S E R V I C E   S O L U T I O N S   S U C C E S S

City of El Paso Local Government Corporation Resolution

City Council Agenda

December 18, 2012

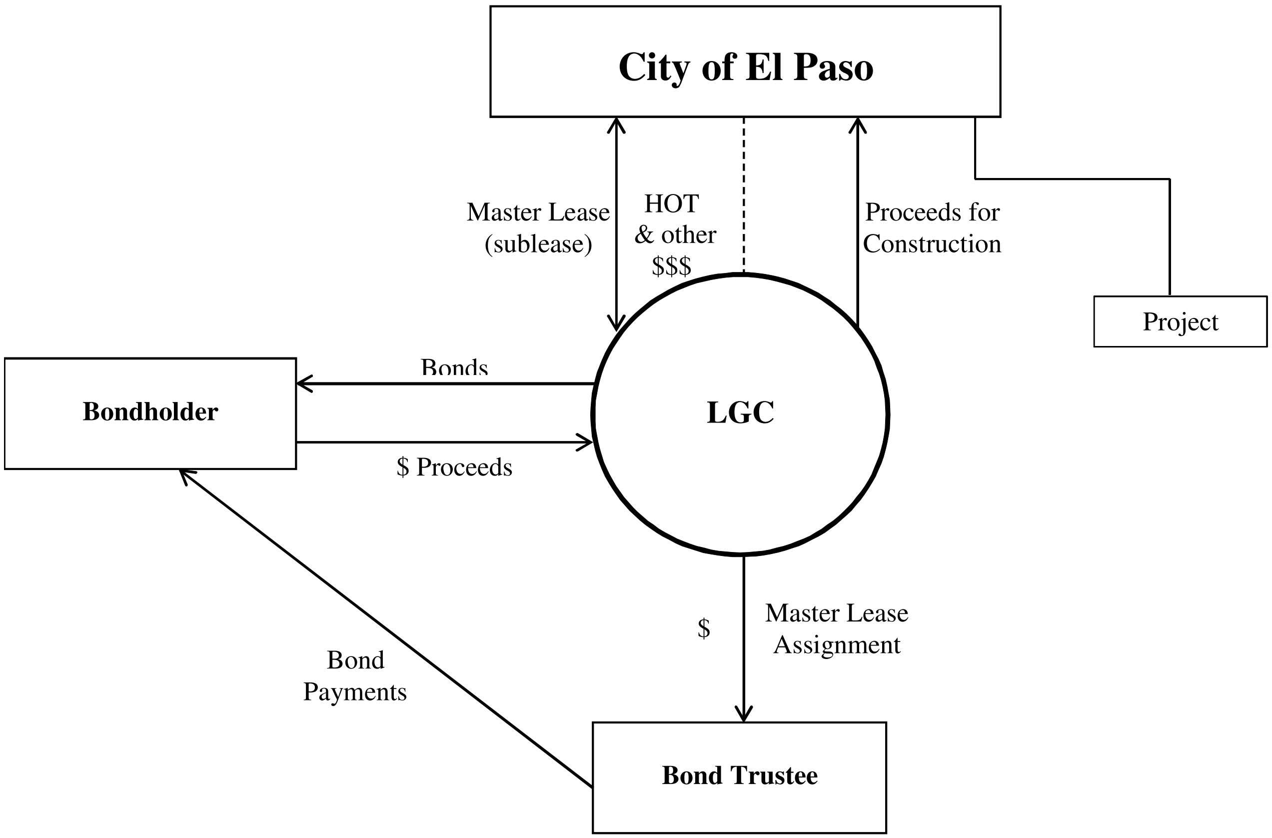
Agenda Item

- **Discussion and action on a Resolution authorizing and approving the creation of the City of El Paso Downtown Development Corporation pursuant to Subchapter D of Chapter 431 of the Texas Transportation Code to aid, assist and act for and on behalf of the City in the financing and development of the Ballpark Venue Project; approving the Articles of Incorporation; appointing the Initial Directors and Chairperson; and containing findings and other provisions relating to other matters incidental and related thereto; and providing for an effective date.**

Proposed Financing Structure

- City will form a Local Government Corporation (LGC) in order to finance the Ballpark
- The LGC will issue the revenue bonds for the project and provide proceeds to the City to fund the project
- The City will enter into a Master Lease Agreement with the LGC and provide revenues to the LGC to make the payments on the bonds

Proposed Financing Structure



LGC Key Points

- Corporation formed under Subchapter D of Chapter 431 – Texas Transportation Code
  - Authorizes the creation and organization of a public, nonprofit local government corporation ("LGC")
  - Requires the LGC be created pursuant to the provisions of Chapter 394 – Texas Local Government Code
    - Requires Articles of Incorporation to be executed, approved and filed (filing to the Texas Secretary of State)
    - Application to be filed with City Clerk

LGC Key Points – continued

- Chapter 394 requires at least three residents of the City and state to submit a written application (Application has been filed with City Clerk’s Office)
- Board of Directors will be Mayor and City Council
  - Mayor John Cook will be the initial Chairperson of the Board of Directors
- LGC will not issue bonds or notes without consent from City Council

LGC Key Points – continued

- Corporation will issue bonds or notes to be payable solely from revenues pledged to the payment of such bonds or notes
- Corporation is not authorized to levy ad valorem taxes
- The City will construct the Ballpark and continue to own the land and the Ballpark
- The LGC is only the financing mechanism to be used to finance the Ballpark

Proposed Financing Structure

- In order for the City to provide a subject to appropriation backstop on the debt, the City needs to form a corporation (affirmed by AG)
- City appropriation debt will have better interest rate than revenue bonds backed by HOT and Team revenue only
- City would not have to fund a reserve fund and should not have to show coverage multiples (which would be difficult in the early years).

Revenue Sources

- Hotel Occupancy Revenues (HOT)
- Team Revenues (rent, parking, ticket)
- Subject-to-appropriation from lawfully available revenues
  - Non-ad valorem taxes

Projected Cost Analysis

- HOT/Team Revenue only bonds vs Subject to Appropriation debt
  - HOT Revenue Bonds
    - Reserve Fund Required (approximately $4.3 million in additional debt needed to fund reserve fund);
    - Higher Debt to Revenue Coverage Requirements (minimum 1.25x). Due to revenue constraints, the City would have to provide additional revenues and set up an additional "coverage" reserve to fund minimum coverage in the earlier years. In addition, the bond issue would have to be extended to 40 years; and
    - Lower Credit Rating. Expected Rating would be two to three notches below a "subject" to appropriation backed bond. This credit difference would cost the City up to 50 basis points more over the life of the bonds.

Projected Cost Analysis

- HOT/Team Revenue only bonds vs Subject to Appropriation debt
  - Special Obligations (Subject to Appropriation Backed Debt)
    - Reserve Fund Not Required;
    - Debt to Revenue Coverage Requirements (minimum 1.00x). Projected Maturity of 25 years; and
    - Higher Credit Rating. Expected Rating would be two to three notches above a HOT Revenue bond. All expected Revenue Sources (HOT Tax, Team Revenues, and all other lawfully available general revenues) provide for a stronger credit.

Funding Summary*

	HOT Revenue		Special Obligations (Appropriation Backed)	
Par Amount	$	55,449,528	$	50,385,000
Gross Interest Cost	$	82,690,000	$	38,565,520
Maturity		40 Years		25 Years
Minimum Coverage		1.25x		1.00x
Reserve Fund	$	4,300,000	$	-

*Projected as of December 13, 2012.

Comparison of Projected Savings

- Total Projected Cost of HOT Revenue Only Debt: \$138.1 million (gross principal and interest) + minimum 1.25x coverage requirement, \$4.3 million DSRF, 40 year amortization and lower credit ratings
- Total Projected Cost of Subject to Appropriation Debt: \$89 million (gross principal and interest) + 1.00x coverage requirement, no DSRF, 25 year amortization & better ratings

---In October of 2011, City of San Antonio refunded \$550 million of existing HOT revenue debt into subject-to-appropriation debt (through the use of a public facilities corporation) in order to achieve over 5.2% PV savings.

Requested City Council Action

- Step 1: Pass HOT Ordinance—major source of repayment of debt (December 18th City Council Meeting)
- Step 2: Pass Resolution Establishing Venue Project Fund—required by venue project statute (December 18th City Council Meeting)
- Step 3: Pass Resolution Authorizing the Formation of the LGC (December 18th City Council Meeting)
- Step 4: Organize LGC Board (January 2013 City Council Meeting)
- Step 5: Issue LGC Bonds by Parameters Delegation—requires both LGC Board and City Council action (Board/City Council meetings in February 2013)

Questions?