

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 (GO) bonds and certificates of obligation (CO), as well as interest on outstanding GO commercial paper. 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, and flood protection and storm drainage system. The Financial Management Performance Criteria (FMPC) address debt management and other requirements adopted by the City Council. The FMPC provide additional guidance on the issuance of debt, including restricting the length of maturities, and outline the amount and purpose for which bonded debt may be issued.

The primary source of revenue for the Debt Service Fund is the property tax, also known as the ad valorem tax. The ad valorem tax rate of 0.7767 cents per \$100 assessed value is split into two rates. Approximately 27 percent (21.00 cents) of the resulting tax revenue is used to pay principal and interest on the City’s outstanding general obligation debt. The remaining 73 percent (56.67 cents) is used to pay for operating and maintenance costs incurred in the General Fund.

Due to the level principal structure of most bond issues, the principal and interest payments of the existing GO 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 debt service schedule.

Credit Rating

The City of Dallas’ long-term GO debt has been rated by Standard & Poor’s Global Ratings, Moody’s Investors Service, and Fitch Ratings since November 2015 and holds the following ratings as of July 3, 2018:

<u>Credit Rating Service</u>	<u>General Obligation Debt</u>	<u>Commercial Paper Notes</u>
Standard & Poor’s	AA- (stable outlook)	A-1+
Moody’s Investors Service	A1 (stable outlook)	P-1
Fitch Ratings	AA (stable outlook)	P-1

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Legal Debt Margin

The Dallas City Charter (Chapter XXI, Section 3) limits the maximum bonded indebtedness, payable from taxation to 10 percent of assessed property value. However, the FMPC limit the net GO debt to four percent of the true market valuation of the taxable property of Dallas. Existing debt plus new debt to be issued will comprise 1.6 percent of the assessed value of \$130.1 billion and 1.2 percent of the market value of taxable property of \$169.4 billion. Thus, the City will continue to comply with both requirements as of September 30, 2019.

Assessed Value	\$130,080,986,261
10% Legal Debt Margin	\$13,008,098,626
Projected GO Debt 9/30/19	\$2,097,067,115
GO Debt as a Percentage of Assessed Property Value	1.6%

Market Value of Taxable Property	\$152,042,772,417
4% FMPC Limit	\$6,081,710,897
Projected GO Debt 9/30/19	\$2,097,067,115
GO Debt as a Percentage of Market Value	1.4%

FY 2018-19 Debt Service Budget

The FY 2018-19 budget includes principal and interest payments of \$251.0 million on outstanding GO debt. Principal and interest expenses for existing debt in FY 2018-19 are \$151.6 million and \$99.4 million, respectively. In FY 2010-11, the City implemented a commercial paper program to provide interim financing of voter-approved capital improvement projects. The fees associated with the commercial paper program are included in the General Fund budget. The interest on outstanding commercial paper is paid by the Debt Service Fund. The City anticipates issuing GO bonds during FY 2018-19 (\$107 million) to close out the 2006 and 2012 bond programs and initiate the 2017 bond program (\$161 million). An additional \$250 million is planned for FY 2019-20. Projects will continue to be awarded using commercial paper and refunded later.

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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	09/30/17 Actual	09/30/18 Actual	09/30/19 Proposed
Total direct plus overlapping debt not to exceed 8% of the market value of taxable property	3.8% In compliance	4.2% In compliance	4.0% In compliance
Weighted average GO bond maturities (exclusive of pension obligation bonds) not to exceed 10 years	7.0 years In compliance	6.8 years In compliance	6.3 years In compliance
CO debt not to exceed 15% of total authorized and issued GO debt	0.8% In compliance	0.6% In compliance	0.4% In compliance
Per capita GO debt not to exceed 10% of latest authoritative computation of per capita annual income	4.4% In compliance	4.6% In compliance	5.3% In compliance

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Statement of General Obligation (GO) Bonded Indebtedness As of 09/30/2018

Unit Number	Issue Name	Issue Date	Original Issue Amount	True Interest Cost	Outstanding Principal
600	Taxable GO Pension Bonds (Current Interest Bonds), Series 2005A	02/16/2005	186,575,000	5.0%	115,345,000
601	Taxable GO Pension Bonds (Capital Appreciation Bonds), Series 2005B	02/16/2005	137,772,609	5.4%	57,212,437
627	GO Refunding and Improvement Bonds, Series 2010A	03/30/2010	196,615,000	2.8%	86,515,000
628	GO Bonds (Build America Bonds), Taxable Series 2010B	03/30/2010	85,380,000	4.7%	85,380,000
631	GO Refunding Bonds, Series 2010C	11/18/2010	142,035,000	2.6%	65,480,000
632	GO Refunding Bonds, Taxable Series 2010	11/18/2010	77,670,000	4.6%	76,135,000
637	GO Refunding Bonds, Series 2012	10/31/2012	214,495,000	2.1%	165,450,000
638	GO Refunding and Improvement Bonds, Series 2013A	08/06/2013	194,470,000	3.5%	143,285,000
638	GO Refunding Bonds, Taxable Series 2013B	08/06/2013	42,615,000	2.2%	13,815,000
1692	GO Refunding and Improvement Bonds, Series 2014	12/22/2014	529,365,000	2.7%	473,865,000
1700	GO Refunding and Improvement Bonds, Series 2015	12/10/2015	195,075,000	3.0%	173,395,000
1843	GO Refunding and Improvement Bonds, Series 2017	12/16/2017	301,960,000	2.9%	298,160,000
1848	GO Refunding Bonds, Series 2018A	08/07/2018	58,715,000	3.3%	58,715,000
	Total GO Bonds		2,362,742,609		1,812,752,437
629	Combination Tax and Revenue Certificates of Obligation, Series 2010	03/30/2010	21,575,000	1.2%	215,000
635	Combination Tax and Revenue Certificates of Obligation, Series 2012	06/26/2012	21,930,000	1.6%	9,900,000
	Total Certificates of Obligation		43,505,000		10,115,000
	Total GO Debt (excluding Commercial Paper)		\$2,406,247,609		\$1,822,867,437
	GO Commercial Paper Notes Outstanding as of 9/30/18		31,660,000		31,660,000
	Total GO Debt (including Commercial Paper)		\$2,437,907,609		\$1,854,527,437

Note: Outstanding commercial paper above does not include additional commitments made against the City’s commercial paper program to award projects prior to issuing commercial paper.

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General Obligation Debt Service Requirements As of 09/30/2018

Fiscal Year	Outstanding Debt		
	Principal	Interest	Total
2019	\$ 151,600,322	\$ 99,388,207	\$ 250,988,529
2020	143,376,699	93,774,863	237,151,562
2021	165,335,000	67,191,206	232,526,206
2022	165,915,000	58,915,773	224,830,773
2023	166,955,000	50,687,337	217,642,337
2024	161,355,000	42,639,926	203,994,926
2025	122,721,834	69,991,990	192,713,824
2026	113,740,114	65,856,536	179,596,650
2027	102,562,694	62,272,903	164,835,597
2028	81,399,062	59,531,692	140,930,755
2029	70,788,642	57,613,451	128,402,093
2030	71,215,730	56,005,950	127,221,680
2031	62,825,840	54,666,823	117,492,663
2032	62,928,960	53,896,451	116,825,411
2033	52,812,046	53,631,228	106,443,274
2034	52,929,198	53,600,460	106,529,657
2035	33,181,297	47,282,632	80,463,928
2036	18,400,000	1,076,750	19,476,750
2037	18,550,000	456,225	19,006,225
2038	4,275,000	74,813	4,349,813
	\$ 1,822,867,437	\$1,048,555,215	\$ 2,871,422,653

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General Obligation Debt Service Fund Statement of Revenues and Expenditures

	FY 2016-17 Actual	FY 2017-18 Adopted	FY 2017-18 Estimated	FY 2018-19 Adopted	FY 2019-20 Projected
Beginning Balance	10,552,135	13,769,804	13,471,198	32,549,163	25,538,775
Revenues					
Ad Valorem Taxes	242,774,798	260,036,328	260,761,812	270,024,955	286,708,817
Interest Earnings	469,964	102,526	1,356,237	147,074	147,074
Department Transfers	3,447,480	-	2,416,289	1,513,575	1,458,450
Pension Obligation Bond Transfer	16,120,995	16,609,518	16,609,518	16,145,730	16,608,909
"Build America Bonds" Federal Subsidy	1,395,249	1,400,986	1,400,986	1,358,322	1,270,740
Total Revenues	264,208,486	278,149,358	282,544,842	289,189,656	306,193,990
Total Available Resources	274,760,621	291,919,162	296,016,040	321,738,819	331,732,765
Expenses					
Principal and Interest	237,991,408	240,708,796	237,344,790	250,988,529	232,797,006
Commercial Paper Payment	10,220,000	10,000,000	9,650,000	10,000,000	-
TIF Increment Payment	13,078,015	16,614,202	16,472,087	19,609,404	21,184,985
New Debt	-	-	-	15,602,111	49,456,510
Total Expenses	261,289,423	267,322,998	263,466,877	296,200,044	303,438,501
Ending Balance	13,471,198	24,596,164	32,549,163	25,538,775	28,294,264

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General Obligation Bond Authority

The City’s authority to issue debt originates from bond elections conducted in 2006, 2012, and 2017. The table below lists the amount of debt authorized, the amount issued to date, and the amount remaining unissued.

Proposition	Amount Authorized	Amount Issued to Date	Amount Unissued
2006 Bond Program - Authorized by voters November 2006			
(1) Streets and Transportation Improvements	\$ 390,420,000	\$ 363,831,000	\$ 26,589,000
(2) Flood Protection and Storm Drainage Facilities	334,315,000	324,942,500	9,372,500
(3) Park and Recreation Facilities	343,230,000	335,147,000	8,083,000
(4) Library Facilities	46,200,000	46,200,000	-
(5) Cultural Arts Facilities	60,855,000	57,424,000	3,431,000
(6) City Hall, City Service, and City Maintenance Facilities	34,750,000	29,525,500	5,224,500
(7) Land Bank for the Development of Low/Moderate Income SF Homes	1,500,000	1,500,000	-
(8) Economic Development Programs	41,495,000	41,495,000	-
(9) Farmers Market Improvements	6,635,000	6,635,000	-
(10) Land Acquisition in Cadillac Heights area for future location of City facilities	22,550,000	9,206,000	13,344,000
(11) Court Facilities	7,945,000	7,945,000	-
(12) Public Safety Facilities	63,625,000	63,625,000	-
Total 2006 Bond Program	1,353,520,000	1,287,476,000	66,044,000
2012 Bond Program - Authorized by voters November 2012			
(1) Streets and Transportation Improvements	260,625,000	213,984,000	46,641,000
(2) Flood Protection and Storm Drainage Facilities	326,375,000	321,620,000	4,755,000
(3) Economic Development Programs	55,000,000	55,000,000	-
Total 2012 Bond Program	642,000,000	590,604,000	51,396,000
2017 Bond Program - Authorized by voters November 2017			
(A) Street and Transportation Improvements	533,981,000	-	533,981,000
(B) Park and Recreation Facilities	261,807,000	-	261,807,000
(C) Fair Park Improvements	50,000,000	-	50,000,000
(D) Flood Protection and Storm Drainage Improvements	48,750,000	-	48,750,000
(E) Library Facilities and Improvements	15,589,000	-	15,589,000
(F) Cultural and Performing Arts Facilities	14,235,000	-	14,235,000
(G) Public Safety Facilities	32,081,000	-	32,081,000
(H) City Hall and City Service and Admin. Facilities Repairs and Improvements	18,157,000	-	18,157,000
(I) Economic Development Programs	55,400,000	-	55,400,000
(J) Housing Facilities for the Homeless	20,000,000	-	20,000,000
Total 2017 Bond Program	1,050,000,000	-	1,050,000,000
Total 2006, 2012, and 2017 Bond Programs	\$ 3,045,520,000	\$ 1,878,080,000	\$ 1,167,440,000

Master Lease Purchase Program

The Master Lease Purchase Program (MLPP) is a lease revenue finance program used by the City to finance capital equipment and technology items. The City has used this program since FY 2011-12. The financing vehicle for the MLPP is a tax-exempt revenue commercial paper program established pursuant to Public Property Finance Act, Texas Local Gov’t. Code Ann. §271.001 et seq.

Under the program, the City borrows money to pay for equipment or other eligible equipment-type projects by issuing tax-exempt revenue, known as “Schedule A,” to the Master Equipment Lease/Purchase Agreement. The financing agent and the City enter a lease pursuant to which the lessor acquires the equipment or other project and leases it to the City,

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who is required to make lease payments to the lessor to repay the principal and interest on the lease. When the lease is fully paid, possession of the equipment or other financed project is returned to the City. The City may pay off the lease at any time without penalty.

The City entered a Master Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp. on Dec. 1, 2011, which expired in FY 2015-16. A second five-year agreement was entered May 24, 2016. As of June 2018, the City has entered 30 Schedule A agreements totaling \$150.9 million.

What Is Financed?

The MLPP may be used to finance the City's acquisition of heavy equipment, computer hardware/software, and other personal property with a minimum useful life of three years. Lease drawdowns are used to pay invoices or provide up-front funding for systems subject to multi-year implementation schedules. The City has drawn down lease funding in three term types depending on the useful life of the purchased equipment. Technology items such as computer hardware and software are leased over a three-year term, vehicles and heavy equipment are leased over a five-year term, and fire apparatus are leased over a 10-year term.

Lease Payments

The interest rate for each lease is set at the time the funds are drawn and is fixed for the term of the lease. The interest rate is determined through a calculation based on the "Swap Index" published by the Intercontinental Exchange, Inc. As of June 2018, the interest rates for each lease term were: 2.1492% (three-year); 2.3219% (five-year); and 2.7083% (10-year). Level lease payments are made biannually. The estimated total payments for FY 2018-19 are \$31.4 million, of which \$2.5 million is interest. The table that follows displays detail for completed draws of \$20.5 million for FY 2018-19 and \$15.9 million for FY 2019-20.

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Lease Schedule	Date of Issue	FY 2018-19			FY 2019-20		
		Principal	Interest	Total	Principal	Interest	Total
<i>Schedule A No. 1</i>	11/07/2012	\$0	\$0	\$0	\$0	\$0	\$0
General Fleet		\$0	\$0	\$0	\$0	\$0	\$0
Citywide Technology		\$0	\$0	\$0	\$0	\$0	\$0
<i>Schedule A No. 2</i>	05/10/2013	\$463,078	\$41,967	\$505,046	\$472,629	\$32,416	\$505,046
Fire Apparatus		\$463,078	\$41,967	\$505,046	\$472,629	\$32,416	\$505,046
<i>Schedule A No. 3</i>	05/10/2013	\$0	\$0	\$0	\$0	\$0	\$0
Ambulance Replacement		\$0	\$0	\$0	\$0	\$0	\$0
General Fleet & Equipment		\$0	\$0	\$0	\$0	\$0	\$0
Sanitation Fleet & Equipment		\$0	\$0	\$0	\$0	\$0	\$0
<i>Schedule A No. 4</i>	04/23/2014	\$478,454	\$3,847	\$482,301	\$0	\$0	\$0
General Fleet & Equipment		\$379,935	\$3,055	\$382,990	\$0	\$0	\$0
Sanitation Fleet & Equipment		\$98,519	\$792	\$99,311	\$0	\$0	\$0
<i>Schedule A No. 5</i>	04/23/2014	\$0	\$0	\$0	\$0	\$0	\$0
Citywide Technology		\$0	\$0	\$0	\$0	\$0	\$0
<i>Schedule A No. 6 (Taxable)</i>	04/23/2014	\$0	\$0	\$0	\$0	\$0	\$0
Citywide Technology		\$0	\$0	\$0	\$0	\$0	\$0
<i>Schedule A No. 7</i>	12/12/2014	\$1,895,490	\$24,558	\$1,920,048	\$0	\$0	\$0
General Fleet & Equipment		\$1,062,181	\$13,762	\$1,075,943	\$0	\$0	\$0
Sanitation Fleet & Equipment		\$833,308	\$10,796	\$844,104	\$0	\$0	\$0
<i>Schedule A No. 8</i>	12/12/2014	\$0	\$0	\$0	\$0	\$0	\$0
Citywide Technology		\$0	\$0	\$0	\$0	\$0	\$0
<i>Schedule A No. 9</i>	02/19/2015	\$1,135,906	\$175,967	\$1,311,873	\$1,162,389	\$149,484	\$1,311,873
Fire Apparatus		\$1,135,906	\$175,967	\$1,311,873	\$1,162,389	\$149,484	\$1,311,873
<i>Schedule A No. 10</i>	02/09/2015	\$1,160,676	\$24,797	\$1,185,473	\$587,744	\$4,993	\$592,736
Ambulance Replacement		\$1,160,676	\$24,797	\$1,185,473	\$587,744	\$4,993	\$592,736
<i>Schedule A No. 11</i>	08/18/2015	\$0	\$0	\$0	\$0	\$0	\$0
Citywide Technology		\$0	\$0	\$0	\$0	\$0	\$0
<i>Schedule A No. 12</i>	12/16/2015	\$1,090,339	\$34,528	\$1,124,866	\$1,109,943	\$14,923	\$1,124,866
General Fleet & Equipment		\$291,804	\$9,240	\$301,045	\$297,051	\$3,994	\$301,045
Sanitation Fleet & Equipment		\$798,535	\$25,287	\$823,822	\$812,892	\$10,929	\$823,822
<i>Schedule A No. 13</i>	12/16/2015	\$0	\$0	\$0	\$0	\$0	\$0
Citywide Technology		\$0	\$0	\$0	\$0	\$0	\$0
DPD Technology		\$0	\$0	\$0	\$0	\$0	\$0
<i>Schedule A No. 14</i>	05/24/2016	\$487,498	\$2,825	\$490,323	\$0	\$0	\$0
Citywide Technology		\$462,292	\$2,679	\$464,971	\$0	\$0	\$0
DPD Technology		\$25,206	\$146	\$25,352	\$0	\$0	\$0
<i>Schedule A No. 15</i>	05/24/2016	\$1,007,985	\$30,094	\$1,038,078	\$1,021,253	\$16,825	\$1,038,078
General Fleet & Equipment		\$583,151	\$17,410	\$600,561	\$590,827	\$9,734	\$600,561
Sanitation Fleet & Equipment		\$424,834	\$12,684	\$437,517	\$430,426	\$7,091	\$437,517
<i>Schedule A No. 16</i>	05/24/2016	\$467,551	\$62,531	\$530,081	\$475,717	\$54,365	\$530,081
Fire Apparatus		\$467,551	\$62,531	\$530,081	\$475,717	\$54,365	\$530,081
<i>Schedule A No. 17</i>	03/30/2017	\$880,791	\$18,664	\$899,455	\$0	\$0	\$0
Citywide Technology		\$239,076	\$5,066	\$244,142	\$0	\$0	\$0
DPD Technology		\$641,715.07	\$13,598.31	\$655,313.38	\$0	\$0	\$0
<i>Schedule A No. 18</i>	03/30/2017	\$101,078	\$21,838	\$122,915	\$103,503	\$19,412	\$122,915
Fire Apparatus		\$101,078	\$21,838	\$122,915	\$103,503	\$19,412	\$122,915
<i>Schedule A No. 19</i>	03/30/2017	\$2,560,253	\$163,324	\$2,723,577	\$2,609,444	\$114,133	\$2,723,577
General Fleet & Equipment		\$1,320,446	\$84,234	\$1,404,680	\$1,345,817	\$58,864	\$1,404,680
Sanitation Fleet & Equipment		\$1,239,807	\$79,090	\$1,318,897	\$1,263,628	\$55,269	\$1,318,897
<i>Schedule A No. 20</i>	05/19/2017	\$285,803	\$5,748	\$291,551	\$144,618	\$1,157	\$145,775
Citywide Technology		\$285,803	\$5,748	\$291,551	\$144,618	\$1,157	\$145,775

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Lease Schedule	Date of Issue	FY 2018-19			FY 2019-20		
		Principal	Interest	Total	Principal	Interest	Total
<i>Schedule A No. 21</i>	05/19/2017	\$488,104	\$28,861	\$516,965	\$496,810	\$20,155	\$516,965
Ambulance Replacement		\$488,104	\$28,861	\$516,965	\$496,810	\$20,155	\$516,965
<i>Schedule A No. 22</i>	08/31/2017	\$926,071	\$28,778	\$954,849	\$942,413	\$12,436	\$954,849
Citywide Technology		\$906,078	\$28,156	\$934,234	\$922,067	\$12,168	\$934,234
DPD Technology		\$19,994	\$621	\$20,615	\$20,346	\$268	\$20,615
<i>Schedule A No. 23</i>	11/30/2017	\$877,975	\$64,941	\$942,916	\$894,845	\$48,071	\$942,916
Ambulance Replacement		\$37,159	\$2,749	\$39,907	\$37,873	\$2,035	\$39,907
General Fleet & Equipment		\$120,465	\$8,910	\$129,375	\$122,779	\$6,596	\$129,375
Sanitation Fleet & Equipment		\$720,352	\$53,282	\$773,634	\$734,193	\$39,441	\$773,634
<i>Schedule A No. 24</i>	11/30/2017	\$493,011	\$109,268	\$602,279	\$504,421	\$97,857	\$602,279
Fire Apparatus		\$493,011	\$109,268	\$602,279	\$504,421	\$97,857	\$602,279
<i>Schedule A No. 25</i>	11/30/2017	\$897,656	\$66,397	\$964,053	\$914,904	\$49,149	\$964,053
General Fleet & Equipment		\$456,734	\$33,783	\$490,518	\$465,510	\$25,007	\$490,518
Sanitation Fleet & Equipment		\$440,922	\$32,614	\$473,535	\$449,394	\$24,142	\$473,535
<i>Schedule A No. 26</i>	02/28/2018	\$703,653	\$34,662	\$738,314	\$718,857	\$19,457	\$738,314
CBD Camera Improvements		\$163,522	\$8,055	\$171,577	\$167,056	\$4,522	\$171,577
Citywide Technology		\$535,401	\$26,374	\$561,775	\$546,970	\$14,805	\$561,775
DPD Technology		\$4,729	\$233	\$4,962	\$4,831	\$131	\$4,962
<i>Schedule A No. 27</i>	02/28/2018	\$886,339	\$91,353	\$977,692	\$907,038	\$70,654	\$977,692
Sanitation Fleet & Equipment		\$886,339	\$91,353	\$977,692	\$907,038	\$70,654	\$977,692
<i>Schedule A No. 28</i>	02/28/2018	\$439,692	\$45,318	\$485,010	\$449,960	\$35,050	\$485,010
Ambulance Replacement		\$312,075	\$32,165	\$344,240	\$319,364	\$24,877	\$344,240
General Fleet & Equipment		\$127,616	\$13,153	\$140,769	\$130,597	\$10,173	\$140,769
<i>Schedule A No. 29</i>	02/28/2018	\$116,715	\$28,920	\$145,635	\$123,100	\$22,536	\$145,635
Fire Apparatus		\$116,715	\$28,920	\$145,635	\$123,100	\$22,536	\$145,635
<i>Schedule A No. 30</i>	04/30/2018	\$1,191,303	\$348,416	\$1,539,719	\$1,208,965	\$330,755	\$1,539,719
Citywide Technology		\$1,191,303	\$348,416	\$1,539,719	\$1,208,965	\$330,755	\$1,539,719
Total Completed Draws		\$19,035,419	\$1,457,600	\$20,493,019	\$14,848,552	\$1,113,828	\$15,962,381
<i>Schedule A No. 31 Estimate</i>	09/30/2018	\$1,590,652	\$89,193	\$1,679,845	\$1,590,652	\$89,193	\$1,679,845
Citywide Technology		\$477,993	\$26,803	\$504,795	\$477,993	\$26,803	\$504,795
DPD/DFD Technology Upgrades		\$1,112,659	\$62,390	\$1,175,049	\$1,112,659	\$62,390	\$1,175,049
<i>Schedule A No. 32 Estimate</i>	09/30/2018	\$1,130,041	\$332,755	\$1,462,796	\$1,130,041	\$332,755	\$1,462,796
Fire Apparatus		\$1,130,041	\$332,755	\$1,462,796	\$1,130,041	\$332,755	\$1,462,796
<i>Schedule A No. 33 Estimate</i>	09/30/2018	\$3,658,238	\$406,342	\$4,064,580	\$3,696,005	\$368,575	\$4,064,580
Ambulance & Fire Equipment		\$734,284	\$81,561	\$815,845	\$734,284	\$81,561	\$815,845
General Fleet & Equipment		\$1,609,308	\$178,755	\$1,788,064	\$1,647,075	\$140,989	\$1,788,064
Sanitation Fleet & Equipment		\$1,314,645	\$146,025	\$1,460,671	\$1,314,645	\$146,025	\$1,460,671
<i>Schedule A No. 34 Estimate</i>	12/15/2018	\$2,847,546	\$159,671	\$3,007,217	\$2,847,546	\$159,671	\$3,007,217
Citywide Technology		\$2,272,926	\$127,450	\$2,400,376	\$2,272,926	\$127,450	\$2,400,376
DPD/DFD Technology Upgrades		\$574,620	\$32,221	\$606,841	\$574,620	\$32,221	\$606,841
<i>Schedule A No. 35 Estimate</i>	12/15/2018	\$34,869	\$10,268	\$45,137	\$34,869	\$10,268	\$45,137
Fire Apparatus		\$34,869	\$10,268	\$45,137	\$34,869	\$10,268	\$45,137
<i>Schedule A No. 36 Estimate</i>	12/15/2018	\$572,590	\$63,601	\$636,191	\$572,590	\$63,601	\$636,191
Ambulance & Fire Equipment		\$258,188	\$28,678	\$286,867	\$258,188	\$28,678	\$286,867
General Fleet & Equipment		\$130,274	\$14,470	\$144,745	\$130,274	\$14,470	\$144,745
Sanitation Fleet & Equipment		\$184,127	\$20,452	\$204,579	\$184,127	\$20,452	\$204,579
Total Anticipated Draws		\$9,833,935	\$1,061,829	\$10,895,765	\$9,871,702	\$1,024,063	\$10,895,765

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 refunding and improvement revenue bonds. This issue included the refunding of all 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 Convention Center.

The seven percent Hotel Occupancy Tax, non-operating revenue of the Convention Center Complex, and interest earned on cash balances in the bond reserve fund transferred to the Debt Service Fund 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 Ratings

The Convention Center complex currently holds A1 and A ratings from Moody's Investors Service and Standard & Poor's, respectively.

FY 2018-19 Debt Service Budget

The FY 2018-19 budget includes \$8.66 million in principal payments and \$14.82 million in interest payments on existing debt.

DEBT SERVICE

Convention Center Statement of Revenue Bonded Indebtedness As of 09/30/2018

Unit Number	Issue Name	Issue Date	Original Issue Amount	True Interest Cost	Outstanding Principal
623	Civic Center Convention Complex, Revenue Refunding Bonds	02/01/2009	324,940,000	5.2%	288,140,000
Total Convention Center Bonds			324,940,000		288,140,000

Convention Center Debt Service Requirements As of 09/30/2018

Fiscal Year	Outstanding Debt		
	Principal	Interest	Total
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
	\$288,140,000	\$181,510,370	\$469,650,370

DEBT SERVICE

Convention Center Statement of Debt Service Revenues and Expenditures

	FY 2016-17 Actual	FY 2017-18 Adopted	FY 2017-18 Estimated	FY 2018-19 Adopted	FY 2019-20 Planned
Beginning Balance	\$ 3,934,401	\$ 3,983,035	\$ 4,032,118	\$ 4,072,618	\$ 4,113,118
Revenues					
Transfers	22,524,413	23,482,163	23,482,163	23,484,663	23,481,413
Interest//Other	97,717	40,500	40,500	40,500	40,500
Total Revenues	\$ 22,622,130	\$ 23,522,663	\$ 23,522,663	\$ 23,525,163	\$ 23,521,913
Total Available Resources	\$ 26,556,531	\$ 27,505,698	\$ 27,554,781	\$ 27,597,781	\$ 27,635,031
Expenses					
Principal Payments	6,945,000	8,250,000	8,250,000	8,665,000	9,095,000
Interest Payments	15,579,413	15,232,163	15,232,163	14,819,663	14,386,413
Total Expenses	\$ 22,524,413	\$ 23,482,163	\$ 23,482,163	\$ 23,484,663	\$ 23,481,413
Ending Balance	\$ 4,032,118	\$ 4,023,535	\$ 4,072,618	\$ 4,113,118	\$ 4,153,618



DEBT SERVICE

DALLAS 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 management performance 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, which are used for interim financing of capital construction projects. On at least a biannual 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. Ratings as of July 2018 of DWU’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 Investors Service	Aa1	P-1
Standard & Poor’s	AAA	A-1+
Fitch Ratings	AA+	P-1

DEBT SERVICE

Revenue Bond and Commercial Paper Note Coverage

The following standards have been established 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.

The latest available audited financial statements coverage from September 30, 2017 is summarized in the table below.

Debt Service Coverage Requirements As of FY 2016-17 Year-End Close (000 omitted)

Coverage Net Revenue (CNR) = \$346,873

<u>Authority</u>	<u>Ratio</u>	<u>Requirement</u>	<u>Denominator \$</u>	<u>Actual</u>
Bond Ordinance	CNR/Max Year	1.25	187,758	1.85
DWU Criteria	CNR/Max Year	1.50	187,758	1.85
DWU Criteria	CNR/Max CP	1.10	187,758	1.85
Rating Agencies	CNR/Average Annual Debt	N/A	111,796	3.10

Max Year = 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 2018-19 and FY 2019-20 Debt Service Budget

The FY 2018-19 budget provides principal and interest on existing debt of \$101.80 million and \$86.67 million, respectively. Commercial paper issues in FY 2018-19 are forecast at \$174 million with an estimated interest cost and fees of \$3.95 million, which are paid from the Water Utilities Operating Fund. The FY 2019-20 budget provides estimated principal and interest on proposed debt of \$102.98 million and \$83.64 million.

Dallas 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 2018-19 unless otherwise noted.

- (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 percent of the total capital structure, excluding current liabilities.
- (6) Net revenues available for debt service should be at least 1.50 times the maximum annual principal and interest requirements of relevant outstanding revenue bonds at the end of the same fiscal year, and at least 1.25 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 30 years.
- (9) Debt refinancing will only be considered when the current refunding has an overall net present value savings of at least three percent of the principal amount to be refunded, and the advance refund has an overall net present value savings at four percent 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

Dallas Water Utilities Statement of Indebtedness as of 9/30/2018

Issue Name	Issue Date	Original Issue Amount	True Interest Cost	Outstanding Principal
Revenue Bonds				
Waterworks & Sewer System Revenue Refunding, Series 2007	4/25/2007	678,480,000	4.3%	-
Waterworks & Sewer System Revenue Refunding, Series 2008	6/26/2008	158,655,000	4.6%	3,795,000
Waterworks & Sewer Revenue Refunding, Series 2009A ¹	3/30/2009	15,100,000	2.4%	368,000
Waterworks & Sewer Revenue Refunding, Series 2009B ¹	3/30/2009	8,280,000	2.5%	5,985,000
Waterworks & Sewer Revenue Refunding, Series 2009C ¹	3/30/2009	94,723,000	2.1%	63,958,000
Waterworks & Sewer System Revenue Refunding, Series 2010	7/14/2010	295,850,000	4.2%	112,460,000
Waterworks & Sewer System Revenue Refunding, Series 2011	7/26/2011	239,425,000	2.8%	146,905,000
Waterworks & Sewer System Revenue Refunding, Series 2012 A	9/19/2012	259,420,000	2.7%	226,145,000
Waterworks & Sewer System Revenue Refunding, Taxable Series 2012 B	9/19/2012	106,720,000	2.7%	63,520,000
Waterworks & Sewer System Revenue Refunding, Series 2013	9/17/2013	156,540,000	4.5%	145,590,000
Waterworks & Sewer System Revenue Refunding, Series 2015A	3/25/2015	453,630,000	3.4%	444,450,000
Waterworks & Sewer System Revenue Refunding, Taxable Series 2015B	3/25/2015	150,630,000	2.5%	150,630,000
Waterworks & Sewer System Revenue Refunding, Series 2016A	7/7/2016	370,100,000	3.0%	367,105,000
Waterworks & Sewer System Revenue Refunding, Taxable Series 2016B	7/7/2016	170,245,000	2.2%	162,605,000
Waterworks & Sewer System Revenue Refunding, Series 2017	8/17/2017	171,540,000	3.6%	171,540,000
Waterworks & Sewer Revenue Bonds, Series 2018A ¹	5/14/2018	22,000,000	1.4%	22,000,000
Waterworks & Sewer Revenue Bonds, Series 2018B ¹	5/14/2018	44,000,000	1.4%	44,000,000
Total Dallas Water Utilities Revenue Bonds		\$3,395,338,000		\$2,131,056,000
¹ Texas Water Development Board Bonds				
Commercial Paper Notes Projected Outstanding as of 9/30/18		-		-
Total Dallas Water Utilities Debt		<u>\$3,395,338,000</u>		<u>\$2,131,056,000</u>

Note: The Waterworks & Sewer System Revenue Refunding Bonds, Series 2018C, are scheduled to be issued 9/26/2018 in an outstanding par amount of \$158,354,000

DEBT SERVICE

Dallas Water Utilities Debt Service Requirements as of 9/30/2018

Fiscal Year	Outstanding Debt		
	Principal	Interest	Total
2019	101,803,000	86,665,631	188,468,631
2020	102,980,000	83,641,482	186,621,482
2021	106,405,000	80,214,765	186,619,765
2022	111,360,000	76,538,728	187,898,728
2023	105,485,000	72,888,240	178,373,240
2024	94,780,000	69,118,685	163,898,685
2025	86,365,000	65,289,555	151,654,555
2026	75,735,000	61,787,833	137,522,833
2027	79,045,000	58,468,621	137,513,621
2028	82,345,000	55,150,833	137,495,833
2029	85,663,000	51,834,474	137,497,474
2030	81,980,000	48,141,865	130,121,865
2031	71,020,000	44,472,992	115,492,992
2032	74,435,000	41,063,768	115,498,768
2033	78,580,000	37,446,451	116,026,451
2034	82,320,000	33,704,631	116,024,631
2035	86,135,000	29,899,625	116,034,625
2036	90,030,000	25,996,147	116,026,147
2037	79,050,000	22,238,525	101,288,525
2038	70,460,000	18,837,673	89,297,673
2039	64,195,000	15,768,125	79,963,125
2040	67,170,000	12,788,377	79,958,377
2041	55,620,000	10,030,923	65,650,923
2042	48,845,000	7,645,796	56,490,796
2043	41,600,000	5,546,948	47,146,948
2044	33,080,000	3,870,467	36,950,467
2045	34,575,000	2,374,900	36,949,900
2046	23,990,000	1,112,040	25,102,040
2047	13,250,000	329,230	13,579,230
2048	2,755,000	22,075	2,777,075
	\$2,131,056,000	\$1,122,889,403	\$3,253,945,403

Note: Does not include the Waterworks & Sewer System Revenue Refunding Bonds, Series 2018C, scheduled to be issued 9/26/2018

DEBT SERVICE

Dallas Water Utilities Statement of Debt Service Revenues and Expenditures

	FY 2016-17 Actual	FY 2017-18 Adopted	FY 2017-18 Estimated	FY 2018-19 Adopted	FY 2019-20 Planned
Beginning Balance	\$ 139,594,945	\$ 137,842,400	\$ 137,842,400	\$ 151,177,176	\$ 160,822,592
Revenues					
Operating Fund Transfers	178,640,061	194,462,155	194,462,155	198,114,047	206,453,918
Storm Water Utility Transfers	292,660	-	-	-	-
Total Revenues	\$ 178,932,721	\$ 194,462,155	\$ 194,462,155	\$ 198,114,047	\$ 206,453,918
Total Available Resources	\$ 318,527,666	\$ 332,304,555	\$ 332,304,555	\$ 349,291,223	\$ 367,276,510
Expenses					
Principal Payments	100,980,000	94,855,000	94,855,000	101,803,000	102,980,000
Interest Payments	79,705,266	86,272,379	86,272,379	86,665,631	83,641,482
Total Expenses	\$ 180,685,266	\$ 181,127,379	\$ 181,127,379	\$ 188,468,631	\$ 186,621,482
Ending Balance	\$ 137,842,400	\$ 151,177,176	\$ 151,177,176	\$ 160,822,592	\$ 180,655,028

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