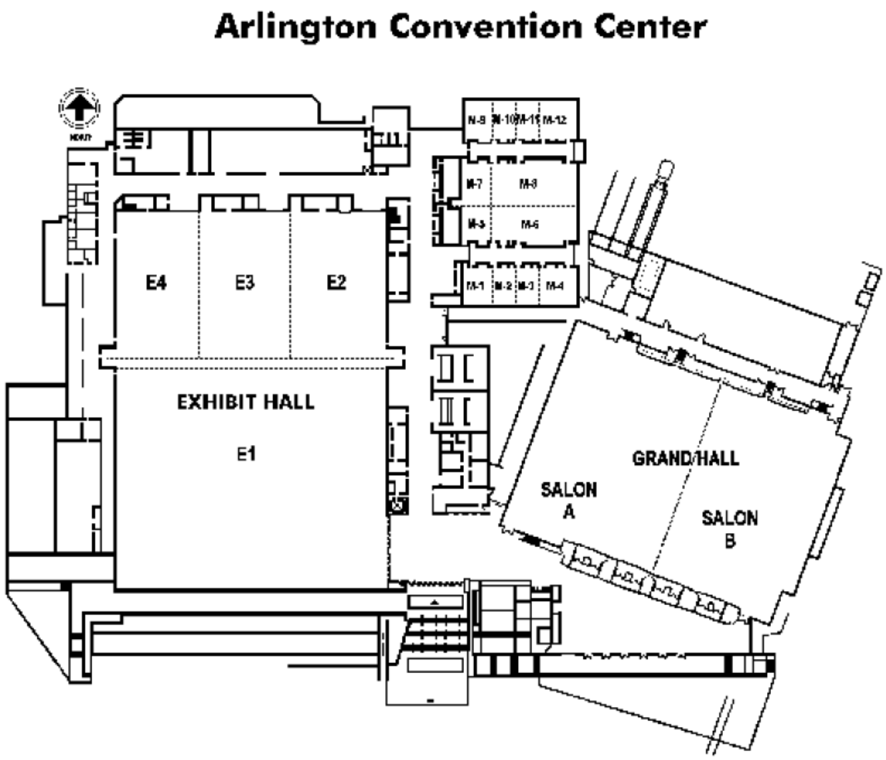
Introduction

In this appendix, HVS presents descriptions of the state and national competitive venues, discussed in the Convention Center Demand Analysis chapter.

State Competitors

Arlington Convention Center—while the facility is not currently a direct competitor to the Dallas Convention Center Convention Center, and thus is not included in the comparative graphs introduced later in this section, the facility is currently studying the feasibility of expanding the exhibition hall as well as adding a full-service headquarters hotel that would be physically connected to the expanded convention center. With an expansion and addition, the Arlington Convention Center could potentially become a direct competitor for the Dallas Convention Center.

Figure 1
Arlington Convention Center Floor Plan



Source: Arlington Convention Center

The facility features a 48,600 square foot exhibition hall, divisible by four, and 12 meeting rooms totaling 8,500 square feet. The 30,000 square foot "Grand Hall" ballroom, divisible into 2 sections, was developed as part of a facility expansion in 1999. Pre-function gallery and outdoor terraces provide an additional 9,500 square feet of functional space.

Austin Convention Center

The Austin Convention Center ("ACC") sits in downtown Austin. Built from native Texas materials, the facility stretches six blocks. Roughly 10 miles from the Austin-Bergstrom International Airport, the ACC opened in 2002, replacing the Palmer Auditorium as the city's main convention center.

Figure 2
Austin Convention Center

Source: Austin Convention Center

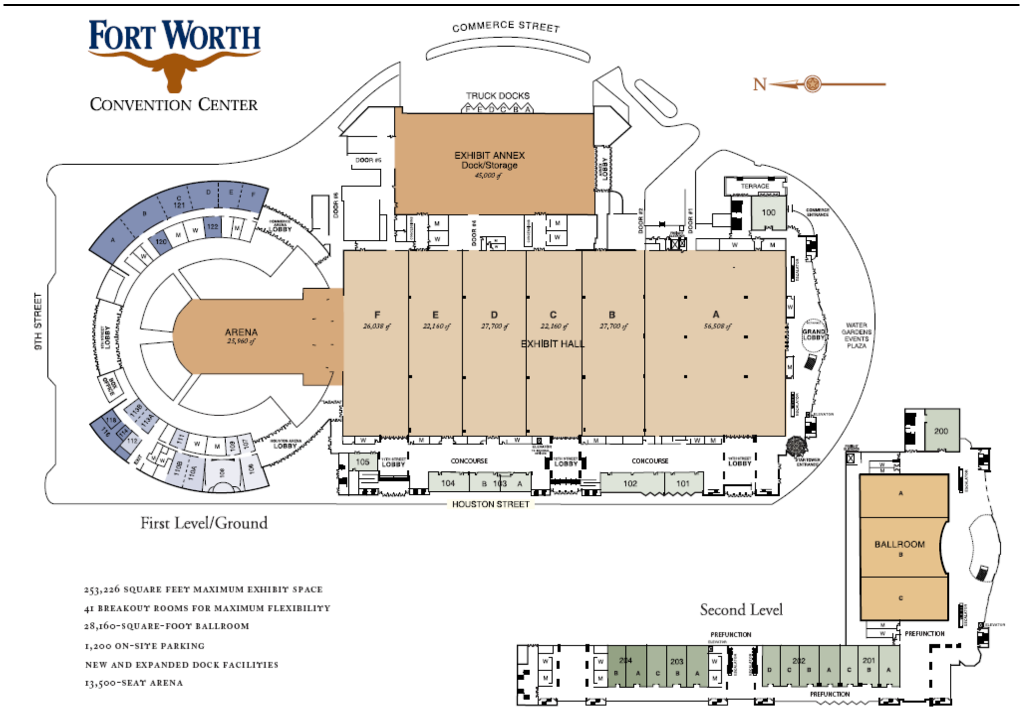
Level one of the ACC features five exhibit halls totaling 246,097 square feet, a ballroom, divisible into three sections, totaling 23,418 square feet and three meeting rooms totaling 3,320 square feet. Level two offers 16 meeting rooms totaling 7,712 square feet. Level three features 18 meeting rooms totaling 18,178 square feet of meeting space and a ballroom, divisible into four sections, of 43,300 square feet. Level four offers another 18 meeting rooms totaling 27,646 square feet.

The Hilton located directly across the street from the ACC also has a large amount of space. It has two ballrooms and 11 meeting rooms. It has approximately 60,000 square feet of meeting and ballroom space.

Fort Worth Convention Center

The City of Fort Worth owns the Fort Worth Convention Center ("FWCC"). The FWCC sits in the Central Business District of Fort Worth, Texas. An Omni Fort Worth Hotel, with 607 rooms, is currently under construction adjacent to the FWCC. Additionally a 1,057 space parking garage is being constructed a few blocks from the FWCC.

Figure 3
Fort Worth Convention Center Floor Plan



Source: Fort Worth Convention Center

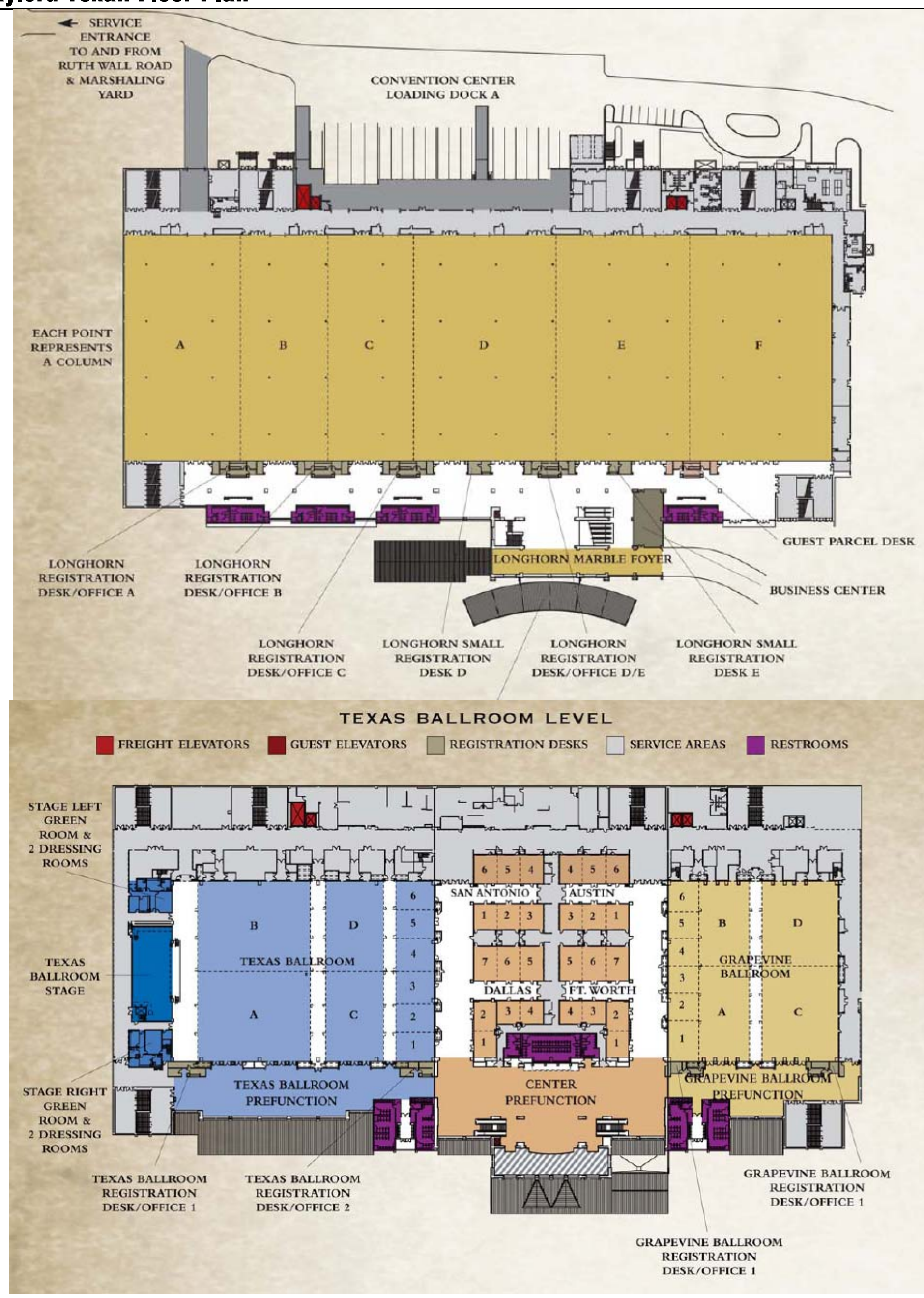
The FWCC features 182,266 square feet of exhibit space among six exhibit halls. An adjacent arena provides adjacent exhibit space of 25,960 square feet. Additionally, the FWCC offers a 28,160 square foot ballroom, divisible into three sections, and 41 meeting rooms totaling 58,849 square feet.

The FWCC is home to the Fort Worth Brahmas hockey team in the Central Hockey League and the NBA Development League's Fort Worth Flyers.

Gaylord Texan

Opened in 2004, the Gaylord Texan is located in Grapevine, Texas, proximate to the Dallas-Ft. Worth International Airport. Owned and operated by the Gaylord Entertainment Company, the Texan offers roughly 300,000 square feet of meeting, convention, and exhibit space. The Texan is 20 minutes from the downtown Dallas-Fort Worth area.

Figure 4
Gaylord Texan Floor Plan



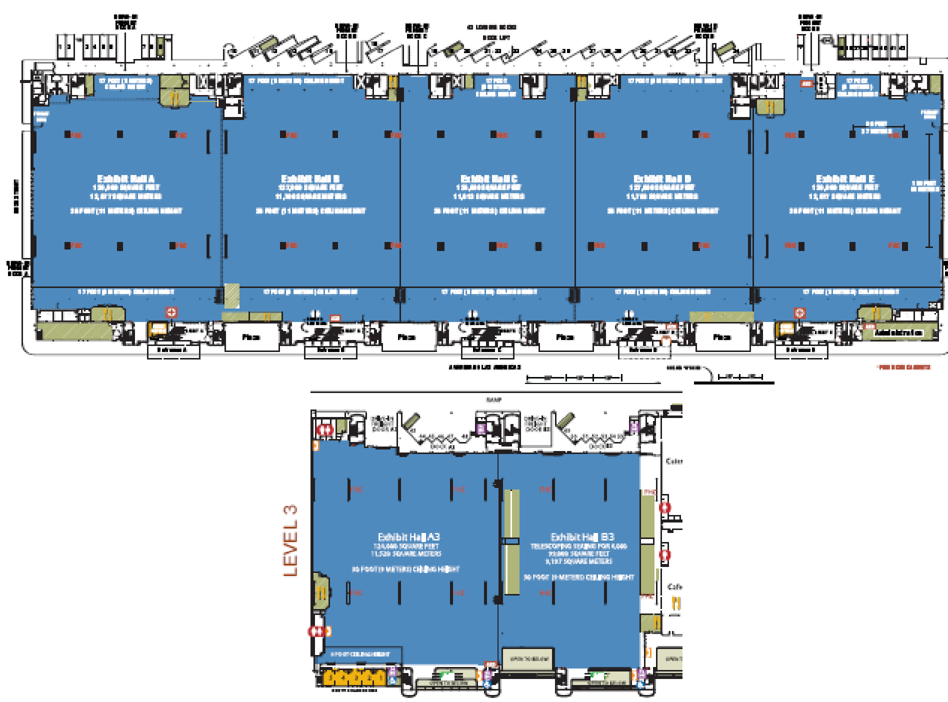
Source: Gaylord Texan

The Texan provides 180,000 square feet of exhibit space divisible into six halls; 85,000 square feet of ballroom space; and about 70,000 square feet of meeting space. An 80,000 square foot outdoor event lawn provides additional reception space. The Texan has 1,511 guest rooms, a 25,000 square foot spa, nine full service restaurants, and an 18-hole golf course. A mixture of indoor and outdoor event space and a multitude of leisure, recreation, and entertainment options make this property an attractive option for event planners looking for a comprehensive meeting package.

George R. Brown Convention Center

Opened in 1987, the George R. Brown Convention Center ("GBCC") sits in downtown Houston near the Toyota Center and Minute Maid Park. The GBCC, replacing the obsolete Albert Thomas Convention Center, is owned and operated by the City of Houston, Convention & Entertainment Facilities Department. Renovations, from 2001 to 2003, expanded the convention center and built an adjacent 1,200 room convention headquarters hotel at a cost of $165 million. The Hilton Americas-Houston connects to the GBCC via a number of skywalks.

Figure 5
George R. Brown Convention Center Floor Plan



Source: George R. Brown Convention Center

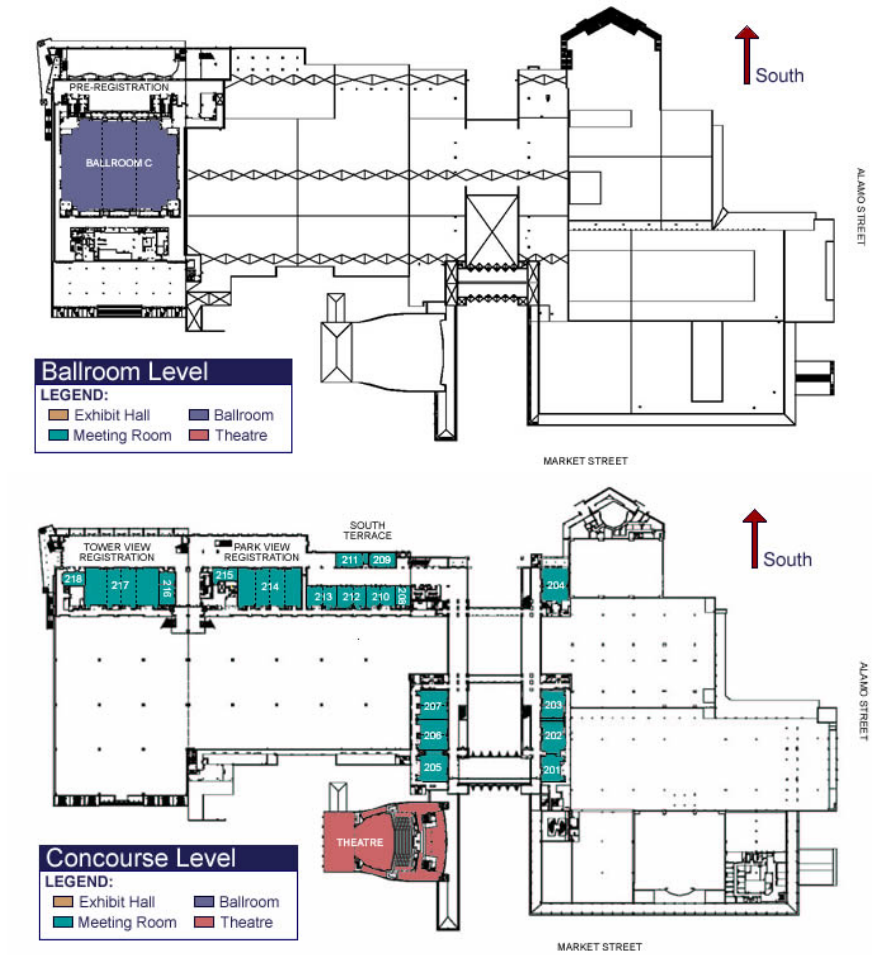
Level one of the GBCC features five contiguous exhibit halls totaling 639,000 square feet. Level two features 99,000 square feet of registration space and five balconies. It also offers four conference rooms of 600 square feet each and 15 show offices at 250 square feet each. Level three provides an exhibit hall of 124,000 square feet, another exhibit hall with telescopic seating for 6,000 and a general assembly theater with tiered seating for 3,600. Level three also features a ballroom of 31,600 square feet, divisible into three sections and 117 meeting rooms totaling 185,000 square feet of meeting space.

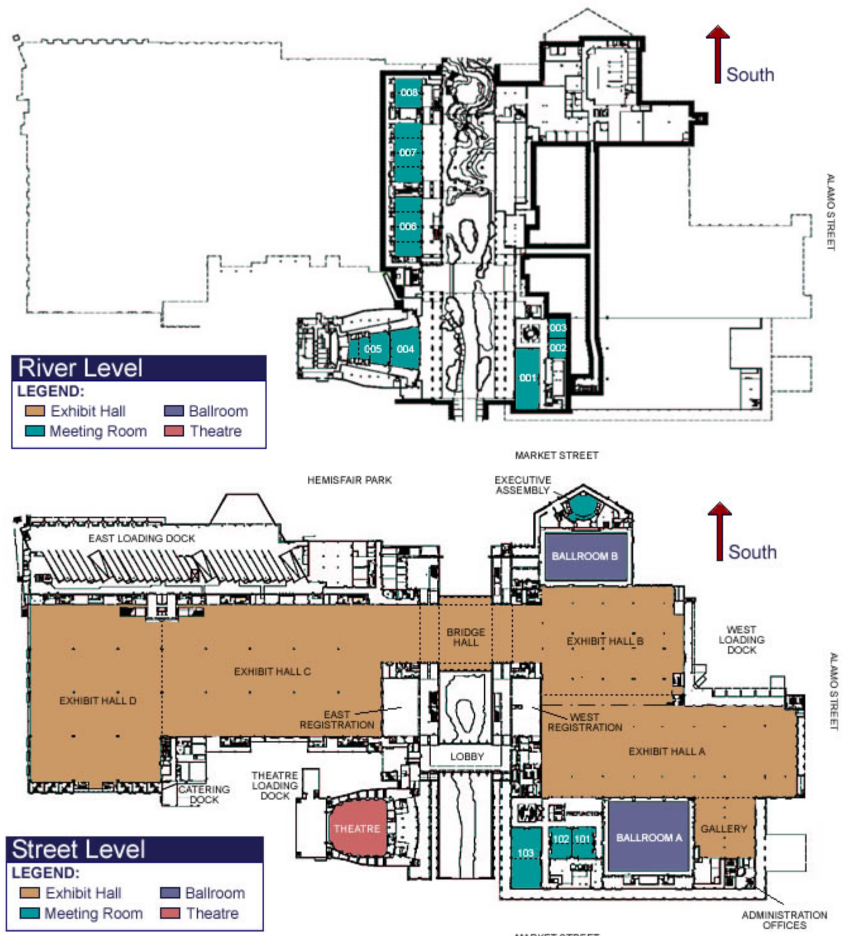
In late 2006, construction began on a 12-acre park across from the convention center. The park includes a 650-space underground parking garage. Construction of the multi-purpose park and garage was completed in early 2008.

Henry B. Gonzalez Convention Center

The Henry B. Gonzalez Convention Center ("HGCC") sits in the center of downtown San Antonio on the banks of the Riverwalk. It was built as part of the 1968 HemisFair, but has expanded since then. The HGCC complex also features the Lila Cockrell Theatre, a 2,521-seat Performing Arts Theatre.

Figure 6
Henry B. Gonzalez Convention Center Floor Plan





Source: Henry B. Gonzalez Convention Center

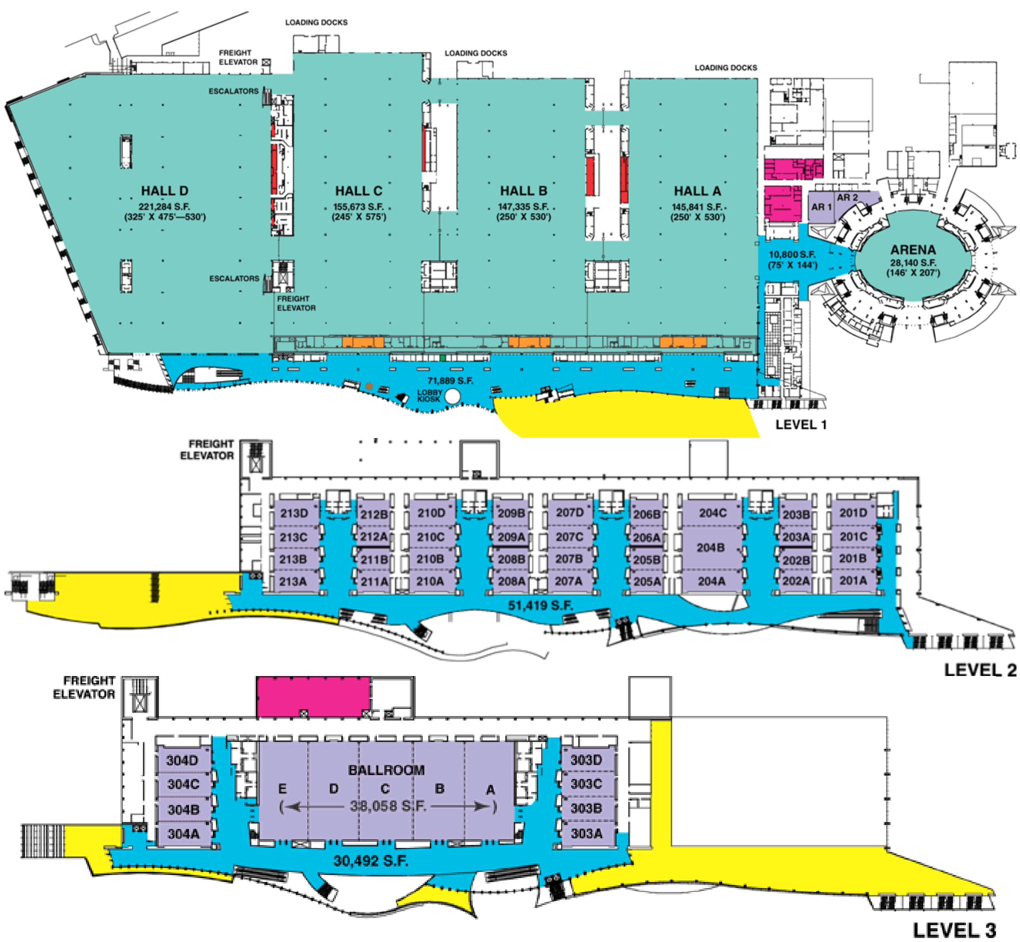
The Ballroom Level features a ballroom of 39,469, divisible into three sections. The Concourse Level offers 34 meeting rooms totaling 55,551 square feet. The Street Level features two exhibit halls that combine for 172,701 and another two exhibit halls that combine for 228,401. Also on this level is a 28,317 square foot ballroom, six meeting rooms totaling 12,318 square feet and a theatre with 2,521 seats. The River Level offers an additional 18 meeting rooms totaling 32,176 square feet.

The Marriott San Antonio Rivercenter, with 1,001 rooms, and the Marriott Riverwalk, with 512 rooms, sits adjacent to the Henry B. Gonzalez Convention Center.

Anaheim Convention Center

The Anaheim Convention Center ("ACC"), in Anaheim, California, originally opened in 1967; however since then it has undergone three major renovations. The ACC is part of the new 1,100 acre district of Anaheim called "The Anaheim Resort", which includes Disneyland, Disney's California Adventure, convention hotels, gardens and the ACC. The facility sits roughly 15 miles from the Long Beach Airport.

Figure 7
Anaheim Convention Center Floor Plan



Source: Anaheim Convention Center

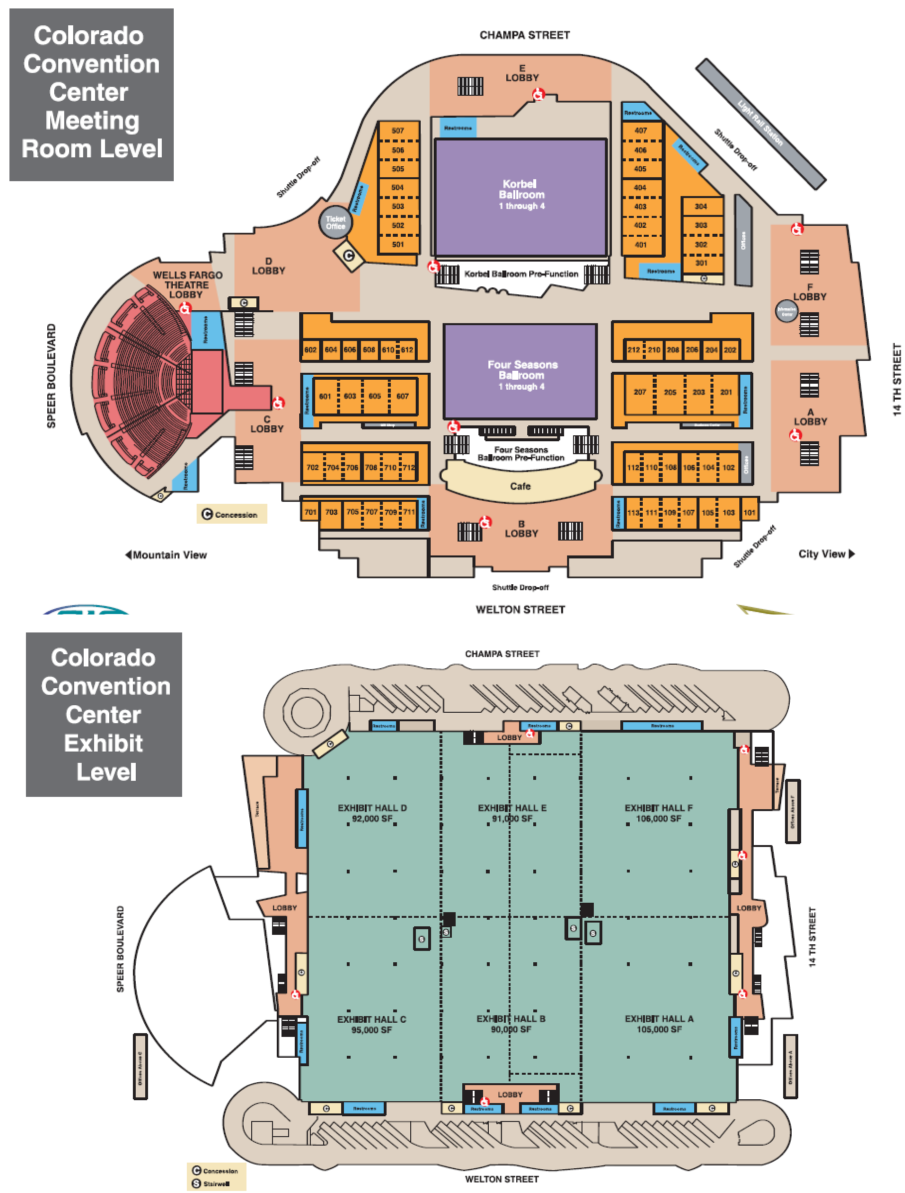
The ACC features four contiguous exhibit halls with a total of 670,133 square feet of exhibit space, while additional exhibition space is available through use of the arena floor space of 28,140 square feet, and a connection between the arena floor and the exhibit halls of 10,800 square feet. Another exhibit hall totals 144,450 square feet. The second level offers 35 meeting rooms totaling 65,583 square feet, while the third level offers eight meeting rooms totaling 16,632. The facility also features a ballroom of 38,058 square feet, divisible into five sections. The Arena has theater capacity for 8,700 people.

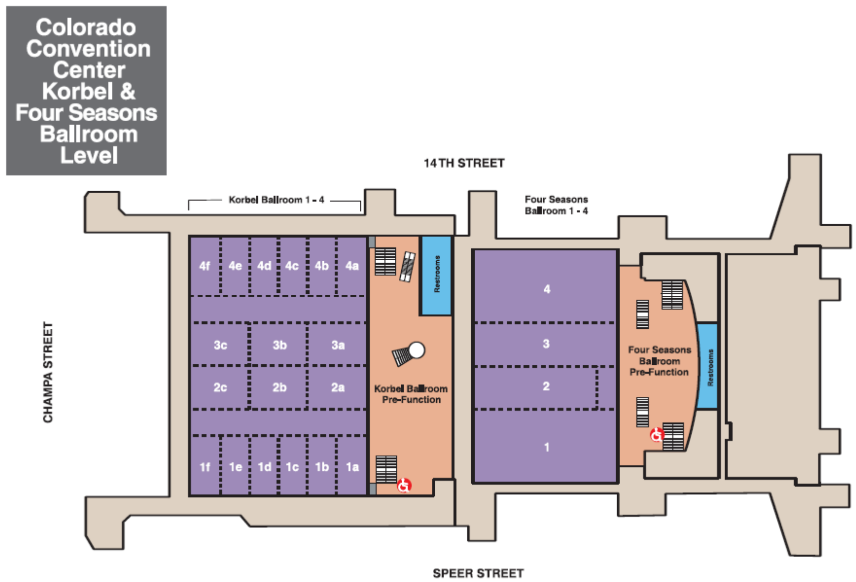
The adjacent Marriott offers additional meeting space with a 25,363 square foot ballroom, a 25,410 square foot ballroom, a 15,822 square foot ballroom, and additional small ballrooms and meeting rooms. The adjacent Hilton offers two ballrooms of 28,542 square feet each and a number of meeting rooms.

Colorado Convention Center

The Colorado Convention Center ("CCC") sits in downtown Denver, Colorado, roughly a thirty-minute drive from the Denver International Airport. It is owned by the city of Denver and operated by SMG. A bridged walkway links the Colorado Convention Center to the Denver Performing Arts Complex. Under the 1,000 space parking garage sits the Light Rail Train Station connecting the facility to the rest of downtown Denver. The CCC underwent a $310.7 million major expansion in 2005, doubling the size of the facility.

Figure 8
Colorado Convention Center Floor Plan





Source: Colorado Convention Center

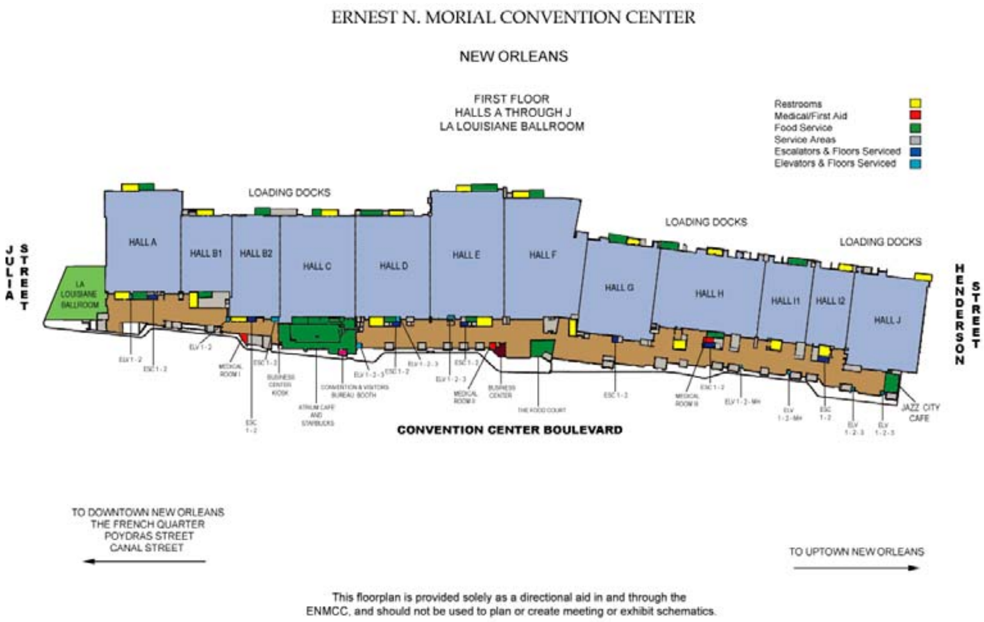
The Colorado Convention Center features six contiguous exhibit halls totaling 584,000 square feet. A ballroom, divisible into four sections, offers 35,000 square feet of ballroom space, while a larger ballroom, divisible into 18 sections, totals 50,000 square feet. Sixty-three meeting rooms, all on one floor, total roughly 100,000 square feet. The facility also features a 5,000 fixed seat theater.

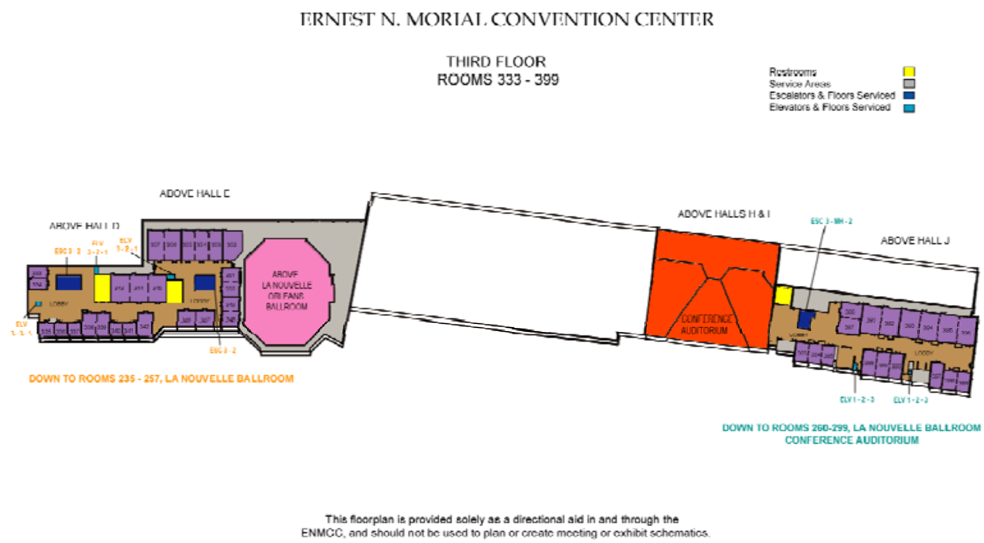
The adjacent Hyatt Regency Denver offers additional meeting space, including a ballroom of 31,000 square feet, a ballroom of 8,512 square feet and a ballroom of 14,817 square feet, in addition to a handful of meeting rooms.

Ernest Morial Convention Center

The Ernest Morial Convention Center ("EMCC"), opening in 1985, has undergone a series of additions that have significantly expanded the EMCC upriver. Operated by the New Orleans Public Facility Management Along the mighty Mississippi River, the EMCC underwent a complete renovation of the facility in November of 2006. Roughly a mile from the Louis Armstrong New Orleans International Airport and one mile from the New Orleans Amtrak station, the EMCC sits along the Mississippi River near the French Quarter and Jackson Square. The Hilton New Orleans Riverside, with 1,616 rooms, sits adjacent to the EMCC.

Figure 9
Ernest Morial Convention Center Floor Plan





Source: Ernest Morial Convention Center

The EMCC features 12 contiguous exhibit halls all on the first level totaling 1,068,508 square feet. The first level also offers a 30,487 square foot ballroom, divisible into two sections. The second level of the EMCC features a ballroom of 36,448 square feet, divisible into two sections and an auditorium with 4,032 seats, divisible into three sections. The second level and the third level of the EMCC offer a total of 140 meeting rooms.

The adjacent Hilton New Orleans Riverside offers 28 meeting rooms totaling roughly 25,000 square feet of meeting space, two large ballrooms of 27,009 square feet and 24,500 square feet, an exhibition center of 20, 582 square feet and three additional junior ballrooms.

George World Congress Center

The Georgia World Congress Center ("GWCC"), in downtown Atlanta, Georgia, originally opened in 1976. Located roughly nine miles from the Hartsfield International Airport, the GWCC has undergone three expansions since opening. The campus of the GWCC includes the Georgia Dome, Centennial Olympic Park and two large plazas. The GWCC, developed and operated by the Georgia World Congress Center Authority, is self-supporting and has not required an operating subsidy since 1982. The Omni Hotel, with 1,067 rooms, sits adjacent to the GWCC.

Figure 10
George World Congress Center Floor Plan

Source: Georgia World Congress Center

The GWCC function space is allocated between three attached buildings on multiple levels. Building A features three exhibit halls totaling 340,000 square feet, 31 meeting rooms totaling 89,113 square feet and an auditorium with 1,744 seats. Building B offers five exhibit halls totaling 607,500 square feet, 51 meeting rooms totaling 136,346 square feet, and a ballroom, divisible into four sections totaling 33,000 square feet. Building C features four exhibit halls totaling 418,600 square feet, a ballroom totaling 25,748 square feet and 29 meeting rooms totaling 61,384 square feet. Building C also features two auditoriums, one with 225 seats and one with 396 seats.

Adjacent to the GWCC, the Omni provides additional meeting space with 16 meeting rooms, two boardrooms, two ballrooms of 14,196 square feet and 19,864 square feet, and an exhibit hall of 15,000 square feet.

Las Vegas Convention Center

The Las Vegas Convention Center ("LVCC"), owned and operated by the Las Vegas Convention and Visitors Authority, was originally built in 1959 as domed rotunda with an adjoining exhibit hall. In 1971 the Las Vegas Convention Center Act authorized a $7 million rebuild and remodeling of the convention center and in 1990 the dome was demolished, with further expansions in 1998 and 2004 adding significant space to the LVCC. The LVCC, one block east of the Las Vegas Strip, sits three miles from McCarran International Airport. The Las Vegas Hilton Hotel and Casino, with 2,955 rooms, sits adjacent to the LVCC.

Figure 11
Las Vegas Convention Center Floor Plan

Source: Las Vegas Convention Center

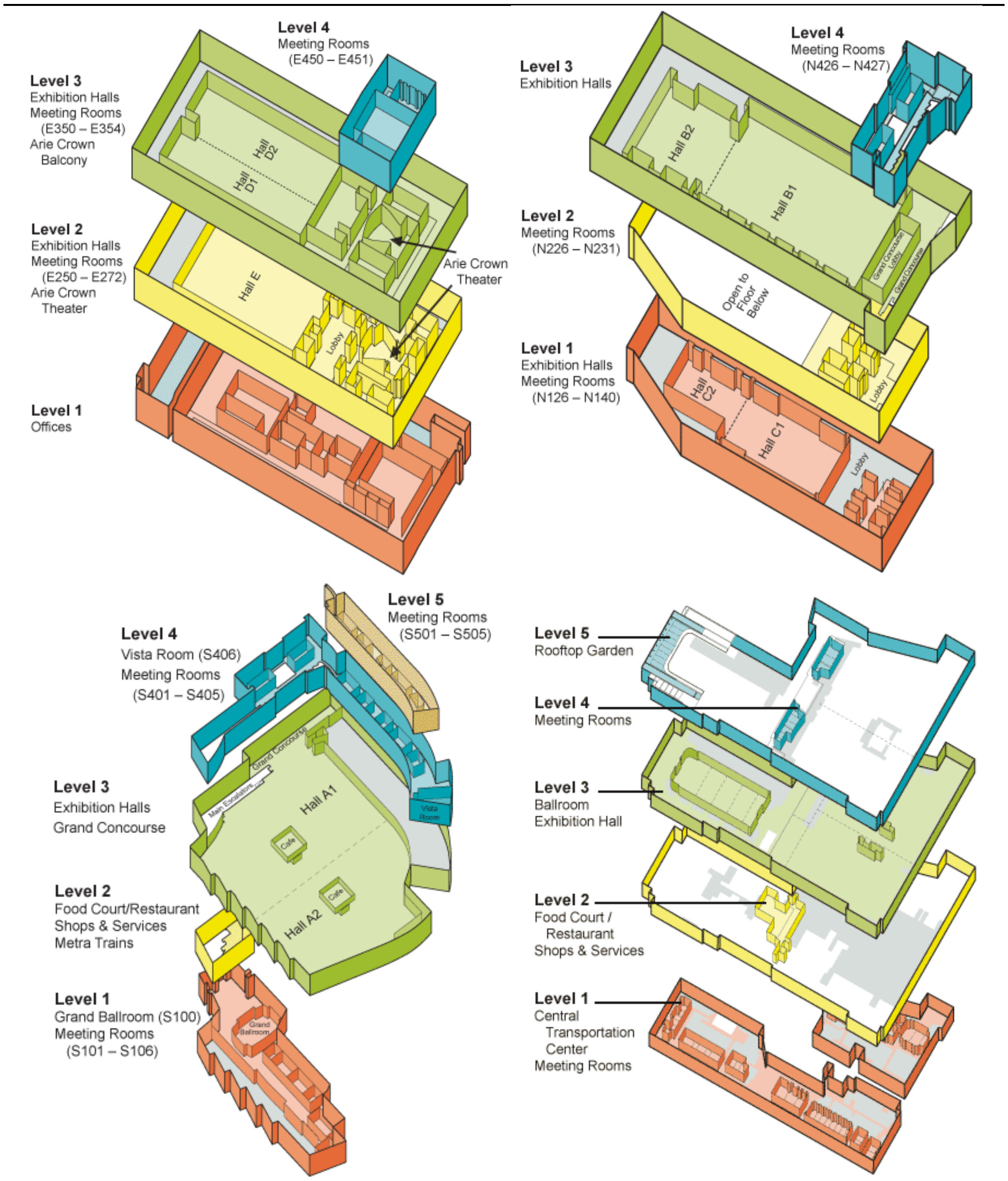
The LVCC features four contiguous exhibit halls totaling 409,077 square feet, connected via a concourse to another five contiguous exhibit halls totaling 623,058 square feet. In a separate building, but connected to the main building via an enclosed walkway, sits two levels of exhibit halls, two halls on the first floor totaling 443,838 square feet, while two exhibit halls on the second level total 464,658 square feet. 144 meeting rooms within the entire LVCC total 246,840 square feet.

Adjacent to the LVCC, the Las Vegas Hilton Hotel and Casino offers additional meeting space with two boardrooms and 14 conference rooms totaling 9,385 square feet, and two adjoining ballrooms, which can be combined for a total of 78,130 square feet. Another two large rooms combine for a total of 70,000 square feet.

McCormick Place

The McCormick Place ("MP"), owned and operated by the Metropolitan Pier and Exposition Authority, sits on the shores of Lake Michigan in Chicago, Illinois. Originally opening in 1960, it was rebuilt in 1971, with three new buildings constructed since then, the latest, the West Building, opening in 2007. South of downtown Chicago, the MP sits roughly 12 miles from Midway Airport and 20 miles from the Chicago O'Hare International Airport. The 800-room Hyatt Regency McCormick Place directly connects to the MP.

Figure 12
McCormick Place Floor Plan



Source: McCormick Place

McCormick Place features four buildings as shown above. They are described in the same order they appear above; the Lakeside Center, the North Building, the South Building on the left and the West Building on the right. The Lakeside Center, formerly known as the East Building, features three levels of function space. Level 2 offers a 283,000 square foot exhibit hall and a 4,319 seat theater. Level 3 offers a 300,000 square foot exhibit hall, divisible into two sections and a 44,715 square foot ballroom, while Level 4 provides a 10,000 square foot ballroom and a 13,500 square foot ballroom.

The North Building offers four levels of function space. Level 1 features two exhibit halls totaling 209,000 square feet and fifteen meeting rooms, while Level 2, which overlooks the exhibit hall below, offers eight meeting rooms. Level 3 offers two exhibit halls totaling 496,000 square and Level 4 features six meeting rooms totaling 14,500 square feet of meeting space and a skybridge connecting it to the South Building.

The South Building, with five levels, offers a 33,000 square foot ballroom and 15 meeting rooms totaling 41,000 square feet, on Level 1. Level 2 features retail shops, a food court and access to METRA, while Level 3 offers two exhibit halls totaling 840,000 square feet. Level 4 features 12 meeting rooms totaling 26,000 square feet and a 22,000 square foot ballroom and Level 5 provides another 12 meeting rooms totaling 19,000 square feet.

The West Building, the most recently built, offers 47 meeting rooms on Level 1, while Level 2 features retail outlets and a food court. Level 3 features a 460,000 square foot exhibit hall, divisible into two sections, and a 100,000 square foot ballroom, divisible into five sections.

The attached Hyatt Regency offers additional meeting space, with a 12,000 square foot ballroom and two boardrooms.

Orange County Convention Center

The Orange County Convention Center (OCCC), owned and operated by the Orange County Government, sits in the tourism district of Orlando, Florida, 15 minutes from the Orlando International Airport. The OCCC opened in 1983, and has since undergone many renovations and expansions, including the additional of a set of large exhibit halls. Across the street from the OCC sits the 891-room Peabody Orlando Hotel.

Figure 13
Orange County Convention Center Floor Plan

Source: Orange County Convention Center

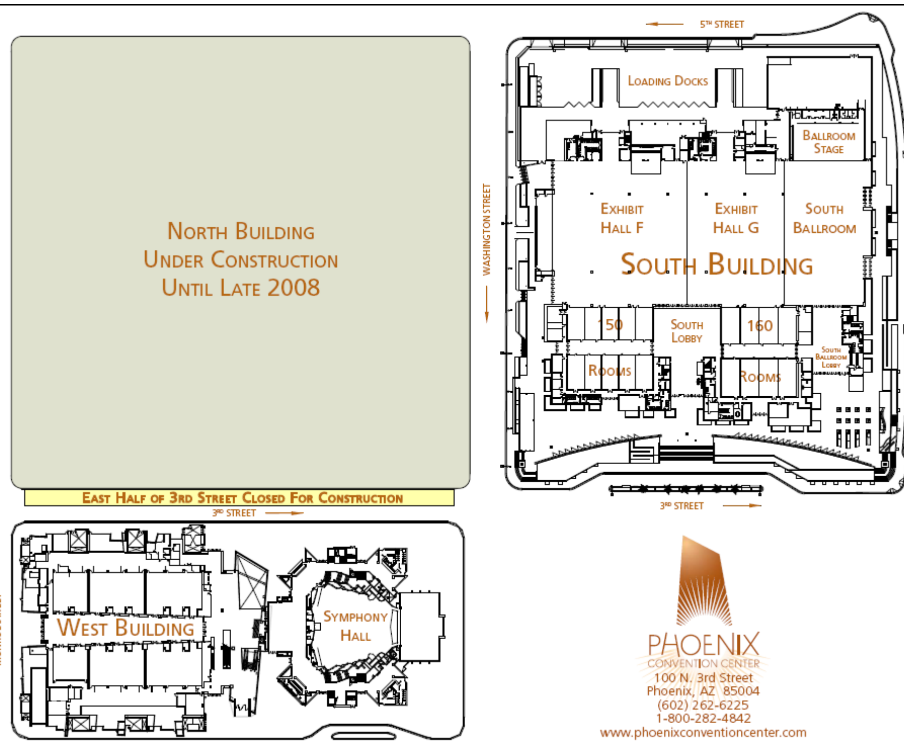
The OCCC is divided into two separate buildings, the original West Building, and the recently built North/South Building, connected by a pedestrian bridge with moving sidewalks. The West building features 1,103,535 square feet of contiguous exhibition space, 141 breakout rooms, and a 62,182 square foot multipurpose room. It also features a 2,643 theater and a 160-seat lecture hall. The North/South Building features 950,282 square feet of contiguous exhibition space, two 92,000 square foot general assembly areas and 94 breakout rooms. The combined 235 breakout rooms total 518,790 square feet.

The Peabody Hotel offers additional meeting space, including a 27,000 square foot ballroom, two 8,600 square foot junior ballrooms, and 16 meeting rooms.

Phoenix Convention Center

Opening in 1972, the Phoenix Convention Center ("PCC") sits in downtown Phoenix, ten minutes from Sky Harbor International Airport. City of Phoenix owns and operates the PCC, which underwent an expansion in 1985, doubling its available space, and is currently undergoing a $32 million expansion.

Figure 14
Phoenix Convention Center Floor Plan



Source: Phoenix Convention Center

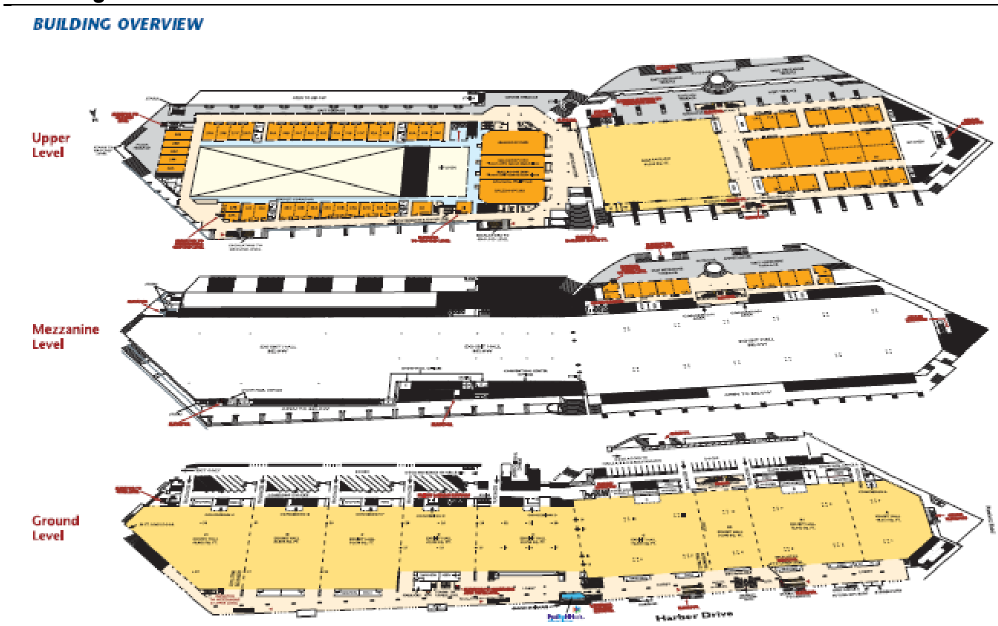
The PCC will feature, when the expansion is complete late 2008, three connected buildings. The West Building, which is currently open, features two contiguous exhibition halls totaling 62,000 square feet, a 192 seat lecture hall, a 45,2000 square foot ballroom and 42 meeting rooms totaling 43,700 square feet. The South Building, which is also currently opens, features two contiguous exhibition halls 82,000 square feet, a ballroom of 28,000 square feet, and 18 meeting rooms totaling 33,400 square feet. The North Building, set to open in late 2008, will feature a 312,500 square feet of exhibition hall on the lower level connecting the North and West Buildings. It will feature another 190,000 square feet of exhibition space, a 45,600 square foot ballroom and 56 meeting rooms totaling 84,920 square feet.

San Diego Convention Center

The San Diego Convention Center, ("SDCC"), sits in downtown San Diego on the San Diego Bay next to the Gaslamp District and the San Diego Padres' PETCO Park. The SDCC opened in 1989 and re-opened in 2001 after an expansion that doubled the size of the facility. The SDCC, operated by the

San Diego Convention Center Corporation, sits 3 miles from San Diego International Airport and less than one mile from the Amtrak Station. The San Diego Marriott Hotel and Marina, with 1,356 rooms sits adjacent to the SDCC, while the Hilton San Diego Bayfront, with 1,190 rooms, will open later this year adjacent to the SDCC.

Figure 15
San Diego Convention Center Floor Plan



Source: San Diego Convention Center

The SDCC features nine contiguous exhibit halls on the ground floor, totaling 525,701 square feet. The upper level offers 51 meeting rooms totaling 56,602 square feet, a ballroom of 40,706 square feet, divisible into four sections and a ballroom of 40,955 square feet, divisible into six sections. Also on the upper level is a 90,000 square foot pavilion. The mezzanine level offers 12 meeting rooms offering 22,621 square feet of meeting space.

The adjacent Marriott Hotel and Marina offers additional meeting space with a 33,489 square foot exhibit hall, a 23,108 square foot ballroom, a 14,176 square foot ballroom, a 15,111 square foot ballroom and a number of meeting rooms.

Appendix 2 – Event Planner Survey

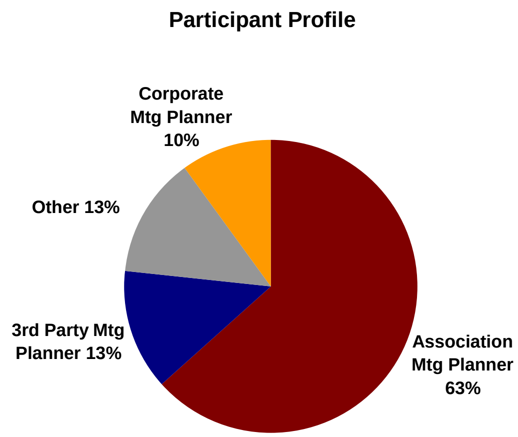
A thorough analysis of convention center demand potential relies on direct, detailed input from event planners. Event planners play a leading role in selecting event locations and provide invaluable insight regarding the overall attractiveness of a market and its convention facilities. National Service Research (NSR) conducted a web-based survey of state association event planners located in and around Texas. The survey is not intended to serve as a statistically valid measure for the future demand for the Dallas Convention Center, but rather serve as a tool to measure the interest level of this facility and to determine how event planners view Dallas as a potential location for their events.

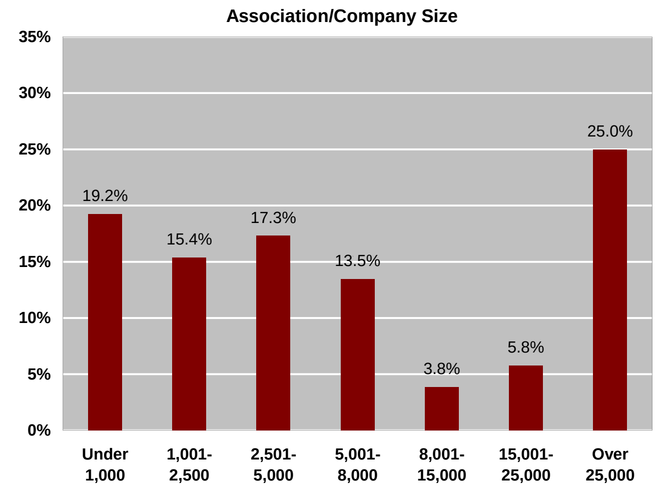
Overview

NSR contacted 277 event planners located in Texas of which 63 percent represented professional or trade association planners, 13 percent were employed by a corporation or company, 13 percent were third party planners/meeting consultants, and 10 percent were employed by a state association, a third party buyer, or a non-profit organization. The Dallas Convention and Visitors Bureau provided this list of contacts. NSR received 61 replies which calculated to a response rate of 22 percent.

The size of the associations surveyed included a wide range of membership sizes. Eighteen percent have fewer than 1,000 members and 24 percent have over 25,000. See Figure 1 for a comprehensive breakdown of attendees and participant profiles.

Figure 1
Participant Profile and Membership Size



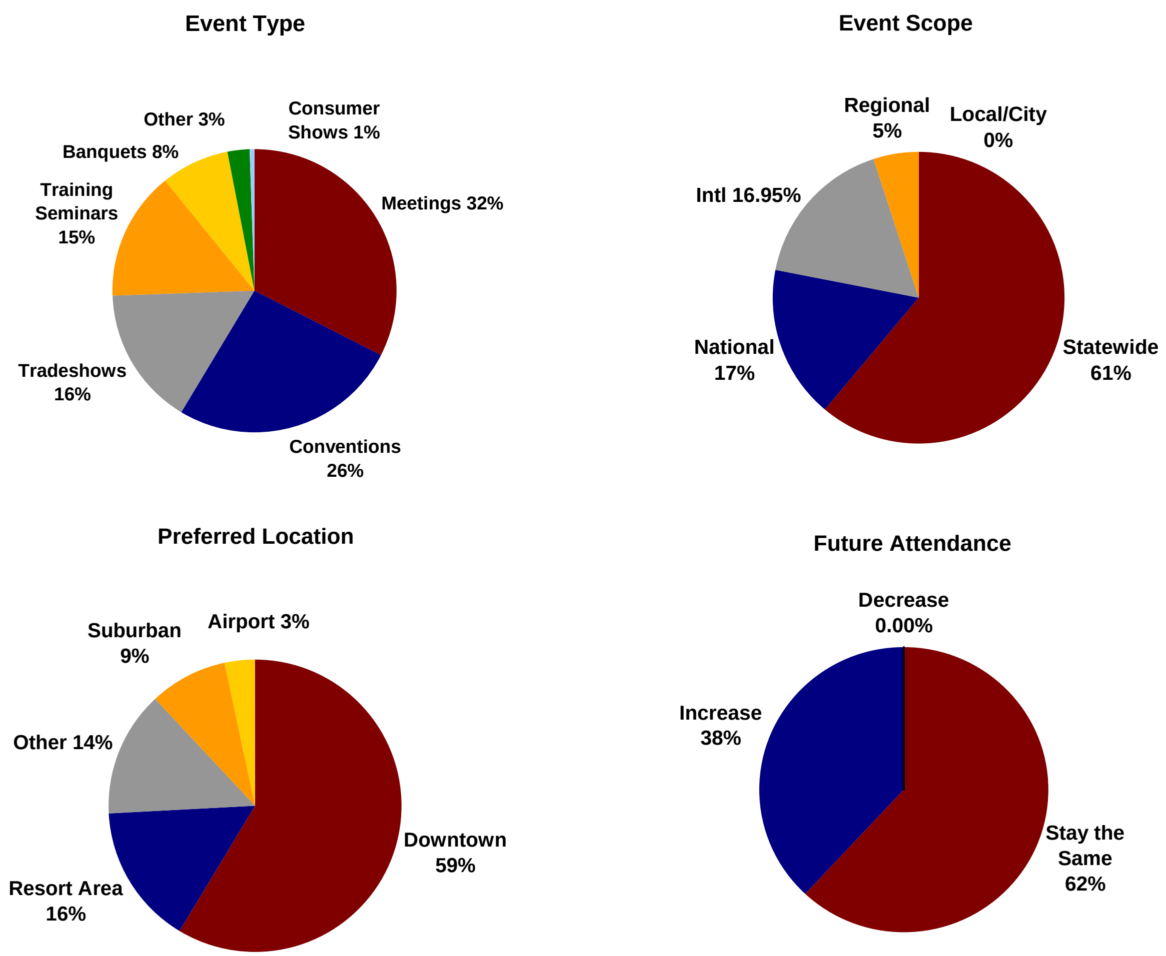


Source: NSR Event Planner Survey 2008

Event Characteristics

Event planners were asked to describe the types of events they plan, as well as the event's general location, geographic scope, and attendance. Their insights are important because they can help the facility's management team identify the most likely potential market segments to target in future sales and marketing campaigns. HVS tabulated and summarized the event data as shown in Figure 2.

Figure 2
Event Characteristics



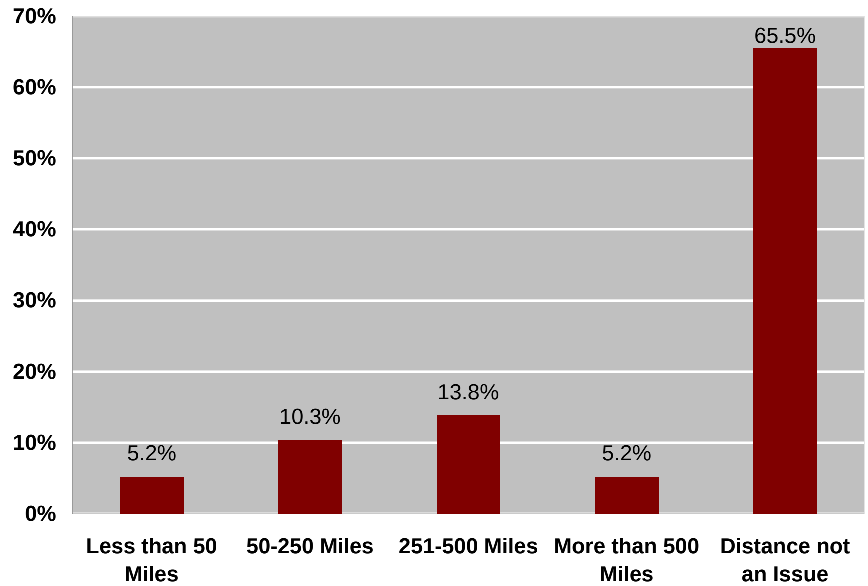
Source: NSR Event Planner Survey 2008

Meetings, conventions, tradeshows, and training seminars are the most common types of events planned by survey participants. Roughly 61 percent of event planners describe their events as statewide and 17 percent are either national or international in scope. A majority prefer downtown locations. When asked to forecast future attendance trends over the next five years, most were optimistic with 38 percent expecting attendance to increase and 62 percent expecting to remain stable. No one predicted a decrease in attendance. According to participants, the primary reasons attendance is predicted to increase is due to membership needs, training demands, changes in company structure and budget changes.

Travel Limitations

A majority of meeting planners surveyed said that distance is not an issue with regard to the distance participants are willing to travel to an event. Fourteen percent limited to 251 to 500 miles.

Figure 3
Travel Limitations

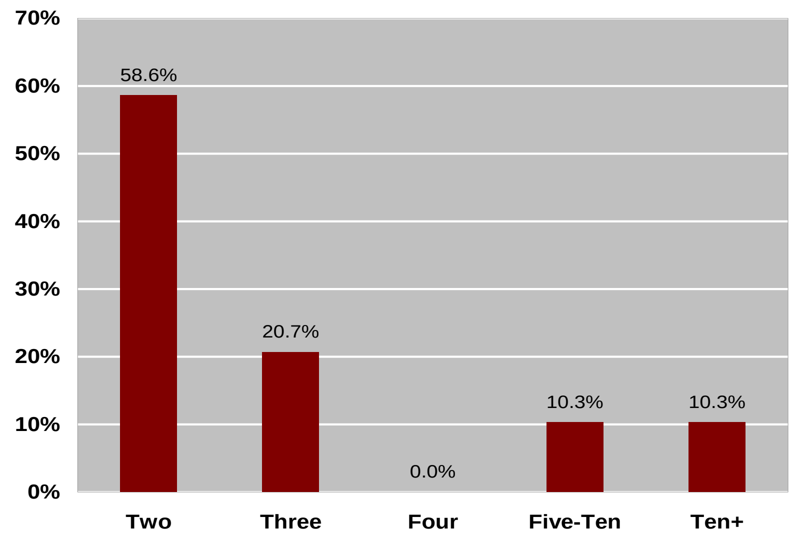


Source: NSR Event Planner Survey 2008

Multi-Site Events

Half of event planners surveyed host multi-site events with 57 percent utilizing two sites and 13 percent utilizing ten or more sites at one time.

Figure 4
Number of Sites Used at One Time



Source: NSR Event Planner Survey 2008

Facility Use

To successfully attract specific events, it is important to meet the specific needs of those events. NSR asked event planners to approximate their facility requirements with respect to each of three basic types of event space, including exhibition, ballroom, and meeting space. Based on space requirements outlined by survey participants, NSR separated the responses into hotel events, which generally require less space and non-hotel events that would benefit from the Dallas Convention Center space.

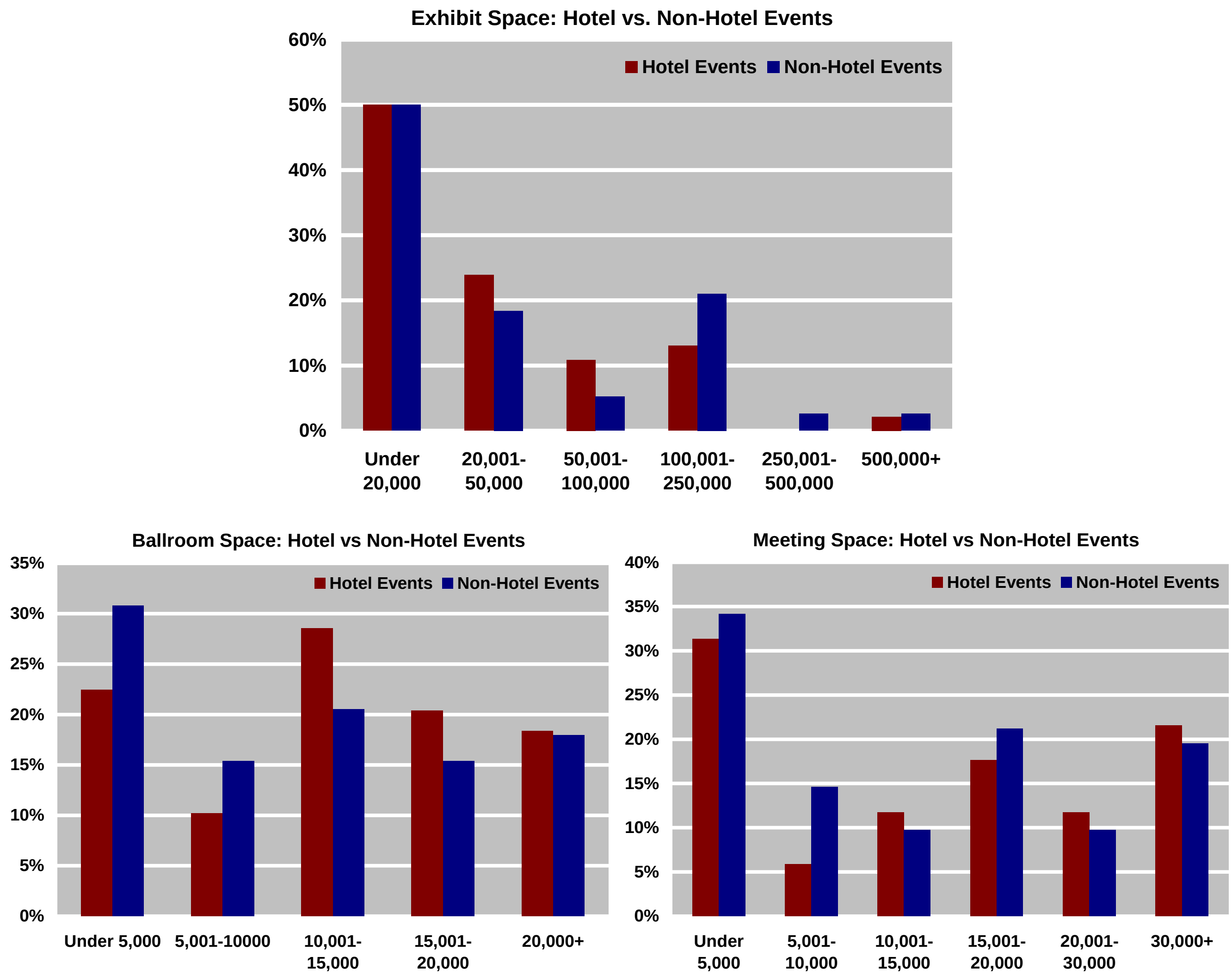
Table 1
Average Space Requirements of Hotel and Non-Hotel Events

Type of Space	Hotel Events	Non-Hotel Events
Exhibition Space	55,640	84,100
Meeting Space	17,260	18,270
Ballroom Space	14,300	15,150

Source: NSR Event Planner Survey 2008

Due to the wide array of space requirements for the event planners surveyed, no significant differences were seen for meeting and ballroom space. Typically hotel events require less space than non-hotel events. Non-hotel events are labeled as such because they require the additional space offered by a dedicated convention center. NSR summarized the space requirements for non-hotel events. Distribution rates for exhibition, ballroom and meeting space are presented below in Figure 5.

Figure 5
Facility Space Requirements



Source: NSR Event Planner Survey 2008

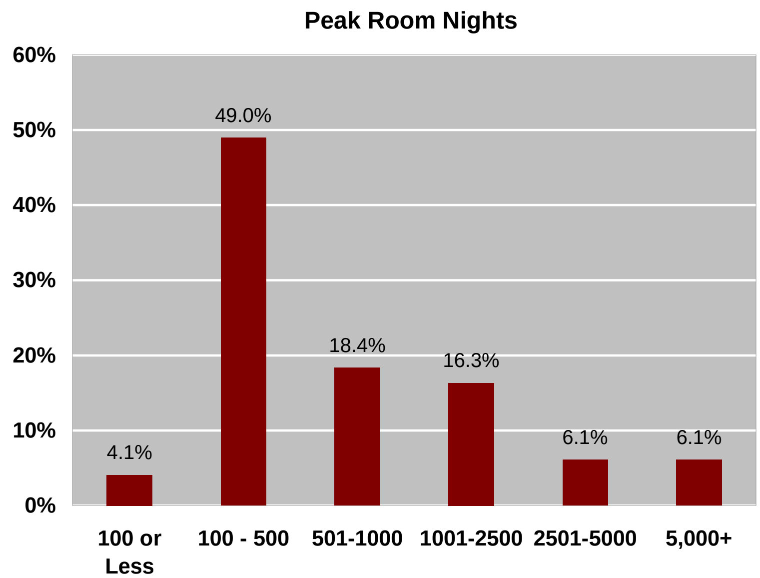
Survey participants expressed varying requirements for exhibit, ballroom and meeting space. On average, survey participants require 84,100 square feet of exhibit space, with 44 percent requiring less than 20,000 square feet and 5 percent requiring over 250,000 square feet. Meeting space requirements averaged 18, 270 square feet with 33 percent requiring less than 5,000 square feet and 30 percent requiring 20,000 square feet or more. Ballroom space needs averaged 15,150 square feet with 28 percent requiring less than 5,000 square feet and 33 percent requiring 15,000 or more.

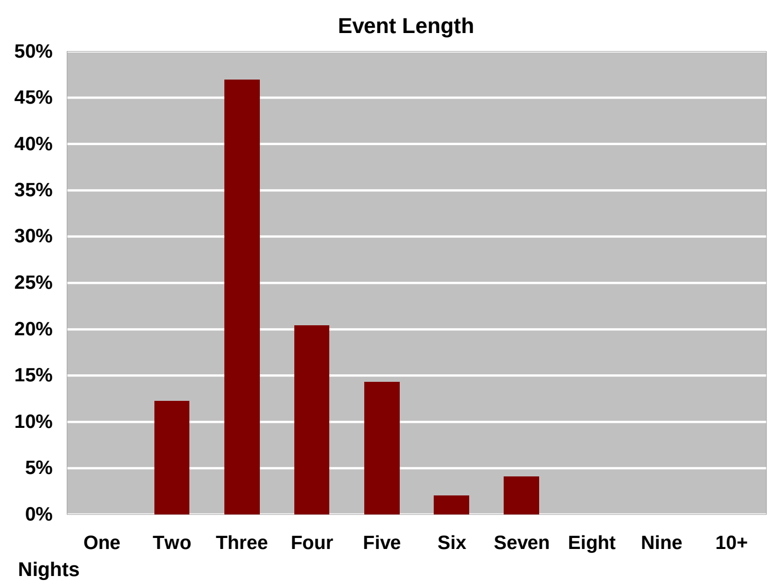
Event Length & Hotel Requirements

Delegates and attendees that come from out of town are likely to have the greatest impacts on the local economy. Overnight visitors require lodging, which is one of the largest spending categories for most event participants. In addition to the overall number of attendees, the longer an event lasts, the greater its impact is likely to be for the local economy and host community.

Event length and peak room night demand are important indicators for hotel demand. The participants have varying demand for peak room nights as shown in the chart below. A majority of conventions and meetings last two to five nights with almost half lasting three nights. See Figure 6.

Figure 6
Distribution Rates of Peak Room Nights & Event Length





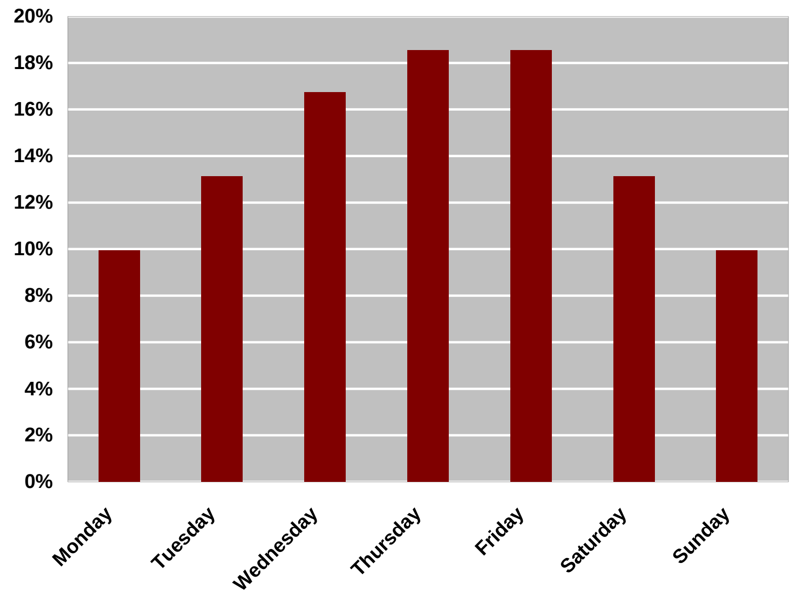
Source: NSR Event Planner Survey 2008

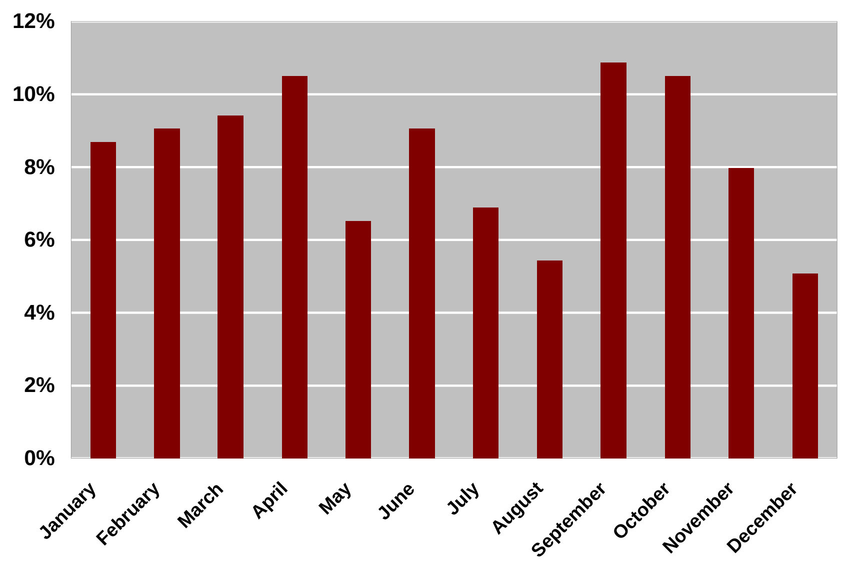
Seasonality

Respondents indicated that their events are typically planned on certain days of the week or months of the year. This creates some cycles in the industry, resulting in a distinct weekly and monthly seasonality in most markets.

Figure 7 presents the weekly and monthly distribution rates of the planned events.

Figure 7
Seasonality – Weekly/Monthly





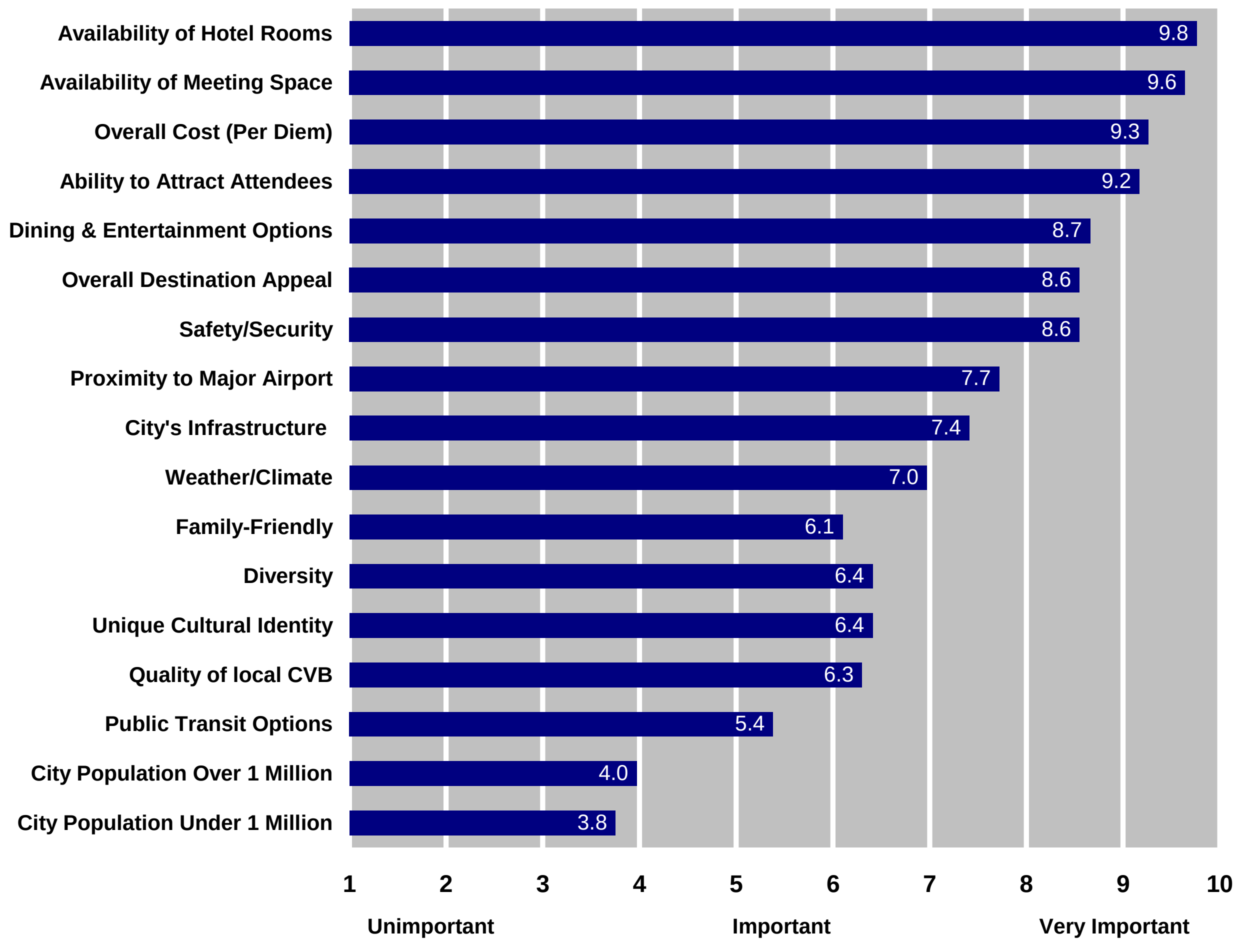
Source: NSR Event Planner Survey 2008

Mid-week represents the most frequently citied days on which planners wish to book their events. This pattern is fairly normal within the industry. The peak demand seasons throughout the year appear to be spring, early summer and fall being the busiest times. There appears to be three peak demand seasons throughout the year, with spring, early summer, and autumn being the busiest times. However, some markets have strong leisure demand and/or family-oriented activities that can create demand during the summer months.

Destination Appeal

Event planners have certain attributes that are important when selecting a host city. NSR identified seventeen host city selection attributes that are important to event planners. See Figure 8.

Figure 8
Destination Appeal



Source: NSR Event Planner Survey 2008

These are characteristic the Dallas CC should keep in the forefront to enhance marketing to event planners.

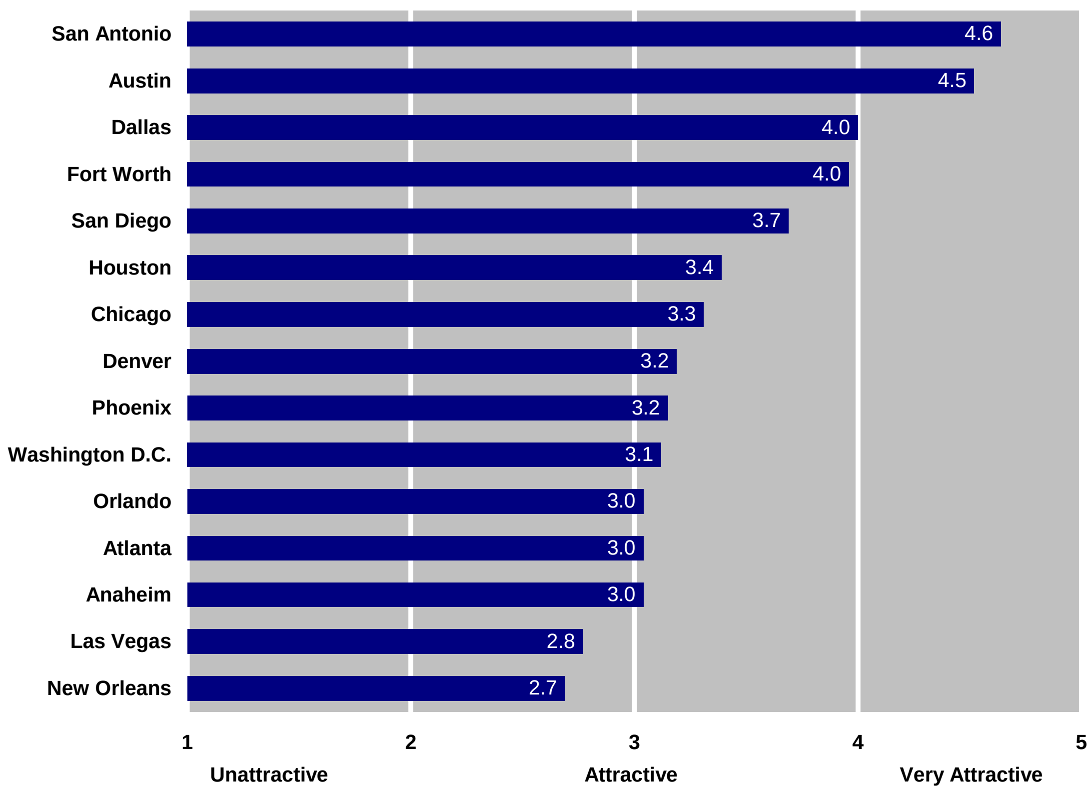
Competitive Cities

A key criterion for selecting a location for an event is the event planner's perception of the overall destination appeal of a given community. Because event planners evaluate the success of their events in part based on how many delegates and attendees they draw to their events, it is critical to find communities that will be appealing to their delegates and attendees.

NSR asked event planners to rate the overall relative attractiveness of Dallas and other selected markets considering the existing facilities located within each market.

Figure 9 shows the event planners' ratings of a set of markets that frequently host events conducted by state associations.

Figure 9
Competitive Cities



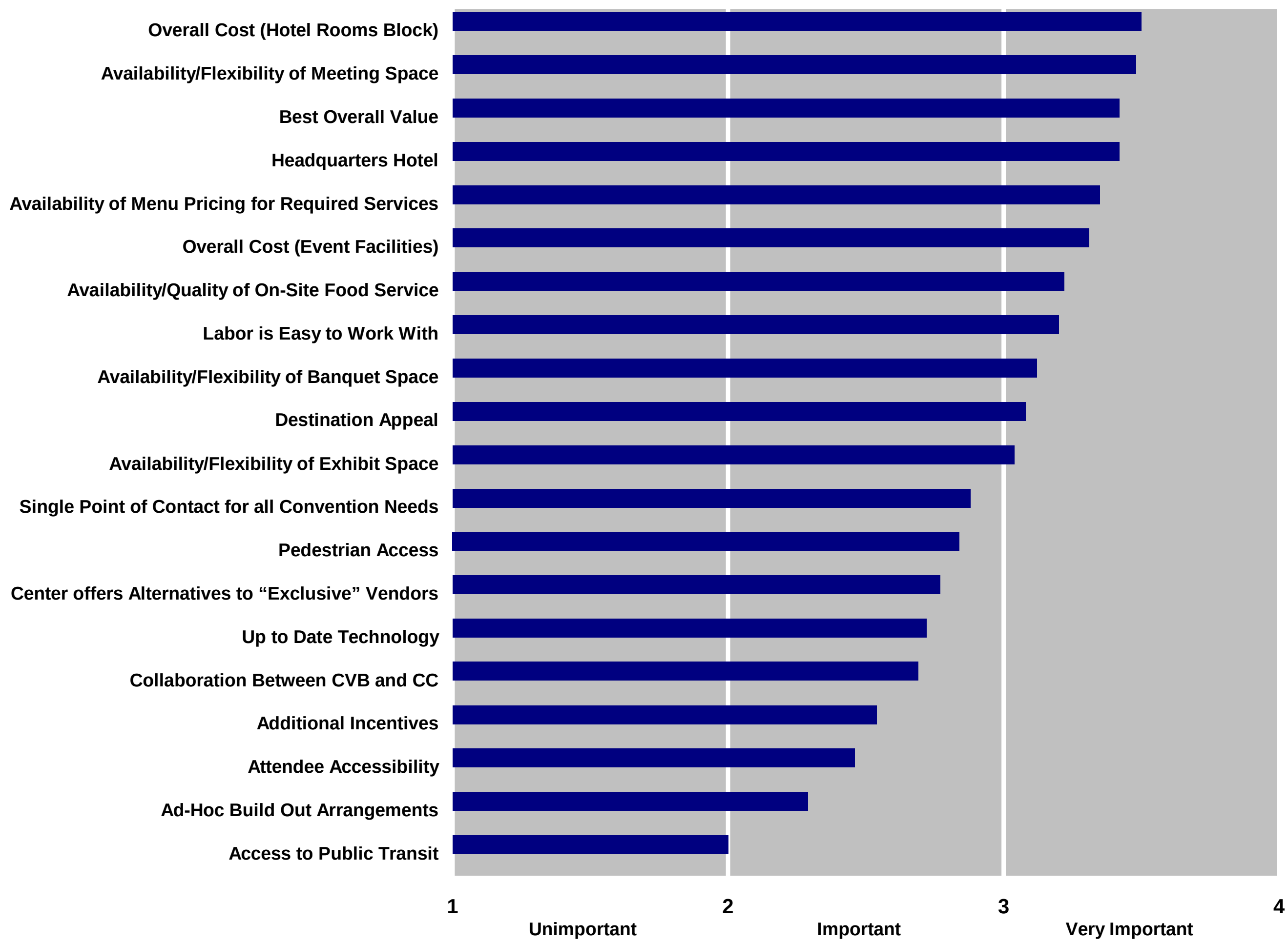
Source: NSR Event Planner Survey 2008

Survey participants ranked most of the comparable cities within a fairly narrow range of moderate attractiveness. Four Texas cities scored highest with Dallas ranking third behind San Antonio and Austin. These scores refer to the communities themselves, rather than to specific event facilities that may be located in these communities.

Site Selection Criteria

NSR identified 20 key site selection factors that are important to event planners in deciding where to locate an event. The rankings provided by survey participants are presented in Figure 10 below.

Figure 10
Key Site Selection Criteria



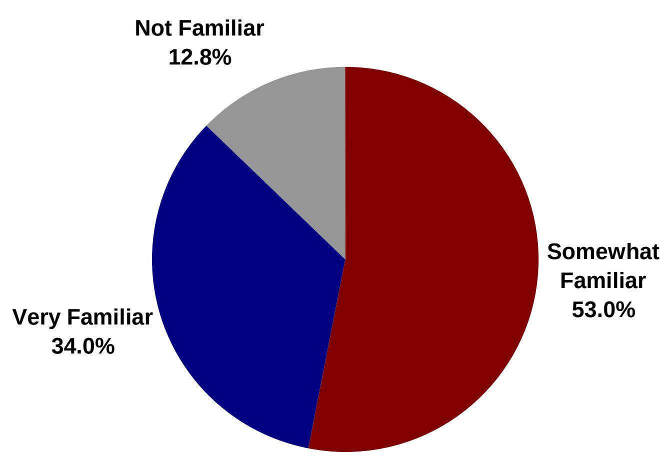
Source: NSR Event Planner Survey 2008

Survey participants clearly indicate the importance of overall hotel costs, availability and flexibility of meeting space, overall value, headquarters hotel as key criteria in selecting facilities to host their events. Overall, the primary concern of surveyed event planners is cost, with three of the top five most important criteria in selecting a facility had to do with cost of either the event facilities themselves or hotels. Hotel quality, accessibility, and cost were primary concerns as well.

Knowledge

Event planners generally choose locations they are familiar with for their events. If an event planner has little or no knowledge about a community and its convention facilities, they will be hesitant to book an event there until they learn more about it. Figure 11 indicates how knowledgeable survey respondents are about Dallas.

Figure 11
Event Planner Familiarity of Dallas



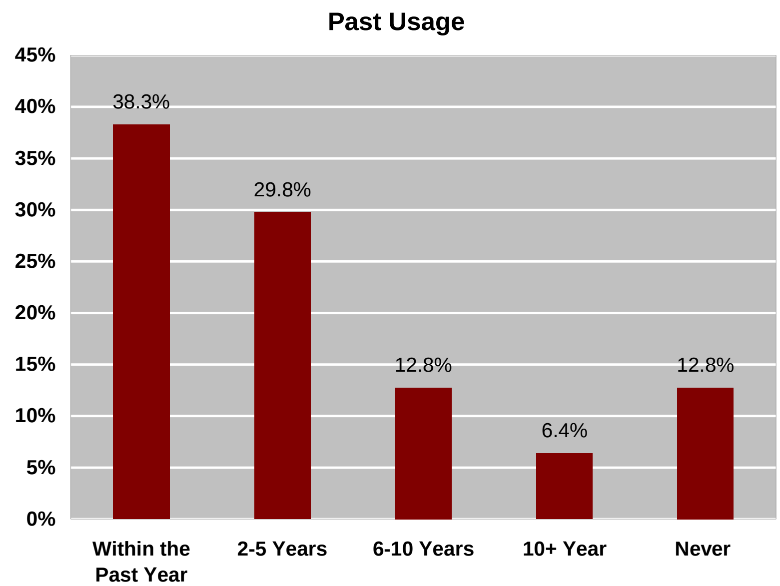
Source: NSR Event Planner Survey 2008

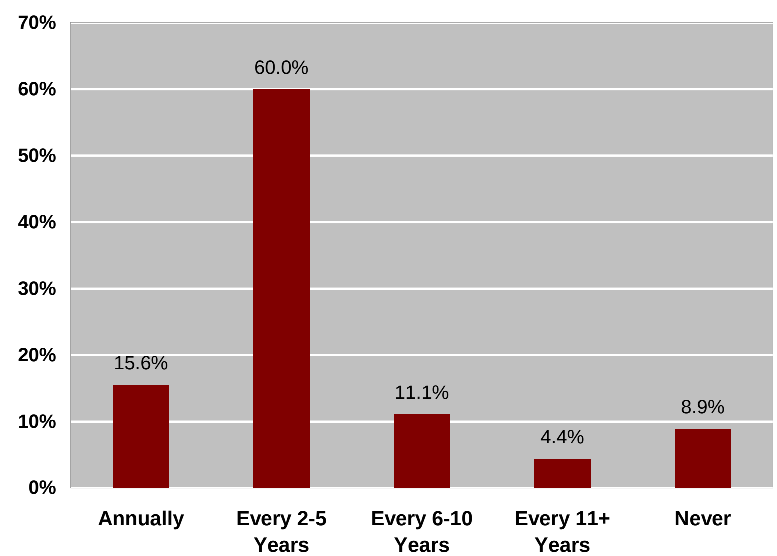
The majority of respondents consider themselves to be somewhat familiar with Dallas as a convention and meeting destination. About one-third of respondents are very familiar with Dallas. Only 13 percent of respondents indicated that they were "not at all" familiar with Dallas.

Interest

Perhaps the most important question in the NSR survey is whether event planners are likely to hold an event in Dallas and the last time planners held an event in Dallas. They will be crucial in determining a realistic projection of future demand. The likelihood of planning an event in Dallas is crucial in determining a realistic projection of future demand. The results, shown in the chart below, are a positive indicator for demand potential for the Dallas Convention Center. Figure 12 presents the findings from this question.

Figure 12
Past and Anticipated Usage of the Dallas Convention Center





Source: NSR Event Planner Survey 2008

More than one-third of event planners held an event in Dallas within the past year, while 13 percent have never hosted a meeting in Dallas. More than half are likely to plan an event in Dallas every 2 to 5 years and 17 percent are likely to have an event annually in Dallas. Only nine percent were not planning on having an event in Dallas.

Primary reasons event planners would not plan an event in Dallas were, hotel accommodations are too expensive, the city in general is too expensive and the sponsoring organization does not allow us to use Dallas. What could Dallas change or provide to get your event business? Three respondents who answered this question provided the following responses, "We need a hotel large enough to hold our event under one roof and that is willing to give us a decent room rate", "nothing", and "nothing, our members have requested to have all of our events in Austin."

Conclusion

Survey responses provide a positive outlook for event demand for the City of Dallas as a convention destination. The most critical items to consider include the amount and flexibility of meeting space, cost of hotel room block, headquarter hotel in close proximity to the convention center, proximity to shopping, dining and entertainment, overall cost and event planners' knowledge of Dallas as a meeting an convention destination.

APPENDIX E

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

Financial Guaranty Insurance Policy

Issuer: **Policy No.:**

Obligations: **Premium:**

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department – Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "**Fiscal Agent**") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation, its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By:____________________________________
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

____
Counsel

Financial Advisory Services
Provided By

First Southwest Company

ESTRADA HINOJOSA
INVESTMENT BANKERS