

# Memorandum



CITY OF DALLAS

Date October 17, 2008

TO Members of the Economic Development Committee  
Chair Ron Natinsky, Vice Chair Tennell Atkins, Jerry R.  
Allen, Dwayne Caraway, Sheffie Kadane, Linda Koop,  
Mitchell Rasansky, Steve Salazar

SUBJECT Dallas Convention Center Debt Restructuring

On Monday October 20th, you will be briefed on the Dallas Convention Center Debt Restructuring.

If you have any questions, please contact me at 214/670-7804.

A handwritten signature in cursive script, appearing to read 'D. Cook'.

David Cook  
Chief Financial Officer

## Attachments

C: Honorable Mayor and Members of the City Council  
Mary K. Suhm, City Manager  
Ryan S. Evans, First Assistant City Manager  
A. C. Gonzalez, Assistant City Manager  
Jill A. Jordan, Assistant City Manager  
Ramon F. Miguez, Assistant City Manager  
Forest Turner, Interim Assistant City Manager  
Tom Perkins, Jr., City Attorney  
Deborah Watkins, City Secretary  
Craig Kinton, City Auditor  
Frank Poe, Director, Convention & Event Services  
Jeanne Chipperfield, Director, Budget & Management Services

# Dallas Convention Center Debt Restructuring

Economic Development  
Committee

October 20, 2008



# Purpose

- To provide information on the proposed Dallas Convention Center Debt Restructuring
- Seek committee's recommendation of the October 22<sup>nd</sup> resolution authorizing staff to proceed with preparation for the bond sale and to establish appropriations

# Background

- Currently outstanding debt of the Dallas Convention Center Complex (DCC) is \$263.9 million
- DCC debt is a result of the 1998 \$326.23 million refunding of all the DCC's outstanding debt and new money issuance for DCC expansion
- The expansion in 1998 was part DCC's 1989 Master Plan.
- New money provided for an additional 220,000 square feet of exhibit space and lobby space.

# Bond Sale Overview

- Sale will be negotiated using the City's "B" Underwriting Syndicate
- Council approval of a parameters ordinance will provide flexibility in timing of bond sale, should current financial market conditions persist
- Total sale will not exceed \$325 million includes both a restructuring of the existing debt and a new money issuance
  - New money plus FY09 debt service savings generates an estimated \$19 million would be used for various improvements to the Convention Center facilities such as additional meeting space; ballroom and lobby upgrades; roof repairs; CCTV security upgrades; and electrical service upgrades
- Estimated issuance costs of \$0.75m will be paid from bond proceeds
- Use of bond insurance will be evaluated for cost effectiveness

# Bond Sale Overview

- 30 Year bonds with a ten year call
- 9 years added to the final maturity of the existing debt – from current final maturity in 2028 to new final maturity in 2037
- Refunding will not meet the City’s Financial Management Performance Criteria for net present value savings for a current refunding
  - Purpose of refunding is to exclude the HOT from the proposed Convention Center Hotel in the revenue pledge
  - Restructuring of debt will put the Convention Center on a more solid financial footing and will ensure coverage requirement is met
- Annual debt service savings will be utilized to
  - Eliminate the General Fund’s annual subsidy transfer to support the operations of the DCC
  - Add funding to the DCC’s annual capital improvement program budget

# Bond Ordinance

- Hotel Occupancy Tax (HOT) is pledged for the repayment of the bonds
  - Specifically excludes any HOT generated by the Convention Center Hotel
- Alcoholic Beverage Tax (ABT) is pledged for Convention Center operations and maintenance expenses
- City continues to covenant to provide General Fund moneys for Convention Center O&M in the event that the Convention Center has insufficient revenues
- Requires coverage of 1.25 times average annual debt service by the pledged revenue

# Underwriting Syndicates

- In May 1999, City Council approved two underwriting syndicates to handle the City's negotiated sales; in June 2002 City Council approved minor changes to the syndicates to reflect industry consolidation
  - Each syndicate consists of
    - A mix of national, regional and MWBE firms
    - A mix of institutional and retail firms
    - Two co-senior managers of which one will be a national firm and one will be an MWBE firm
  - Council approval of the syndicates provided for designation of one national firm and one MWBE firm as co-senior managers for each sale, with the designation to rotate among team members



# Underwriting Syndicates

- Syndicate Team A has underwritten \$1.1 billion in bonds and consists of the following firms:
  - **National**
    - Citigroup
    - Banc of America Securities LLC
  - **Regional**
    - Morgan Keegan & Co
  - **MWBE**
    - Ramirez & Co
    - Apex/Rice

# Underwriting Syndicates

- Syndicate Team B has underwritten \$443 million in bonds and consists of the following firms
  - **National**
    - Goldman Sachs
    - Morgan Stanley
    - JP Morgan Chase
    - Barclays Capital (acquired Lehman Bros municipal bond business)
  - **Regional**
    - RBC Dain Rauscher
    - SWS Securities
  - **MWBE**
    - Siebert Brandford and Shank
    - Walton Johnson & Co

# Underwriting Syndicate

- The proposal is for Team B to underwrite the bond sale
- Co-Senior Managers
  - JP Morgan Chase (Bookrunning senior manager)
  - Siebert Brandford and Shank
- Co-Managers
  - Goldman Sachs
  - Morgan Stanley
  - Barclays Capital
  - RBC Dain Rauscher
  - SWS Securities
  - Walton Johnson

# Estimated Schedule of Events

October 20	Economic Development committee briefing
October 22	Council approval of plans to proceed and appropriations resolution
November 7	Receive ratings
November 7	Distribute Preliminary Official Statement and representation letters to Council
November 10	Council approval of parameters ordinance
Week of November 18	Pricing and City Manager executes Bond Purchase Agreement
December 16	Deliver bonds and receive proceeds

# Recommendation

- Recommend approval of the October 22, 2008 resolution to authorize (1) the preparation of plans for the Civic Center Convention Complex Revenue Refunding and Improvement Bonds, Series 2008 in an amount not to exceed \$325,000,000, and (2) the establishment of appropriations in an amount not to exceed \$40,000,000.

# Appendix

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## Total Estimated Issuance Costs

### Civic Center Complex Revenue Refunding and Improvement Bonds, Series 2008

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	Cost	Percent
<b>Co-Bond Counsel</b>		
Vinson and Elkins L.L.P. (Vendor #341246)	\$180,000	23.9%
West & Associates L.L.P. (Vendor #330805)*	70,000	9.4%
<b>Co-Financial Advisors</b>		
First Southwest Company (Vendor #193056)	130,200	17.3%
Estrada Hinojosa (Vendor #259910)*	86,800	11.6%
<b>Out-of-Pocket Expenses</b>		
First Southwest Company (Vendor #193056)	10,000	1.3%
<b>Structuring Fee</b>		
First Southwest Company (Vendor #193056)	125,000	16.8%
<b>Official Statement Printing</b>		
TBD	15,000	2.0%
<b>Rating Agencies</b>		
Moody's Investors Service (Vendor #951236)	66,150	8.8%
Standard & Poor's (Vendor #954974)	56,000	7.5%
<b>Filing Fee</b>		
Attorney General (Vendor #344989)	9,500	1.3%
<b>Total Issuance Costs</b>	<b>\$ 748,650</b>	<b>100%</b>
*Total M/WBE Participation as % of Total Issuance Costs:	20.9%	

\*\*\*\*\* PRELIMINARY - FOR DISCUSSION PURPOSES ONLY \*\*\*\*\*

**City of Dallas Civic Center Convention Complex**

\$280,535,000 Revenue Refunding and Improvement Bonds, Series 2008

Current Refunding of 1998 Bonds AND Maximum New Money with 30 Year Level Debt

"A1/A" Rated as of 1:15pm Oct 13, 2008 - 1.25x Coverage

**Debt Service Comparison**

Date	Total P+I	Net New D/S	Old Net D/S	Savings
09/30/2009	14,557,590.63	14,557,590.63	25,048,130.00	10,490,539.37
09/30/2010	20,036,575.00	20,036,575.00	24,079,970.00	4,043,395.00
09/30/2011	19,261,775.00	19,261,775.00	24,082,915.00	4,821,140.00
09/30/2012	19,263,075.00	19,263,075.00	24,081,435.00	4,818,360.00
09/30/2013	19,400,887.50	19,400,887.50	24,082,675.00	4,681,787.50
09/30/2014	19,817,625.00	19,817,625.00	24,083,175.00	4,265,550.00
09/30/2015	20,287,400.00	20,287,400.00	24,083,925.00	3,796,525.00
09/30/2016	20,743,650.00	20,743,650.00	24,083,175.00	3,339,525.00
09/30/2017	21,095,150.00	21,095,150.00	24,084,175.00	2,989,025.00
09/30/2018	21,387,781.26	21,387,781.26	24,079,925.00	2,692,143.74
09/30/2019	21,391,031.26	21,391,031.26	24,083,675.00	2,692,643.74
09/30/2020	21,391,825.00	21,391,825.00	24,081,193.76	2,689,368.76
09/30/2021	21,388,606.26	21,388,606.26	24,079,593.76	2,690,987.50
09/30/2022	21,387,231.26	21,387,231.26	9,081,681.26	(12,305,550.00)
09/30/2023	21,389,606.26	21,389,606.26	9,081,268.76	(12,308,337.50)
09/30/2024	21,387,206.26	21,387,206.26	9,080,500.00	(12,306,706.26)
09/30/2025	21,388,306.26	21,388,306.26	9,079,750.00	(12,308,556.26)
09/30/2026	21,390,806.26	21,390,806.26	9,081,250.00	(12,309,556.26)
09/30/2027	21,387,606.26	21,387,606.26	9,079,000.00	(12,308,606.26)
09/30/2028	21,386,906.26	21,386,906.26	9,077,250.00	(12,309,656.26)
09/30/2029	21,391,306.26	21,391,306.26	-	(21,391,306.26)
09/30/2030	21,387,518.76	21,387,518.76	-	(21,387,518.76)
09/30/2031	21,387,181.26	21,387,181.26	-	(21,387,181.26)
09/30/2032	21,387,231.26	21,387,231.26	-	(21,387,231.26)
09/30/2033	21,389,606.26	21,389,606.26	-	(21,389,606.26)
09/30/2034	21,390,937.50	21,390,937.50	-	(21,390,937.50)
09/30/2035	21,391,875.00	21,391,875.00	-	(21,391,875.00)
09/30/2036	21,387,187.50	21,387,187.50	-	(21,387,187.50)
09/30/2037	21,388,125.00	21,388,125.00	-	(21,388,125.00)
<b>Total</b>	<b>\$602,241,609.53</b>	<b>\$602,241,609.53</b>	<b>\$377,594,662.54</b>	<b>(224,646,946.99)</b>

**PV Analysis Summary (Net to Net)**

Gross PV Debt Service Savings	(35,152,197.16)
Net PV Cashflow Savings @ 6.245%(AIC)	(35,152,197.16)
Transfers from Prior Issue DSR Fund	(20,014,924.32)
Amount deposited into new DSR Fund	21,391,875.00
Other Benefits	8,507,835.30
Net Present Value Loss	\$(25,267,411.18)
Net PV Loss /\$256,050,000 Refunded Principal	(9.868%)
Average Annual Cash Flow Savings	(7,837,280.83)

**Refunding Bond Information**

Refunding Dated Date	12/16/2008
Refunding Delivery Date	12/16/2008

**\*Net D/S Excludes: DSR**

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**City of Dallas Civic Center Convention Complex**

\$280,535,000 Revenue Refunding and Improvement Bonds, Series 2008

Current Refunding of 1998 Bonds AND Maximum New Money with 30 Year Level Debt

"A1/A" Rated as of 1:15pm Oct 13, 2008 - 1.25x Coverage

**Sources & Uses**

Dated 12/16/2008 | Delivered 12/16/2008

**Sources Of Funds**

Par Amount of Bonds	\$280,535,000.00
Reoffering Premium	250,976.70
Original Issue Discount (OID)	(3,490,286.55)
Transfers from Prior Issue DSR Funds	20,014,924.32
<b>Total Sources</b>	<b>\$297,310,614.47</b>

**Uses Of Funds**

Total Underwriter's Discount (1.000%)	2,805,350.00
Costs of Issuance	750,000.00
Deposit to Debt Service Reserve Fund (DSRF)	21,391,875.00
Deposit to Current Refunding Fund	263,855,554.17
Deposit to Construction Fund	8,507,835.30
<b>Total Uses</b>	<b>\$297,310,614.47</b>

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**Debt Service Schedule**

Part 1 of 3

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
12/16/2008	-	-	-	-	-
08/15/2009	3,645,000.00	4.000%	10,912,590.63	14,557,590.63	-
09/30/2009	-	-	-	-	14,557,590.63
02/15/2010	-	-	8,145,787.50	8,145,787.50	-
08/15/2010	3,745,000.00	4.000%	8,145,787.50	11,890,787.50	-
09/30/2010	-	-	-	-	20,036,575.00
02/15/2011	-	-	8,070,887.50	8,070,887.50	-
08/15/2011	3,120,000.00	4.125%	8,070,887.50	11,190,887.50	-
09/30/2011	-	-	-	-	19,261,775.00
02/15/2012	-	-	8,006,537.50	8,006,537.50	-
08/15/2012	3,250,000.00	4.375%	8,006,537.50	11,256,537.50	-
09/30/2012	-	-	-	-	19,263,075.00
02/15/2013	-	-	7,935,443.75	7,935,443.75	-
08/15/2013	3,530,000.00	4.625%	7,935,443.75	11,465,443.75	-
09/30/2013	-	-	-	-	19,400,887.50
02/15/2014	-	-	7,853,812.50	7,853,812.50	-
08/15/2014	4,110,000.00	4.750%	7,853,812.50	11,963,812.50	-
09/30/2014	-	-	-	-	19,817,625.00
02/15/2015	-	-	7,756,200.00	7,756,200.00	-
08/15/2015	4,775,000.00	5.000%	7,756,200.00	12,531,200.00	-
09/30/2015	-	-	-	-	20,287,400.00
02/15/2016	-	-	7,636,825.00	7,636,825.00	-
08/15/2016	5,470,000.00	5.000%	7,636,825.00	13,106,825.00	-
09/30/2016	-	-	-	-	20,743,650.00
02/15/2017	-	-	7,500,075.00	7,500,075.00	-
08/15/2017	6,095,000.00	5.125%	7,500,075.00	13,595,075.00	-
09/30/2017	-	-	-	-	21,095,150.00
02/15/2018	-	-	7,343,890.63	7,343,890.63	-
08/15/2018	6,700,000.00	5.250%	7,343,890.63	14,043,890.63	-
09/30/2018	-	-	-	-	21,387,781.26
02/15/2019	-	-	7,168,015.63	7,168,015.63	-
08/15/2019	7,055,000.00	5.375%	7,168,015.63	14,223,015.63	-
09/30/2019	-	-	-	-	21,391,031.26
02/15/2020	-	-	6,978,412.50	6,978,412.50	-
08/15/2020	7,435,000.00	5.625%	6,978,412.50	14,413,412.50	-
09/30/2020	-	-	-	-	21,391,825.00
02/15/2021	-	-	6,769,303.13	6,769,303.13	-
08/15/2021	7,850,000.00	5.750%	6,769,303.13	14,619,303.13	-
09/30/2021	-	-	-	-	21,388,606.26
02/15/2022	-	-	6,543,615.63	6,543,615.63	-
08/15/2022	8,300,000.00	5.875%	6,543,615.63	14,843,615.63	-
09/30/2022	-	-	-	-	21,387,231.26
02/15/2023	-	-	6,299,803.13	6,299,803.13	-
08/15/2023	8,790,000.00	6.000%	6,299,803.13	15,089,803.13	-

**City of Dallas Civic Center Convention Complex**

\$280,535,000 Revenue Refunding and Improvement Bonds, Series 2008

Current Refunding of 1998 Bonds AND Maximum New Money with 30 Year Level Debt

"A1/A" Rated as of 1:15pm Oct 13, 2008 - 1.25x Coverage

**Debt Service Schedule**

Part 2 of 3

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
09/30/2023	-	-	-	-	21,389,606.26
02/15/2024	-	-	6,036,103.13	6,036,103.13	-
08/15/2024	9,315,000.00	6.000%	6,036,103.13	15,351,103.13	-
09/30/2024	-	-	-	-	21,387,206.26
02/15/2025	-	-	5,756,653.13	5,756,653.13	-
08/15/2025	9,875,000.00	6.000%	5,756,653.13	15,631,653.13	-
09/30/2025	-	-	-	-	21,388,306.26
02/15/2026	-	-	5,460,403.13	5,460,403.13	-
08/15/2026	10,470,000.00	6.000%	5,460,403.13	15,930,403.13	-
09/30/2026	-	-	-	-	21,390,806.26
02/15/2027	-	-	5,146,303.13	5,146,303.13	-
08/15/2027	11,095,000.00	6.000%	5,146,303.13	16,241,303.13	-
09/30/2027	-	-	-	-	21,387,606.26
02/15/2028	-	-	4,813,453.13	4,813,453.13	-
08/15/2028	11,760,000.00	6.000%	4,813,453.13	16,573,453.13	-
09/30/2028	-	-	-	-	21,386,906.26
02/15/2029	-	-	4,460,653.13	4,460,653.13	-
08/15/2029	12,470,000.00	6.125%	4,460,653.13	16,930,653.13	-
09/30/2029	-	-	-	-	21,391,306.26
02/15/2030	-	-	4,078,759.38	4,078,759.38	-
08/15/2030	13,230,000.00	6.125%	4,078,759.38	17,308,759.38	-
09/30/2030	-	-	-	-	21,387,518.76
02/15/2031	-	-	3,673,590.63	3,673,590.63	-
08/15/2031	14,040,000.00	6.125%	3,673,590.63	17,713,590.63	-
09/30/2031	-	-	-	-	21,387,181.26
02/15/2032	-	-	3,243,615.63	3,243,615.63	-
08/15/2032	14,900,000.00	6.125%	3,243,615.63	18,143,615.63	-
09/30/2032	-	-	-	-	21,387,231.26
02/15/2033	-	-	2,787,303.13	2,787,303.13	-
08/15/2033	15,815,000.00	6.125%	2,787,303.13	18,602,303.13	-
09/30/2033	-	-	-	-	21,389,606.26
02/15/2034	-	-	2,302,968.75	2,302,968.75	-
08/15/2034	16,785,000.00	6.250%	2,302,968.75	19,087,968.75	-
09/30/2034	-	-	-	-	21,390,937.50
02/15/2035	-	-	1,778,437.50	1,778,437.50	-
08/15/2035	17,835,000.00	6.250%	1,778,437.50	19,613,437.50	-
09/30/2035	-	-	-	-	21,391,875.00
02/15/2036	-	-	1,221,093.75	1,221,093.75	-
08/15/2036	18,945,000.00	6.250%	1,221,093.75	20,166,093.75	-
09/30/2036	-	-	-	-	21,387,187.50
02/15/2037	-	-	629,062.50	629,062.50	-
08/15/2037	20,130,000.00	6.250%	629,062.50	20,759,062.50	-
09/30/2037	-	-	-	-	21,388,125.00
<b>Total</b>	<b>\$280,535,000.00</b>	<b>-</b>	<b>\$321,706,609.53</b>	<b>\$602,241,609.53</b>	<b>-</b>

## City of Dallas Civic Center Convention Complex

\$280,535,000 Revenue Refunding and Improvement Bonds, Series 2008

Current Refunding of 1998 Bonds AND Maximum New Money with 30 Year Level Debt

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## Debt Service Schedule

Part 3 of 3

### Yield Statistics

Bond Year Dollars	\$5,309,869.07
Average Life	18.928 Years
Average Coupon	6.0586543%
Net Interest Cost (NIC)	6.1724925%
True Interest Cost (TIC)	6.2195050%
Bond Yield for Arbitrage Purposes	6.1232476%
All Inclusive Cost (AIC)	6.2454984%

### IRS Form 8038

Net Interest Cost	6.2097385%
Weighted Average Maturity	18.871 Years