



MEMORANDUM

Date: August 6, 2013

To: The Honorable Chairman and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to read "CHH", is written over the printed name "C.H. Huckelberry".

Re: **El Paso Downtown Baseball Stadium**

Attached is an article from the *El Paso Times* indicating the cost to finance the long-term debt for their new downtown baseball facility increased by \$17 million, and the cost of the facility has now increased to over \$60 million. This is the stadium being constructed for the Tucson Padres now playing at Kino Stadium.

The primary reason for the increase in cost relates to the marketability of the bonds sold to finance the stadium improvements. These bonds were originally forecasted to sell at 5 and 5.75 percent. Bond sales were approved at 6.5 and 7.25 percent interest.

The remaining debt on our facility is \$12,705,000, and the effective interest rate on this debt is 2.7 percent.

CHH/dph

Attachment

c: Hank Atha, Deputy County Administrator for Community and Economic Development
Chris Bartos, Director, Stadium District

El Paso Downtown ballpark longterm debt to increase with higher bond rates

By Cindy Ramirez / El Paso Times El Paso Times
Posted:

Elpasotimes.com

The city's long-term debt for the Downtown ballpark will increase by about \$17 million after a change to the interest rates on the bonds to finance it was approved by the El Paso Downtown Development Corp. on Thursday.

The corporation, comprising the mayor and city representatives, voted 6-3 to amend a previously approved resolution setting the interest rate for the special revenue bonds.

Mayor Oscar Leeser, acting as chairman of the corporation, voted in favor of the change along with city Reps. Cortney Niland, Ann Morgan Lilly, Michiel Noe, Larry Romero and Emma Acosta. Leeser has the authority to vote as a member of the corporation, unlike in his role of mayor where he can only vote to break ties.

"I hated the process," Leeser said about the way the previous City Council handled the development of the \$60.2 million Triple-A baseball stadium now under construction where the former City Hall building once stood. "It's the worst process I've ever seen in my life. (But) it's time to move forward, and unfortunately, we're where we are at."

Niland, saying she was disappointed the market isn't what was expected just a few months ago, said the deal had to get done to complete the ballpark.

"We're knee deep in the fox hole today, but what are we going to do?" she asked. She added that breaking the city's contract with MountainStar Sports Group could cost millions in legal fees and lost revitalization opportunities Downtown.

Voting against the change to the interest rates were city Reps. Eddie Holguin, Lily Limon and Carl Robinson.

"As a newly elected official, it's difficult to vote on something I had no responsibility for," said Limon, who took office in June, a year after the previous council voted to build the stadium.

Under the new resolution, the corporation authorized the issuance of the bonds for the principal amount of \$60.8 million with a maturity date of December 2045 as previously approved.

The change comes in the true interest rate for the bonds, which on Thursday were approved at 6.5 percent for tax-exempt bonds and 7.25 percent for taxable bonds. The rates were previously set at 5 percent and 5.75 percent.

The city's bond attorneys said that assigned underwriters had been unable to sell the bonds with the lower interest rate because of the volatile market conditions, which they said have changed significantly since the corporation approved their sale earlier this year.

The increased rates translate to an additional \$17 million in interest over 30 years, bringing the total debt to about \$143 million, said Chief Financial Officer Carmen Arrieta Candelaria.

Candelaria said ballpark-related revenues are expected to be about \$153 million over the 30 years, which could mean the ballpark may be paid off early if future administrations choose to use the surplus to pay off the debt.

But for the first few years, general revenue funds may be needed to subsidize the annual debt payments, Candelaria said. She added that property taxes won't be used for the ballpark construction or debt.

However, general fund revenues such as sales taxes and service fees can be used, and property taxes can be shifted to make up for shortages in other city operations.

That could lead to a tax increase, Holguin argued. He said the city is breaking its contract with taxpayers if it comes to that.

"If we don't put our foot down, there's no end in sight," Holguin said.

In June, the council and corporation approved increasing the design and construction contracts for the ballpark by about \$10 million for a new price tag of \$60.8 million.

To help make up the difference, MountainStar Sports Group agreed to double its annual lease payments and extend the lease term from 25 to 30 years, paying \$12.1 million more toward the ballpark than originally contracted. MountainStar will rent the city-owned stadium when it brings the Tucson Padres minor league team to El Paso next year.

Hotel taxes, lease payments, ticket surcharges and parking revenues will pay for the ballpark construction and debt, though taxpayers are fronting the cost of relocating city services after the former City Hall building was demolished. Those costs are more than \$45.8 million, city officials said.

Cindy Ramirez may be reached at 546-6151.