

Dallas Water Utilities Revenue Refunding And Improvement Bonds Series 2006

Presented to
Finance, Audit and Accountability
Committee

February 27, 2006

Purpose

The purpose of this briefing is to provide information regarding a proposed bond sale required to provide funding for:

- Retirement of outstanding commercial paper
- Replacement of Customer Information, Accounting and Billing System (CIABS)
- Implementation of Automated Meter Reading (AMR) program

Bond Sale Overview

- Total bond sale estimated at \$265.13M, not to exceed \$266M
- The proposed bond sale will retire currently outstanding commercial paper of \$238.67M and provide funds for CIABS replacement and AMR implementation.
- Bond issuance costs of \$.55M to be paid from operating funds
- Callable bonds
- Issuance of additional debt does not adversely affect the bond rating, in the opinion of the City's financial advisors
 - Currently rated AA+ with Standard & Poor's Ratings Services
 - Currently rated Aa2 with Moody's Investors Service

Bond Issuance Costs

- Estimated issuance costs:

| | <u>Total</u> |
|--------------------------------|---------------|
| Bond Counsel | \$160,000 |
| Co-Financial Advisors | 196,000 |
| Debt Analysis/Structuring | 60,000 |
| Official Statement Printing | 8,000 |
| Rating Agencies | 105,000 |
| Auditor | 8,000 |
| Other (filing fee, typing fee) | <u>11,000</u> |
| Total Estimated Issuance Cost | \$548,000* |

*To be paid from operating fund

Commercial Paper Refunding

- Commercial paper program provides short-term financing of capital projects refunded with issuance of thirty year revenue bonds
- Outstanding commercial paper balance of \$238.67M as of February 8, 2006
- Average commercial paper interest rate as of February 8, 2006 was 3.15%
- See Appendix Page 17 for background information

CIABS Replacement

- Replacement of Customer Information, Accounting and Billing System (CIABS) was originally briefed to the Finance and Audit Committee in March 22, 2004
- Status update on project progress last provided to the Finance, Audit and Accountability Committee on October 24, 2005

CIABS Replacement (cont'd)

- The project will utilize a two step phase implementation, first phase is replacement of CIABS which is the current water, waste water, sanitation and storm water billing system, closely followed by a second phase implementation of a City-wide Centralized Billing System
- Estimated \$18M for CIABS replacement and \$2M for enhancement and inclusion of a Centralized Billing System

CIABS Replacement (cont'd)

- RFCSP advertised January 12, 2006
- Vendor proposals due March 3, 2006
- Project to be awarded August 2006
- Project included in FY05-06 Capital Budget
- Ten year term

AMR Program

- Strategy for implementation of automated reading program briefed to:
- Finance and Audit Committee November 24, 2003
- Health and Human Services Committee December 2, 2003
- Status update provided to Finance and Audit Committee on May 24, 2004
- Project to include Central Business District, Fair Park and Deep Ellum areas

AMR Program (Cont'd)

- Estimated project costs to be \$5M
- Project expected to be awarded in June 2006
- Project included in FY 05-06 Capital Budget
- Ten year term

Proposed Schedule

- February 27, 2006 Finance Committee briefing
- March 08, 2006 City Council authorization to prepare for bond sale
- March 31, 2006 Rating meetings with S&P and Moody's
- April 05, 2006 Receive ratings from rating agencies
- April 07, 2006 Distribute POS & Representation Letters to City Council
- April 12, 2006 Receive and accept bids for bond sale
- May 11, 2006 Deliver bonds
- May 12, 2006 Official Statement and Representation Letters to City Council

Summary

- This presentation has outlined:
 - DWU's request to issue thirty-year revenue bonds to retire commercial paper
 - DWU's request to issue ten-year revenue bonds to replace CIABS and implement AMR program

Recommendation

- Authorize staff to proceed with the issuance of Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2006
- Proceeds from the thirty year bonds will be used to retire \$238.67M of outstanding commercial paper
- Proceeds from the ten year bonds to be used to fund replacement CIABS System and AMR project implementation cost
- Total combined par value of bonds not to exceed \$266M
- Recommend approval of the March 8 Council Agenda Item authorizing staff to proceed with preparations for the bond sale

Appendix

- Page 15 Source and Use Statement
- Page 16 Debt Service Schedule
- Page 17 Commercial Paper program overview

Preliminary

City of Dallas, Texas

\$265,130,000

WW & SS Revenue Refunding and Improvement Bonds, Series 2006

Total Issue Sources And Uses

Dated 04/01/2006 | Delivered 05/11/2006

| | CP Takeout | CIABS Replacement | Issue Summary |
|--|-------------------------|------------------------|-------------------------|
| Sources Of Funds | | | |
| Par Amount of Bonds | \$239,990,000.00 | \$25,140,000.00 | \$265,130,000.00 |
| Accrued Interest from 04/01/2006 to 05/11/2006 | 1,227,756.78 | 108,824.83 | 1,336,581.61 |
| Total Sources | \$241,217,756.78 | \$25,248,824.83 | \$266,466,581.61 |
| Uses Of Funds | | | |
| Deposit to Project Construction Fund | 238,670,000.00 | 25,000,000.00 | 263,670,000.00 |
| Total Underwriter's Discount (0.550%) | 1,319,945.00 | 138,270.00 | 1,458,215.00 |
| Deposit to Debt Service Fund | 1,227,756.78 | 108,824.83 | 1,336,581.61 |
| Rounding Amount | 55.00 | 1,730.00 | 1,785.00 |
| Total Uses | \$241,217,756.78 | \$25,248,824.83 | \$266,466,581.61 |

Preliminary
City of Dallas, Texas
 \$265,130,000
 WW & SS Revenue Refunding and Improvement Bonds, Series 2006

Debt Service Schedule

| Date | Principal | Coupon | Interest | Total P+I |
|--------------|-------------------------|----------|-------------------------|-------------------------|
| 09/30/2006 | - | - | - | - |
| 09/30/2007 | 5,680,000.00 | 3.550% | 11,928,414.50 | 17,608,414.50 |
| 09/30/2008 | 5,890,000.00 | 3.600% | 11,721,574.50 | 17,611,574.50 |
| 09/30/2009 | 6,105,000.00 | 3.660% | 11,503,833.00 | 17,608,833.00 |
| 09/30/2010 | 6,330,000.00 | 3.670% | 11,275,956.00 | 17,605,956.00 |
| 09/30/2011 | 6,570,000.00 | 3.730% | 11,037,270.00 | 17,607,270.00 |
| 09/30/2012 | 6,825,000.00 | 3.830% | 10,784,040.75 | 17,609,040.75 |
| 09/30/2013 | 7,095,000.00 | 3.930% | 10,513,925.25 | 17,608,925.25 |
| 09/30/2014 | 7,385,000.00 | 4.030% | 10,225,700.75 | 17,610,700.75 |
| 09/30/2015 | 7,690,000.00 | 4.110% | 9,918,863.50 | 17,608,863.50 |
| 09/30/2016 | 8,015,000.00 | 4.180% | 9,593,320.50 | 17,608,320.50 |
| 09/30/2017 | 8,360,000.00 | 4.250% | 9,248,157.00 | 17,608,157.00 |
| 09/30/2018 | 8,740,000.00 | 4.350% | 8,943,487.00 | 14,783,487.00 |
| 09/30/2019 | 9,100,000.00 | 4.440% | 8,681,047.00 | 14,781,047.00 |
| 09/30/2020 | 9,530,000.00 | 4.530% | 8,401,120.00 | 14,781,120.00 |
| 09/30/2021 | 6,680,000.00 | 4.590% | 8,103,307.00 | 14,783,307.00 |
| 09/30/2022 | 6,995,000.00 | 4.630% | 7,788,066.75 | 14,783,066.75 |
| 09/30/2023 | 7,330,000.00 | 4.670% | 7,454,977.00 | 14,784,977.00 |
| 09/30/2024 | 7,680,000.00 | 4.710% | 7,102,957.50 | 14,782,957.50 |
| 09/30/2025 | 8,050,000.00 | 4.740% | 6,731,308.50 | 14,781,308.50 |
| 09/30/2026 | 8,445,000.00 | 4.770% | 6,339,110.25 | 14,784,110.25 |
| 09/30/2027 | 8,850,000.00 | 4.690% | 5,930,164.50 | 14,780,164.50 |
| 09/30/2028 | 9,285,000.00 | 4.870% | 5,496,542.25 | 14,781,542.25 |
| 09/30/2029 | 9,750,000.00 | 4.870% | 5,033,040.00 | 14,783,040.00 |
| 09/30/2030 | 10,235,000.00 | 4.870% | 4,546,405.25 | 14,781,405.25 |
| 09/30/2031 | 10,745,000.00 | 4.870% | 4,035,542.25 | 14,780,542.25 |
| 09/30/2032 | 11,285,000.00 | 4.870% | 3,499,111.75 | 14,784,111.75 |
| 09/30/2033 | 11,850,000.00 | 4.920% | 2,932,812.00 | 14,782,812.00 |
| 09/30/2034 | 12,445,000.00 | 4.920% | 2,335,155.00 | 14,780,155.00 |
| 09/30/2035 | 13,075,000.00 | 4.920% | 1,707,363.00 | 14,782,363.00 |
| 09/30/2036 | 13,735,000.00 | 4.920% | 1,047,837.00 | 14,782,837.00 |
| 09/30/2037 | 14,430,000.00 | 4.920% | 354,978.00 | 14,784,978.00 |
| Total | \$265,130,000.00 | - | \$224,215,387.75 | \$489,345,387.75 |

Yield Statistics

| | |
|--|----------------|
| Accrued Interest from 04/01/2006 to 05/11/2006 | 1,336,581.61 |
| Bond Year Dollars | \$4,716,925.00 |
| Average Life | 17.791 Years |
| Average Coupon | 4.7534228% |
| Net Interest Cost (NIC) | 4.7843373% |
| True Interest Cost (TIC) | 4.7642015% |
| Bond Yield for Arbitrage Purposes | 4.7160020% |
| All Inclusive Cost (AIC) | 4.7657936% |

IRS Form 8038

| | |
|--|--------------|
| Net Interest Cost | 4.7547822% |
| Weighted Average Maturity | 17.680 Years |
| 2006 WS 2.23.06 Issue Summary 2/23/2006 11:50 AM | |

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