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 using debt, the project costs are allocated 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; flood protection and storm drainage system. The Financial Management Performance Criteria (FMPC) addresses debt management and other requirements adopted by the City Council. The FMPC necessitates voter approval prior to the issuance of general obligation bonds, restricts the length of maturities, and outlines the amount and purpose for which bonded debt may be issued.

The primary source of revenue for the debt service fund is the ad valorem property tax. The adopted ad valorem tax rate of 79.70¢ per $100 assessed value is split into two rates. Approximately one-third (25.31¢) of the tax revenue is used to pay principal and interest on the City's outstanding general obligation debt. The remaining two-thirds (54.39¢) 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 most 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 repayment schedule.

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.

Credit Rating Service	General Obligation Debt	Commercial Paper Notes
Moody's Investors Service	Aa1	P-1
Standard & Poor's	AA+	A-1+

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 new debt to be issued (refunding of commercial paper) will constitute 2.2% of the assessed value of $83.68 billion and 1.9% of the market value of taxable property of $96.99 billion. Thus, the City will continue to comply with both requirements as of 9/30/2013.

Assessed Value	$83,681,721,883
10% Legal Debt Margin	$8,368,172,188
Projected GO Debt 9/30/13	$1,848,724,733
GO Debt as a percent of Assessed Property Value	2.2%

Market Value of Taxable Property	$96,993,189,656
4% FMPC Limit	$3,818,328,965
Projected GO Debt 9/30/13	$1,848,724,733
GO Debt as a percent of Market Value	1.9%

DEBT SERVICE

FY2012-13 Debt Service Budget

The FY2012-13 budget includes principal and interest payments on $1.66 billion of existing general obligation debt. Principal and interest expense for existing debt are $142.28 million and $84.62 million, respectively, and are summarized in the table below. In FY2010-11, a commercial paper program was implemented to interim finance voter-approved capital improvement projects. The costs associated with the commercial paper program are included in the General Fund budget. A $325.00 million general obligation bond issuance is planned for the 4th quarter of FY2012-13 to refinance and retire outstanding commercial paper. This issuance will not have a debt service cost impact in FY2012-13.

	Principal	Interest	Total
Total Existing Debt Service	**$142,282,602**	**$84,623,918**	**$226,906,520**

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	09/30/11 Actual	09/30/12 Estimate	09/30/13 Adopted
Total direct plus overlapping debt not to exceed 8% of the market value of taxable property	4.6 % In compliance	4.5 % In compliance	5.4 % In compliance
Weighted average general obligation bond maturities (exclusive of pension obligation bonds) not to exceed 10 years	7.5 years In compliance	6.6 years In compliance	7.0 years In compliance
Certificate of obligation debt not to exceed 15% of total authorized and issued general obligation debt	1.7 % In compliance	0.9% In compliance	1.4 % In compliance
Per capita general obligation debt not to exceed 10% of latest authoritative computation of per capita annual income	3.5 % In compliance	2.4 % In compliance	3.1 % In compliance

DEBT SERVICE

Statement of General Obligation Bonded Indebtedness
As of 09/30/2012

Series Number	Issue Name	Issue Date	Term Years	Coupon Rate(s)		Outstanding Principal
592	General Obligation Refunding Bonds	10/29/2003	10	4.0%-5.0%	$	15,705,000
597	General Obligation Improvement Bonds	11/01/2004	19	4.0%-5.0%		34,220,000
600	Pension Obligation Bonds (Current Interest Bonds - Taxable)	01/19/2005	30	3.2%-5.0%		124,845,000
601	Pension Obligation Bonds (Capital Appreciation Bonds - Taxable)	01/19/2005	30	4.1%-5.5%		103,872,336
604	General Obligation Refunding Bonds	04/13/2005	15	5.0%		110,225,000
606	General Obligation Improvement Bonds	11/01/2005	19	3.3%-5.0%		104,090,000
611	General Obligation Improvement Bonds	11/01/2006	19	4.5%-5.0%		163,450,000
614	General Obligation Improvement Bonds	06/01/2007	20	5.0%-5.1%		84,995,000
615	General Obligation Refunding and Improvement Bonds	11/15/2007	19	4.0%-5.0%		216,975,000
620	General Obligation Improvement Bonds	11/01/2008	19	4.5%-5.1%		154,590,000
627	General Obligation Refunding and Improvement Bonds	03/30/2010	10	3.0%-5.0%		185,120,000
628	General Obligation Improvement (Taxable -"Build America") Bonds	03/30/2010	19	4.4%-5.6%		85,380,000
631	General Obligation Refunding Bonds	11/09/2010	13	3.0%-5.0%		137,535,000
632	General Obligation Refunding Bonds (Taxable)	11/09/2010	14	0.3%-5.0%		76,135,000
	Total General Obligation Bonds				$	1,597,137,336
608	Equipment Acquisition Notes	11/01/2005	10	3.5%-4.0%	$	1,440,000
621	Equipment Acquisition Notes	11/01/2008	5	4.7%-4.9%		8,210,000
633	Equipment Acquisition Notes	11/09/2010	5	3.0%-5.0%		12,625,000
	Total Equipment Acquisition Notes				$	22,275,000
591	Certificates of Obligation	05/01/2003	10	2.0%-3.3%	$	3,600,000
599	Certificates of Obligation	11/01/2004	10	3.0%-3.6%		1,345,000
607	Certificates of Obligation	04/13/2005	10	3.8%-4.1%		2,160,000
617	Certificates of Obligation	11/15/2007	10	3.5%-4.0%		3,050,000
622	Certificates of Obligation	11/01/2008	10	3.5%-5.0%		3,600,000
629	Certificates of Obligation	03/30/2010	10	2.0%-4.0%		10,910,000
635	Certificates of Obligation	05/30/2012	10	2.0%-5.0%		21,930,000
	Total Certificates of Obligation				$	46,595,000
				Total General Obligation Debt	**$**	**1,666,007,336**

Note: Outstanding Debt listed is as of 9/30/2012 and does not reflect General Obligation refunding on 10/31/2012.

DEBT SERVICE

General Obligation Debt Service Requirements
As of 09/30/2012

Fiscal	Outstanding Debt		
Year	Principal	Interest	Total
2013	142,282,603	84,623,918	226,906,520
2014	135,866,830	75,822,235	211,689,065
2015	121,951,841	74,861,672	196,813,513
2016	114,150,977	70,640,304	184,791,281
2017	111,304,089	66,067,277	177,371,366
2018	108,533,560	61,431,316	169,964,876
2019	100,740,322	58,124,049	158,864,371
2020	97,201,699	54,850,830	152,052,528
2021	113,535,000	30,718,856	144,253,856
2022	113,280,000	25,170,423	138,450,423
2023	114,070,000	19,753,862	133,823,862
2024	108,190,000	14,521,951	122,711,951
2025	69,306,834	44,668,922	113,975,755
2026	60,085,114	43,312,280	103,397,394
2027	48,657,694	42,503,850	91,161,544
2028	26,984,062	42,503,280	69,487,342
2029	16,238,642	43,289,019	59,527,662
2030	16,540,730	44,380,419	60,921,149
2031	8,035,840	45,728,242	53,764,082
2032	8,038,960	47,358,879	55,397,839
2033	8,037,046	49,022,603	57,059,649
2034	8,039,198	50,731,091	58,770,289
2035	14,936,297	45,590,144	60,526,441
	$1,666,007,336	**$1,135,675,421**	**$2,801,682,757**

Note: Outstanding Debt listed is as of 9/30/2012 and does not reflect General Obligation refunding on 10/31/2012.

DEBT SERVICE

Statement of Revenues and Expenditures

	FY 2010-11 Actual	FY 2011-12 Budget	FY 2011-12 Estimate	FY 2012-13 Adopted
Beginning Cash Balance	**$ 4,738,693**	**$ 2,917,957**	**$ 5,510,050**	**$ 5,232,618**
Revenues				
Ad Valorem Taxes	218,871,768	207,867,166	211,656,751	210,058,159
"Build America Bonds" Federal Subsidy	-	1,503,204	1,503,204	1,503,204
Interest/Transfers/Other	35,781,360	39,123,887	35,385,572	21,446,191
Total	**254,653,128**	**248,494,257**	**248,545,527**	**233,007,554**
Total Available Resources	**$ 259,391,821**	**$ 251,412,214**	**$ 254,055,577**	**$ 238,240,172**
Expenses				
Principal Payments	148,312,000	154,254,750	154,254,750	142,282,602
Interest Payments	99,630,444	89,044,091	89,044,091	84,623,918
Other Expenses	5,939,327	5,546,589	5,524,118	6,378,510
Total	**253,881,771**	**248,845,430**	**248,822,959**	**233,285,030**
Ending Cash Balance	**$ 5,510,050**	**$ 2,566,784**	**$ 5,232,618**	**$ 4,955,142**

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 February 2009, the Convention Center Complex issued $324.94 million in revenue bonds. This issue included the refunding of all of the Convention Center's $261.36 million outstanding debt and $63.58 million of new money. Of the new money issuance, $60.80 million is being used for planned improvements to the Dallas Convention Center.

7% Hotel Occupancy Tax, non-operating revenue of the Convention Center Complex, and interest earned on cash balances in the bond reserve fund transferred to debt service funds are pledged for repayment of the debt. Operating revenues from the Convention Center Complex are transferred to the debt service fund to meet annual principal and interest payments. 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.

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 AA+/Aa3 based on the bond insurance policy that Assured Guaranty Insurance Corporation is providing.

FY2012-13 Debt Service Budget

The FY2012-13 budget includes payments on existing debt of $2.78 million in principal payments and $16.42 million in interest payments.

Statement of Revenue Bonded Indebtedness, as of 09/30/12

Series Number	Issue Name	Date of Issue	Term Years	Coupon Rate(s)	Outstanding Principal
623	Civic Center Convention Complex, Revenue Refunding Bonds	02/15/2009	30	3.0%-5.25%	$ 320,165,000
		Total Convention Center Outstanding Debt			**$ 320,165,000**

DEBT SERVICE

Convention Center Debt Service Requirements
As of 09/30/2012

Fiscal	Outstanding Debt		
Year	Principal	Interest	Total
2013	2,775,000	16,420,913	19,195,913
2014	3,675,000	16,282,163	19,957,163
2015	4,640,000	16,098,413	20,738,413
2016	5,740,000	15,866,413	21,595,413
2017	6,945,000	15,579,413	22,524,413
2018	8,250,000	15,232,163	23,482,163
2019	8,665,000	14,819,663	23,484,663
2020	9,095,000	14,386,413	23,481,413
2021	9,550,000	13,931,663	23,481,663
2022	10,030,000	13,454,163	23,484,163
2023	10,530,000	12,952,663	23,482,663
2024	11,055,000	12,426,163	23,481,163
2025	11,610,000	11,873,413	23,483,413
2026	12,190,000	11,292,913	23,482,913
2027	12,800,000	10,683,413	23,483,413
2028	13,440,000	10,043,413	23,483,413
2029	14,110,000	9,371,413	23,481,413
2030	14,815,000	8,665,913	23,480,913
2031	15,595,000	7,888,125	23,483,125
2032	16,415,000	7,069,388	23,484,388
2033	17,275,000	6,207,600	23,482,600
2034	18,180,000	5,300,663	23,480,663
2035	19,135,000	4,346,213	23,481,213
2036	20,140,000	3,341,625	23,481,625
2037	21,200,000	2,284,275	23,484,275
2038	22,310,000	1,171,275	23,481,275
	$320,165,000	**$276,989,848**	**$597,143,848**

DEBT SERVICE

Statement of Debt Service Revenues and Expenditures

Convention Center

	FY 2010-11 Actual	FY 2011-12 Budget	FY 2011-12 Estimate	FY 2012-13 Adopted
Beginning Cash Balance	**$ 2,969,669**	**$ 3,248,286**	**$ 3,234,634**	**$ 3,150,932**
Revenues				
Transfers	18,482,700	18,567,796	18,567,796	19,197,682
Interest/Other	51,228	64,453	40,565	53,950
Total	**18,533,928**	**18,632,249**	**18,608,361**	**19,251,632**
Total Available Resources	**$ 21,503,597**	**$ 21,880,535**	**$ 21,842,995**	**$ 22,402,564**
Expenses				
Principal Payments	1,730,000	2,205,000	2,205,000	2,775,000
Interest Payments	16,538,963	16,487,063	16,487,063	16,420,913
Total	**18,268,963**	**18,692,063**	**18,692,063**	**19,195,913**
Ending Cash Balance	**$ 3,234,634**	**$ 3,188,472**	**$ 3,150,932**	**$ 3,206,651**

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 at least a bi-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.

Credit Rating Service	Revenue Bonds	Commercial Paper Notes
Moody's Investors Service	Aa1	P-2
Standard & Poor's	AAA	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 2011, coverage at September 30, 2011 is summarized in the table below.

Debt Service Coverage Requirements
FY 2010-11
(000 omitted)

Coverage Net Revenue (CNR) = $279,196

Authority	Ratio	Requirement	Denominator $	Actual
Bond Ordinance	CNR/Max YR	1.25	176,559	1.58
DWU Criteria	CNR/Max YR	1.50	176,559	1.58
DWU Criteria	CNR/Max CP	1.10	177,767	1.57
Rating Agencies	CNR/AVG	N/A	97,557	2.86

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 2012-13 Debt Service Budget

The FY 2012-13 budget provides principal and interest on existing debt of $96.12 million and $81.88 million, respectively. Commercial paper issues in FY 2012-13 are forecast at $178.00 million with an estimated interest cost and fees of $5.00 million, which is paid from the Water Utilities Operating Fund.

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 2011-12 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 a 20% 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 Dallas Water Utilities Indebtedness
As of 09/30/12

Series Number	Issue Name	Issue Date	Term Years	Coupon Rate(s)	Outstanding Principal
Revenue Bonds					
590	Refunding & Improvement	01/01/2003	20	3.0-5.4%	17,930,000
B595	Refunding & Improvement	09/01/2003	20	3.5-5.0%	7,325,000
603	Refunding	02/01/2005	20	5.00%	26,615,000
610	Refunding & Improvement	04/01/2006	30	4.3-5.5%	96,010,000
613	Refunding & Improvement	03/15/2007	30	4.0-5.0%	641,500,000
619	Refunding	05/15/2008	30	4.0-5.0%	146,790,000
624	Improvement [1]	03/30/2009	20	0.423-2.877%	13,140,000
625	Improvement [1]	03/30/2009	16	1.303-2.877%	8,280,000
626	Improvement [1]	03/30/2009	17	0.148-3.018%	94,723,000
630	Refunding	06/15/2010	30	0.148-3.018%	286,745,000
634	Refunding	06/15/2011	30	2.0-5.0%	239,425,000
636	Refunding	08/30/2012	30	2.0-5.0%	366,140,000
	Total Dallas Water Utilities Revenue Bonds				**$ 1,944,623,000**
Commercial Paper Notes – Outstanding					**0**

[1] *Texas Water Board Development Bonds*

DEBT SERVICE

Dallas Water Utilities Debt Service Requirements
As of 09/30/2012

Fiscal Year	Outstanding Debt Principal	Interest	Total
2013	96,115,000	81,881,784	177,996,784
2014	89,510,000	80,141,442	169,651,442
2015	91,980,000	76,500,776	168,480,776
2016	91,170,000	72,857,978	164,027,978
2017	92,570,000	69,130,000	161,700,000
2018	86,435,000	65,556,964	151,991,964
2019	91,500,000	61,695,185	153,195,185
2020	95,710,000	57,519,162	153,229,162
2021	94,845,000	53,374,274	148,219,274
2022	93,245,000	49,259,450	142,504,450
2023	87,725,000	45,246,731	132,971,731
2024	77,010,000	41,485,538	118,495,538
2025	67,955,000	38,285,680	106,240,680
2026	56,430,000	35,694,168	92,124,168
2027	58,820,000	33,276,659	92,096,659
2028	61,360,000	30,722,837	92,082,837
2029	64,148,000	27,935,309	92,083,309
2030	58,710,000	25,045,716	83,755,716
2031	46,555,000	22,572,691	69,127,691
2032	48,740,000	20,392,905	69,132,905
2033	51,595,000	18,070,660	69,665,660
2034	54,120,000	15,540,506	69,660,506
2035	56,845,000	12,821,803	69,666,803
2036	59,700,000	9,966,153	69,666,153
2037	47,525,000	7,346,144	54,871,144
2038	37,630,000	5,251,288	42,881,288
2039	29,230,000	3,586,022	32,816,022
2040	30,720,000	2,093,825	32,813,825
2041	17,610,000	892,466	18,502,466
2042	9,115,000	227,875	9,342,875
	$1,944,623,000	**$1,064,371,995**	**$3,008,994,995**

DEBT SERVICE

Statement of Debt Service Revenues and Expenditures

Dallas Water Utilities

	FY 2010-11 Actual	FY 2011-12 Budget	FY 2011-12 Estimate	FY 2012-13 Adopted
Beginning Cash Balance	**$ 114,526,359**	**$ 128,333,378**	**$ 120,314,696**	**$ 141,547,633**
Revenues				
Operating Fund Transfers	156,617,253	182,962,716	182,962,716	178,717,087
General Fund	243,638	240,638	243,608	238,313
Sanitation	308,737	304,936	308,737	301,990
Storm Water Utility Transfers	953,622	951,257	953,622	949,784
Total	**158,123,250**	**184,459,547**	**184,468,683**	**180,207,174**
Total Available Resources	**$ 272,649,609**	**$ 312,792,925**	**$ 304,783,379**	**$ 321,754,807**
Expenses				
Principal Payments	73,445,000	82,330,000	82,330,000	96,115,000
Interest Payments	78,889,913	80,905,746	80,905,746	81,881,784
Total	**152,334,913**	**163,235,746**	**163,235,746**	**177,996,784**
Ending Cash Balance	**$ 120,314,696**	**$ 149,557,179**	**$ 141,547,633**	**$ 143,758,023**

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 and do not include any additional fees or commercial paper interest.