

AGENDA ITEM #: _____

DATE: May 22, 2017

COAC #: 17-6084

**CITY OF GOODYEAR
COUNCIL ACTION REPORT**

SUBJECT: Approval of Resolution No. 17-1807

STAFF PRESENTER: Doug Sandstrom,
Finance Director

CASE NUMBER: None

OTHER PRESENTER: None

PROPOSED ACTION:

ADOPT RESOLUTION NO. 17-1807 APPROVING THE SUBSTANTIALLY FINAL FORM OF A CONSENT FOR MAJOR IMPROVEMENTS TO CITY OF GOODYEAR BALLPARK & RECREATIONAL COMPLEX; DELEGATING AUTHORITY TO COMPLETE THE CONSENT AGREEMENT; AND AUTHORIZING AND DIRECTING THE APPROPRIATE CITY OFFICIALS TO EXECUTE AND DELIVER THE FINALIZED CONSENT AGREEMENT.

BACKGROUND AND PREVIOUS ACTIONS:

The Cleveland Indians requested the City of Goodyear Public Improvement Corporation (the "PIC") to finance certain improvements to the Ballpark & Recreational Complex. The PIC agreed to finance such improvements, and the City Council on May 8, 2017, agreed to pledge the City's excise taxes on a subordinate basis for such PIC financing, with the expectation that the Indians would enter into an agreement with the City to provide funding for the additional debt service cost associated with the expanded Ballpark facilities. At the May 8 meeting, City Finance Director Sandstrom explained that at the City Council meeting on May 22, City Council would be asked to consider approval of a substantially final form of the agreement pursuant to which the City will retain Indians spring training revenue to pay the Lease with the PIC for the expansion project. Any excess revenues will be retained by the City as a credit for future debt service and any shortfall of revenues will be paid to the City by June 15th.

The PIC board approved debt issuance on April 25th City Council approved the transaction on May 8th, and the PIC reviewed and considered bids from financial institutions on May 10th before conferring with the Indians and selecting the Bank of America as the lowest bidder on a ten (10) year amortization with a rate of approximately 3.42%.

STAFF ANALYSIS:

The Current Sports Facilities Use Agreement was entered into on May 29, 2007, amended in July 2008, and has an expiration date of December 31, 2029. The PIC has selected the lowest interest cost provider for an amortization schedule of 10 years, which is within the current term of the Use Agreement. Therefore no Use Agreement term extension is necessary to accommodate this financing.

The Consent Agreement specifies that any Spring Training Season Revenues shall be retained by the City and directly applied to PIC debt Service. Any revenues in excess of the annual debt service requirement of the expansion will be retained by the City as a credit for future debt service and any shortfall of revenues will be paid to the City by June 15th. The Initial financing of the PIC loan includes one-time payments to cover the annual costs of servicing this debt including trustee fees and a city administrative fee.

Although there are no direct expenditures of city funds, use of the PIC for this expansion does expose the City to additional contingent liability associated with the loan, which is a concern if the Indians were to default on their payment. To offset this potential liability to the extent feasible the Consent Agreement contains late fees if the Indians fail to make any required deficiency payment in a timely fashion and allows for full use of the remedies contained within the Use Agreement allowing the City to declare the full amount of the Debt Service Obligation due and payable immediately.

The Indians and the City have a great relationship that is only enhanced through this financing partnership. It is the intent of the Indians to utilize the expanded Ballpark facilities for year-round activity including increased off-season use for rehab and training. Any expansion of the use of this facility has a broad positive impact on the community and our partnership with the Indians.

The Main points of the attached agreement are:

- 1) The Indians pay for 100% of the cost of the expansion and financing
 - a. The City will retain 100% of the Indians current Spring Training revenue distribution
 - i. Any overages will be applied as a credit for the following year
 - ii. Any shortages will be paid directly to the city by the Indians
- 2) All annual costs associated with servicing this debt are paid up front by the Indians (or included as part of the financing).
- 3) Financing is fully contained within the term of the existing agreement
- 4) Expansion area is above and beyond the existing capital replacement schedule and is thus not included.
- 5) City will participate in construction process and has ability to review and approve plans

FISCAL ANALYSIS:

The FY2018 budget includes revenue from the Indians to City, and payment from the City to the PIC in an amount equal to the annual debt service on the PIC financing, and should therefore be budget neutral. However, if the Indians fail to make any required deficiency payments described in the Consent Agreement, the City would still be required to make payments to the PIC in an amount equal to the debt service on the PIC financing.

RECOMMENDATION:

It is our recommendation that City Council approve the Consent Agreement between the City and the Indians. This agreement provides for the required additional funding which is equal to the City's obligations for the PIC financing debt service related to the clubhouse expansion and reasonably protects the City in the event of default.

ATTACHMENTS:

- Resolution No. 17-1807
- Form of Consent for Major Improvements to City of Goodyear Ballpark & Recreational Complex