

Bond Case Briefs

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Oakland Raiders Las Vegas NFL Stadium Hotel Tax Revenue Still Less Than Needed For Bond.

In the past months, and going back to April 2017, this blogger has asserted that the Clark County Stadium Tax Rate of .088 of 1 or 88 percent of one percent is not adequate to finance the bond issue of \$645 million for the Oakland Raiders Las Vegas NFL / UNLV Stadium.

The general consensus of Clark County's financial management team has been that because of reserves, there was no real problem. But that masks the real truth, which has been communicated to me by many municipal finance professionals: as long as the Raiders bond issue is a general obligation bond issue, where Clark County's entire General Fund monies can be used to help pay for the bond debt service, there's no financing problem. In other words, the Clark County taxpayers will help.

Others have told me I was just plain wrong, without any explanation. But now, we have the actual bond debt service that will be due, and for the first year 2019, that number, compared to what's already being collected on a monthly basis, adds up to a shortfall.

To see the problem, let's start with the June 30th 2019 debt service requirement of \$36,003,763. That's from the actual bond issue that was sold this April 2018. It's the first year of debt service requirement, but it's without something called the "debt coverage ratio" and that's the level above the debt service requirement, that you as Clark County have to have money in your stadium tax revenue stream to pay the debt service requirement and have money left over that then goes into a reserve.

Ok, so since it's per month, \$36,003,763 divided by 12 months is \$3,000,313.58. Now, we're not done, because we have to take that and multiply it by 1.5, or $\$3,000,313.58 \times 1.5$ - that gets us to \$4,500,470.37. That's the actual average monthly revenue the stadium tax should have.

So let's compare that with what revenue actually has come in. Over the first 12 months of the stadium tax, from March 2017 to March 2018, is 52,721,713.00 or a monthly average of \$4,393,476.08. That first year monthly average is less than the actual average - or \$4,500,470.37 - \$4,393,476.08 which equals a negative \$106,994.29 per month.

So you say the next year's going to be better for the stadium tax revenue flow? Ok, let's check that. The revenue from April 2018 and May 2018 was \$4,300,000 and \$4,015,362 respectively. Take the average of those two figures, and we get \$4,157,681 average monthly revenue for the next year of collection of the tax. Given our required average monthly revenue need of \$4,500,470.37, and we have a monthly average shortfall of \$342,789.37.

As a note, this is not referring to the budget for the Stadium Authority itself, which takes in revenue from several sources, not just the stadium hotel tax. Many get confused when the discussion of the bond issue comes up. What this refers to is strictly the bond issue itself versus what's supposed to be its dedicated revenue stream, the stadium hotel tax.

The bigger problem is three fold:

- 1) The bond debt service requirement is only going to get bigger. For example, the 2019 total of \$36,003,763 will first give way to a smaller bond debt (without the debt coverage ratio included) of \$33,978,750. But that just reduces the monthly revenue need to \$4,247,343.75. Note that the months of April and May of 2018 were less than that amount. Then, the bond debt service requirement increases again to where it is greater than the 2019 total in 2023 - 36,059,500.
- 2) During that time, there's no sign the stadium tax revenue will go up, and all signs that it has gone down. Las Vegas has experienced 10 of 11 months of visitor declines, month to month. And while 2017 was a record year, the reason these small changes are important overall with respect to the Raiders Stadium, is because its stadium hotel tax rate is too small.
- 3) The stadium tax revenue collected for April 2018 was less than that for April of 2017 by - \$192,689. Moreover, the projection for the second year of stadium tax collection (with March 2017 marking year one because that was the first month the tax was collected) is less than that of the first year by \$2,829,541 or \$52,721,713 from year one minus \$49,892,172 estimated for year two.
- 4) So, we have a situation where the bond debt does decrease from 2019 to 2022, but guess what? The revenue collected is projected to go down by -.0567 percent. Between year one of the stadium hotel tax revenue and year two.

This shows there is a problem with the stadium tax hotel rate for the Oakland Raiders / UNLV Stadium. Moreover, that problem, given the Las Vegas and Clark County picture where there are signs of downturns in visitors as the stadium hotel tax monthly revenue demand increases, will only get worse. The question is at what point will Clark County have to start digging into its General Fund? Depending on the budget of the Stadium Authority (and we should get a review of that at the next meeting) that time could be as close as December of 2019.

Stay tuned.

OAKLAND NEWS NOW

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