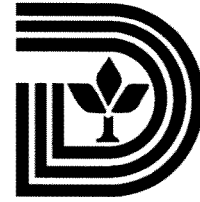


Memorandum



CITY OF DALLAS

DATE October 16, 2009

TO Members of the Economic Development Committee: Ron Natinsky (Chair), Tennell Atkins (Vice Chair), Jerry Allen, Dwaine Caraway, Sheffie Kadane, Linda Koop, Ann Margolin and Steve Salazar

SUBJECT NBA All-Star Game – Major Events Trust Fund Agreement Briefing

The Convention & Event Services Department will be briefing you on the NBA All-Star Game –Major Events Trust Fund Agreement on October 20, 2009.

Please let me know if you have any questions regarding this matter.

A handwritten signature in black ink, appearing to read 'A.C. Gonzalez'.

A.C. Gonzalez
Assistant City Manager

Attachment

c: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Forest Turner, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Dave Cook, Chief Financial Officer
Frank Poe, Director, Convention & Event Services
Helena Stevens-Thompson, Assistant to the City Manager

NBA All-Star Game

Major Events Trust Fund Agreement

Briefing to the City Council's
Economic Development Committee
October 20, 2009



Purpose

- Review:
 - Local Organizing Committee (LOC)/NBA Planning Team members;
 - Events – activities, locations and NBA All-Star Week;
 - Current state of preparedness for the 59th NBA All-Star Event – February 8 - 14, 2010;
 - Identify the city planning and operational team
 - Event planning schedule and activities established to date;
 - Event Plan
 - Major Events Trust Fund schedule
 - Review of potential governmental assurance
- Major Event Trust Fund Process
 - Review the Economic Impact Assessment;
 - Major Events Trust Fund Agreement;
 - Recommendation and
 - Next steps

Background

- The City of Dallas has participated in city-wide and regional special events.
- City Council authorized resolutions regarding governmental assurances and the initiation of the Major Events Trust Fund (METF) with respect to the:
 - Super Bowl (Council Action – March 28, 2007) and
 - NCAA Men’s and Women’s Final Four (Council Action – October 22, 2008)
- On October 15, 2008, City Council was briefed on the NBA All-Star Game.
- October 30, 2008, NBA announced the award to Dallas of the 2010 All-Star Game
- In April, 2009 the City Council Economic Development Committee was briefed on the NBA All-Star Game

Background (cont.)

- In May, 2009 the City Council authorized a resolution supporting the City of Dallas' participation as an:
 - Endorsing municipality under the METF;
 - City of Dallas' contribution of its incremental tax gain (sales) to the METF for the NBA All-Star Game;
 - Authorize the City Manager to work closely with the NBA All-Star Games LOC as a city-wide and/or regional events, which qualifies under the State of Texas statute, Article 5190.14 Vernon's Texas Civil Statutes, Section 5A to address the following:
 - City of Dallas' participation as an endorsing municipality under the METF
 - City of Dallas' contribution of its incremental tax gain (sales) to the METF
 - .

Background (cont.)

- City of Dallas' requirement to enter into an event support contract (Trust Fund Agreement) with the LOC, which provides that the City of Dallas has a priority position for reimbursement of its incremental expenses from the METF and
- To the extent not reimbursed from the METF, the City's incremental expenses shall be reimbursed from the LOC

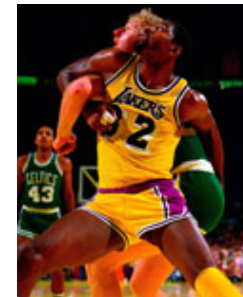
LOC/NBA Planning Team



- LOC –
 - All – Star North Texas Basketball Local Organizing Committee, Inc.
 - Terdema Ussery – President of LOC
 - Steve Letson/Melanie Lusk – Logistic and Planning (Maverick Staff)
 - Floyd Jahner – Finance (Maverick Staff)
 - Denis Braham/David Staas – Winstead PC (LOC legal counsel)
- NBA
 - NBA Staff (to date)
 - Ski Austin – EVP Events & Attractions for NBA Entertainment
 - Gail Hunter – on site logistics & planning
 - Bernie Tolbert & Dwayne Bishop - NBA Security
 - Kirkwood Buckman – Transportation

59th NBA All-Star Event

- NBA All-Star week is February 8 -14, 2010
- First All-Star Game to use a stadium for game day competition
 - Ticketed game day attendance projected at 85,000
 - Non-game attendance is estimated to be in excess of 300,000 (NBA projects a 4:1 ratio of non-ticketed attendees that will be in the host city during the game week)
- Event venues:
 - AAC – Rookie Challenge, Wheelchair Classic, Three-Point Shoot-Out, Slam Dunk Contest and other events (Feb. 12-13, 2010)
 - Dallas Convention Center – Jam Fest, basketball games, and other events (Feb. 10 – 14, 2010)
 - Dallas Cowboys Stadium – NBA All-Star Game (Feb. 14, 2010)



59th NBA All-Star Event (cont.)

- Hotels secured to date:
 - Hilton Anatole, Hotel Indigo, Hyatt Regency, Renaissance, Ritz-Carlton, Rosewood Crescent, Rosewood Mansion, Sheraton, Stoneleigh, W, Westin City Center and Courtyard Marriott in Arlington
- Other NBA sanctioned events still being developed – NBA areas of interest include: West End, Deep Ellum, McKinney Ave/Uptown



Current State of Preparedness

- City Planning Team (to date):
 - Ryan Evans – First Assistant City Manager – Team Leader
 - Frank Poe – Director, Convention and Event Services
 - First Assistant Chief (DPD) David Brown
 - Fire Chief Eddie Burns
 - Kenny Shaw – OEM Director
 - Raymond Rivas – Logistics/Technical Projects Lead
 - Matthew Garrett – Lead Planner
 - Cassandra Wallace – Volunteer Liaison
 - Kwa heri Heard – Training Programs
 - Lori Chance – Office of Special Events
 - Al Rojas – Dallas Convention Center
 - Dana Risinger – Dallas Convention Center
 - Dave Brown – American Airlines Center



Current State of Preparedness (cont.)

- City will use its standard practice for an advanced incident command operation
- A Master NBA Public Safety Plan Book is under development and will include:
 - Event Overview
 - Event Action Plan – Venue location for NBA sanctioned events
 - Event Site Security Plan
 - Traffic/Escort Plans
 - Contingency Plan – Spontaneous Celebrations/Unsanctioned Events
 - Related material
- Since June – Incident Command basic and advanced ICS 300 and 400 training courses have been provided



Current State of Preparedness (cont.)

- More advanced courses can be scheduled as necessary
- UASI program funding two major exercises focused on NBA All-Star and Super Bowl games
 - Communication or Mass Casualty exercise – Fall 2009
 - Full-scale exercise – 2010 (date to be determined)
- NBA has provided draft event schedules to City
- Site specific staffing plan for known NBA sanctioned events underway



Event Planning Schedule

- July 2009 – Following the NBA Playoffs & Championship Game – NBA turned attention to the 2010 All-Star Game.
- Local Organizing Committee (LOC) and NBA staff have been meeting with representatives of Dallas/Arlington/Ft. Worth planning teams.
- Information provided by LOC/NBA has been used to prepare event plan and preliminary City budget.



Event Planning Schedule (cont.)

- **August – Sept 2009 –**
 - Event Plan development.
- **Sept 2009 –**
 - The LOC submitted an Revenue and Tax Estimate Study and a request to the Texas Comptroller of Public Accounts (the "Comptroller") for a revenue determination regarding NBA All-Star 2010.
 - The City requested the Comptroller to initiate Major Events Trust Fund for 2010 NBA All-Star (prior council action May 2009).
- **Oct 2009 –**
 - The Comptroller made the revenue determination regarding NBA All-Star 2010. The City and the LOC finalize the event plan taking into account Comptroller's revenue determination.

Event Planning Schedule (cont.)

- **Feb 5, 2010 –**
 - City's agreed upon portion of the Comptroller's determined incremental amount of City funds are deposited into the Fund.
- **Late Feb, 2010 –**
 - After local funds have been deposited, the Comptroller deposits State funds into the Fund. The Comptroller will then begin making disbursements from the Fund to reimburse eligible expenses for NBA All-Star 2010 G



Major Events Trust Fund

Why Participate

- Hosting City-wide and regional special events generate millions of dollars of economic impact.
- Sanctioning organizations sponsor Community Awareness programs/initiatives.
- Global exposure from media broadcasts will allow the City of Dallas to showcase the investment in its image and infrastructure.
- The City of Dallas can benefit by providing the majority of the required hotel room nights. A large portion of the visitors to the region will visit the city's restaurants and other entertainment venues.



Major Events Trust Fund (METF) – What is it?

- A legislatively available process to access incremental state and local taxes in support of qualified special events.
- State of Texas statute, Article 5190.14 Vernon's Texas Civil Statutes, Section 5A, provides for the establishment of the METF to access the incremental state and local sales and use tax, hotel occupancy tax, and mixed beverage tax revenues that are attributable to a qualifying special event within the State of Texas.
- An endorsing municipality or county may restrict taxes that are determined necessary to meet obligations of the municipality or county.
- The City of Dallas' hotel occupancy tax is restricted by bond covenants and contractual requirements. The mixed beverage tax is also restricted by bond covenants to the extent needed for operation and maintenance of the convention center complex.

Major Events Trust Fund (cont.)

- To request the establishment of the METF, a site in Texas must be selected by a site selection organization for a qualifying event pursuant to an application by a Local Organizing Committee (LOC) or a municipality or county.
- A site selection organization as defined by the state statute is:
 - National Football League
 - National Collegiate Athletic Association
 - National Basketball Association
 - National Hockey League
 - Major League Baseball
 - United States Olympic Committee



Major Events Trust Fund (cont.)

- In the state statute, the following events are identified as a qualifying games:
 - Super Bowl
 - NCAA Final Four game
 - NBA All-Star game
 - NHL All-Star game
 - MLB All-Star game
 - NCAA Bowl Championship Series game
 - World Cup
 - World Games
 - Events sanctioned by US Olympic Committee



Major Events Trust Fund (cont.)

- The Texas Comptroller of Public Accounts (Comptroller) determines (based upon the Comptroller's review and analysis of the revenue impact study prepared by the LOC's consultant) the geographic boundaries of the market area in which there is a reasonable likelihood of economic impact directly attributable to the preparation for and presentation of the game and related events, including areas likely to provide venues, accommodations, and service in connection with the game.
- Following the City's and the LOC's request, the Comptroller provides an estimate of the incremental increase in certain tax revenues directly attributable to the game and its related events.
- This estimate serves as the basis for determining amounts to be deposited in the METF.

Major Events Trust Fund (cont.)

- The METF is established outside the state treasury and is held in trust by the Comptroller and may be disbursed without appropriations, as provided by state statute.
- Each endorsing municipality or county will enter into a Trust Fund Agreement with the LOC to authorize the disbursement of the funds to reimburse event-related costs.
- The Comptroller shall deposit to the trust fund a portion of the state incremental tax revenue in an amount to equal to the lesser of (1) the state portion of the estimate or (2) 6.25 times the amount of the local City/County incremental tax revenue contributed to the fund.

Major Events Trust Fund (cont.)

- **State vs. Local Money**

- As an example, if the total estimated City and County incremental taxes are \$150,000, and the City and County (as determined by each jurisdiction) agreed to the deposit of only \$50,000 into the trust fund, then
 - 6.25 times \$50,000 = \$312,500
- The Comptroller will deposit into the trust fund \$312,500, to the extent that amount of State tax increment is available.
- Under this example, the total amount deposited into the trust fund from City, County and State incremental taxes for the game and related events would be \$362,500.

Note: The hotel occupancy tax is restricted by bond covenants and contractual requirements. The mixed beverage tax is also restricted by bond covenants to the extent needed for operation and maintenance of the convention center complex.

Revenue and Tax Estimate Study

- As stipulated in the statute, the LOC contracted Marketing Information Masters, Inc. (Masters), to calculate the tax revenues estimates for the 2010 NBA All-Star Game and related events.
- LOC considered Masters well qualified based upon their prior experience with similar studies for other Host Committees established under the Texas Trust Fund statute.
 - 2004 Super Bowl and MLB All-Star Game
 - 2006 NBA All-Star Game
 - 2007 NHL All-Star Game
 - 2008 NCAA Men's South Regional



Revenue and Tax Estimate Study (cont.)

- Masters has been retained to provide tax revenue estimates for the following qualifying events:
 - 2010 NCAA Men's South Regional
 - 2011 North Texas Super Bowl
 - 2011 NCAA Men's Final Four



Revenue and Tax Estimate Study (cont.)

- The Revenue and Tax Estimate Study (Study) included:
 - NBA All-Star Game and related events:
 - NBA All-Star Game, NBA Jam Session, All-Star Friday Night, All-Star Saturday Night, Rookie Challenge, 3-Point Shootout and Slam Dunk Contest
 - Utilized data developed from prior NBA All-Star Game studies for the Phoenix Suns, New Orleans Sports Foundation, Las Vegas Convention & Visitors Authority & the 2006 NBA All-Star Game.
 - Game & event ticket allocations; media hospitality & production budgets; NBA's blocked hotel rooms; visiting public ticket buyers not part of the NBA's blocked rooms; expenditures for non-NBA related visiting public; corporate budgets; merchandise/concessions.

Revenue and Tax Estimate Study cont

- 2010 All-Star Game will mark first time that an 80,000 seat stadium will host the NBA All-Star Game (almost a sell-out through internet sales). Over four times the capacity of the typical NBA All-Star Game
- Study Methodology
 - Local market area identified – 5 cities (Dallas, Arlington, Ft. Worth, Irving & Grapevine)
 - Analysis could only consider direct spending associated with the event
 - Trust Fund Statute and Comptroller rules require tax revenue estimates be adjusted to consider only out of state visitors' spending. (Spending impacts generated from within market area were removed from State & local city/county tax estimates.)

Revenue and Tax Estimate Study cont

- The Study provided input for the Comptroller's impact determination process.
- Comptroller's Staff evaluated the Study over a 30 day-review period.
- The Comptroller counts only spending estimates associated with "out of state visitors".

Comptroller of Public Accounts - Assessment

- Comptroller, as required by the Trust Fund Statute, provided a determination of the incremental tax revenue impact to the State and City.

State

- The Comptroller's Office determined the estimated incremental tax revenue gain attributable to the 2010 NBA All-Star Game and related events from direct and secondary spending for the State to be - \$13.3M

Comptroller of Public Accounts - Assessment (cont.)

City of Dallas

- The Comptroller's Office determined the incremental tax revenue gain attributable to the 2010 NBA All-Star Game and related events from direct (not including secondary) spending for the City to be \$2.49M based upon its evaluation of the Study.

Comptroller of Public Accounts - Assessment (cont.)

Staff Note:

- The Comptroller's \$2.49M finding, while based upon the expert's study, is a projection, and not a guarantee, of the amount the City may expect.
- City's current Event Plan Budget projects reimbursable costs of \$1.73M including:
 - Public Safety (Police/Fire)
 - Emergency Management
 - Traffic
 - Other City Departments
- City's Event Plan Budget also includes various contingencies.

Trust Fund Agreement

- While a number of elements in the Trust Fund Agreement have been resolved between City Staff and the LOC, we have a few items remaining to be addressed with the LOC, which we anticipate will be completed before the briefing.
- The following represent key elements of the agreement:
 - Sets forth the rights and obligations of the parties required under the State act.

Trust Fund Agreement cont

- Establishes the Event Plan outlining the following:
 - Incremental staffing to support the NBA All-Star Game and events to include:
 - Public safety; emergency medical support; emergency management; crowd and traffic control and other incremental City Services
 - Event Plan contains budget for direct incremental costs incurred by the City in connection to the Event Plan.
- Term – Upon Council Action – October 28, 2009 thru December 31, 2010
- Will identify the City Remittance to be deposited with the Comptroller on or before February 5, 2010.

Trust Fund Agreement cont

- City Incremental Event Budget cost estimate in support of the NBA All-Star Game and other events - \$1.73M.
- City Remittance to be deposited with the Comptroller - \$1.73M.
- City to be reimbursed on a first priority basis from the Fund.
- City will have the right to periodically review the LOC budget.
- City and LOC will deal directly with the Comptroller for reimbursements for their respective costs.

Flow of Funds

Based upon Comptroller's projections of City tax gain for the NBA All-Star Game and related events.

City		State
\$1.73M	→	\$1.73M
(Deposited with State)		(reimbursed from State to City)
\$2.49M	←	\$2.49M
\$1.73M (Event plan budget –City's incremental costs)	←	(Incremental tax gain Projected for City)
\$0.76M (potential net tax gain to City)		

Impact to the City

- Potential tax revenue gain to the city is estimated to be \$760,000.
 - Difference between the City's estimated incremental costs in support of the NBA All-Star Game and related events and the Comptroller's estimate of tax revenues, the City would realize:

Comptroller's Tax Revenue Estimate -	\$2.49M
City's est. of incremental costs (remittance) -	<u>1.73M</u>
Net difference	\$0.76M
 - Other potential revenue and non-revenue impacts to the City not examined (secondary spending, media exposure, growth to visitor industry, etc.)
- Additionally, should a force majeure event(s) occur and/or events added by the LOC/NBA which were not included in the City's Event Plan Budget, City's incremental costs that exceeds its remittance to the Comptroller will be reimbursed by the LOC.

Impact to the City (cont.)

- City staff using available information provided by the NBA and LOC has developed its best estimate of the City's incremental costs to properly secure and service this event.
- Due to the uncertainty of the amount required to deposit with the Comptroller, appropriations were not included in the FY 2009/10 budget.
- A provision to appropriate \$1.73M from Contingency Reserves from disbursement to the State Comptroller would be included in the October 28, 2009 resolution.
- The incremental expense increases will be offset by anticipated increases in tax revenues.

Recommendation

- Staff recommends City Council approval of resolution on its October 28, 2009 agenda:
 - Authorizing the City Manager to execute the City/LOC Trust Fund Agreement.
 - Authorizing the City Manager to increase appropriations in an amount not to exceed \$1.73M from Contingency Reserves.
 - Authorizing the City Controller to make a deposit of \$1.73M to the State Comptroller to initiate the METF.



Next Steps

- Finalize the Trust Fund Agreement
- City Council approval of the Trust Fund Agreement at its October 28, 2009 council meeting
- Finalize list of NBA sanctioned events
- Finalize the transportation plan
- Finalize public safety plan
- Complete the EOC Event Planning documents
- Complete venue event plans
- Continue to refine budget for city related costs



Questions

