

Memorandum



CITY OF DALLAS

DATE May 29, 2015

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair),
Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT Dallas Arboretum & Botanical Society, Inc. - Bond Issuance TEFRA Approval

The June 10th City Council agenda includes an item for consideration to authorize the approval, for purposes of the Internal Revenue Code, of the project located in the City of Dallas benefitting The Dallas Arboretum & Botanical Society, Inc., to be financed by the issuance of tax exempt revenue bonds by the Red River Cultural Education Facilities Finance Corporation in an amount not to exceed \$35,000,000 at no cost consideration to the City

Cultural Education Finance Corporations may issue debt for facilities outside of their jurisdictions with permission from the governing body of the city where the cultural center is located. Under the Internal Revenue Code, the Arboretum requires consent of the City of Dallas in order for the loan to be incurred to qualify as a tax-exempt obligation under the Internal Revenue Code.

The City of Dallas is not being asked to make a loan, guarantee the credit of the Arboretum, or to provide funds or credit support for the financing in any manner. The loan will not be a debt or liability of the City and the City's name will not appear on the promissory note issued by the Issuer. This request for the City's approval of the issuance is being made solely in order to comply with the Internal Revenue Code.

Please let me know if you need additional information.


Jeanne Chipperfield
Chief Financial Officer

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager

DISCUSSION MATERIALS

SUBJECT

- Issuance of bonds in an amount of not to exceed \$35,000,000 to refinance outstanding loans incurred by The Dallas Arboretum & Botanical Society, Inc. (the "Arboretum" by the Red River Cultural Education Facilities Finance Corporation (the "Issuer") to finance and refinance cultural facilities for the benefit of the Arboretum.
- The Arboretum is located at 8525 Garland Rd, Dallas, TX 75218. The Arboretum is in Planned Development District #Main Garden (66 acres) Block A/4411 – tracts 1,2,3,4,5, Parking Garage Lot 1B, Block 6/5284, tract 6a & 6b.

BACKGROUND

- The Arboretum is a 66-acre botanical garden located at 8617 Garland Road in East Dallas, Dallas, Texas, on the southeastern shore of White Rock Lake. The arboretum is a series of gardens and fountains with a view of the lake and the downtown Dallas skyline. The majority of the grounds were once part of a 44-acre estate known as Rancho Encinal, built for geophysicist Everette Lee DeGolyer and his wife Nell. Mrs. DeGolyer's interests included her extensive flower gardens. The DeGolyer Home is listed on the National Register of Historic Places. Since 1976, the DeGolyer estate has formed the largest portion of the Dallas Arboretum & Botanical Gardens. The addition of the adjoining Alex and Roberta Coke Camp estate increased the size of the grounds to sixty-six acres.
- The Arboretum intends to use funds received to refinance outstanding loans incurred by the Arboretum in an aggregate principal amount not to exceed \$35,000,000. The loans were used to construct the Children's Garden and parking garage, among other capital improvements.
- Section 1528m, Texas Revised Civil Statutes (the "Act") allows cultural organizations to borrow money through the issuance of bonds or loans. The Act specifies that entities such as the Arboretum may use "Cultural Finance Corporations" as a conduit to issue tax-exempt debt.

- Cultural Finance Corporations are created by cities for the purpose of financing Cultural facilities. Such Corporations have no taxing power, no police powers, and no powers of eminent domain. They are “conduit” financing agencies that issue debt typically with a loan agreement which is secured by revenues and/or property pledged from a Cultural institution.
- Cultural Finance Corporations may issue debt for facilities outside of their jurisdiction with permission from the governing body of the city where the project is located. Under the Internal Revenue Code, the Arboretum requires consent of the City of Dallas in order for the refunding bonds to qualify as tax-exempt obligations under the Internal Revenue Code.
- The City of Dallas is not being asked to make a loan, guarantee the credit of the Arboretum, or to provide funds or credit support for the financing in any manner. The refunding bonds will not be a debt or liability of the City and the City’s name will not appear on the refunding bonds issued by the Issuer. This request is being made in order to comply with the Internal Revenue Code.