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COMPTROLLER

NEWS NEWS NEWS

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Comptroller Green Says Stadium Financial Plan
"No Touchdown for Taxpayers"

The current funding strategy as proposed by the stadium finance team is *no touchdown for our taxpayers*. Taxes will increase and that's not what was promised to our citizens.

Public commentary by officials has suggested to the taxpayers that the city's funding commitment for the proposed New Stadium would require no new taxes. In fact, the city's funding commitment is supposed to be limited to the current $6 million annual appropriation for the Edward Jones Dome. However, it appears that the city is on the hook for the St. Louis County's $6 million share when they decided to not participate in funding a new stadium. According to the proposed financial plan documents recently shared with my office by the stadium finance team, a funding commitment of at least $12 million is what is before the city for consideration.

An annual appropriation for any amount above the current $6 million would put the city's credit at risk and potentially lead to higher interest costs to issue bonds for much needed citywide public safety and infrastructure improvements.

As comptroller, I am only willing to support the fiscally responsible annual appropriation the city already pays. The funding gap that resulted when the county declined to participate should have been considered the responsibility of all of the remaining parties, not just the city.

In order to protect taxpayers, my office has worked diligently over the past two days to prepare and provide a helpful overview and thoughtful solution on how to close the funding gap without increasing the city's debt and that saves taxpayer dollars. The Stadium finance team would do well to give careful consideration to creating a sports authority through the state utilizing their higher rated bonds. Another option is to identify a new revenue source, such as annual renewal fee for Private Seat licenses.

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The Comptroller of the city of St. Louis is charged with protecting the credit of the city and being a watchdog over taxpayer dollars.

Attached is background information about the Comptroller's position about the stadium financial plan.

Office of the Comptroller
City of St. Louis
Proposed New Football Stadium
Funding Strategy Considerations

Background

<u>The Dome:</u>

- The Edward Jones Dome (the "Dome") opened in 1995 and is the City of St. Louis' major league football stadium and home to the St. Louis Rams NFL football team (the "Rams"), among other uses.
- In 1991 the Regional Convention and Sports Authority (the "RSA") issued three series of tax-exempt bonds in an aggregate principal amount of $258.67 million to fund the required land acquisition and construction of the Dome (the "Dome Bonds").
  - One series of Dome Bonds was issued for each of the three Sponsors, as defined below.
  - The Dome Bonds mature on August 15, 2021 and are not subject to optional redemption prior to maturity.
- The Dome Bonds are secured pursuant to a Project Financing, Construction and Operation Agreement (the "Financing Agreement") dated 1991 among the State of Missouri (the "State), St. Louis County (the "County") and the City of St. Louis (the "City", and together with the State and the County, the "Sponsors") and the RSA.
- Pursuant to the Financing Agreement, each of the Sponsors will appropriate annual rental payments to be paid to the RSA to be used to pay debt service on the respective Sponsor's series of Dome Bonds and to provide funds for the preservation of the Dome. The Sponsors' annual rental payment obligations are:
  - <u>State</u>: $12 million (approximately $10 million for debt service through bond maturity and approximately $2 million for preservation through August 15, 2024)
  - <u>County</u>: $6 million (approximately $5 million for debt service through bond maturity and approximately $1 million for preservation through August 16, 2024)
  - <u>City</u>: $6 million (approximately $5 million for debt service through bond maturity and approximately $1 million for preservation through August 15, 2024)
- Pursuant to the provisions of the lease between the Rams and the St. Louis Convention and Visitors Commission (the "CVC"), which maintains, operates and manages the Dome, the RSA and CVC agreed, among other things, to maintain the Dome in condition sufficient to meet certain "First Class" standard requirements at certain dates. The Dome failed to meet the required "First Class" standards at the March 15, 2015 test date thus permitting the Rams to convert the original long-term lease (with a term of March 31, 2025) to an annual term with unilateral renewal rights for the Rams.
- The owner of the Rams has indicated his intention to move the Rams to California.
- The ability of the Rams' owner to move the team to California is subject to approval by the NFL.

The Proposed New Football Stadium

- The State and City wish to continue to have a NFL football team in the City (either the Rams or another NFL football team, subject to NFL determination) in order to (i) retain the jobs and tourism activity and their associated revenues generated by the presence of a NFL football team; (ii) spur redevelopment in the New Stadium project area which will increase the number of jobs and tourism activities in the City thereby increasing tax revenue to the City and State, and (iii) continue to reap the indirect and/or intangible benefits of being a NFL football City.
- A Commission established by the State developed a proposal for a new football stadium in the City to replace the Dome.
- The proposed new $1 billion football stadium (the "New Stadium") would be funded from a variety of sources.
- The original composition of the funding sources for the New Stadium included the NFL, the football team owner, Private Seat License sales, various Tax Credit proceeds, and each of the Sponsors (the State, County and City).
- Public commentary (articles, press conferences, etc.) suggested that the City's funding commitment in relation to the New Stadium would be limited to the $6 million annual appropriation the City currently pays to the RSA pursuant to the Dome Financing Agreement. As initially presented to the public and City officials in relation to the City contribution to the proposed New Stadium, the RSA would issue approximately $95 million tax-exempt and taxable new stadium bonds secured by City rental payments (the "City New Stadium Bonds") which would refund the outstanding City series of Dome Bonds and provide a project fund deposit for the New Stadium project. The City's annually appropriated rental obligation for the New Stadium would not exceed the current $6 million annual amount due to the RSA.
- The County declined to participate in the funding of the New Stadium which resulted in a "gap" in the proposed funding sources.
- The very recently presented funding plan for the proposed New Stadium, in the absence of the County, contemplates a second RSA bond issue of approximately $96 million which would be secured by the direct New Stadium tax revenues (amusement, restaurant, parking, earning and sales taxes) received by the City ("City Game Day Receipts Bonds"). These same revenues also would continue to secure the $6 million annual rental payment due in connection with the proposed City New Stadium Bonds.
    - The aggregate annual City contribution to the New Stadium throughout the life of the proposed City New Stadium Bonds and the proposed City Game Day Receipts Bonds upon the opening of the New stadium in 2019 ranges from approximately $9.785 million in 2019 to $15.975 million in 2051 (the final maturity of the proposed City bonds).

Proposed Funding Plan – Funding Considerations:

- The Comptroller has a duty to protect the credit of the City.
- The Comptroller's Office is supportive of the effort to have a NFL football team in the City, but the financing must be fiscally responsible for the city.
- The above referenced proposed funding plan, *including and especially the concept of an annual appropriation of City revenues above the current $6 million paid by the City to the RSA*, was not developed in collaboration, or discussed, with the Comptroller's Office.
- The proposed funding plan seems to assume that the City should bear the full financial burden of the County's decision to not participate in funding the New Stadium. The responsibility for filling the funding gap should be borne by all of the remaining funding parties in the proposed New Stadium project (City, State and football team/NFL).
- The assumptions used to project the City's annual New Stadium tax revenues seem "optimistic" and not based on historical performance of these revenue sources. The proposed funding plan based the aggregate City annual appropriation on these revenue projections.
- To the extent that the revenue projections do not materialize, the City would need to appropriate unrelated general fund money (which would otherwise be directed toward the provision of services) to meet its New Stadium obligations.
- The proposed funding plan would increase the City's annual debt service payments in relation to the Dome/New Stadium from 95% to 166% (from $5 million to $9.785 million in 2020 and from $6 million to $15.975 million in 2051, respectively),
- Moody's Investors Service downgraded the City's general obligation bond credit rating to "A1" from "Aa3" (pursuant to the rating action, City annual appropriation bonds would be rated no higher than "A2"). Moody's cites the City's high debt burden as a contributing factor in their downgrade action. All things being equal, additional debt will further pressure the credit rating and reduce capital funding flexibility going forward.
- The City needs to carefully prioritize capital spending, taking into consideration the significant backlog of public safety, infrastructure and other City-wide capital needs. The City's credit rating directly impacts its cost of borrowing and thus, the amount that can be borrowed.

<u>City Funding Participation</u>

- The Comptroller's Office is willing to be supportive of an annual appropriation of up to $6 million to secure the proposed City New Stadium Bonds, assuming the City has a NFL team. This amount is in keeping with the limitation suggested in original representations to the public regarding the funding of the proposed New Stadium.
- The Comptroller's Office, subject to the sub-bullet points below, is supportive of each of the funding partners contributing to the closure of the funding gap caused by the County's absence or otherwise.

- The City's contribution to closing the funding gap is contingent upon the direct New Stadium tax revenues performing at the levels projected in the proposed funding plan and/or the identification of a new revenue source (e.g. annual renewal fee for Private Seat licenses).
- The City's unrelated general fund revenues will not be available for appropriation to secure any additional payments above $6 million per year.
- The City's contribution to closing the funding gap and/or any amount above $6 million annually will not be appropriated by the City, but, for example, structured as a withholding (or other mechanism) of direct New Stadium tax revenues attributable to the City for the purpose of repaying a State financing of the gap closure through the issuance of its own, higher rated bonds or through a State created sports authority.

Other Considerations

- The current focus on the proposed new football stadium offers an excellent opportunity to consider the formation of a Sports District within the City which would help to fund public safety activities around the various sports venues in the City.
- The Comptroller’s Office also is focused on opportunities to improve certain socio-economic indicators (unemployment, poverty levels, educational outcomes, etc.) within the City which were also cited in the Moody’s credit report as a factor in their negative downgrade rating action. The Comptroller must be sensitive to balancing financial commitment to improving socio-economic outcomes against other financial commitments, such as the proposed New Stadium.