

DEBT ISSUANCE

BACKGROUND

1. Opportunity to Advance Refund Specified Outstanding General Obligation Bonds

- Current interest rates provide an opportunity to advance refund approximately \$175,690,000 general obligation bonds
- Proposed refunding includes specified maturities of:
 - General Obligation Bonds, Series 1997
 - General Obligation Refunding & Improvement Bonds, Series 1998
 - General Obligation Bonds, Series 1999
 - General Obligation Bonds, Series 2000
- Based on current interest rates, the estimated savings are:
 - \$10.8 million cash savings, including approximately \$1.0 million per year in FY 2006 through FY 2009
 - \$8.7 million net present value savings
 - 5.2% net present value savings as a percentage of bonds being refunded, which exceeds the 4% FMPC criterionSee Attachment 1 for details concerning estimated savings
- Because of the current volatility of interest rates, a negotiated sale would provide maximum flexibility for structuring the refunding bonds to achieve savings goals
- Issuance costs for the refunding bonds will be paid from amounts previously transferred to the debt service fund on the refunded bonds that are released by the refunding (see Attachment 2 for estimated issuance costs)

2. Debt Issuance to Replenish Liability Reserve

- Payment of settlements, judgments and claims are made from the City's Liability Reserve
- The FY2005 budget included funding of \$11.7 million in the Liability Reserve

- On February 23, City Council authorized settlement of four civil actions for consideration not to exceed \$5.6 million
- It is necessary to replenish the Liability Reserve to pay remaining estimated FY2005 obligations
- State law permits issuance of taxable risk management certificates of obligations for funding insurable risks and hazards
- Due to the small size of the proposed sale, issuance costs are reduced if the sale occurs simultaneously with other debt issuance
- See Attachment 2 for estimated issuance costs which will be paid from certificate of obligation proceeds
- State law requires publication of notice, approved by the City Council, 14 days prior to the sale date (See Attachment 3)

PROPOSED TIME SCHEDULE

- March 2 – Council authorization to prepare for (1) issuance of general obligation refunding bonds in an amount sufficient to refund up to \$175,690,000 currently outstanding bonds and (2) publication of notice and issuance of up to \$7.5 million taxable risk management certificates of obligation
- April 13, 2005 – Council approval of bond and certificate ordinances, purchase agreements with the co-senior managers, refunding escrow agreement to effect the sales of the General Obligation Refunding Bonds and the Taxable Risk Management Certificates of Obligation
- May 10, 2005 Delivery of certificate of obligation and bond proceeds and establishment of refunding escrow to “defease” the bonds being refunded
- Beginning February 15, 2007 and continuing annually through February 15, 2010 – Refunding of the selected series of bonds as they become callable

NEGOTIATED SALE

- In May 1999 City Council approved two underwriting syndicates to do the City's negotiated sales; in June 2002 City Council approved minor changes to the syndicates to reflect industry consolidation
- Council approval of the syndicates provided for designation of one national firm and one MWBE firm as co-senior managers for each sale, with the designation to rotate among team members
- Since May 1999, each syndicate has underwritten three negotiated sales. Team A has underwritten \$262 million bonds and Team B has underwritten \$363 million bonds
- In September 2003, Team B underwrote the most recent negotiated refunding
- The proposal is for Team A (see Attachment 4 for list of firms) to underwrite the general obligation refunding
- The proposal is for Bear, Stearns & Co. and Apex Pryor Securities to serve as co-senior managers

RECOMMENDATION

Approve March 2, 2005 Agenda Item

- Council authorization to prepare for issuance of general obligation refunding bonds in an amount not to exceed \$200 million by negotiated sale
- Council authorization to prepare for issuance of \$7.5 million taxable risk management certificates of obligation by negotiated sale
- Council authorization to publish notice of intention sell certificates of obligation, as required by State law
- Council approval of Team "A", lead by co-senior managers Bear, Stearns & Co. Inc. and Apex Pryor Securities, Inc.

Attachment 1
Proposed General Obligation Bond Advance Refunding

Date	Debt Service Payments				Total Existing Bonds	Refunding Bonds	Cash Savings	Fiscal Year	Cash Savings
	Series 1997	Series 1998	Series 1999	Series 2000					
8/15/2005	579,809.38	1,417,875.00	900,900.00	1,507,006.25	4,405,590.63	2,843,217.37	1,562,373.26	2005	1,562,373.26
2/15/2006	579,809.38	1,417,875.00	900,900.00	1,507,006.25	4,405,590.63	3,936,762.50	468,828.13		
8/15/2006	579,809.38	1,417,875.00	900,900.00	1,507,006.25	4,405,590.63	3,936,762.50	468,828.13	2006	937,656.26
2/15/2007	579,809.38	1,417,875.00	900,900.00	1,507,006.25	4,405,590.63	3,936,762.50	468,828.13		
8/15/2007	579,809.38	1,417,875.00	900,900.00	1,507,006.25	4,405,590.63	3,936,762.50	468,828.13	2007	937,656.26
2/15/2008	579,809.38	1,417,875.00	900,900.00	1,507,006.25	4,405,590.63	3,936,762.50	468,828.13		
8/15/2008	579,809.38	1,417,875.00	900,900.00	1,507,006.25	4,405,590.63	3,936,762.50	468,828.13	2008	937,656.26
2/15/2009	579,809.38	1,417,875.00	900,900.00	1,507,006.25	4,405,590.63	3,936,762.50	468,828.13		
8/15/2009	579,809.38	1,417,875.00	900,900.00	1,507,006.25	4,405,590.63	3,936,762.50	468,828.13	2009	937,656.26
2/15/2010	3,459,809.38	11,487,875.00	4,365,900.00	1,507,006.25	20,820,590.63	20,711,762.50	108,828.13		
8/15/2010	509,609.38	1,166,125.00	812,109.38	1,507,006.25	3,994,850.01	3,601,262.50	393,587.51	2010	502,415.64
2/15/2011	3,389,609.38	11,011,125.00	4,277,109.38	6,927,006.25	25,604,850.01	25,446,262.50	158,587.51		
8/15/2011	437,609.38	920,000.00	723,318.75	1,371,506.25	3,452,434.38	3,109,750.00	342,684.38	2011	501,271.89
2/15/2012	3,317,609.38	12,390,000.00	4,188,318.75	6,791,506.25	26,687,434.38	26,469,750.00	217,684.38		
8/15/2012	365,609.38	633,250.00	634,528.13	1,236,006.25	2,869,393.76	2,584,150.00	285,243.76	2012	502,928.14
2/15/2013	3,245,609.38	9,008,250.00	4,099,528.13	6,656,006.25	23,009,393.76	22,724,150.00	285,243.76		
8/15/2013	293,609.38	423,875.00	545,737.50	1,083,568.75	2,346,790.63	2,131,000.00	215,790.63	2013	501,034.39
2/15/2014	3,168,609.38	4,508,875.00	4,010,737.50	6,503,568.75	18,191,790.63	17,881,000.00	310,790.63		
8/15/2014	220,296.88	321,750.00	454,781.25	931,131.25	1,927,959.38	1,737,250.00	190,709.38	2014	501,500.01
2/15/2015	3,095,296.88	4,376,750.00	3,919,781.25	6,351,131.25	17,742,959.38	17,402,250.00	340,709.38		
8/15/2015	146,984.38	220,375.00	363,825.00	778,693.75	1,509,878.13	1,345,625.00	164,253.13	2015	504,962.51
2/15/2016	3,021,984.38	3,180,375.00	3,828,825.00	6,198,693.75	16,229,878.13	15,860,625.00	369,253.13		
8/15/2016	73,671.88	146,375.00	272,868.75	622,868.75	1,115,784.38	982,750.00	133,034.38	2016	502,287.51
2/15/2017	<u>2,948,671.88</u>	3,096,375.00	3,737,868.75	6,042,868.75	15,825,784.38	15,422,750.00	403,034.38		
8/15/2017		72,625.00	181,912.50	467,043.75	721,581.25	621,750.00	99,831.25	2017	502,865.63
2/15/2018		<u>2,977,625.00</u>	3,646,912.50	5,882,043.75	12,506,581.25	12,071,750.00	434,831.25		
8/15/2018			90,956.25	311,362.50	402,318.75	335,500.00	66,818.75	2018	501,650.00
2/15/2019			<u>3,555,956.25</u>	5,726,362.50	9,282,318.75	8,810,500.00	471,818.75		
8/15/2019				155,681.25	155,681.25	123,625.00	32,056.25	2019	503,875.00
2/15/2020				<u>5,570,681.25</u>	<u>5,570,681.25</u>	<u>5,068,625.00</u>	<u>502,056.25</u>	2020	<u>502,056.25</u>
	32,912,875.12	78,702,500.00	51,819,075.02	86,184,800.00	249,619,250.14	238,779,404.87	10,839,845.27		10,839,845.27

ATTACHMENT 2

**\$200,000,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2005
\$7,500,000 TAXABLE RISK MANAGEMENT CERTIFICATES OF OBLIGATION, SERIES 2005**

ESTIMATED ISSUANCE COSTS AND M/WBE PARTICIPATION

	<u>Bonds</u>	<u>Certificates</u>	<u>Total</u>	<u>Percent</u>
Bond Counsel				
Vinson and Elkins L.L.P. (Vendor #341246)	\$110,000	\$15,000	\$125,000	25.0%
West & Gooden - BMMB20719Y1004 (Vendor #330805)	47,500	\$6,500	\$54,000	10.8%
Co-Financial Advisors				
First Southwest Company (Vendor #193056)	85,200	15,000	100,200	20.0%
Estrada Hinojosa & Co. - HMMB24797Y1105 (Vendor #259910)	56,800	10,000	66,800	13.3%
Official Statement Typing				
First Southwest Company (Vendor #193056)	1,438	62	1,500	0.3%
Debt Analysis/Structuring/Out-of-Pocket Expenses				
First Southwest Company (Vendor #193056)	45,000	0	45,000	9.0%
Official Statement Printing				
Munoz Printing Co. - HMMB22748N0505 (Vendor # 129044)	7,671	329	8,000	1.6%
Rating Agencies				
Moody's Investors Service (Vendor #951236)	46,027	1,973	48,000	9.6%
Standard & Poor's (Vendor #954974)	33,562	1,438	35,000	7.0%
Auditor				
KPMG (Vendor #092122)	4,795	205	5,000	1.0%
Escrow Verification Agent				
Grant Thornton LLP (Vendor #356856)	4,000	0	4,000	0.8%
Paying Agents-Refunded Bonds				
US Bank (Vendor #355655)	2,100	0	2,100	0.4%
Wachovia Bank, N.A.(Vendor #353552)	1,350	0	1,350	0.3%
Escrow Agent				
Wachovia Bank, N.A.(Vendor #353552)	3,500	0	3,500	0.7%
Legal Notices				
Dallas Morning News (Vendor #028774)	<u>0</u>	<u>1,000</u>	<u>1,000</u>	<u>0.2%</u>
Total Issuance Costs	<u>\$448,943</u>	<u>\$51,507</u>	<u>\$500,450</u>	<u>100.0%</u>
Total M/WBE Participation as % of Total Issuance Costs:	25.7%			

The bonds will be sold by the City's "Team A" underwriting syndicate. The allocation of bonds to each member of the syndicate will be determined when the bonds and certificates are priced.

Attachment 3

NOTICE OF INTENTION TO ISSUE CITY OF DALLAS, TEXAS RISK MANAGEMENT CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2005

NOTICE IS HEREBY GIVEN that on April 13, 2005, the City Council of the City of Dallas, Texas, will convene at 9:00 a.m. at a regular meeting of the City Council to be held in the City Council Chambers, City Hall, 1500 Marilla Street, Dallas, Texas, the regular meeting place of the City Council, at which it intends to pass an ordinance authorizing the issuance of not to exceed \$7,500,000 principal amount of Risk Management Certificates of Obligation, Taxable Series 2005 for the purpose of funding, replenishing, and maintaining the City's Liability Reserve to protect the city and its officers, employees, and agents from any insurable risk or hazard and to pay for professional services of attorneys, financial advisors and other professionals in connection with the issuance of the Certificates. The Certificates shall bear interest at a rate not to exceed fifteen percent (15%) per annum, and shall have a maximum maturity date of not later than five (5) years after their date. Said Certificates shall be payable from the levy of a direct and continuing ad valorem tax against all taxable property within the City sufficient to pay the interest on this series of Certificates as due and to provide for the payment of the principal thereof as the same matures, as authorized by Section 2259.036, Texas Government Code, as amended and from all or a part of the surplus revenues of the City's Municipal Drainage Utility System, such pledge of surplus revenues being limited to \$1,000.

Attachment 4

Underwriting Syndicate
Team "A"

Co-Senior Managers:

Bear, Stearns & Co., Inc. (Bookrunning Senior Manager)

Apex Pryor Securities, Inc.

Co-Managers:

Banc of America Securities, LLC

Citigroup

Merrill Lynch & Co.

Morgan Keegan & Company, Inc.

Ramirez & Co., Inc.

UBS Financial Services