

Memorandum



CITY OF DALLAS

DATE April 23, 2010

TO Members of the Budget, Finance & Audit Committee:
Chair Jerry Allen, Vice-Chair Ann Margolin, Vonciel Jones Hill, Delia Jasso, Ron Natinsky, David Neumann

SUBJECT Dallas Water Utilities Revenue Bond Issuance

The April 26, 2010 Budget, Finance & Audit meeting agenda includes a briefing on the Dallas Water Utilities Revenue Bond Issuance. Attached is a copy of the briefing.

Please let me know if you need additional information.

A handwritten signature in black ink, which appears to read 'Jeanne Chipperfield'. The signature is fluid and cursive.

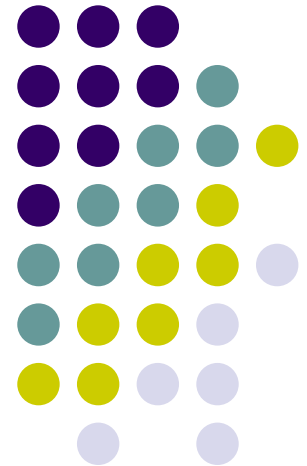
Jeanne Chipperfield
Chief Financial Officer

Attachment

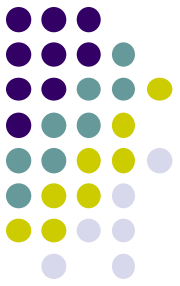
c: Honorable Mayor & Members of the City Council
Mary K. Suhm, City Manager
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Forest E. Turner, Assistant City Manager
Deborah A. Watkins, City Secretary
Tom P. Perkins, City Attorney
Craig Kinton, City Auditor

Dallas Water Utilities Revenue Bond Issuance

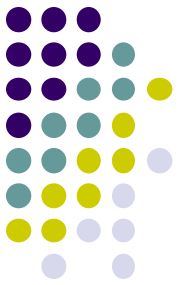
Budget, Finance and Audit Committee
April 26, 2010



Purpose

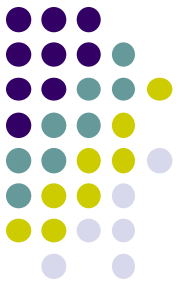


- Provide an overview of the bond sale
- Review revenue bond refunding candidates
- Review refunding of outstanding commercial paper
- Review the syndicate selection process and assignment for this transaction
- Seek committee recommendation on the April 28th resolution authorizing staff to proceed with preparations for the Waterworks and Sewer System Revenue Refunding Bonds, Series 2010



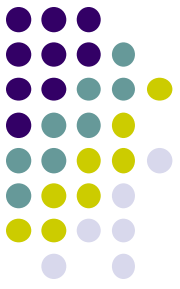
Bond Sale Overview

- Bond sale size currently estimated up to \$450 million if issued on a tax-exempt only basis
- Proposed bond sale will include \$235.5 million to retire outstanding commercial paper and refund \$185.5 million in existing revenue bond debt
- Issuance costs of \$801,620 to be paid from Water Utilities (DWU) operating funds
- 30-year bonds with a 10-year call
- Sale will be negotiated



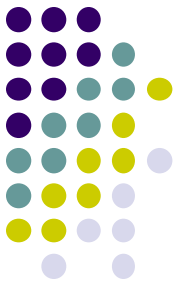
Revenue Bond Refunding

- Current interest rates provide an opportunity to refund approximately \$185.5 million in outstanding revenue bonds
- Proposed refunding includes specified maturities of:
 - Series 1993A Revenue Bonds: \$4.7 million principal
 - Maturities Oct. 1, 2012 – Oct. 2013, Interest Rate: 4.00%
 - Series 1998 Revenue Bonds: \$75.5 million principal
 - Maturities Oct. 1, 2010 – Oct. 2029, Interest Rate: 5.00%
 - Series 2003A Revenue Bonds: \$105.3 million principal
 - Maturities Oct. 1, 2013 – Oct. 2023, Interest Rates: 4.00% - 4.75%



Revenue Bond Refunding

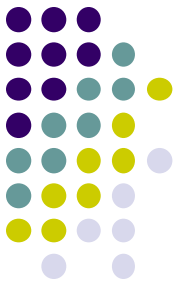
- Based on current interest rates, the estimated savings are:
 - Total net present value (NPV) cash savings of \$8.0 million
 - \$5.7 million cash savings in FY2010-11
 - 4.1% NPV savings as a percentage of the bonds being refunded
- Co-Financial Advisors will continue to monitor the market to ensure feasibility of refunding
 - Refunding may be restructured or deleted if market changes prior to June pricing



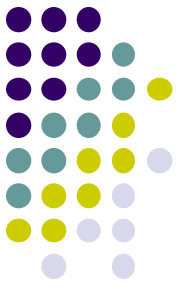
Revenue Bond Refunding

- Refunding does not extend or increase debt service payments in any year
- DWU's bond rating will not be adversely affected in the opinion of the City's Co-Financial Advisors
 - AAA by Standard & Poor's
 - Aa2 by Moody's Investors Service

Commercial Paper Refunding



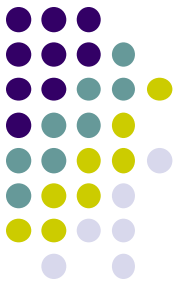
- Commercial paper provides short-term financing for DWU's capital improvement program
 - Current program size is \$600 million
 - Commercial paper issuance is timed to fund contract payments
 - Outstanding commercial paper balance is \$235.5 million as of 4/22/2010
 - Average interest rate is 0.3016%



Syndicate Selection

- On April 21st, City Council approved two underwriting syndicate teams for future negotiated sales. Council approval provided that:
 - Team A would underwrite the first negotiated transaction
 - Bookrunning senior manager position would rotate between national and M/WBE firms
 - Co-senior manager would be the highest ranking national or regional firm if the bookrunning senior manager position is assigned to the M/WBE firm

Syndicate Team A



- Team A consists of the following firms:

National

JP Morgan

Bank of America Merrill Lynch

Morgan Stanley

Regional

Southwest Securities Group

RBC Capital Markets

Raymond James & Assoc.

MWBE

Siebert Brandford Shank & Co.

M. R. Beal & Co.

Cabrera Capital Markets

Syndicate Team A



- Proposed firm assignments for the DWU refunding are as follows:

Senior Managers:

Siebert Brandford Shank & Co. (Bookrunning Senior Manager)

JPMorgan (Co-Senior Manager)

Co-Managers:

Bank of America Merrill Lynch

Morgan Stanley

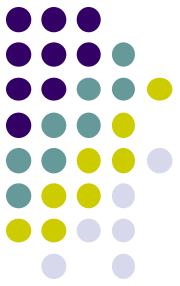
Southwest Securities Group

RBC Capital Markets

Raymond James & Assoc.

M.R. Beal & Co.

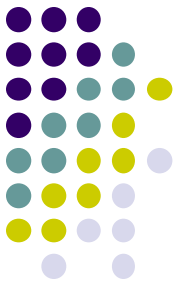
Cabrera Capital Markets



Timeline for Bond Sale

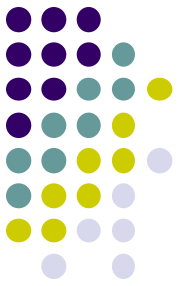
- April 26 Budget, Finance and Audit Committee
- April 28 City Council authorization to proceed with sale
- June 4 Receive ratings from rating agencies
- June 9 Parameters ordinance authorized by City Council
- June 15 Pricing of the bonds
- July 14 Deliver bonds and receive proceeds

Recommendation



- Authorize staff to proceed with preparations for the sale of \$450 million Waterworks and Sewer System Revenue Refunding Bonds, Series 2010 on the April 28th Council Addendum

Appendix



Issuance Costs Schedule

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Debt Service Schedule

Sources and Uses

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Debt Service Schedule

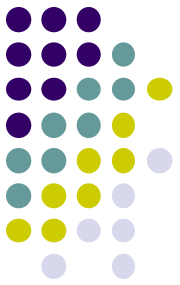
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Summary of Bonds to be Refunded

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Savings on Refunding

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Issuance Costs Schedule

Estimated Issuance Costs

Bond Counsel	\$262,500
Co-Financial Advisors	297,000
Debt Analysis/Structuring	60,000
Official Statement Printing	10,000
Rating Agencies	153,120
Auditor – Grant Thornton	9,500
Attorney General Filing Fee	9,500
Total	\$801,620

SOURCES AND USES OF FUNDS

Waterworks and Sewer System

City of Dallas, TX Waterworks and Sewer System Revenue Refunding Bonds, S2010 - 04.21.10 (all Tax-Exempt)

Sources:	2010REF	2010NM	Total
Bond Proceeds:			
Par Amount	175,380,000.00	220,480,000.00	395,860,000.00
Premium	20,711,671.95	16,326,816.00	37,038,487.95
	196,091,671.95	236,806,816.00	432,898,487.95
Uses:			
Project Fund Deposits:			
CP Takeout		235,486,000.00	235,486,000.00
Refunding Escrow Deposits:			
Cash Deposit	0.96		0.96
SLGS Purchases	81,181,542.00		81,181,542.00
Open Market Purchases	113,855,717.71		113,855,717.71
	195,037,260.67		195,037,260.67
Delivery Date Expenses:			
Underwriter's Discount	1,052,280.00	1,322,880.00	2,375,160.00
Other Uses of Funds:			
Additional Proceeds	2,131.28	-2,064.00	67.28
	196,091,671.95	236,806,816.00	432,898,487.95

NET DEBT SERVICE BREAKDOWN

Waterworks and Sewer System

City of Dallas, TX Waterworks and Sewer System Revenue Refunding Bonds, S2010 - 04.21.10 (all Tax-Exempt)

Period Ending	Current Ref 1993A & 1998, Adv Ref 2003A	Tax-Exempt Takeout \$235.486MM of Outstanding W&S CP	Total
9/30/2011	7,307,500	9,186,666.67	16,494,166.67
9/30/2012	12,132,750	14,402,375.00	26,535,125.00
9/30/2013	16,318,500	14,399,750.00	30,718,250.00
9/30/2014	21,250,875	14,403,000.00	35,653,875.00
9/30/2015	17,812,625	14,401,625.00	32,214,250.00
9/30/2016	16,861,250	14,400,250.00	31,261,500.00
9/30/2017	16,765,250	14,403,250.00	31,168,500.00
9/30/2018	16,799,375	14,400,125.00	31,199,500.00
9/30/2019	17,209,375	14,400,375.00	31,609,750.00
9/30/2020	17,218,875	14,403,250.00	31,622,125.00
9/30/2021	17,216,375	14,403,125.00	31,619,500.00
9/30/2022	17,210,625	14,399,500.00	31,610,125.00
9/30/2023	17,209,875	14,401,625.00	31,611,500.00
9/30/2024	17,231,625	14,398,750.00	31,630,375.00
9/30/2025	4,978,125	14,400,125.00	19,378,250.00
9/30/2026	4,979,000	14,399,875.00	19,378,875.00
9/30/2027	4,970,125	14,402,125.00	19,372,250.00
9/30/2028	4,961,250	14,401,000.00	19,362,250.00
9/30/2029	4,961,625	14,400,625.00	19,362,250.00
9/30/2030	4,950,750	14,400,000.00	19,350,750.00
9/30/2031		14,403,000.00	14,403,000.00
9/30/2032		14,398,625.00	14,398,625.00
9/30/2033		14,400,750.00	14,400,750.00
9/30/2034		14,403,000.00	14,403,000.00
9/30/2035		14,399,250.00	14,399,250.00
9/30/2036		14,398,250.00	14,398,250.00
9/30/2037		14,398,500.00	14,398,500.00
9/30/2038		14,398,500.00	14,398,500.00
9/30/2039		14,401,625.00	14,401,625.00
9/30/2040		14,401,250.00	14,401,250.00
	258,345,750	426,810,166.67	685,155,916.67

SUMMARY OF BONDS REFUNDED

Waterworks and Sewer System

City of Dallas, TX Waterworks and Sewer System Revenue Refunding Bonds, S2010 - 04.21.10 (all Tax-Exempt)

	Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
\$30,000,000 Waterworks and Sewer System Revenue Re, 1993A:						
	SERIAL	10/1/2012	4.000%	2,295,000.00	7/1/2010	100.000
		10/1/2013	4.000%	2,420,000.00	7/1/2010	100.000
				4,715,000.00		
\$326,710,000 Waterworks and Sewer System Revenue R, 1998:						
	SERIAL	10/1/2010	5.000%	4,640,000.00	7/1/2010	100.000
		10/1/2011	5.000%	6,235,000.00	7/1/2010	100.000
		10/1/2012	5.000%	6,130,000.00	7/1/2010	100.000
		10/1/2013	5.000%	3,820,000.00	7/1/2010	100.000
		10/1/2014	5.000%	3,020,000.00	7/1/2010	100.000
		10/1/2015	5.000%	2,180,000.00	7/1/2010	100.000
		10/1/2016	5.000%	2,180,000.00	7/1/2010	100.000
		10/1/2017	5.000%	2,305,000.00	7/1/2010	100.000
		10/1/2018	5.000%	2,825,000.00	7/1/2010	100.000
		10/1/2019	5.000%	2,965,000.00	7/1/2010	100.000
	TERM1	10/1/2024	5.000%	17,215,000.00	7/1/2010	100.000
	TERM2	10/1/2029	5.000%	21,970,000.00	7/1/2010	100.000
				75,485,000.00		
\$164,000,000 Waterworks and Sewer System Revenue, 2003A:						
	SERIAL	10/1/2013	4.000%	7,610,000.00	10/1/2012	100.000
		10/1/2014	4.000%	7,925,000.00	10/1/2012	100.000
		10/1/2015	4.000%	8,265,000.00	10/1/2012	100.000
		10/1/2016	4.125%	8,625,000.00	10/1/2012	100.000
		10/1/2017	4.250%	9,015,000.00	10/1/2012	100.000
		10/1/2018	4.250%	9,425,000.00	10/1/2012	100.000
		10/1/2019	4.750%	9,870,000.00	10/1/2012	100.000
		10/1/2020	4.750%	10,345,000.00	10/1/2012	100.000
		10/1/2021	4.750%	10,850,000.00	10/1/2012	100.000
		10/1/2022	4.750%	11,390,000.00	10/1/2012	100.000
		10/1/2023	4.750%	11,965,000.00	10/1/2012	100.000
				105,285,000.00		
				185,485,000.00		

SAVINGS

Waterworks and Sewer System

City of Dallas, TX Waterworks and Sewer System Revenue Refunding Bonds, S2010 - 04.21.10 (all Tax-Exempt)

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 06/01/2010 @ 4.1388180%
9/30/2011	13,163,281.26	7,307,500.00	5,855,781.26	5,779,979.68
9/30/2012	14,486,406.26	12,132,750.00	2,353,656.26	2,233,353.65
9/30/2013	16,321,381.26	16,318,500.00	2,881.26	7,255.29
9/30/2014	21,251,131.26	21,250,875.00	256.26	3,992.75
9/30/2015	17,816,031.26	17,812,625.00	3,406.26	5,967.19
9/30/2016	16,862,231.26	16,861,250.00	981.26	3,241.69
9/30/2017	16,770,040.63	16,765,250.00	4,790.63	5,567.73
9/30/2018	16,803,456.25	16,799,375.00	4,081.25	4,392.10
9/30/2019	17,213,356.25	17,209,375.00	3,981.25	3,691.23
9/30/2020	17,218,912.50	17,218,875.00	37.50	719.80
9/30/2021	17,216,681.25	17,216,375.00	306.25	725.09
9/30/2022	17,213,425.00	17,210,625.00	2,800.00	2,112.99
9/30/2023	17,212,600.00	17,209,875.00	2,725.00	1,822.52
9/30/2024	17,232,043.75	17,231,625.00	418.75	242.52
9/30/2025	4,978,125.00	4,978,125.00		
9/30/2026	4,979,000.00	4,979,000.00		
9/30/2027	4,970,125.00	4,970,125.00		
9/30/2028	4,961,250.00	4,961,250.00		
9/30/2029	4,961,625.00	4,961,625.00		
9/30/2030	4,950,750.00	4,950,750.00		
	266,581,853.19	258,345,750.00	8,236,103.19	8,053,064.22

Savings Summary

PV of savings from cash flow	8,053,064.22
Plus: Refunding funds on hand	<u>2,131.28</u>
Net PV Savings	8,055,195.50