

# Financial Plan Update for KBHCCD Master Plan & Fair Park Improvements

Government Performance &  
Financial Management Committee  
May 22, 2023

Jack Ireland  
Chief Financial Officer

Rosa Fleming, Director  
Convention and Event Services

Filicia Hernandez, Treasury Administrator  
City Controller's Office



**City of Dallas**

# Overview



- Review purpose and background
- Discuss KBHCCD master plan financial projections
- Discuss Fair Park improvements financial projections
- Review upcoming debt issuance
- Review timeline
- Outline next steps



# Purpose



- Update GPFM Committee on the financial projections for KBHCCD Master Plan and Fair Park improvements
- Discuss the timeline for debt issuance



# Background



- KBHCCD Master Plan process and interaction with Fair Park began in 2019 with discussions about the potential renovation/expansion of the center to remedy \$600M - \$700M of deferred maintenance and to allow the City to keep pace with its competitive set
- 2021 legislative session allowed Chapter 334 (Brimer Bill) to include Fair Park in a split use of the 2% increase in Hotel Occupancy Tax (HOT) assuming an expansion process of the convention center was underway
- Dallas City Council approved a resolution authorizing an 80/20 percent split of the 2% increase in HOT that was approved by voters under Proposition A in November 2022



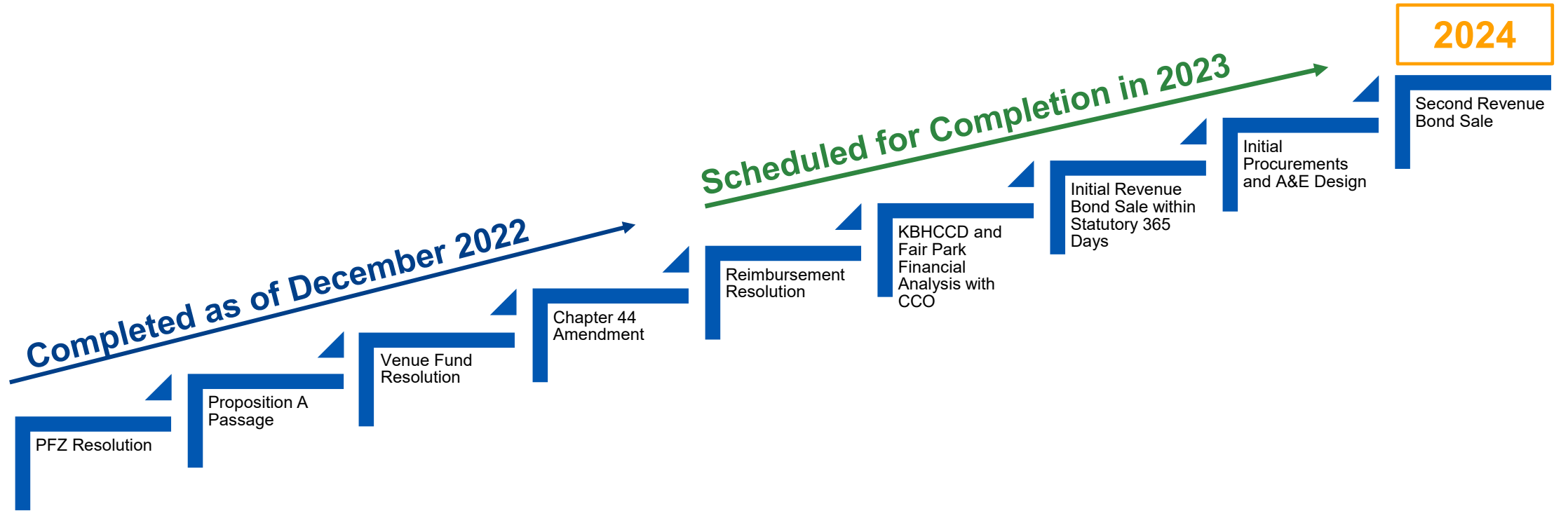
# Background



- Chapter 334 of Texas Local Government Code requires issuance of debt within one year of Brimer Bill tax levy, which began on January 1, 2023
- City staff, bond counsel, and financial advisors are working toward a short-term financial transaction by September 2023, a larger bond sale in 2024, and potential transactions in future years
- Issuing short-term debt via private placement in the first-year will effectively leverage bonding capacity, meet the needs of project design and other initial contract awards, and maintain coverage requirements for future bond refundings



# Background – Financing Timeline



# KBHCCD Master Plan Financial Projections – Pledged Revenues



The City will pledge the following to secure bonding related to the KBHCCD Master Plan:

Financing Tool	Estimated Revenue	Description
Project Financing Zone (PFZ)	Approximately \$2.2B total over 30 years	Approved November 2021 to redirect State Hotel-Related Incremental Taxes (includes hotel occupancy, sales, alcohol and beverage taxes) to City of Dallas thru 2051 for the convention center expansion project only
2% HOT Increase (Brimer Bill)	Approximately \$1.5B total over 30 years	Approved by voters in November 2022 with a collection period through 2052 for the convention center expansion project and Fair Park (80% allocation to KBHCCD)
Local HOT (7%)	Approximately \$114M annually	Authorized by City Ordinance 31554 (CR 20-937) to distribute 4.718 percent of local HOT for debt service and capital and operating use for the convention center, and for dissemination for tourism promotion and arts and culture
Net Event Revenues from KBHCCD Activities	TBD	Includes revenues generated at the KBHCCD through client use agreements, audio-visual, food and beverage, technology, parking and electrical, net of all operating costs



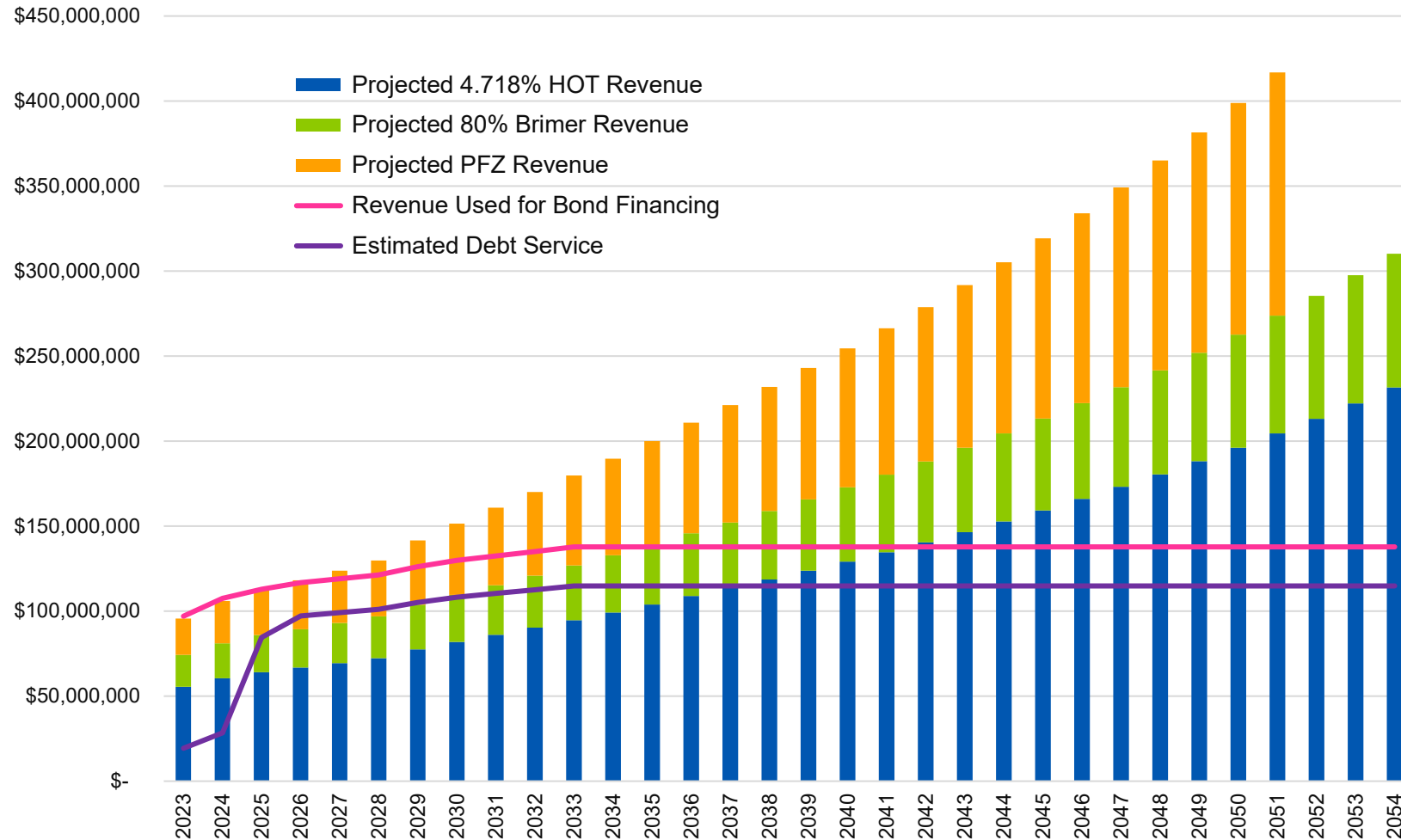
Note: Bonds for Convention Center Venue Project and Fair Park Venue Project are payable solely from the Pledged Revenues and are not payable from City's General Fund.



# KBHCCD Master Plan Financial Projections



Estimated Revenue Available for Convention Center







As revenue continues to grow, surpassing debt service funding requirements, there are additional options for excess funds:

- Operating and maintenance costs
- Prepayment funds to pay down debt faster
- Capital improvement funds for future improvements
- Issuance of additional debt



# KBHCCD Master Plan Financial Projections – Estimated Sources and Uses for KBHCCD Financing



	<u>Convention Center Short Term Series 2023</u>	<u>Convention Center Sr. Lien Series 2024</u>	<u>Convention Center Sub. Lien Series 2024</u>	<u>Total</u>
<b><u>Sources of Funds</u></b>				
Par Amount	\$172,590,000	\$ 1,144,413,198	\$ 335,385,000	\$ 1,652,388,198
Premium	-	43,662,393	14,246,991	57,909,385
	<u>\$172,590,000</u>	<u>\$ 1,188,075,591</u>	<u>\$ 349,631,991</u>	<u>\$ 1,710,297,583</u>
<b><u>Uses of Funds</u></b>				
Project Design Costs	\$170,000,000	\$ -	\$ -	\$ <b>170,000,000</b>
Project Fund Deposit	-	906,532,893	321,650,466	<b>1,228,183,360</b>
Refunding of 2023 Short Term Bonds	-	172,590,000	-	172,590,000
Debt Service Reserve Fund	-	91,786,500	22,950,750	114,737,250
Cost of Issuance	2,590,000	17,166,198	5,030,775	24,786,973
	<u>\$172,590,000</u>	<u>\$ 1,188,075,591</u>	<u>\$ 349,631,991</u>	<u>\$ 1,710,297,583</u>
<b>Delivery Date</b>	10/1/23	10/1/24	10/1/24	10/1/23
<b>All-In TIC</b>	7.1633%	4.7852%	4.7677%	4.8028%
<b>Average Life (years)</b>	1.000	20.875	19.015	19.317
<b>Total Interest</b>	9,492,450	1,168,735,588	318,870,513	1,497,098,550
<b>Total Debt Service</b>	182,082,450	2,336,755,588	654,255,513	3,173,093,550
<b>Maximum Annual Debt Service</b>	n/a	91,786,500	22,950,750	114,733,000

**Total Project Proceeds: \$ 1,398,183,360**

**Notes:**

- Assumes interest rates as of May 12, 2023
- Project fund deposit from the Series 2024 Bonds will be dependent upon a market study completed in conjunction with the long-term financing and subject to interest rates at the time of sale
- Project fund deposits do not include any investment earnings
- Cost of issuance assumed at \$15/bond



# KBHCCD Master Plan Financial Projections – Project Overview



	Current Sq. Ft.	Planned Sq. Ft.
Exhibition Halls:	724,000	800,000
Ballrooms:	65,000	170,000
Largest Ballroom:	27,000	105,000
Meeting Room:	100,000	260,000
Parking:	2,000 spaces	2,000 spaces

Other Project Components	Project Type
The Black Academy of Arts and Letters	Renovation
Dallas Memorial Auditorium	Renovation
Transportation Components	Enhancement
Land Use / Development – ~30 acres	Development
Pioneer Plaza/ Pioneer Cemetery	Rehabilitation
Eddie Bernice Johnson Union Station	Rehabilitation
Deck Park	Enhancement



# KBHCCD Master Plan Financial Projections – Non-Bonded Project Components



CES and its partner departments will bifurcate the Master Plan into projects funded by the Project Fund and other projects funded by alternative financing methods:

Non-Bonded Project Component	Alternative Funding Proposal
Eddie Bernice Johnson Union Station	Public-private partnership with negotiated agreement to cover full renovation costs
Transportation Components	During the project management and design process, street components that will be included in the convention center construction/expansion will be separated from costs to be borne by the surrounding developers as part of their projects, Texas Department of Transportation as part of the I-30 reconstruction, and other existing projects
Pioneer Plaza	Funds are already set-aside in CES Capital Projects Fund and includes a public-private partnership component with Texas Trees Foundation and PKR
Pioneer Cemetery	Public-private partnership and humanities/history focused grants
Land Use / Development ~30 acres	P3 or Developer Agreement
Deck Park	Public-private partnership and integration into other developer-led transportation projects



# Fair Park Improvements Financial Projections – Pledged Revenue



The City will pledge the following to secure bonding related to the Fair Park improvements:

Financing Tool	Estimated Revenue	Description
2% HOT Increase (Brimer Bill)	Approximately \$350M total over 30 years	Approved by voters in November 2022 with a collection period through 2052 for the convention center expansion project and Fair Park (20% allocation to Fair Park)

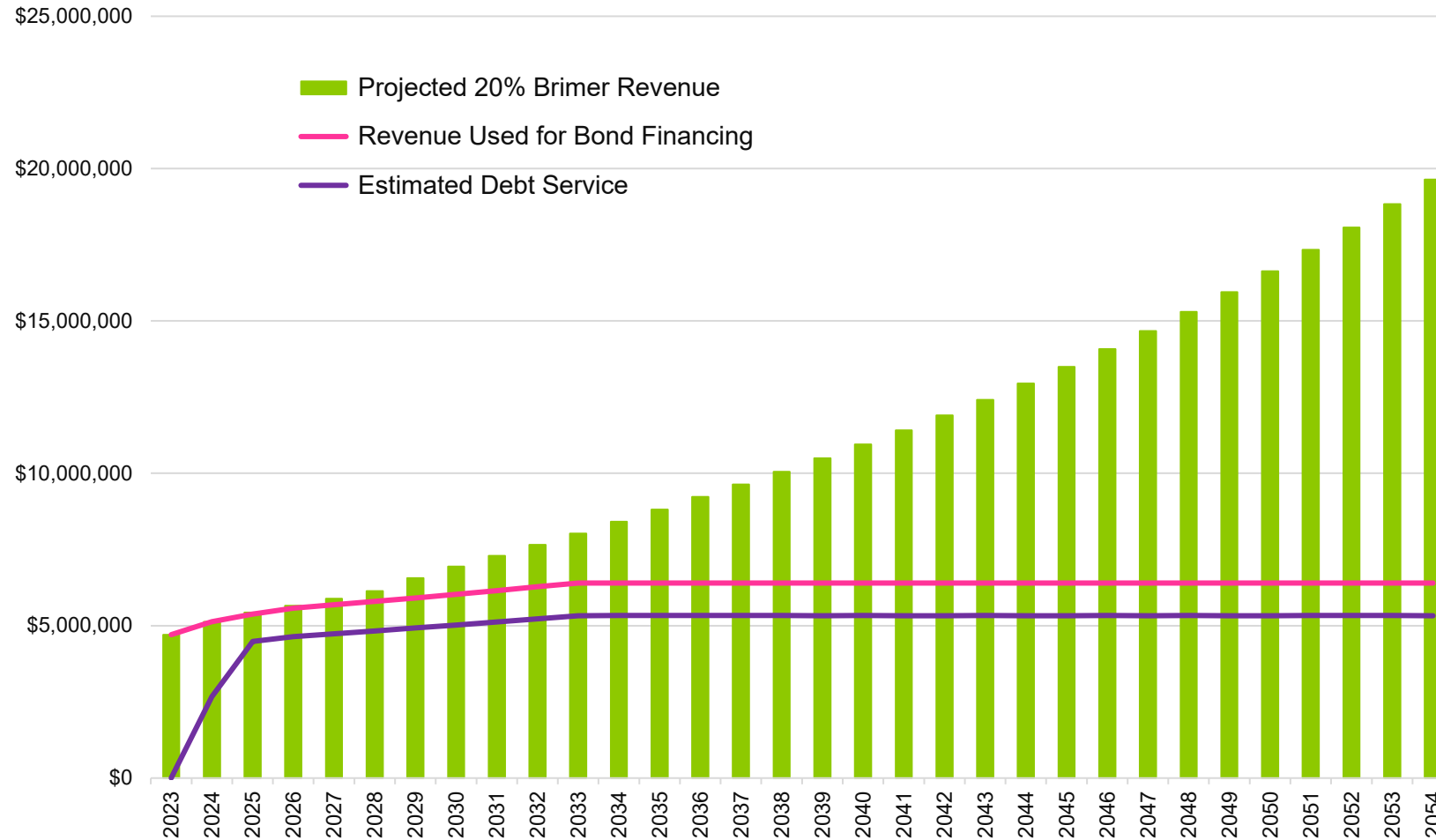


Note: Bonds for Convention Center Venue Project and Fair Park Venue Project are payable solely from the Pledged Revenues and are not payable from City's General Fund.

# Fair Park Improvements Financial Projections



## Estimated Brimer Revenue Available for Fair Park





# Fair Park Improvements Financial Projections



Similar to KBHCCD, excess revenue surpassing debt service funding requirements can be used for:

- Operating and maintenance costs
- Prepayment funds to pay down debt faster
- Capital improvement funds for future improvements
- Issuance of additional debt





# Fair Park Improvements Financial Projections – Estimated Sources and Uses for Fair Park Financing



	<u>Fair Park Short Term Series 2023</u>	<u>Fair Park Sr. Lien Series 2024</u>	<u>Fair Park Sub. Lien Series 2024</u>	<u>Total</u>
<b><u>Sources of Funds</u></b>				
Par Amount	\$ 50,765,000	\$ 63,420,000	\$ 15,860,000	\$ 130,045,000
Premium	-	3,160,362	653,243	3,813,604
	<u>\$ 50,765,000</u>	<u>\$ 66,580,362</u>	<u>\$ 16,513,243</u>	<u>\$ 133,858,604</u>
<b><u>Uses of Funds</u></b>				
Project Fund Deposit	\$ 50,000,000	\$ 10,598,312	\$ 15,205,843	<b>\$ 75,804,154</b>
Refunding of 2023 Short Term Bonds	-	50,765,000	-	50,765,000
Debt Service Reserve Fund	-	4,265,750	1,069,500	5,335,250
Cost of Issuance	765,000	951,300	237,900	1,954,200
	<u>\$ 50,765,000</u>	<u>\$ 66,580,362</u>	<u>\$ 16,513,243</u>	<u>\$ 133,858,604</u>
<b>Delivery Date</b>	10/1/23	10/1/24	10/1/24	10/1/23
<b>All-In TIC</b>	7.1633%	4.7102%	4.7809%	4.8451%
<b>Average Life (years)</b>	1.000	19.409	19.411	12.832
<b>Total Interest</b>	2,792,075	61,545,067	15,392,672	79,729,814
<b>Total Debt Service</b>	53,557,075	124,965,067	31,252,672	209,774,814
<b>Maximum Annual Debt Service</b>	n/a	4,265,750	1,069,500	5,332,000

**Total Project Proceeds: \$ 75,804,154**

**Notes:**

- Assumes interest rates as of May 12, 2023
- Project fund deposit from the Series 2024 Bonds will be dependent upon a market study completed in conjunction with the long-term financing and subject to interest rates at the time of sale
- Project fund deposits do not include any investment earnings
- Cost of issuance assumed at \$15/bond



# Fair Park Financial Projections – Projects



- Refurbish Cotton Bowl Stadium
- Restore iconic venues:
  - Fair Park Music Hall
  - Band Shell
  - Automobile Building
  - Centennial Exhibition Hall
  - Fair Park Coliseum



# Debt Issuance – Short-Term Financing



	<u>Convention Center</u> <u>Short Term</u> <u>Series 2023</u>	<u>Fair Park</u> <u>Short Term</u> <u>Series 2023</u>	<u>Total</u>
<b><u>Sources of Funds</u></b>			
Par Amount	<u>172,590,000</u>	<u>50,765,000</u>	<u>223,355,000</u>
	<u>\$ 172,590,000</u>	<u>\$ 50,765,000</u>	<u>\$ 223,355,000</u>
<b><u>Uses of Funds</u></b>			
Project Design Costs	\$ 170,000,000	\$ -	<b>\$ 170,000,000</b>
Project Fund Deposit	-	\$ 50,000,000	<b>50,000,000</b>
Cost of Issuance	<u>2,590,000</u>	<u>\$ 765,000</u>	<u>\$ 3,355,000</u>
	<u>\$ 172,590,000</u>	<u>\$ 50,765,000</u>	<u>\$ 223,355,000</u>
	<b>Total Bond Issuance Amount:</b>		<b>\$ 223,355,000</b>

Notes:

- Assumes interest rate of 5.5% on short term note
- Project fund deposits do not include any investment earnings
- Cost of issuance assumed at \$15/bond



# Debt Issuance – Short-Term Financing



- Issuing short-term debt via private placement in the first-year will effectively leverage bonding capacity, meet the needs of project design and other initial contract awards, and maintain coverage requirements for future bond refunding
- For the convention center, current estimated short-term issuance amounts can be offset from PFZ collections, available convention center revenues, and available HOT revenues
- Following the first-year issuance, short-term debt will be refunded into long-term debt as a Senior Lien at 1.5x coverage and a Subordinate Lien at 1.2x coverage to obtain maximum bonding capacity
- Bonding capacity for refunding is driven by rating agency criteria primarily centered on a market study, which includes assessments of HOT, Brimer, PFZ and convention center revenues



# Timeline – Short-Term Financing



May 22, 2023	GPFM Committee – Financial Plan Update for KBHCC & Fair Park briefing
June 13, 2023	GPFM Committee – Upcoming KBHCCD & Fair Park Bond Sale discussion
June 14, 2023	City Council approval of resolution to proceed with bond sale and payment of issuance costs
August 9, 2023	City Council approval of ordinance authorizing bond issue and terms
September 28, 2023	Deliver bonds and receive proceeds



# Next Steps



- Procurement of market ready study of pledged revenues for Convention Center and Fair Park to identify maximum bonding capacity and facilitate a market bond sale
- Plan for issuance of long-term debt to refund outstanding short-term debt and finance overall project costs in Fall 2024
- Continue to update GPFM Committee on upcoming debt transactions and items for review and approval



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The logo of the City of Dallas, featuring a stylized white 'D' with a three-lobed leaf inside, set against a dark blue background with a fine white grid pattern.

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