

Memorandum



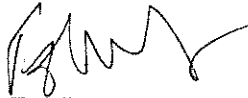
DATE February 6, 2009

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 Update on Texas Water Development Board Infrastructure Funding – Water Utilities
Projects and Bond Issuance, Series 2009A, 2009B and 2009C

Attached is a briefing that will be presented on February 9, 2009 providing an update on the Texas Water Development Board infrastructure funding, and the issuance and sale of City of Dallas, Texas, Waterworks and Sewer System Revenue Bonds, Series 2009A (\$15.1 million); Series 2009B (\$8.28 million); and Series 2009C (\$94.723 million) to the Texas Water Development Board related to the projects. Approval for the bond ordinances is scheduled for the February 11, 2009 agenda (item #41).

Please let me know if you have any questions or need additional information.



Ramon F. Miguez, P.E.
Assistant City Manager

Attachment

c: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
David K. Cook, Chief Financial Officer
Ryan S. Evans, Assistant City Manager
Forest Turner, Interim Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Deborah Watkins, City Secretary
Thomas Perkins, City Attorney
Craig D. Kinton, City Auditor
Judge V. Jay Robinson

Update on Texas Water Development Board Infrastructure Funding – Water Utilities Projects and Bond Issuance

Finance, Audit & Accountability Committee
February 9, 2009



PURPOSE OF BRIEFING

- Provide an update on bond sales to the Texas Water Development Board (TWDB) Water Infrastructure Fund (WIF) loan program for three Dallas Water Utilities projects
- Seek committee support for the February 11, 2009 ordinances authorizing the issuance and sale of City of Dallas, Texas, Waterworks and Sewer System Revenue Bonds, Series 2009A (\$15.1 million); Series 2009B (\$8.28 million); and Series 2009C (\$94.723 million) to the Texas Water Development Board (agenda item #41)

BACKGROUND

- Council authorized the application for and acceptance of loans from the TWDB on 12/12/07 for the Lake Ray Hubbard and Cedar Crest projects, and on 6/25/08 for the Eastside project
 - Cedar Crest Direct Recycling Pipeline Extension Construction Project - \$15.1M – TWDB Approved March 08
 - Lake Ray Hubbard Indirect Recycling Transfer Permitting and Design Project Pipeline and Pump Station - \$8.3M (2 phases) – TWDB Approved March 08
 - Eastside Water Purification Plant Clearwell Construction Project - \$94.7M – TWDB Approved August 08
- FA&A committee briefed on 8/12/08 regarding the loan applications and process
- DWU will be required to issue a “private bond sale” to the TWDB to obtain funds approved by the Board

PROCESS

- Loans are closed using a bond purchase program
- Similar process used to sell revenue bonds to the market
- City Council will be required to pass a bond ordinance for each project
- City will sell bonds to the TWDB at 200 basis points below their market rate
- The State sold the bonds for the 2 smaller projects in 2008 and the bonds for the Eastside Project in 2009
- TWBD average interest rate is 2.4% for the Cedar Crest Project (\$15.1M) and 2.5% for the Lake Ray Hubbard Project (\$8.3 Million)
- TWBD average interest rate for the Eastside Project (\$94.7 Million) is 2.1%

PROGRAM BENEFITS

- Significant interest savings over the life of the debt, with estimated net present value savings of nearly \$50M
- Additional funding source not previously available to DWU
- Deferral option permits payment delay until project is placed in service

NEXT STEPS

- Council approval of bond ordinances on February 11, 2009
- Texas Attorney General approves bond sales – March 2009
- Completing the closing with and accepting funds from the Texas Water Development Board (TWDB) – March 2009

RECOMMENDATION

Recommend approval of the February 11, 2009 ordinances authorizing the sale and placement of \$118.1M in waterworks and sewer system revenue bonds (Series 2009A, 2009B, and 2009C) with the Texas Water Development Board

APPENDIX

- Issuance Cost Detail
- Loan Repayment Schedules
- TWDB Program Background

\$118,103,000
Total Obligations
Series 2008 A,B,C

Estimate of Total Bond Issuance Costs and M/WBE Participation

	Cost	Percent
Co-Bond Counsel		
McCall, Parkhurst & Horton L.L.P. (Vendor #193173)	\$67,000	24.0%
Escamilla & Poneck, Inc. (Vendor #518903)*	42,820	15.4%
Co-Financial Advisors		
First Southwest Company (Vendor #193056)	77,361	27.7%
Estrada Hinojosa (Vendor #259910)*	51,574	18.5%
Out-of-Pocket Expenses		
McCall, Parkhurst & Horton L.L.P. (Vendor #193173)	2,250	0.8%
Escamilla & Poneck, Inc. (Vendor #518903)*	1,500	0.5%
Bonds Test		
Grant Thornton (Vendor #VS0000007921)	9,000	3.2%
Filing Fee		
Attorney General (Vendor #344989)	27,280	9.8%
Total Issuance Costs	\$ 278,785	100%
*Total M/WBE Participation as % of Total Issuance Costs:	33.9%	

Cedar Crest Project – Debt Service

TEXAS WATER DEVELOPMENT BOARD
 Water Financial Assistance Bonds, Series 2008A
 (Water Infrastructure Fund Project)
 Final Pricing - Market Rates as of May 6, 2008

(6) Dallas, City of - Cedar Crest Reuse Pipeline - Loan Schedule

FY Ending July 15	Date	Loan Principal	Loan Rate	Interest Paid	Total	Fiscal Year Total
Total:		15,100,000.00		4,085,137.70	19,185,137.70	19,185,137.70
	10/1/2008					
2010	4/1/2009	-	-	154,341.60	154,341.60	154,341.60
2011	10/1/2009	650,000.00	0.423%	154,341.60	804,341.60	-
2011	4/1/2010	-	-	152,966.85	152,966.85	957,308.45
2012	10/1/2010	655,000.00	0.623%	152,966.85	807,966.85	-
2012	4/1/2011	-	-	150,926.53	150,926.53	958,893.38
2013	10/1/2011	655,000.00	0.933%	150,926.53	805,926.53	-
2013	4/1/2012	-	-	147,870.95	147,870.95	953,787.48
2014	10/1/2012	665,000.00	1.153%	147,870.95	812,870.95	-
2014	4/1/2013	-	-	144,037.23	144,037.23	956,908.18
2015	10/1/2013	670,000.00	1.303%	144,037.23	814,037.23	-
2015	4/1/2014	-	-	139,672.18	139,672.18	953,709.40
2016	10/1/2014	680,000.00	1.433%	139,672.18	819,672.18	-
2016	4/1/2015	-	-	134,799.98	134,799.98	954,472.15
2017	10/1/2015	690,000.00	1.583%	134,799.98	824,799.98	-
2017	4/1/2016	-	-	129,338.63	129,338.63	954,138.60
2018	10/1/2016	700,000.00	1.733%	129,338.63	829,338.63	-
2018	4/1/2017	-	-	123,273.13	123,273.13	952,611.75
2019	10/1/2017	715,000.00	1.883%	123,273.13	838,273.13	-
2019	4/1/2018	-	-	116,541.40	116,541.40	954,814.53
2020	10/1/2018	725,000.00	2.013%	116,541.40	841,541.40	-
2020	4/1/2019	-	-	109,244.28	109,244.28	950,785.68
2021	10/1/2019	740,000.00	2.133%	109,244.28	849,244.28	-
2021	4/1/2020	-	-	101,352.18	101,352.18	950,596.45
2022	10/1/2020	755,000.00	2.367%	101,352.18	856,352.18	-
2022	4/1/2021	-	-	92,416.75	92,416.75	948,768.93
2023	10/1/2021	775,000.00	2.489%	92,416.75	867,416.75	-
2023	4/1/2022	-	-	82,771.88	82,771.88	950,188.63
2024	10/1/2022	795,000.00	2.573%	82,771.88	877,771.88	-
2024	4/1/2023	-	-	72,544.20	72,544.20	950,316.08
2025	10/1/2023	815,000.00	2.649%	72,544.20	887,544.20	-
2025	4/1/2024	-	-	61,749.53	61,749.53	949,293.73
2026	10/1/2024	835,000.00	2.710%	61,749.53	896,749.53	-
2026	4/1/2025	-	-	50,435.28	50,435.28	947,184.80
2027	10/1/2025	860,000.00	2.759%	50,435.28	910,435.28	-
2027	4/1/2026	-	-	38,571.58	38,571.58	949,006.85
2028	10/1/2026	880,000.00	2.797%	38,571.58	918,571.58	-
2028	4/1/2027	-	-	26,264.78	26,264.78	944,836.35
2029	10/1/2027	905,000.00	2.832%	26,264.78	931,264.78	-
2029	4/1/2028	-	-	13,449.88	13,449.88	944,714.75
2030	10/1/2028	935,000.00	2.877%	13,449.88	948,449.98	-
2030	4/1/2029	-	-	-	-	948,449.98
2031	10/1/2029	-	-	-	-	-
2031	4/1/2030	-	-	-	-	-

First Southwest Company

Lake Ray Hubbard Project – Debt Service

TEXAS WATER DEVELOPMENT BOARD
 Water Financial Assistance Bonds, Series 2008A
 (Water Infrastructure Fund Project)
 Final Pricing - Market Rates as of May 6, 2008

(1) Dallas, City of - Lake Ray Hubbard Indirect Re-use - Loan Schedule

FY Ending July 15	Date	Loan Principal	Loan Rate	Interest Paid	Total	Fiscal Year Total
Total:		8,280,000.00		1,907,692.55	10,187,692.55	10,187,692.55
	8/1/2008					
2010	10/1/2008	-	-	-	-	-
2010	4/1/2009	-	-	-	-	-
2011	10/1/2009	-	-	-	-	-
2011	4/1/2010	-	-	-	-	-
2012	10/1/2010	-	-	-	-	-
2012	4/1/2011	-	-	-	-	-
2013	10/1/2011	-	-	-	-	-
2013	4/1/2012	-	-	-	-	-
2014	10/1/2012	-	-	-	-	-
2014	4/1/2013	-	-	95,607.08	95,607.08	95,607.08
2015	10/1/2013	445,000.00	1.303%	95,607.08	540,607.08	-
2015	4/1/2014	-	-	92,707.90	92,707.90	633,314.98
2016	10/1/2014	450,000.00	1.433%	92,707.90	542,707.90	-
2016	4/1/2015	-	-	89,483.65	89,483.65	632,191.55
2017	10/1/2015	460,000.00	1.583%	89,483.65	549,483.65	-
2017	4/1/2016	-	-	85,842.75	85,842.75	635,326.40
2018	10/1/2016	465,000.00	1.733%	85,842.75	550,842.75	-
2018	4/1/2017	-	-	81,813.53	81,813.53	632,996.28
2019	10/1/2017	475,000.00	1.883%	81,813.53	556,813.53	-
2019	4/1/2018	-	-	77,341.40	77,341.40	634,154.93
2020	10/1/2018	480,000.00	2.013%	77,341.40	557,341.40	-
2020	4/1/2019	-	-	72,510.20	72,510.20	629,851.60
2021	10/1/2019	490,000.00	2.133%	72,510.20	562,510.20	-
2021	4/1/2020	-	-	67,284.35	67,284.35	629,794.55
2022	10/1/2020	500,000.00	2.367%	67,284.35	567,284.35	-
2022	4/1/2021	-	-	61,366.85	61,366.85	628,651.20
2023	10/1/2021	515,000.00	2.489%	61,366.85	576,366.85	-
2023	4/1/2022	-	-	54,957.68	54,957.68	631,324.53
2024	10/1/2022	525,000.00	2.573%	54,957.68	579,957.68	-
2024	4/1/2023	-	-	48,203.55	48,203.55	628,161.23
2025	10/1/2023	540,000.00	2.649%	48,203.55	588,203.55	-
2025	4/1/2024	-	-	41,051.25	41,051.25	629,254.80
2026	10/1/2024	555,000.00	2.710%	41,051.25	596,051.25	-
2026	4/1/2025	-	-	33,531.00	33,531.00	629,582.25
2027	10/1/2025	570,000.00	2.759%	33,531.00	603,531.00	-
2027	4/1/2026	-	-	25,667.85	25,667.85	629,198.85
2028	10/1/2026	585,000.00	2.797%	25,667.85	610,667.85	-
2028	4/1/2027	-	-	17,486.63	17,486.63	628,154.48
2029	10/1/2027	600,000.00	2.832%	17,486.63	617,486.63	-
2029	4/1/2028	-	-	8,990.63	8,990.63	626,477.25
2030	10/1/2028	625,000.00	2.877%	8,990.63	633,990.63	-
2030	4/1/2029	-	-	-	-	633,990.63
2031	10/1/2029	-	-	-	-	-

First Southwest Company

Eastside Water Plant Project – Debt Service

TEXAS WATER DEVELOPMENT BOARD
 Water Financial Assistance Bonds, Series 2009A
 (Water Infrastructure Fund Project)
 Final Pricing as of February 2, 2009

(1) City of Dallas - Loan No. L090011 - Loan Schedule

* Loan receipts delayed 1 year for bond structuring purposes *

Borrower FY Ending 9/30	Date	Loan Principal	Loan Rate	Interest Paid	Total	Fiscal Year Total	Loan Receipts FY Ending 6/30	Annual Loan Principal	Annual Interest Paid	Loan Receipts Avail for FY D/S
		94,723,000.00		24,377,500.47	119,100,500.47	119,100,500.47		94,723,000.00	24,377,500.47	119,100,500.47
	3/1/2009									
2009	4/1/2009	-	-	-	-	-	2010	-	-	-
2010	10/1/2009	-	-	939,070.41	939,070.41	-	2011	-	-	-
2010	4/1/2010	-	-	804,917.50	804,917.50	1,743,987.91	2011	-	1,743,987.91	1,743,987.91
2011	10/1/2010	-	-	804,917.50	804,917.50	-	2012	-	-	-
2011	4/1/2011	-	-	804,917.50	804,917.50	1,609,834.99	2012	-	1,609,834.99	1,609,834.99
2012	10/1/2011	-	-	804,917.50	804,917.50	-	2013	-	-	-
2012	4/1/2012	-	-	804,917.50	804,917.50	1,609,834.99	2013	-	1,609,834.99	1,609,834.99
2013	10/1/2012	5,105,000.00	-	804,917.50	5,909,917.50	-	2014	-	-	-
2013	4/1/2013	-	-	804,917.50	804,917.50	6,714,834.99	2014	5,105,000.00	1,609,834.99	6,714,834.99
2014	10/1/2013	5,105,000.00	-	804,917.50	5,909,917.50	-	2015	-	-	-
2014	4/1/2014	-	-	804,917.50	804,917.50	6,714,834.99	2015	5,105,000.00	1,609,834.99	6,714,834.99
2015	10/1/2014	5,110,000.00	0.148%	804,917.50	5,914,917.50	-	2016	-	-	-
2015	4/1/2015	-	-	801,136.10	801,136.10	6,716,053.59	2016	5,110,000.00	1,606,053.59	6,716,053.59
2016	10/1/2015	5,120,000.00	0.338%	801,136.10	5,921,136.10	-	2017	-	-	-
2016	4/1/2016	-	-	792,483.30	792,483.30	6,713,619.39	2017	5,120,000.00	1,593,619.39	6,713,619.39
2017	10/1/2016	5,145,000.00	0.558%	792,483.30	5,937,483.30	-	2018	-	-	-
2017	4/1/2017	-	-	778,128.75	778,128.75	6,715,612.04	2018	5,145,000.00	1,570,612.04	6,715,612.04
2018	10/1/2017	5,180,000.00	0.798%	778,128.75	5,958,128.75	-	2019	-	-	-
2018	4/1/2018	-	-	757,460.55	757,460.55	6,715,589.29	2019	5,180,000.00	1,535,589.29	6,715,589.29
2019	10/1/2018	5,225,000.00	1.038%	757,460.55	5,982,460.55	-	2020	-	-	-
2019	4/1/2019	-	-	730,342.80	730,342.80	6,712,803.34	2020	5,225,000.00	1,487,803.34	6,712,803.34
2020	10/1/2019	5,290,000.00	1.452%	730,342.80	6,020,342.80	-	2021	-	-	-
2020	4/1/2020	-	-	691,937.40	6,712,280.19	6,712,280.19	2021	5,290,000.00	1,422,280.19	6,712,280.19
2021	10/1/2020	5,380,000.00	1.812%	691,937.40	6,071,937.40	-	2022	-	-	-
2021	4/1/2021	-	-	643,194.60	6,715,131.99	6,715,131.99	2022	5,380,000.00	1,335,131.99	6,715,131.99
2022	10/1/2021	5,485,000.00	2.139%	643,194.60	6,128,194.60	-	2023	-	-	-
2022	4/1/2022	-	-	584,532.52	6,712,727.12	6,712,727.12	2023	5,485,000.00	1,227,727.12	6,712,727.12
2023	10/1/2022	5,610,000.00	2.267%	584,532.52	6,194,532.52	-	2024	-	-	-
2023	4/1/2023	-	-	520,943.17	6,715,475.69	6,715,475.69	2024	5,610,000.00	1,105,475.69	6,715,475.69
2024	10/1/2023	5,745,000.00	2.532%	520,943.17	6,265,943.17	-	2025	-	-	-
2024	4/1/2024	-	-	448,211.47	6,714,154.64	6,714,154.64	2025	5,745,000.00	969,154.64	6,714,154.64
2025	10/1/2024	5,895,000.00	2.695%	448,211.47	6,343,211.47	-	2026	-	-	-
2025	4/1/2025	-	-	368,776.35	6,711,987.82	6,711,987.82	2026	5,895,000.00	816,987.82	6,711,987.82
2026	10/1/2025	6,060,000.00	2.804%	368,776.35	6,428,776.35	-	2027	-	-	-
2026	4/1/2026	-	-	283,815.15	6,712,591.49	6,712,591.49	2027	6,060,000.00	652,591.49	6,712,591.49
2027	10/1/2026	6,235,000.00	2.885%	283,815.15	6,518,815.15	-	2028	-	-	-
2027	4/1/2027	-	-	193,875.27	6,712,690.42	6,712,690.42	2028	6,235,000.00	477,690.42	6,712,690.42
2028	10/1/2027	6,420,000.00	2.931%	193,875.27	6,613,875.27	-	2029	-	-	-
2028	4/1/2028	-	-	99,790.17	6,713,665.44	6,713,665.44	2029	6,420,000.00	293,665.44	6,713,665.44
2029	10/1/2028	6,613,000.00	3.018%	99,790.17	6,712,790.17	-	2030	-	-	-
2029	4/1/2029	-	-	-	6,712,790.17	6,712,790.17	2030	6,613,000.00	99,790.17	6,712,790.17
2030	10/1/2029	-	-	-	-	-	2031	-	-	-
2030	4/1/2030	-	-	-	-	-	2031	-	-	-

First Southwest Company

TWDB Program Background

- The Water Infrastructure Fund (WIF) was established in Senate Bill 2 during the 77th Texas Legislative Session for:
 - Financing for water conservation and water development projects, with emphasis on strategies in the State Water Plan
- 80th Legislature, House Bill 1 appropriated funds in the 2007-2009 budget to the TWDB to implement the WIF
- The program offers low interest financing and deferred interest and principal payments for State Water Plan projects
 - Low interest loans are provided on a 20-year repayment schedule at a reduction of 200 basis points below the current bond market interest rate
 - Deferred payment loans are at market rates, but payment can be deferred without penalty until construction is completed for up to ten years

TWDB Program Details

- Low Interest Debt
 - Design and/or construction funding provided at an interest rate discount
 - 20-year repayment schedule
- Deferred Payment Possibility
 - For design & permitting projects, and to take into account current and future growth
 - Payments deferred until construction is complete, up to 10 years
- Debt must be paid within 20 years regardless of deferral period

TWDB Program - Application Process

- Application consists of
 - General, legal, and fiscal information about the applicant
 - An engineering feasibility report
 - An environmental assessment
 - A water conservation and emergency water demand management plan (required for financial assistance of more than \$500,000)
- Applications require a resolution by the Board or Council of the applicant (City Council for DWU)
- Applications considered for approval by the Texas Water Development Board
 - Deadline is semi annual with applications due on January 1 and July 1 of each year
- Financing must be closed within 1 year of TWDB Board approval