

DEBT SERVICE

GENERAL OBLIGATION DEBT

Introduction

The General Obligation Debt Service Fund provides for the payment of principal and interest on the City's outstanding general obligation bonds, certificates of obligation and equipment acquisition notes. Debt financing is used to pay for large capital projects by spreading the cost of the project over the life of the asset. Capital projects may include improvements to and/or construction of the City's street system; parks and recreational facilities; libraries, police and fire protection facilities; and the flood protection and storm drainage system. The Financial Management Performance Criteria (FMPC) address debt management, and among other requirements, necessitate voter approval prior to issuance of general obligation bonds and restrict the maturities, amounts of and purposes for which bonded debt may be issued.

The primary source of revenue for the debt service fund is the ad valorem property tax. The proposed ad valorem tax rate of 75.09¢ per \$100 assessed value is split into two rates. Approximately one-third (22.83¢) of the tax revenue is used to pay principal and interest on the City's outstanding general obligation debt. The remaining two-thirds (52.26¢) of the revenue generated by the tax rate is used to pay for operating and maintenance costs incurred in the General Fund.

Due to the level principal structure of individual bond sales, the principal and interest payments of the existing general obligation debt decline annually. This repayment schedule creates more growth in the capacity to issue new debt within the existing debt service tax rate than a level payment schedule would.

Credit Rating

The City of Dallas' General Obligation debt currently holds AA+/Aa1 ratings from Standard & Poor's and Moody's Investors Service, respectively. These exceptionally high ratings reflect the sound management of the City of Dallas' financial resources and allow the City of Dallas to issue relatively low cost debt.

DEBT SERVICE

Legal Debt Margin

The City of Dallas Charter (Chapter XXI, Section 3) limits the maximum bonded indebtedness, payable from taxation, to 10% of assessed property value. However, the City's Financial Management Performance Criteria (FMPC) limits the net general obligation debt to 4% of the true market valuation of the taxable property of Dallas. Existing debt plus the planned issuance of \$341.5 million would constitute 1.9% of the market value of \$99 billion and 2.2% of the assessed value of \$84.5 billion. Thus, the City would continue to be in compliance with both requirements as of 9/30/2008.

Assessed Value	\$84,526,933,754
10% Legal Debt Margin	\$8,452,693,375
Projected GO Debt 9/30/08	\$1,874,152,609
GO Debt as a percent of Assessed Property Value	2.2%
Market Value of Taxable Property	\$99,004,516,027
4% FMPC Limit	\$3,960,180,641
Projected GO Debt 9/30/08	\$1,874,152,609
GO Debt as a percent of Market Value	1.9%

DEBT SERVICE

FY2007-08 Debt Service Budget

The FY2007-08 budget includes principal and interest payments on \$1.7 billion of existing general obligation debt. This amount includes \$374 million of outstanding pension obligation bonds. New debt to be issued includes \$304.5 million in general obligation bonds, \$31.5 million in equipment acquisition notes and \$5.5 million in certificates of obligation. Principal and interest expenses for existing debt and new debt are \$136.2 million and \$84.7 million, respectively, and are summarized in the table below.

	Principal	Interest	Total
Existing General Obligation Debt	\$117,270,000	\$60,124,177	\$177,394,177
Existing Pension Obligation Debt	17,500,000	11,411,149	28,911,149
\$304.5m General Obligation Bonds	0	12,012,608	12,012,608
\$31.5m Equipment Acquisition Notes	1,440,000	993,211	2,433,211
\$5.5m Certificates of Obligation	0	195,250	195,250
Total Debt Service	\$136,210,000	\$84,736,395	\$220,946,395

Selected Financial Management Performance Criteria - Debt Management

These key criteria, established to ensure sound management of the City's financial resources, are listed below to detail the effects of the issuance of new debt.

Criteria	09/30/06 Actual	09/30/07 Estimate	09/30/08 Proposed ¹
Total direct plus overlapping debt not to exceed 8% of the market value of taxable property	4.4 % In compliance	4.0 % In compliance	4.2 % In compliance
Weighted average general obligation bond maturities (exclusive of pension obligation bonds) not to exceed 10 years	7.2 years In compliance	8.0 years In compliance	7.7 years In compliance
Certificate of obligation debt not to exceed 15% of total authorized and issued general obligation debt	2.6 % In compliance	1.8 % In compliance	1.5 % In compliance
Per capita general obligation debt not to exceed 10% of latest authoritative computation of per capita annual income	3.0 % In compliance	3.5 % In compliance	3.7 % In compliance

¹9/30/08 Proposed includes the issuance of \$341.5 million of new debt.

DEBT SERVICE
Statement of General Obligation Bonded Indebtedness
As of 09/30/2007

Series Number	Issue Name	Issue Date	Term Years	Interest Rate(s)	Outstanding Principal
560	General Obligation Various Purpose	11/01/1996	19	4.0%-6.0%	6,840,000
563	General Obligation Various Purpose	11/01/1997	19	4.3%-5.5%	5,760,000
571	General Obligation Refunding and Improvement	11/01/1998	20	4.0%-5.0%	92,585,000
574	General Obligation Various Purpose	11/01/1999	19	5.1%-5.5%	10,405,000
578	General Obligation Various Purpose	11/01/2000	19	5.0%-5.8%	21,680,000
583	General Obligation Various Purpose	11/01/2001	19	4.0%-5.0%	40,830,000
589	General Obligation Refunding	01/15/2003	8	2.5%-5.0%	16,255,000
592	General Obligation Refunding	10/29/2003	10	4.0%-5.0%	40,435,000
593	General Obligation Various Purpose	11/01/2003	19	3.5%-4.5%	145,995,000
597	General Obligation Various Purpose	11/01/2004	19	4.0%-5.0%	145,460,000
604	General Obligation Refunding	04/13/2005	15	5.0%	156,850,000
606	General Obligation Various Purpose	11/01/2005	19	3.3%-5.0%	170,345,000
611	General Obligation Various Purpose	11/01/2006	19	4.5%-5.0%	221,830,000
614	General Obligation Various Purpose	06/01/2007	20	5.0%-5.1%	130,775,000
Total General Obligation Bonds					<u>\$ 1,206,045,000</u>
594	Equipment Acquisition Notes	11/01/2003	5	2.0%-2.5%	4,350,000
598	Equipment Acquisition Notes	11/01/2004	5	3.0%	9,415,000
608	Equipment Acquisition Notes	11/01/2005	5	3.5%-4.0%	20,270,000
612	Equipment Acquisition Notes	11/01/2006	5	3.8%-4.0%	11,825,000
Total Equipment Acquisition Notes					<u>\$ 45,860,000</u>
580	Certificates of Obligation	11/01/2000	10	4.8%	7,345,000
591	Certificates of Obligation	05/01/2003	10	2.0%-3.3%	21,600,000
599	Certificates of Obligation	11/01/2004	10	3.0%-3.6%	4,360,000
605	Certificates of Obligation (Taxable)	04/13/2005	10	4.0%-4.5%	4,500,000
607	Certificates of Obligation	11/01/2005	10	3.8%-4.1%	5,240,000
Total Certificates of Obligation					<u>43,045,000</u>
Total General Obligation Bonds, Equipment Acquisition Notes, and Certificates of Obligation					<u>\$ 1,249,950,000</u>
600	Pension Obligation Bonds (Current Interest Bonds - Taxable)	01/19/2005	30	3.2%-5.0%	161,200,000
601	Pension Obligation Bonds (Capital Appreciation Bonds - Taxable)	01/19/2005	30	4.1%-5.5%	137,772,609
602	Pension Obligation Bonds (Step-up Coupon Bonds - Taxable)	01/19/2005	19	5.5%-8.0%	75,000,000
Total Pension Obligation Bonds					<u>373,972,609</u>
Total General Obligation Debt					<u>\$ 1,668,942,609</u>

DEBT SERVICE
General Obligation Debt Service Requirements
As of 09/30/2007

Fiscal Year	Outstanding Debt (w/o POB)			Outstanding Pension Obligation Bond Debt			Total Outstanding
	Principal	Interest	Total	Principal	Interest	Total	
2008	117,270,000	60,124,177	177,394,177	17,500,000	11,411,149	28,911,149	206,305,326
2009	112,955,000	53,623,909	166,578,909	12,382,696	17,078,828	29,461,524	196,040,433
2010	105,345,000	48,554,287	153,899,287	18,875,000	10,874,562	29,749,562	183,648,849
2011	92,340,000	43,787,274	136,127,274	11,097,826	19,311,023	30,408,849	166,536,123
2012	88,875,000	39,446,354	128,321,354	10,419,750	20,689,099	31,108,849	159,430,203
2013	87,705,000	35,274,937	122,979,937	9,707,602	22,148,747	31,856,349	154,836,286
2014	78,945,000	31,293,478	110,238,478	12,616,830	20,023,720	32,640,549	142,879,027
2015	73,205,000	27,667,219	100,872,219	8,636,841	24,855,408	33,492,249	134,364,468
2016	69,725,000	24,277,975	94,002,975	8,050,977	26,357,522	34,408,499	128,411,474
2017	66,230,000	21,005,931	87,235,931	8,214,089	27,166,370	35,380,459	122,616,390
2018	63,190,000	17,853,744	81,043,744	8,933,560	27,471,259	36,404,819	117,448,563
2019	57,300,000	14,920,556	72,220,556	8,635,322	28,821,172	37,456,494	109,677,050
2020	53,770,000	12,242,775	66,012,775	8,261,699	30,388,970	38,650,669	104,663,444
2021	48,755,000	9,800,650	58,555,650	28,800,000	10,930,587	39,730,587	98,286,237
2022	45,355,000	7,560,400	52,915,400	31,545,000	9,398,428	40,943,428	93,858,828
2023	45,345,000	5,396,888	50,741,888	35,350,000	7,183,500	42,533,500	93,275,388
2024	36,225,000	3,438,813	39,663,813	39,650,000	4,183,500	43,833,500	83,497,313
2025	27,670,000	1,885,219	29,555,219	8,036,834	36,784,235	44,821,069	74,376,288
2026	18,210,000	767,406	18,977,406	8,040,114	38,163,093	46,203,207	65,180,613
2027	6,535,000	163,375	6,698,375	8,037,694	39,593,689	47,631,383	54,329,758
2028	-	-	-	8,034,062	41,073,353	49,107,416	49,107,416
2029	-	-	-	8,038,642	42,583,831	50,622,474	50,622,474
2030	-	-	-	8,040,730	44,141,866	52,182,596	52,182,596
2031	-	-	-	8,035,840	45,728,242	53,764,082	53,764,082
2032	-	-	-	8,038,960	47,358,879	55,397,839	55,397,839
2033	-	-	-	8,037,046	49,022,603	57,059,649	57,059,649
2034	-	-	-	8,039,198	50,731,091	58,770,289	58,770,289
2035	-	-	-	14,936,297	45,590,144	60,526,441	60,526,441
	<u>\$ 1,294,950,000</u>	<u>\$ 459,085,367</u>	<u>\$ 1,754,035,367</u>	<u>\$ 373,972,609</u>	<u>\$ 799,064,870</u>	<u>\$ 1,173,057,480</u>	<u>\$ 2,927,092,847</u>

DEBT SERVICE
Statement of Revenues and Expenditures
General Obligation Debt

	FY 2005-06 Actual	FY 2006-07 Budget	FY 2006-07 Estimate	FY 2007-08 Proposed
Beginning Cash Balance	\$ 5,870,293	\$ 4,437,494	\$ 4,305,863	\$ 4,277,155
<u>Revenues</u>				
Ad Valorem Taxes	138,879,191	140,429,580	140,561,820	190,365,230
Department Pension Bond Assessment	27,460,097	29,300,000	27,488,540	11,411,149
Interest/Transfers/Other	21,726,039	22,713,435	21,616,880	21,608,259
Total	189,032,277	192,443,015	189,667,240	223,384,638
Total Available Resources	\$ 194,902,570	\$ 196,880,509	\$ 193,973,103	\$ 227,661,793
<u>Expenses</u>				
Principal Payments	121,745,000	122,195,000	120,480,000	136,210,000
Interest Payments	66,779,970	68,962,647	67,029,786	84,736,395
Other Expenses	1,275,913	2,064,465	2,186,162	4,502,387
Total	189,800,883	193,222,112	189,695,948	225,448,782
Ending Cash Balance	\$ 4,305,863	\$ 3,658,397	\$ 4,277,155	\$ 2,213,011

Note: Beginning in FY07-08, only those departments which are not part of the General Fund will pay a separate pension bond debt service assessment

DEBT SERVICE

AVIATION

Introduction

The Aviation Debt Service Fund provides for the payment of principal and interest on the Department of Aviation's outstanding revenue bonded indebtedness. In April 2001, the Department of Aviation issued \$59.385 million in Series 2001 Airport System Revenue Bonds for construction of an additional parking facility at Dallas Love Field. Construction of the new garage began in August of 2001 and was completed in April of 2003. Revenues from Aviation operations and interest earned on the cash balance in the debt service fund are pledged for repayment of the debt. Revenues are transferred from the Aviation operating fund to the debt service fund to meet annual principal and interest obligations.

Credit Rating

The Department of Aviation currently holds BBB/Baa2 underlying ratings from Standard & Poor's and Moody's Investors Service, respectively. The bonds are rated AAA/Aaa based on the bond insurance policy that AMBAC Assurance Corporation is providing.

FY2007-08 Debt Service Budget

The FY2007-08 budget includes payments of \$6.24 million in principal repayments and \$1.33 million in interest payments. There are no plans to issue debt in the upcoming fiscal year.

Statement of Revenue Bonded Indebtedness, as of 09/30/07

<u>Series Number</u>	<u>Issue Name</u>	<u>Date of Issue</u>	<u>Term Years</u>	<u>Interest Rate</u>	<u>Outstanding Principal</u>
581	Airport System Revenue Bonds	04/01/01	10	5.0%	<u>\$26,555,000</u>
Total Aviation Department Outstanding Debt					<u>\$26,555,000</u>

DEBT SERVICE

Aviation Debt Service Requirements As of 09/30/2007

Fiscal Year	Outstanding Debt		
	Principal	Interest	Total
2008	6,240,000	1,327,750	7,567,750
2009	6,495,000	1,015,750	7,510,750
2010	6,765,000	691,000	7,456,000
2011	7,055,000	352,750	7,407,750
	<u>\$ 26,555,000</u>	<u>\$3,387,250</u>	<u>\$ 29,942,250</u>

DEBT SERVICE

Statement of Debt Service Revenues and Expenditures *Aviation*

	<u>FY 2005-06</u> Actual	<u>FY 2006-07</u> Budget	<u>FY 2006-07</u> Estimate	<u>FY 2007-08</u> Proposed
Beginning Cash Balance	\$ 4,173,898	\$ 4,151,561	\$ 4,289,681	\$ 4,306,220
 <u>Revenues</u>				
Transfers	7,657,000	7,597,750	7,597,750	7,539,250
Interest/Other	145,033	162,166	46,539	160,917
Total	7,802,033	7,759,916	7,644,289	7,700,167
 Total Available Resources	 \$ 11,975,931	 \$ 11,911,477	 \$ 11,933,970	 \$ 12,006,387
 <u>Expenses</u>				
Principal Payments	5,770,000	6,000,000	6,000,000	6,240,000
Interest Payments	1,916,250	1,627,750	1,627,750	1,327,750
Total	7,686,250	7,627,750	7,627,750	7,567,750
 Ending Cash Balance	 <u>\$ 4,289,681</u>	 <u>\$ 4,283,727</u>	 <u>\$ 4,306,220</u>	 <u>\$ 4,438,637</u>

DEBT SERVICE

CONVENTION CENTER

Introduction

The Convention Center Debt Service Fund provides for the payment of principal and interest on the Convention Center's outstanding revenue bonded indebtedness. In April 1998, the Convention Center Complex issued \$326.23 million in revenue bonds. This issue included the refunding of all of the Convention Center's \$236.60 million outstanding debt and a new money issuance of \$110.76 million. The new money issuance of \$110.76 million was invested to generate total funding for the \$125 million expansion and renovation of the complex which was put into service in 2002.

The 7% Hotel Occupancy Tax, operating revenues of the Convention Center Complex, and interest earned on cash balances in the bond reserve and debt service funds are pledged for repayment of the debt. Additionally, the City has covenanted to provide for the payment of operating and maintenance expenses of the Convention Center Complex, should a shortfall in Convention Center revenues occur. The General Fund will be providing financial assistance to the Convention Center during FY2007-08. Revenue from the Convention Center operating fund is transferred to the debt service fund to meet annual principal and interest payments.

Credit Rating

The Convention Center Complex currently holds A/A1 underlying ratings from Standard & Poor's and Moody's Investors Service, respectively. The bonds are rated AAA/ Aaa based on the bond insurance policy that MBIA Insurance Corporation is providing.

FY2007-08 Debt Service Budget

The FY2007-08 budget includes payments on existing debt of \$11.8 million in principal repayments and \$13.2 million in interest payments.

Statement of Revenue Bonded Indebtedness, as of 09/30/07

Series Number	Issue Name	Date of Issue	Term Years	Interest Rate	Outstanding Principal
567	Civic Center Convention Complex, Revenue Refunding Bonds	04/01/98	30	4.6%-6.0%	<u>267,885,000</u>
Total Convention Center Outstanding Debt					<u>\$267,885,000</u>

DEBT SERVICE
Convention Center Debt Service Requirements
As of 09/30/2007

Fiscal Year	Outstanding Debt		
	Principal	Interest	Total
2008	11,835,000	13,209,467	25,044,467
2009	12,460,000	12,588,130	25,048,130
2010	12,065,000	12,014,970	24,079,970
2011	12,635,000	11,447,915	24,082,915
2012	13,240,000	10,841,435	24,081,435
2013	13,890,000	10,192,675	24,082,675
2014	14,585,000	9,498,175	24,083,175
2015	15,315,000	8,768,925	24,083,925
2016	16,080,000	8,003,175	24,083,175
2017	16,885,000	7,199,175	24,084,175
2018	17,725,000	6,354,925	24,079,925
2019	18,615,000	5,468,675	24,083,675
2020	19,520,000	4,561,194	24,081,194
2021	20,470,000	3,609,594	24,079,594
2022	6,470,000	2,611,681	9,081,681
2023	6,785,000	2,296,269	9,081,269
2024	7,115,000	1,965,500	9,080,500
2025	7,470,000	1,609,750	9,079,750
2026	7,845,000	1,236,250	9,081,250
2027	8,235,000	844,000	9,079,000
2028	8,645,000	432,250	9,077,250
	\$267,885,000	\$134,754,130	\$402,639,130

DEBT SERVICE
Statement of Debt Service Revenues and Expenditures
Convention Center

	<u>FY 2005-06</u> <u>Actual</u>	<u>FY 2006-07</u> <u>Budget</u>	<u>FY 2006-07</u> <u>Estimate</u>	<u>FY 2007-08</u> <u>Proposed</u>
Beginning Cash Balance	\$ 4,293,508	\$ 4,213,475	\$ 4,089,060	\$ 4,116,488
<u>Revenues</u>				
Transfers	24,492,152	24,645,716	24,645,716	25,044,467
Interest/Other	349,192	426,542	426,542	450,000
Total	24,841,344	25,072,258	25,072,258	25,494,467
Total Available Resources	\$ 29,134,852	\$ 29,285,733	\$ 29,161,318	\$ 29,610,955
<u>Expenses</u>				
Principal Payments	10,685,000	11,245,000	11,245,000	11,835,000
Interest Payments	14,360,792	13,799,830	13,799,830	13,209,467
Total	25,045,792	25,044,830	25,044,830	25,044,467
Ending Cash Balance	\$ 4,089,060	\$ 4,240,903	\$ 4,116,488	\$ 4,566,488

DEBT SERVICE

SPORTS ARENA

Introduction

On January 17, 1998, the Dallas voters approved a proposition authorizing the City to impose an additional 2% Hotel Occupancy Tax and a 5% Motor Vehicle Rental Tax to be used solely to pay for a new sports arena. On June 24, 1998, \$140.38 million of revenue bonds were issued to fund the City's \$125 million contribution to build the new arena. Of the \$140.38 million issued, \$104.81 million of the bonds are tax-exempt and the other \$35.57 million of the bonds are taxable. The debt service fund provides for the payment of principal and interest on both series of bonds.

Credit Rating

These bonds currently hold underlying ratings of A-/Baa1/A from Standard & Poor's, Moody's Investors Service and Fitch IBCA, respectively. These bonds are rated AAA/Aaa/AAA reflecting the assessment of the likelihood of repayment of principal and interest based on the bond insurance policy that Ambac Assurance Corporation is providing.

FY2007-08 Debt Service Budget

The FY2007-08 budget includes scheduled debt service payments of \$9.3 million. Of this total, \$3.2 million and \$6.1 million are for principal payments and interest payments, respectively. These payments are funded with transfers of the 2% Hotel Occupancy Tax, the 5% Motor Vehicle Rental Tax, and interest earnings on the cash balance. Tax revenues in excess of the required debt service payments are retained in the Surplus Debt Redemption Fund until required for the payment of debt service. The Statement of Expenditures and Revenues shown on the next page reflects both of the Sports Arena Debt Service Funds and the Sports Arena Surplus Debt Redemption Fund. There are no plans to issue additional debt in FY2007-08.

Statement of Revenue Bonded Indebtedness as of 09/30/07

Series Number	Issue Name	Date of Issue	Term Years	Interest Rate	Outstanding Principal
568	Special Tax Revenue Bonds (Tax Exempt)	06/15/98	30	4.2%-5.4%	81,125,000
569	Special Tax and Lease Revenue Bonds (Taxable)	06/15/98	30	6.0%-6.7%	30,645,000
Total Sports Arena Revenue Bonds					\$111,770,000

DEBT SERVICE

Sports Arena Debt Service Requirements As of 09/30/2007

Fiscal Year	Outstanding Debt		
	Principal	Interest	Total
2008	3,185,000	6,130,557	9,315,557
2009	3,360,000	5,955,389	9,315,389
2010	3,550,000	5,767,369	9,317,369
2011	3,750,000	5,568,604	9,318,604
2012	3,960,000	5,358,499	9,318,499
2013	4,180,000	5,136,529	9,316,529
2014	4,415,000	4,902,029	9,317,029
2015	4,665,000	4,650,124	9,315,124
2016	4,935,000	4,383,825	9,318,825
2017	5,210,000	4,106,863	9,316,863
2018	5,495,000	3,823,856	9,318,856
2019	5,795,000	3,525,056	9,320,056
2020	6,110,000	3,209,713	9,319,713
2021	6,440,000	2,876,913	9,316,913
2022	6,790,000	2,525,744	9,315,744
2023	7,160,000	2,155,206	9,315,206
2024	7,555,000	1,764,056	9,319,056
2025	7,965,000	1,350,963	9,315,963
2026	8,400,000	915,094	9,315,094
2027	8,850,000	469,781	9,319,781
	\$ 111,770,000	\$80,872,407	\$195,662,407

DEBT SERVICE

Statement of Debt Service Revenues and Expenditures *Sports Arena*

	FY 2005-06 <u>Actual</u>	FY 2006-07 <u>Budget</u>	FY 2006-07 <u>Estimate</u>	FY 2007-08 <u>Proposed</u>
Beginning Cash Balance	\$ 44,689,890	\$ 45,182,617	\$ 50,779,995	\$ 57,687,630
<u>Revenues</u>				
2% Hotel Occupancy Tax	10,165,771	10,350,275	10,435,990	10,609,032
5% Motor Vehicle Rental Tax	3,834,436	3,954,390	3,869,846	3,966,592
Interest/Transfers/Other	1,407,224	2,099,038	1,920,036	2,239,876
Total	15,407,431	16,403,703	16,225,872	16,815,500
Total Available Resources	\$ 60,097,321	\$ 61,586,320	\$ 67,005,867	\$ 74,503,130
<u>Expenses</u>				
Principal	2,870,000	3,020,000	3,020,000	3,185,000
Interest/Other	6,447,326	6,298,237	6,298,237	6,130,000
Total	9,317,326	9,318,237	9,318,237	9,315,000
Ending Cash Balance	\$ 50,779,995	\$ 52,268,083	\$ 57,687,630	\$ 65,188,130

DEBT SERVICE

WATER UTILITIES

Introduction

The debt service component of the Operating Budget for Dallas Water Utilities (DWU) provides for payment of principal and interest on DWU's indebtedness. The budget for these payments is prescribed by the following standards:

- ◆ The Dallas City Charter provides in Chapter XI, Section 14 that all water and wastewater costs (including debt requirements) shall be paid for from customer service revenues.
- ◆ Revenue bond ordinances provide that customer service revenues solely secure water and wastewater bonds.
- ◆ Financial criteria for DWU provide for financing of capital improvements (effectively defined as capital projects with useful lives of 20 years or longer) either from debt or directly from revenues, to maintain system equity levels.

In addition to revenue bonds, debt sources include tax-exempt commercial paper notes (CP), which are utilized for interim financing of capital construction projects. On an annual basis, commercial paper is refinanced and retired with revenue bonds. This process lowers overall interest costs and provides greater financing flexibility. Debt sources also include certain contractual obligations whereby DWU reimburses other agencies for debt incurred to construct joint-use facilities. Under these contractual agreements DWU makes payments in proportion to its allocated share of the joint use facilities.

Credit Ratings

The City of Dallas Waterworks and Sewer System Revenue Bonds are judged to be of high quality by all standards. These credit ratings reflect the sound management of DWU financial resources and allow issuance of bonds with relatively low interest costs. The City of Dallas Waterworks and Sewer System Commercial Paper Notes hold similarly high credit ratings. Current ratings of the City's debt instruments are shown in the table below.

<u>Credit Rating Service</u>	<u>Revenue Bonds</u>	<u>Commercial Paper Notes</u>
Moody's	Aa2	P-1
Standard & Poor's	AA+	A-1+

DEBT SERVICE

Revenue Bond and Commercial Paper Note Coverage

The following are established standards for DWU net revenue in relation to future debt service payments.

- ◆ Revenue bond ordinances require net revenues equal to at least 1.25 times bond principal and interest requirements of the future year when those requirements are highest.
- ◆ DWU financial criteria state that net revenues should be 1.5 times maximum annual bond requirements at the end of each fiscal year.
- ◆ Commercial Paper coverage requirements state that net revenues should be 1.10 times the maximum annual principal and interest payments required on all debt outstanding in the future year when those requirements are highest.

For fiscal year 2006 coverage at September 30, 2006 is summarized in the table below.

Debt Service Coverage Requirements FY 2005-06

Coverage Net Revenue (CNR) = \$ 231,526 (000 omitted)

<u>Authority</u>	<u>Ratio</u>	<u>Requirement</u>	<u>Denominator \$</u>	<u>Actual</u>
Bond Ordinance	CNR/Max YR	1.25	148,525	1.56
DWU Criteria	CNR/Max YR	1.50	148,525	1.56
DWU Criteria	CNR/Max CP	1.10	158,968	1.46
Rating Agencies	CNR/AVG	N/A	77,872	2.97

Max Yr = Maximum amount of debt service required in a single fiscal year for Principal and Interest payments on Outstanding Revenue Bond indebtedness.

Max CP = Maximum amount of debt service required in a single fiscal year for Principal and interest payments on all Outstanding Debt.

DEBT SERVICE

FY 2007-08 Debt Service Budget

The FY 2007-08 budget provides principal and interest for existing debt of \$83.3 million and \$76.5 million, respectively. New debt to be issued includes \$165 million in revenue bonds to refinance and retire commercial paper. Commercial paper issues in FY 2007-08 are forecast at \$266 million with an estimated interest cost of \$8.0 million, which is paid from the Water Utilities Operating Fund.

DEBT SERVICE

Water Utilities Financial Criteria for Debt Management

Financial criteria have been established to ensure sound management of DWU's financial resources. Financial criteria that apply to DWU indebtedness are listed below. Compliance with each of the criteria is projected for FY 2007-08 unless otherwise noted (in italics).

- (1) Current revenues will be sufficient to support current expenditures including debt service and other obligations of the system.
- (2) Long-term debt will be used only for capital expansion, replacement and improvement of plant, not for current expenses.
- (3) Short-term debt, including tax-exempt commercial paper, will be used as authorized for interim financing of projects that will result in capital improvements.
- (4) Capital projects financed through the issuance of debt will be financed for a period not to exceed the expected useful lives of the projects.
- (5) An equity target will be maintained for each fiscal year-end of at least 20% of the total capital structure, excluding current liabilities. *Proposed budget maintains an 18.7% equity for fiscal year-end.*
- (6) Net revenues available for debt service should be at least 1.5 times the maximum annual principal and interest requirements of relevant outstanding revenue bonds at the end of the same fiscal year, and at least 1.3 times maximum-year requirements at all times, measured during a fiscal year using the previous year net revenues available for debt service.
- (7) Capital financing will be provided through revenue bonds, current revenues, contributed capital, and short-term debt.
- (8) Revenue bonds will be issued with serial maturities not to exceed thirty (30) years.
- (9) Debt refinancing will only be considered when the overall net present value savings is at least 3% of the principal amount to be refunded.
- (10) Fully funded debt service reserves shall be maintained. A surety bond (or other type of credit facility such as a letter of credit) may be used in lieu of funding the reserve if the former is economically advantageous.

DEBT SERVICE

Statement of Indebtedness As of 09/30/07

Series Number	Issue Name	Interest Rate	Date of Issue	Term Years	Outstanding Principal
<u>Water Works and Sewer System Revenue Bonds</u>					
550	Refunding & Improvement	4.0%	09/01/93	20	\$ 4,715,000
570	Refunding *	4.3-5.0%	09/01/98	31	127,135,000
573	Refunding & Improvement	4.8-5.5%	09/01/99	20	7,905,000
576	Refunding & Improvement	5.3-5.8 %	09/01/00	20	12,880,000
582	Refunding & Improvement	5.0-5.3%	09/01/01	20	20,925,000
586	Refunding	3.0-5.5%	02/01/02	20	11,195,000
587	Refunding	3.0-5.0%	09/01/02	8	84,135,000
590	Refunding & Improvement	3.0-5.4%	01/01/03	20	147,580,000
B595	Refunding & Improvement	3.5-5.0%	09/01/03	20	145,805,000
603	Refunding	5.0%	02/01/05	20	110,990,000
610	Refunding & Improvement**	4.3-5.5%	04/01/06	30	249,750,000
613	Refunding & Improvement**	4.0-5.0%	03/15/07	30	<u>678,480,000</u>
Total Dallas Water Utilities Revenue Bonds					<u><u>\$1,601,495,000</u></u>

*Longer term authorized to prepay previous 50 year contractual obligation

**Thirty year bonds issued

Commercial Paper Notes (projected)

\$ 182,000,000

Equipment Notes

\$ 2,200,000

DEBT SERVICE

Dallas Water Utilities Debt Service Requirements

As of 09/30/2007

Fiscal Year	Outstanding Debt		
	Principal	Interest	Total
2008	83,265,000	76,549,955	159,814,955
2009	87,710,000	71,014,002	158,724,002
2010	91,985,000	66,622,623	158,607,623
2011	74,640,000	62,502,977	137,142,977
2012	75,930,000	58,746,555	134,676,555
2013	83,245,000	54,756,027	138,001,027
2014	79,700,000	50,679,980	130,379,980
2015	75,580,000	46,847,406	122,427,406
2016	73,885,000	43,111,956	116,996,956
2017	71,605,000	39,534,309	111,139,309
2018	65,225,000	36,175,778	101,400,778
2019	69,680,000	32,897,310	102,577,310
2020	73,085,000	29,507,301	102,592,301
2021	71,425,000	26,161,295	97,586,295
2022	68,955,000	22,917,160	91,872,160
2023	62,425,000	19,911,453	82,336,453
2024	50,540,000	17,323,181	67,863,181
2025	40,415,000	15,196,138	55,611,138
2026	27,890,000	13,595,684	41,485,684
2027	29,215,000	12,255,006	41,470,006
2028	30,610,000	10,840,356	41,450,356
2029	32,080,000	9,357,756	41,437,756
2030	33,600,000	7,815,519	41,415,519
2031	20,225,000	6,554,472	26,779,472
2032	21,205,000	5,576,144	26,781,144
2033	22,235,000	4,550,144	26,785,144
2034	23,310,000	3,469,256	26,779,256
2035	24,455,000	2,330,553	26,785,553
2036	25,650,000	1,135,903	26,785,903
2037	11,725,000	262,144	11,987,144
	\$ 1,601,495,000	\$ 848,198,343	\$ 2,449,693,343

DEBT SERVICE

Statement of Debt Service Revenues and Expenditures *Dallas Water Utilities*

	<u>FY 2005-06</u> <u>Actual</u>	<u>FY 2006-07</u> <u>Budget</u>	<u>FY 2006-07</u> <u>Estimate</u>	<u>FY 2007-08</u> <u>Proposed</u>
Beginning Cash Balance	\$ 98,682,946	\$ 112,272,024	\$ 112,272,024	\$ 108,814,193
Revenues				
Operating Fund Transfers*	143,439,522	150,266,949	143,496,631*	162,157,124
General Fund Transfers	0	262,075	262,075	257,213
Sanitation Transfers	0	332,101	332,101	325,940
Storm Water Utility Transfers	564,120	976,362	976,362	970,062
Total	144,003,642	151,837,487	145,067,169	163,710,339
Total Available Resources	\$ 242,686,588	\$ 264,109,511	\$ 257,339,193	\$ 272,524,532
Expenses				
Principal Payments	67,985,000	76,825,000	76,825,000	83,265,000
Interest Payments	62,429,564	71,700,000	71,700,000	76,549,955
Total	130,414,564	148,525,000	148,525,000	159,814,955
Ending Cash Balance	\$ 112,272,024	\$ 115,584,511	\$ 108,814,193	\$ 112,709,577

Note: *Commercial paper costs, debt fees, and smaller debt expenses are paid directly from Water Utilities Operating Funds. These payments are to bond holders and reservoir debt holders. They do not include any additional fees or commercial paper interest.*

*Reductions in budgeted transfers due to debt service savings realized in the March 2007 revenue bond refunding.