

FY 17 PCDC Budget Amendments Narrative
January 12, 2017

Summary:

After all amendments are made, Regular Income increases \$283,448, Expenses decrease \$705,790 and Other Incomes increase \$1,057,611. All amendments create an increase in Net Income of \$887,683. Projected FY17 Net Income after amendments is \$1,902,403.

Reserve Fund:

The FY17 Budget expenses \$120,000 from operations and earmarks an additional \$69,802 out of Other Income for a FY17 Debt Service and Operations Contingency Reserve contribution of \$189,802. Additionally, the Typhoon Texas lease agreement requires a \$4.5MM contingency fund within 5 years. FY17 contributions to this fund are \$900,000. At the end of the year, the remaining non-encumbered funds are anticipated to be \$1,832,601.

Amendment Details:

42300 Tracking Point Sublease - (Income) Master Lease with 130 Commerce Center LLC was terminated as of December 1, 2016 and Tracking Point Sublease expenses and income transferred to Landlord for remaining months in FY17. (-\$144,730).

42400 EOS North America - (Income) Master Lease with 130 Commerce Center LLC was terminated as of December 1, 2016 and EOS Sublease expenses and income transferred to Landlord for remaining months in FY17 (-\$373,822).

42600 Typhoon Texas Lease - (Income) The anticipated FY17 lease payment on the Amended and Restated Assignment and Assumption of Water and Adventure Park Ground Lease and Operating Agreement with Typhoon Texas effective date January 3, 2017. Payment is due on or before September 30, 2017. (\$802,000).

61130 Legal Fees - (Expense) Increase in Legal Fees due to additional fees expected for 130 Commerce Center LLC master lease termination and water park lease transfer from Hawaiian Falls to Typhoon Texas (\$85,000).

61240 130 CC Lease & Expenses - (Expense) Master Lease with 130 Commerce Center LLC was terminated as of December 1, 2016. All remaining lease payments and common area maintenance related to the master lease are no longer obligations of the corporation (-\$459,300).

67100 Capital One Loan Interest Expense - (Expense) Capital One Loan interest expense (formerly called Hawaiian Falls Interest Expense) was reimbursed by Hawaiian Falls as part of their lease arrangements. This account acted as a holding account in the event that Hawaiian Falls missed payments. The account is now being converted to reflect the total annual interest expense for the Capital One Loan as the responsibility of the corporation. (\$962,000) The principal portion of the

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Capital One Loan is found on the Balance Sheet, and estimated at \$622,300 for fiscal year 2017.

67200 Bond Repayment – (Expense) The PCDC passed a resolution January 12, 2017 for the City Council's consideration on January 24, 2017 in which it considers \$3,000,000 the City obtained under an Irrevocable Letter of Credit (ILOC) from Project Arista after defaulting on performance agreement obligations as fulfillment of debt service for three infrastructure bonds that the PCDC has been underwriting through a 380 agreement with the City. The City will use the funds to pay the PCDC debt service on the bonds in full or in part over the next 4 years. Since the payment is covered by another source, the PCDC is not obligated to payments in their budget for FY17. (-784,388)

67500 Land Loan SouthStar Bank Interest – (Expense) The remaining balance of the 130 Commerce Center land loan at SouthStar on was paid in full in November from the proceeds of a 30-acre land sale. The adjustment is estimated savings on interest payments no longer owed in FY17. (-\$128,264)

67600 T/P First Texas Interest Expense– (Expense) In November, the remaining balance on a tenant improvement loan at First Texas Bank was paid in full with proceeds from a 30-acre land sale in the 130 Commerce Center. The PCDC originally used the funds to improve a their master lease with 130 Commerce for a sublease with Tracking Point. The adjustment is for estimated savings on interest payments no longer owed in FY17. (-\$18,388)

68340 Hawaiian Falls - (Expense) The termination and transfer of the lease agreement from Hawaiian Falls to Typhoon Texas also included termination of the PCDC performance agreement that allowed for an annual marketing grant of \$25,000 over a 5-year term. (-\$25,000)

68370 Best Western Plus– (Expense) Amendment to the Best Western Plus performance agreement for an additional marketing grant of \$25,000 to be paid out over two years (FY17-FY18) in increments of \$12,500 per year in lieu of a constructing a sign. The increase is for FY17 obligations for this amendment. (\$12,500)

68450 Kompan – (Expense) Reduction of expense due to performance agreement termination. (-\$100,000)

68600 Future Projects/Reserves – (Expense) This was originally added to the budget to allow for reserves and future projects in FY17. Line item is being removed to provide for additional anticipated expenses related to the Typhoon Texas project. (-\$250,000)

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70100 Gain on Sale of Land - (Other Income) New account established to provide recording on gains from land sales in the 130 Commerce Center. Currently, we are reflecting gain on sale of 2.329 acres in October and 29 acres in November. Gains for any future land sales will be added to this budget line item. (\$253,628 and \$803,983, respectively)

80100 Land Sale Closing Costs- (Other Expenses) New account established to provide recording of land sale costs. The current adjustment is for closing costs associated with the 2.329 acres sold in October and 29 acres sold in November. Closing costs for any future land sales will be recorded in this budget line item. (\$15,957 and \$243,209, respectively)

89300 Typhoon Texas Contingency - (Other Expenses) The PCDC is required to build a contingency fund of \$4,500,000 for possible reimbursement to Typhoon Texas for their investment of same in FY17 and FY18 on or before September 30, 2020. Each year, the PCDC is budgeting \$900,000 for placement into an account held by the City for this purpose. This is the first of 5 payments related to the \$4,500,000 Investment Reserve Fund required on or before September 30, 2018. (-\$900,000)