

# Memorandum



CITY OF DALLAS

DATE April 11, 2008

TO Members of the Finance, Audit & Accountability Committee  
Chair, Mitchell Rasansky; Vice-Chair, Jerry Allen; Mayor Pro Tem Elba Garcia; Vonciel Jones Hill; Angela Hunt; Ron Natinsky; and David Neumann

SUBJECT Dallas Water Utilities Revenue Refunding Bond Issuance, May 2008

On Monday, April 14, 2008 you will be briefed on the Dallas Water Utilities Revenue Refunding Bond issuance. The materials are attached for your review.

Please contact me if you need additional information.

A handwritten signature in black ink, appearing to read 'D. Cook'.

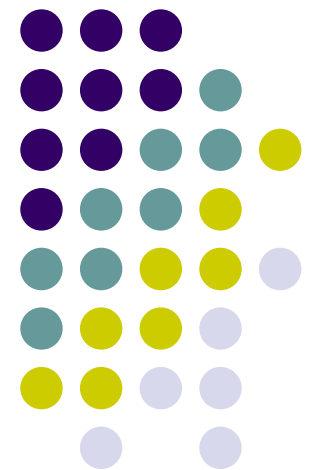
David Cook  
Chief Financial Officer

## Attachments

C: Honorable Mayor & Members of the City Council  
Mary K. Suhm, City Manager  
Ryan S. Evans, First Assistant City Manager  
David Brown, Interim Assistant City Manager  
A. C. Gonzalez, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Ramon F. Miguez, P.E., Assistant City Manager  
Deborah Watkins, City Secretary  
Tom Perkins, City Attorney  
Craig Kinton, City Auditor  
Jeanne Chipperfield, Interim Director, Office of Financial Services  
Jody Puckett, Director, Dallas Water Utilities

# Dallas Water Utilities Revenue Refunding Bond Issuance, May 2008

Finance, Audit & Accountability  
April 14, 2008





# Purpose

- Provide an overview of the bond sale
- Seek committee recommendation of the April 23<sup>rd</sup> resolution authorizing staff to proceed with preparation for the Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2008



# Bond Sale Overview

- Bond sale currently estimated at \$165.07m
  - Resolution will authorize an issuance not to exceed \$170m due to the potential for changes in market conditions
- Proceeds will be used to retire \$165m in outstanding commercial paper
- Issuance costs of \$452k will be paid from Water Utilities operating funds
- 30 year bonds with a 10 year call
- Sale will be competitive with bids taken on May 28<sup>th</sup>



# Bond Sale Overview

- No bond refunding opportunities exist at this time
- Issuance of additional debt will not adversely affect the bond rating, in the opinion of the City's co-financial advisors
  - Currently rated AA+ by Standard & Poor's
  - Currently rated Aa2 by Moody's Investors Service

# Commercial Paper Refunding



- Commercial paper provides short term financing of capital projects
- \$230.5m commercial paper balance outstanding on April 9<sup>th</sup>
- Average commercial paper interest rate is 2.5%
- See page 14 for overview of Commercial Paper Program



# Timeline

- April 14 Finance, Audit & Accountability Briefing
- April 23 City Council authorization to proceed with sale
- May 16 Receive ratings from rating agencies
- May 21 Post Preliminary Official Statement and Notice to Bidders on iDeal
- May 23 Distribute Preliminary Official Statement and Representation Letters to Council
- May 28 Receive and accept bids for bond sale
- June 20 Distribute Official Statement and Representation Letters to Council
- June 24 Deliver bonds and receive proceeds

# Recommendation



- Authorize staff to proceed with preparations for the sale of the revenue bonds on the April 23<sup>rd</sup> Council agenda

# Appendix



Sources & Uses

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Debt Service Schedule

Pages 10-12

Issuance Cost Summary

Page 13

Commercial Paper Program Overview

Page 14

\*\*\*\*\* PRELIMINARY - FOR DISCUSSION PURPOSES ONLY \*\*\*\*\*

**City of Dallas, Texas**

\$165,070,000 Waterworks & Sewer System Rev Ref and Imp Bonds, Series 2008

Assumes Aa1/AA+ Uninsured Interest Rates As of April 7, 2008 Plus 25bps

**Sources & Uses**

Dated 06/26/2008 | Delivered 06/26/2008

**Sources Of Funds**

Par Amount of Bonds	\$165,070,000.00
Bid Discount	(68,346.95)

**Total Sources** **\$165,001,653.05**

**Uses Of Funds**

Commercial Paper Redemption	165,000,000.00
Rounding Amount	1,653.05

**Total Uses** **\$165,001,653.05**

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**City of Dallas, Texas**

\$165,070,000 Waterworks & Sewer System Rev Ref and Imp Bonds, Series 2008

Assumes Aa1/AA+ Uninsured Interest Rates As of April 7, 2008 Plus 25bps

**Debt Service Schedule**

Part 1 of 3

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/26/2008	-	-	-	-	-
10/01/2008	4,510,000.00	4.000%	2,125,181.34	6,635,181.34	-
04/01/2009	-	-	3,936,459.38	3,936,459.38	-
09/30/2009	-	-	-	-	10,571,640.72
10/01/2009	2,750,000.00	3.750%	3,936,459.38	6,686,459.38	-
04/01/2010	-	-	3,884,896.88	3,884,896.88	-
09/30/2010	-	-	-	-	10,571,356.26
10/01/2010	2,850,000.00	3.500%	3,884,896.88	6,734,896.88	-
04/01/2011	-	-	3,835,021.88	3,835,021.88	-
09/30/2011	-	-	-	-	10,569,918.76
10/01/2011	2,950,000.00	3.250%	3,835,021.88	6,785,021.88	-
04/01/2012	-	-	3,787,084.38	3,787,084.38	-
09/30/2012	-	-	-	-	10,572,106.26
10/01/2012	3,050,000.00	3.500%	3,787,084.38	6,837,084.38	-
04/01/2013	-	-	3,733,709.38	3,733,709.38	-
09/30/2013	-	-	-	-	10,570,793.76
10/01/2013	3,160,000.00	3.625%	3,733,709.38	6,893,709.38	-
04/01/2014	-	-	3,676,434.38	3,676,434.38	-
09/30/2014	-	-	-	-	10,570,143.76
10/01/2014	3,280,000.00	3.750%	3,676,434.38	6,956,434.38	-
04/01/2015	-	-	3,614,934.38	3,614,934.38	-
09/30/2015	-	-	-	-	10,571,368.76
10/01/2015	3,410,000.00	3.875%	3,614,934.38	7,024,934.38	-
04/01/2016	-	-	3,548,865.63	3,548,865.63	-
09/30/2016	-	-	-	-	10,573,800.01
10/01/2016	3,550,000.00	4.125%	3,548,865.63	7,098,865.63	-
04/01/2017	-	-	3,475,646.88	3,475,646.88	-
09/30/2017	-	-	-	-	10,574,512.51
10/01/2017	3,700,000.00	4.250%	3,475,646.88	7,175,646.88	-
04/01/2018	-	-	3,397,021.88	3,397,021.88	-
09/30/2018	-	-	-	-	10,572,668.76
10/01/2018	3,865,000.00	4.375%	3,397,021.88	7,262,021.88	-
04/01/2019	-	-	3,312,475.00	3,312,475.00	-
09/30/2019	-	-	-	-	10,574,496.88
10/01/2019	4,055,000.00	5.250%	3,312,475.00	7,367,475.00	-
04/01/2020	-	-	3,206,031.25	3,206,031.25	-
09/30/2020	-	-	-	-	10,573,506.25
10/01/2020	4,270,000.00	5.250%	3,206,031.25	7,476,031.25	-
04/01/2021	-	-	3,093,943.75	3,093,943.75	-
09/30/2021	-	-	-	-	10,569,975.00
10/01/2021	4,505,000.00	5.250%	3,093,943.75	7,598,943.75	-
04/01/2022	-	-	2,975,687.50	2,975,687.50	-
09/30/2022	-	-	-	-	10,574,631.25
10/01/2022	4,745,000.00	5.250%	2,975,687.50	7,720,687.50	-

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\*\*\*\*\* PRELIMINARY - FOR DISCUSSION PURPOSES ONLY \*\*\*\*\*

**City of Dallas, Texas**

\$165,070,000 Waterworks & Sewer System Rev Ref and Imp Bonds, Series 2008

Assumes Aa1/AA+ Uninsured Interest Rates As of April 7, 2008 Plus 25bps

**Debt Service Schedule**

Part 2 of 3

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
04/01/2023	-	-	2,851,131.25	2,851,131.25	-
09/30/2023	-	-	-	-	10,571,818.75
10/01/2023	5,000,000.00	5.250%	2,851,131.25	7,851,131.25	-
04/01/2024	-	-	2,719,881.25	2,719,881.25	-
09/30/2024	-	-	-	-	10,571,012.50
10/01/2024	5,270,000.00	5.250%	2,719,881.25	7,989,881.25	-
04/01/2025	-	-	2,581,543.75	2,581,543.75	-
09/30/2025	-	-	-	-	10,571,425.00
10/01/2025	5,555,000.00	5.250%	2,581,543.75	8,136,543.75	-
04/01/2026	-	-	2,435,725.00	2,435,725.00	-
09/30/2026	-	-	-	-	10,572,268.75
10/01/2026	5,855,000.00	5.250%	2,435,725.00	8,290,725.00	-
04/01/2027	-	-	2,282,031.25	2,282,031.25	-
09/30/2027	-	-	-	-	10,572,756.25
10/01/2027	6,170,000.00	5.250%	2,282,031.25	8,452,031.25	-
04/01/2028	-	-	2,120,068.75	2,120,068.75	-
09/30/2028	-	-	-	-	10,572,100.00
10/01/2028	6,505,000.00	5.250%	2,120,068.75	8,625,068.75	-
04/01/2029	-	-	1,949,312.50	1,949,312.50	-
09/30/2029	-	-	-	-	10,574,381.25
10/01/2029	6,845,000.00	5.000%	1,949,312.50	8,794,312.50	-
04/01/2030	-	-	1,778,187.50	1,778,187.50	-
09/30/2030	-	-	-	-	10,572,500.00
10/01/2030	7,195,000.00	5.000%	1,778,187.50	8,973,187.50	-
04/01/2031	-	-	1,598,312.50	1,598,312.50	-
09/30/2031	-	-	-	-	10,571,500.00
10/01/2031	7,565,000.00	5.000%	1,598,312.50	9,163,312.50	-
04/01/2032	-	-	1,409,187.50	1,409,187.50	-
09/30/2032	-	-	-	-	10,572,500.00
10/01/2032	7,950,000.00	5.000%	1,409,187.50	9,359,187.50	-
04/01/2033	-	-	1,210,437.50	1,210,437.50	-
09/30/2033	-	-	-	-	10,569,625.00
10/01/2033	8,360,000.00	5.000%	1,210,437.50	9,570,437.50	-
04/01/2034	-	-	1,001,437.50	1,001,437.50	-
09/30/2034	-	-	-	-	10,571,875.00
10/01/2034	8,800,000.00	5.250%	1,001,437.50	9,801,437.50	-
04/01/2035	-	-	770,437.50	770,437.50	-
09/30/2035	-	-	-	-	10,571,875.00
10/01/2035	9,275,000.00	5.250%	770,437.50	10,045,437.50	-
04/01/2036	-	-	526,968.75	526,968.75	-
09/30/2036	-	-	-	-	10,572,406.25
10/01/2036	9,775,000.00	5.250%	526,968.75	10,301,968.75	-
04/01/2037	-	-	270,375.00	270,375.00	-
09/30/2037	-	-	-	-	10,572,343.75
10/01/2037	10,300,000.00	5.250%	270,375.00	10,570,375.00	-
09/30/2038	-	-	-	-	10,570,375.00
<b>Total</b>	<b>\$165,070,000.00</b>	<b>-</b>	<b>\$152,091,681.44</b>	<b>\$317,161,681.44</b>	<b>-</b>

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**Debt Service Schedule**

Part 3 of 3

**Yield Statistics**

Bond Year Dollars	\$2,987,530.14
Average Life	18.099 Years
Average Coupon	5.0908836%
Net Interest Cost (NIC)	5.0931713%
True Interest Cost (TIC)	5.0655262%
Bond Yield for Arbitrage Purposes	5.0107152%
All Inclusive Cost (AIC)	5.0655262%

**IRS Form 8038**

Net Interest Cost	5.0809578%
Weighted Average Maturity	17.961 Years

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# Estimated Issuance Costs

## Estimated Issuance Costs

Bond Counsel	\$130,000
Co-Financial Advisors	138,000
Official Statement Printing	8,000
Rating Agencies	125,000
Auditor – KPMG	40,000
Other (filing fee, typing fee)	11,000
<b>Total</b>	<b>\$452,000</b>

# Commercial Paper Program Overview



- Commercial Paper is issued throughout the year as projects are awarded
- Program Benefits
  - Provides interim capital funding for projects at a relatively low interest rate
  - Can be issued in smaller amounts and later retired through scheduled revenue bond issues or available resources
- Program Authorized
  - Series B limit was increased effective August 25, 2004 to \$200M
  - Series C limit was increased effective August 25, 2004 to \$100M
  - Total authorized maximum outstanding is \$300M
- Program expires September 30, 2014