

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 AAA/Aaa/AAA ratings from Standard & Poor's, Moody's Investors Service and Fitch IBCA, respectively. These ratings reflect the assessment of the likelihood of repayment of principal and interest based on the bond insurance policy that Ambac Assurance Corporation is providing.

FY 2002-03 Debt Service Budget

The FY 2002-03 budget includes scheduled debt service payments of \$9.3 million. Of this total, \$2.49 million and \$6.8 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 page F-10 reflects both of the Sports Arena Debt Service Funds and the Sports Arena Surplus Debt Redemption Fund.

Statement of Revenue Bonded Indebtedness as of 9/30/02

Series Number	Issue Name	Date of Issue	Term Years	Outstanding Principal
568	Special Tax Revenue Bonds	06/15/98	30	91,560,000
569	Special Tax and Lease Revenue Bonds	06/15/98	30	33,920,000
Total Sports Arena Revenue Bonds				\$125,480,000

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Debt Service Requirements As of 09/30/2002

Fiscal Year	Outstanding Debt		
	Principal	Interest	Total
2003	2,490,000	6,827,495	9,317,495
2004	2,605,000	6,712,359	9,317,359
2005	2,725,000	6,590,454	9,315,454
2006	2,870,000	6,447,326	9,317,326
2007	3,020,000	6,296,237	9,316,237
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
	<u>\$ 125,480,000</u>	<u>\$ 107,450,041</u>	<u>\$ 232,930,041</u>

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Statement of Debt Service Revenues and Expenditures *Sports Arena*

	<u>FY 2000-01</u> Actual	<u>FY 2001-02</u> Budget	<u>FY 2001-02</u> Estimate	<u>FY 2002-03</u> Adopted
Beginning Cash Balance	\$ 6,372,295	\$ 13,420,738	\$ 12,343,354	\$ 17,547,822
<u>Revenues</u>				
2% Hotel Occupancy Tax	9,860,574	11,190,000	8,714,286	9,714,000
5% Motor Vehicle Rental Tax	4,379,038	4,630,000	4,000,000	4,200,000
Interest/Transfers/Other	496,231	2,024,080	1,529,678	1,052,556
Total	14,735,843	17,844,080	14,243,964	14,966,556
Total Available Resources	\$ 21,108,138	\$ 31,264,818	\$ 26,587,318	\$ 32,514,378
<u>Expenses</u>				
Principal	1,760,000	2,115,000	2,115,000	2,490,000
Interest	7,004,784	6,924,496	6,924,496	6,827,496
Total	8,764,784	9,039,496	9,039,496	9,317,496
Ending Cash Balance	\$ 12,343,354	\$ 22,225,322	\$ 17,547,822	\$ 23,196,882

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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+