

Memorandum



CITY OF DALLAS

DATE May 12, 2008

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 Dallas Water Utilities Revenue Refunding Bond Issuance

On Monday, May 12, 2008 you will be briefed on the Dallas Water Utilities Revenue Refunding Bond issuance. The materials are attached for your review.

Please contact me if you need additional information.

A handwritten signature in black ink, appearing to read 'David Cook'.

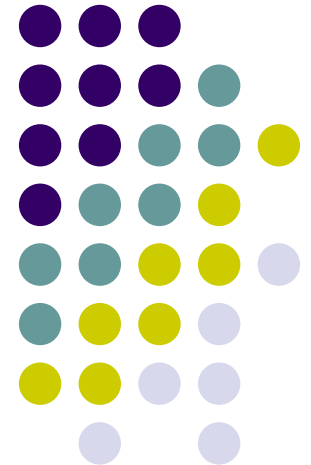
David Cook
Chief Financial Officer

Attachments

- C: Honorable Mayor and Members of the City Council
 - Mary K. Suhm, City Manager
 - Ryan S. Evans, First Assistant City Manager
 - David O. Brown, Interim Assistant City Manager
 - A. C. Gonzalez, Assistant City Manager
 - Jill A. Jordan, P.E., Assistant City Manager
 - Ramon F. Miguez, P.E., Assistant City Manager
 - Deborah Watkins, City Secretary
 - Tom Perkins, City Attorney
 - Craig Kinton, City Auditor
 - Jeanne Chipperfield, Interim Director, Office of Financial Services
 - Jody Puckett, Director, Dallas Water Utilities

Dallas Water Utilities Revenue Refunding Bond Issuance

Finance, Audit and Accountability Committee
May 12, 2008



Purpose



- Provide an overview of the bond sale
- Review
 - Potential change in call from 10 year to 8 year
 - Impact to Dallas Water Utilities capital improvement program if bond sale is reduced or delayed
 - Potential expansion of Commercial Paper Program
 - Change in timing of sale of commercial paper
- Seek committee recommendation of the May 14 resolution authorizing staff to proceed with preparation for the Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2008



Bond Sale Overview

- Bond sale currently estimated at \$165.07m
 - Resolution will authorize an issuance not to exceed \$170m due to potential for changes in market conditions
- Proceeds will be used to retire \$165m in outstanding commercial paper (as planned in the Water Utilities FY2007-08 budget plan)
- Issuance costs of \$452k will be paid from Water Utilities operating funds
- 30 year bonds
- Sale will be competitive with bids taken on May 28th

Bond Sale Overview



- No bond refunding opportunities exist at this time
- Issuance of this additional debt will not adversely affect the bond rating, in the opinion of the City's co-financial advisors
 - Currently rated AA+ by Standard & Poor's
 - Currently rated Aa2 by Moody's Investors Service

Potential Change in Call



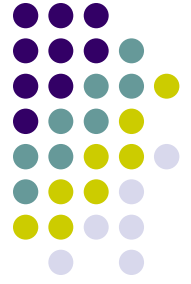
- During the past quarter, there have been periods when there would have been no difference between a 10-year call provision and an 8-year call provision
- If bond call provision can be reduced from 10 to 8 years with no additional interest rate impact, we should require an 8-year call
- A review of current market conditions reveals a 2.4 basis point interest rate differential between a 10 and 8 year call

Potential Change in Call



- Financial Advisors will continue to monitor market conditions closer to sale date to determine optimal call
- If there is no differential on the day prior to the sale, terms will be adjusted to include an 8-year call
- Schedules on pages 17-26 of the Appendix

Impact to DWU Capital Improvement Program



- A \$165M Bond Sale is included in the FY 2007-08 budget as part of DWU's capital improvement program financing plan to retire outstanding Commercial Paper
- Current Commercial Paper Program has a \$300M capacity (\$230.5M currently outstanding)
- Any significant delay or reduction in Bond Sale size would delay projects (attached listing of projects on page 28-30 of Appendix)

Commercial Paper Program



- Commercial Paper:
 - Provides short term financing of capital projects and is sold at the time contracts are awarded
 - Provides a “blended” mix of short-term and long-term financing
 - Proceeds are invested in tax-exempt money market funds until needed for contract payments
 - Interest rate is 2.35% on average
 - Most recent commercial paper interest rates were 2.0% and 2.1% (April 23)
- City of Dallas Commercial Paper Program:
 - Current program is authorized for \$300m
 - Series B limit was increased to \$200m effective August 25, 2004
 - Series C limit was increased to \$100m effective August 25, 2004
 - Program expires September 30, 2014

Commercial Paper Program Size



- The City's Financial Performance Criteria (FMPC) currently limits the program to "...10% of the 10-year capital improvement program in effect at the time of the commercial paper authorization..."
 - Current 10-year Capital Improvement Program is \$3.5b which allows for \$350m in commercial paper
- Rating agencies prefer a maximum of 25% of all outstanding debt to be variable
 - Current total outstanding debt (revenue bonds + CP) is \$1.83b
 - This would allow for approximately \$500m Commercial Paper Program with a change in the FMPC
- An increase would provide more flexibility in the timing and size of bond sales in order to maximize the market fluctuation in interest rates and maintain the award schedule for Capital Improvement Projects and provide for a greater shift to short-term debt in the financing "blend"

Commercial Paper Program Expansion



- To expand the Commercial Paper Program, the following would be needed:
 - Council authorization
 - Expand the program by adding a new series to the existing Series B and Series C
 - Modify the FMPC
 - Request for Proposals (RFP) process and Council authorization of a new liquidity facility contract, paying agent and remarketing agent
- This process would take approximately 3-4 months to prepare the RFP, negotiate the contract and obtain Council approval

Change in Commercial Paper Drawdown Process



- Current process is conservative and was limited by City Charter that required money from the sale of commercial paper to be received (and invested) prior to authorization of a contract
- Charter change in 2005 allowed moneys to be derived from the sale of commercial paper to be deemed to be in the treasury
- Charter change allows for commercial paper to not be sold until needed to pay contract costs

Charter Language Change in 2005



- “... and moneys to be derived from lawfully authorized bonds sold and in the process of delivery, **and moneys to be derived from the sale of lawfully authorized commercial paper notes**, shall, for the purpose of such certificate, be deemed in the treasury to the credit of the appropriate fund and subject to such certification.” – *Dallas City Charter*, Chapter XI, Section 10, Amended 11/8/05

Change in Commercial Paper Drawdown Process



- Change the timing of sale of commercial paper as allowed by 2005 Charter change from the contract award date to semi-monthly based on contract payments
- Use existing commercial paper proceeds currently invested to make contract payments and not sell additional commercial paper until outstanding balance is spent down
- Even though additional commercial paper would not be utilized, the size of the program would need to be increased



Timeline for Bond Sale

- May 12 Finance, Audit and Accountability Briefing
- May 14 City Council authorization to proceed with sale
- May 16 Receive ratings from rating agencies
- May 21 Post Preliminary Official Statement and Notice to Bidders on iDeal
- May 23 Distribute Preliminary Official Statement and Representation Letters to Council
- May 28 Receive and accept bids for bond sale
- June 20 Distribute Official Statement and Representation Letters to Council
- June 24 Deliver bonds and receive proceeds

Recommendation



- Authorize staff to proceed with preparations for the sale of \$170m Waterworks and Sewer System Revenue Bonds on the May 14 Council agenda
- Proceed with preparations to increase the size of the Commercial Paper program

Appendix



8 Year Call Schedule	
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10 Year Call Schedule	
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Capital Improvement Projects Award Schedule	Page 28-30
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Preliminary

City of Dallas, Texas

\$165,000,000 Bond Issue

Assumes AA Uninsured Interest Rates As of May 1, 2008

8 Year Par Call

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+i	Net New D/S
09/30/2008	-	-	-	-	(825,785.73)
09/30/2009	3,675,000.00	3.500%	6,626,669.31	10,301,669.31	10,301,669.31
09/30/2010	2,855,000.00	3.250%	7,447,618.75	10,302,618.75	10,302,618.75
09/30/2011	2,945,000.00	3.000%	7,357,050.00	10,302,050.00	10,302,050.00
09/30/2012	3,035,000.00	3.000%	7,267,350.00	10,302,350.00	10,302,350.00
09/30/2013	3,130,000.00	3.250%	7,170,962.50	10,300,962.50	10,300,962.50
09/30/2014	3,235,000.00	3.375%	7,065,509.38	10,300,509.38	10,300,509.38
09/30/2015	3,350,000.00	3.500%	6,952,293.76	10,302,293.76	10,302,293.76
09/30/2016	3,470,000.00	3.625%	6,830,775.01	10,300,775.01	10,300,775.01
09/30/2017	3,600,000.00	3.875%	6,698,131.26	10,298,131.26	10,298,131.26
09/30/2018	3,745,000.00	4.000%	6,553,481.26	10,298,481.26	10,298,481.26
09/30/2019	3,905,000.00	4.125%	6,398,040.63	10,303,040.63	10,303,040.63
09/30/2020	4,085,000.00	5.000%	6,215,375.00	10,300,375.00	10,300,375.00
09/30/2021	4,295,000.00	5.000%	6,005,875.00	10,300,875.00	10,300,875.00
09/30/2022	4,515,000.00	5.000%	5,785,625.00	10,300,625.00	10,300,625.00
09/30/2023	4,745,000.00	5.000%	5,554,125.00	10,299,125.00	10,299,125.00
09/30/2024	4,990,000.00	5.000%	5,310,750.00	10,300,750.00	10,300,750.00
09/30/2025	5,245,000.00	5.000%	5,054,875.00	10,299,875.00	10,299,875.00
09/30/2026	5,515,000.00	5.000%	4,785,875.00	10,300,875.00	10,300,875.00
09/30/2027	5,795,000.00	5.000%	4,503,125.00	10,298,125.00	10,298,125.00
09/30/2028	6,095,000.00	5.000%	4,205,875.00	10,300,875.00	10,300,875.00
09/30/2029	6,405,000.00	5.000%	3,893,375.00	10,298,375.00	10,298,375.00
09/30/2030	6,735,000.00	5.000%	3,564,875.00	10,299,875.00	10,299,875.00
09/30/2031	7,080,000.00	5.000%	3,219,500.00	10,299,500.00	10,299,500.00
09/30/2032	7,445,000.00	5.000%	2,856,375.00	10,301,375.00	10,301,375.00
09/30/2033	7,825,000.00	5.000%	2,474,625.00	10,299,625.00	10,299,625.00
09/30/2034	8,225,000.00	5.000%	2,073,375.00	10,298,375.00	10,298,375.00
09/30/2035	8,650,000.00	5.000%	1,651,500.00	10,301,500.00	10,301,500.00
09/30/2036	9,095,000.00	5.000%	1,207,875.00	10,302,875.00	10,302,875.00
09/30/2037	9,560,000.00	5.000%	741,500.00	10,301,500.00	10,301,500.00
09/30/2038	10,050,000.00	5.000%	251,250.00	10,301,250.00	10,301,250.00
Total	\$163,295,000.00	-	\$145,723,631.86	\$309,018,631.86	\$308,192,846.13

Preliminary

City of Dallas, Texas

\$165,000,000 Bond Issue

Assumes AA Uninsured Interest Rates As of May 1, 2008

8 Year Par Call

Sources & Uses

Dated 05/15/2008 | Delivered 06/24/2008

Sources Of Funds

Par Amount of Bonds	\$163,295,000.00
Reoffering Premium	2,524,962.05
Accrued Interest from 05/15/2008 to 06/24/2008	825,785.73

Total Sources **\$166,645,747.78**

Uses Of Funds

Total Underwriter's Discount (0.500%)	816,475.00
Deposit to Debt Service Fund	825,785.73
Commercial Paper Redemption	165,000,000.00
Rounding Amount	3,487.05

Total Uses **\$166,645,747.78**

Preliminary

City of Dallas, Texas

\$165,000,000 Bond Issue

Assumes AA Uninsured Interest Rates As of May 1, 2008

8 Year Par Call

Debt Service Schedule

Part 1 of 3

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/24/2008	-	-	-	-	-
10/01/2008	3,675,000.00	3.500%	2,879,663.06	6,554,663.06	-
04/01/2009	-	-	3,747,006.25	3,747,006.25	-
09/30/2009	-	-	-	-	10,301,669.31
10/01/2009	2,855,000.00	3.250%	3,747,006.25	6,602,006.25	-
04/01/2010	-	-	3,700,612.50	3,700,612.50	-
09/30/2010	-	-	-	-	10,302,618.75
10/01/2010	2,945,000.00	3.000%	3,700,612.50	6,645,612.50	-
04/01/2011	-	-	3,656,437.50	3,656,437.50	-
09/30/2011	-	-	-	-	10,302,050.00
10/01/2011	3,035,000.00	3.000%	3,656,437.50	6,691,437.50	-
04/01/2012	-	-	3,610,912.50	3,610,912.50	-
09/30/2012	-	-	-	-	10,302,350.00
10/01/2012	3,130,000.00	3.250%	3,610,912.50	6,740,912.50	-
04/01/2013	-	-	3,560,050.00	3,560,050.00	-
09/30/2013	-	-	-	-	10,300,962.50
10/01/2013	3,235,000.00	3.375%	3,560,050.00	6,795,050.00	-
04/01/2014	-	-	3,505,459.38	3,505,459.38	-
09/30/2014	-	-	-	-	10,300,509.38
10/01/2014	3,350,000.00	3.500%	3,505,459.38	6,855,459.38	-
04/01/2015	-	-	3,446,834.38	3,446,834.38	-
09/30/2015	-	-	-	-	10,302,293.76
10/01/2015	3,470,000.00	3.625%	3,446,834.38	6,916,834.38	-
04/01/2016	-	-	3,383,940.63	3,383,940.63	-
09/30/2016	-	-	-	-	10,300,775.01
10/01/2016	3,600,000.00	3.875%	3,383,940.63	6,983,940.63	-
04/01/2017	-	-	3,314,190.63	3,314,190.63	-
09/30/2017	-	-	-	-	10,298,131.26
10/01/2017	3,745,000.00	4.000%	3,314,190.63	7,059,190.63	-
04/01/2018	-	-	3,239,290.63	3,239,290.63	-
09/30/2018	-	-	-	-	10,298,481.26
10/01/2018	3,905,000.00	4.125%	3,239,290.63	7,144,290.63	-
04/01/2019	-	-	3,158,750.00	3,158,750.00	-
09/30/2019	-	-	-	-	10,303,040.63
10/01/2019	4,085,000.00	5.000%	3,158,750.00	7,243,750.00	-
04/01/2020	-	-	3,056,625.00	3,056,625.00	-
09/30/2020	-	-	-	-	10,300,375.00
10/01/2020	4,295,000.00	5.000%	3,056,625.00	7,351,625.00	-
04/01/2021	-	-	2,949,250.00	2,949,250.00	-
09/30/2021	-	-	-	-	10,300,875.00
10/01/2021	4,515,000.00	5.000%	2,949,250.00	7,464,250.00	-
04/01/2022	-	-	2,836,375.00	2,836,375.00	-
09/30/2022	-	-	-	-	10,300,625.00
10/01/2022	4,745,000.00	5.000%	2,836,375.00	7,581,375.00	-

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Preliminary

City of Dallas, Texas

\$165,000,000 Bond Issue

Assumes AA Uninsured Interest Rates As of May 1, 2008

8 Year Par Call

Debt Service Schedule

Part 2 of 3

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
04/01/2023	-	-	2,717,750.00	2,717,750.00	-
09/30/2023	-	-	-	-	10,299,125.00
10/01/2023	4,990,000.00	5.000%	2,717,750.00	7,707,750.00	-
04/01/2024	-	-	2,593,000.00	2,593,000.00	-
09/30/2024	-	-	-	-	10,300,750.00
10/01/2024	5,245,000.00	5.000%	2,593,000.00	7,838,000.00	-
04/01/2025	-	-	2,461,875.00	2,461,875.00	-
09/30/2025	-	-	-	-	10,299,875.00
10/01/2025	5,515,000.00	5.000%	2,461,875.00	7,976,875.00	-
04/01/2026	-	-	2,324,000.00	2,324,000.00	-
09/30/2026	-	-	-	-	10,300,875.00
10/01/2026	5,795,000.00	5.000%	2,324,000.00	8,119,000.00	-
04/01/2027	-	-	2,179,125.00	2,179,125.00	-
09/30/2027	-	-	-	-	10,298,125.00
10/01/2027	6,095,000.00	5.000%	2,179,125.00	8,274,125.00	-
04/01/2028	-	-	2,026,750.00	2,026,750.00	-
09/30/2028	-	-	-	-	10,300,875.00
10/01/2028	6,405,000.00	5.000%	2,026,750.00	8,431,750.00	-
04/01/2029	-	-	1,866,625.00	1,866,625.00	-
09/30/2029	-	-	-	-	10,298,375.00
10/01/2029	6,735,000.00	5.000%	1,866,625.00	8,601,625.00	-
04/01/2030	-	-	1,698,250.00	1,698,250.00	-
09/30/2030	-	-	-	-	10,299,875.00
10/01/2030	7,080,000.00	5.000%	1,698,250.00	8,778,250.00	-
04/01/2031	-	-	1,521,250.00	1,521,250.00	-
09/30/2031	-	-	-	-	10,299,500.00
10/01/2031	7,445,000.00	5.000%	1,521,250.00	8,966,250.00	-
04/01/2032	-	-	1,335,125.00	1,335,125.00	-
09/30/2032	-	-	-	-	10,301,375.00
10/01/2032	7,825,000.00	5.000%	1,335,125.00	9,160,125.00	-
04/01/2033	-	-	1,139,500.00	1,139,500.00	-
09/30/2033	-	-	-	-	10,299,625.00
10/01/2033	8,225,000.00	5.000%	1,139,500.00	9,364,500.00	-
04/01/2034	-	-	933,875.00	933,875.00	-
09/30/2034	-	-	-	-	10,298,375.00
10/01/2034	8,650,000.00	5.000%	933,875.00	9,583,875.00	-
04/01/2035	-	-	717,625.00	717,625.00	-
09/30/2035	-	-	-	-	10,301,500.00
10/01/2035	9,095,000.00	5.000%	717,625.00	9,812,625.00	-
04/01/2036	-	-	490,250.00	490,250.00	-
09/30/2036	-	-	-	-	10,302,875.00
10/01/2036	9,560,000.00	5.000%	490,250.00	10,050,250.00	-
04/01/2037	-	-	251,250.00	251,250.00	-
09/30/2037	-	-	-	-	10,301,500.00
10/01/2037	10,050,000.00	5.000%	251,250.00	10,301,250.00	-
09/30/2038	-	-	-	-	10,301,250.00
Total	\$163,295,000.00	-	\$145,723,631.86	\$309,018,631.86	-

2008 WWSS 5.01.08 8 yr ca | New Money | 5/6/2008 | 1:41 PM

Preliminary

City of Dallas, Texas

\$165,000,000 Bond Issue

Assumes AA Uninsured Interest Rates As of May 1, 2008

8 Year Par Call

Debt Service Schedule

Part 3 of 3

Yield Statistics

Accrued Interest from 05/15/2008 to 06/24/2008	825,785.73
Bond Year Dollars	\$2,950,278.93
Average Life	18.067 Years
Average Coupon	4.9393171%
Net Interest Cost (NIC)	4.8814078%
True Interest Cost (TIC)	4.7846797%
Bond Yield for Arbitrage Purposes	4.7197023%
All Inclusive Cost (AIC)	4.7858398%

IRS Form 8038

Net Interest Cost	4.7600167%
Weighted Average Maturity	18.038 Years

Preliminary

City of Dallas, Texas

\$165,000,000 Bond Issue

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10 Year Par Call

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+i	Net New D/S
09/30/2008	-	-	-	-	(823,579.79)
09/30/2009	3,665,000.00	3.500%	6,608,970.56	10,273,970.56	10,273,970.56
09/30/2010	2,845,000.00	3.250%	7,427,768.75	10,272,768.75	10,272,768.75
09/30/2011	2,935,000.00	3.000%	7,337,512.50	10,272,512.50	10,272,512.50
09/30/2012	3,025,000.00	3.000%	7,248,112.50	10,273,112.50	10,273,112.50
09/30/2013	3,120,000.00	3.250%	7,152,037.50	10,272,037.50	10,272,037.50
09/30/2014	3,225,000.00	3.375%	7,046,915.63	10,271,915.63	10,271,915.63
09/30/2015	3,340,000.00	3.500%	6,934,043.76	10,274,043.76	10,274,043.76
09/30/2016	3,460,000.00	3.625%	6,812,881.26	10,272,881.26	10,272,881.26
09/30/2017	3,595,000.00	3.875%	6,680,515.63	10,275,515.63	10,275,515.63
09/30/2018	3,735,000.00	4.000%	6,536,162.50	10,271,162.50	10,271,162.50
09/30/2019	3,890,000.00	4.125%	6,381,231.25	10,271,231.25	10,271,231.25
09/30/2020	4,075,000.00	5.000%	6,199,125.00	10,274,125.00	10,274,125.00
09/30/2021	4,285,000.00	5.000%	5,990,125.00	10,275,125.00	10,275,125.00
09/30/2022	4,505,000.00	5.000%	5,770,375.00	10,275,375.00	10,275,375.00
09/30/2023	4,735,000.00	5.000%	5,539,375.00	10,274,375.00	10,274,375.00
09/30/2024	4,975,000.00	5.000%	5,296,625.00	10,271,625.00	10,271,625.00
09/30/2025	5,230,000.00	5.000%	5,041,500.00	10,271,500.00	10,271,500.00
09/30/2026	5,500,000.00	5.000%	4,773,250.00	10,273,250.00	10,273,250.00
09/30/2027	5,780,000.00	5.000%	4,491,250.00	10,271,250.00	10,271,250.00
09/30/2028	6,080,000.00	5.000%	4,194,750.00	10,274,750.00	10,274,750.00
09/30/2029	6,390,000.00	5.000%	3,883,000.00	10,273,000.00	10,273,000.00
09/30/2030	6,720,000.00	5.000%	3,555,250.00	10,275,250.00	10,275,250.00
09/30/2031	7,060,000.00	5.000%	3,210,750.00	10,270,750.00	10,270,750.00
09/30/2032	7,425,000.00	5.000%	2,848,625.00	10,273,625.00	10,273,625.00
09/30/2033	7,805,000.00	5.000%	2,467,875.00	10,272,875.00	10,272,875.00
09/30/2034	8,205,000.00	5.000%	2,067,625.00	10,272,625.00	10,272,625.00
09/30/2035	8,625,000.00	5.000%	1,646,875.00	10,271,875.00	10,271,875.00
09/30/2036	9,070,000.00	5.000%	1,204,500.00	10,274,500.00	10,274,500.00
09/30/2037	9,535,000.00	5.000%	739,375.00	10,274,375.00	10,274,375.00
09/30/2038	10,020,000.00	5.000%	250,500.00	10,270,500.00	10,270,500.00
Total	\$162,855,000.00	-	\$145,336,901.84	\$308,191,901.84	\$307,368,322.05

Preliminary

City of Dallas, Texas

\$165,000,000 Bond Issue

Assumes AA Uninsured Interest Rates As of May 1, 2008

10 Year Par Call

Sources & Uses

Dated 05/15/2008 | Delivered 06/24/2008

Sources Of Funds

Par Amount of Bonds	\$162,855,000.00
Reoffering Premium	2,960,325.90
Accrued Interest from 05/15/2008 to 06/24/2008	823,579.79

Total Sources **\$166,638,905.69**

Uses Of Funds

Total Underwriter's Discount (0.500%)	814,275.00
Deposit to Debt Service Fund	823,579.79
Commercial Paper Redemption	165,000,000.00
Rounding Amount	1,050.90

Total Uses **\$166,638,905.69**

Preliminary

City of Dallas, Texas

\$165,000,000 Bond Issue

Assumes AA Uninsured Interest Rates As of May 1, 2008

10 Year Par Call

Debt Service Schedule

Part 1 of 3

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/24/2008	-	-	-	-	-
10/01/2008	3,665,000.00	3.500%	2,871,970.56	6,536,970.56	-
04/01/2009	-	-	3,737,000.00	3,737,000.00	-
09/30/2009	-	-	-	-	10,273,970.56
10/01/2009	2,845,000.00	3.250%	3,737,000.00	6,582,000.00	-
04/01/2010	-	-	3,690,768.75	3,690,768.75	-
09/30/2010	-	-	-	-	10,272,768.75
10/01/2010	2,935,000.00	3.000%	3,690,768.75	6,625,768.75	-
04/01/2011	-	-	3,646,743.75	3,646,743.75	-
09/30/2011	-	-	-	-	10,272,512.50
10/01/2011	3,025,000.00	3.000%	3,646,743.75	6,671,743.75	-
04/01/2012	-	-	3,601,368.75	3,601,368.75	-
09/30/2012	-	-	-	-	10,273,112.50
10/01/2012	3,120,000.00	3.250%	3,601,368.75	6,721,368.75	-
04/01/2013	-	-	3,550,668.75	3,550,668.75	-
09/30/2013	-	-	-	-	10,272,037.50
10/01/2013	3,225,000.00	3.375%	3,550,668.75	6,775,668.75	-
04/01/2014	-	-	3,496,246.88	3,496,246.88	-
09/30/2014	-	-	-	-	10,271,915.63
10/01/2014	3,340,000.00	3.500%	3,496,246.88	6,836,246.88	-
04/01/2015	-	-	3,437,796.88	3,437,796.88	-
09/30/2015	-	-	-	-	10,274,043.76
10/01/2015	3,460,000.00	3.625%	3,437,796.88	6,897,796.88	-
04/01/2016	-	-	3,375,084.38	3,375,084.38	-
09/30/2016	-	-	-	-	10,272,881.26
10/01/2016	3,595,000.00	3.875%	3,375,084.38	6,970,084.38	-
04/01/2017	-	-	3,305,431.25	3,305,431.25	-
09/30/2017	-	-	-	-	10,275,515.63
10/01/2017	3,735,000.00	4.000%	3,305,431.25	7,040,431.25	-
04/01/2018	-	-	3,230,731.25	3,230,731.25	-
09/30/2018	-	-	-	-	10,271,162.50
10/01/2018	3,890,000.00	4.125%	3,230,731.25	7,120,731.25	-
04/01/2019	-	-	3,150,500.00	3,150,500.00	-
09/30/2019	-	-	-	-	10,271,231.25
10/01/2019	4,075,000.00	5.000%	3,150,500.00	7,225,500.00	-
04/01/2020	-	-	3,048,625.00	3,048,625.00	-
09/30/2020	-	-	-	-	10,274,125.00
10/01/2020	4,285,000.00	5.000%	3,048,625.00	7,333,625.00	-
04/01/2021	-	-	2,941,500.00	2,941,500.00	-
09/30/2021	-	-	-	-	10,275,125.00
10/01/2021	4,505,000.00	5.000%	2,941,500.00	7,446,500.00	-
04/01/2022	-	-	2,828,875.00	2,828,875.00	-
09/30/2022	-	-	-	-	10,275,375.00
10/01/2022	4,735,000.00	5.000%	2,828,875.00	7,563,875.00	-

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Preliminary

City of Dallas, Texas

\$165,000,000 Bond Issue

Assumes AA Uninsured Interest Rates As of May 1, 2008

10 Year Par Call

Debt Service Schedule

Part 2 of 3

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
04/01/2023	-	-	2,710,500.00	2,710,500.00	-
09/30/2023	-	-	-	-	10,274,375.00
10/01/2023	4,975,000.00	5.000%	2,710,500.00	7,685,500.00	-
04/01/2024	-	-	2,586,125.00	2,586,125.00	-
09/30/2024	-	-	-	-	10,271,625.00
10/01/2024	5,230,000.00	5.000%	2,586,125.00	7,816,125.00	-
04/01/2025	-	-	2,455,375.00	2,455,375.00	-
09/30/2025	-	-	-	-	10,271,500.00
10/01/2025	5,500,000.00	5.000%	2,455,375.00	7,955,375.00	-
04/01/2026	-	-	2,317,875.00	2,317,875.00	-
09/30/2026	-	-	-	-	10,273,250.00
10/01/2026	5,780,000.00	5.000%	2,317,875.00	8,097,875.00	-
04/01/2027	-	-	2,173,375.00	2,173,375.00	-
09/30/2027	-	-	-	-	10,271,250.00
10/01/2027	6,080,000.00	5.000%	2,173,375.00	8,253,375.00	-
04/01/2028	-	-	2,021,375.00	2,021,375.00	-
09/30/2028	-	-	-	-	10,274,750.00
10/01/2028	6,390,000.00	5.000%	2,021,375.00	8,411,375.00	-
04/01/2029	-	-	1,861,625.00	1,861,625.00	-
09/30/2029	-	-	-	-	10,273,000.00
10/01/2029	6,720,000.00	5.000%	1,861,625.00	8,581,625.00	-
04/01/2030	-	-	1,693,625.00	1,693,625.00	-
09/30/2030	-	-	-	-	10,275,250.00
10/01/2030	7,060,000.00	5.000%	1,693,625.00	8,753,625.00	-
04/01/2031	-	-	1,517,125.00	1,517,125.00	-
09/30/2031	-	-	-	-	10,270,750.00
10/01/2031	7,425,000.00	5.000%	1,517,125.00	8,942,125.00	-
04/01/2032	-	-	1,331,500.00	1,331,500.00	-
09/30/2032	-	-	-	-	10,273,625.00
10/01/2032	7,805,000.00	5.000%	1,331,500.00	9,136,500.00	-
04/01/2033	-	-	1,136,375.00	1,136,375.00	-
09/30/2033	-	-	-	-	10,272,875.00
10/01/2033	8,205,000.00	5.000%	1,136,375.00	9,341,375.00	-
04/01/2034	-	-	931,250.00	931,250.00	-
09/30/2034	-	-	-	-	10,272,625.00
10/01/2034	8,625,000.00	5.000%	931,250.00	9,556,250.00	-
04/01/2035	-	-	715,625.00	715,625.00	-
09/30/2035	-	-	-	-	10,271,875.00
10/01/2035	9,070,000.00	5.000%	715,625.00	9,785,625.00	-
04/01/2036	-	-	488,875.00	488,875.00	-
09/30/2036	-	-	-	-	10,274,500.00
10/01/2036	9,535,000.00	5.000%	488,875.00	10,023,875.00	-
04/01/2037	-	-	250,500.00	250,500.00	-
09/30/2037	-	-	-	-	10,274,375.00
10/01/2037	10,020,000.00	5.000%	250,500.00	10,270,500.00	-
09/30/2038	-	-	-	-	10,270,500.00
Total	\$162,855,000.00	-	\$145,336,901.84	\$308,191,901.84	-

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Preliminary

City of Dallas, Texas

\$165,000,000 Bond Issue

Assumes AA Uninsured Interest Rates As of May 1, 2008

10 Year Par Call

Debt Service Schedule

Part 3 of 3

Yield Statistics

Accrued Interest from 05/15/2008 to 06/24/2008	823,579.79
Bond Year Dollars	\$2,942,435.38
Average Life	18.068 Years
Average Coupon	4.9393405%
Net Interest Cost (NIC)	4.8664060%
True Interest Cost (TIC)	4.7610492%
Bond Yield for Arbitrage Purposes	4.7027674%
All Inclusive Cost (AIC)	4.7621028%

IRS Form 8038

Net Interest Cost	4.7332073%
Weighted Average Maturity	18.036 Years

Estimated Issuance Costs



Item	Amount
Bond Counsel	\$130,000
Co-Financial Advisors	138,000
Official Statement Printing	8,000
Rating Agencies	125,000
Auditor – KPMG	40,000
Other (filing fee, typing fee)	11,000
Total	\$452,000

Capital Improvement Projects Award Schedule



Date	Estimated Contract to be Awarded	Est. Award Amount	CP Balance Available
	Balance as of May 9, 2008		\$69,458,000
May 14, 2008	Water and Wastewater Main Replacement Design	\$1,700,000	\$67,758,000
	Total	\$1,700,000	
June 11, 2008	Water Replacement at Ash Lane	\$531,000	\$67,227,000
	Total	\$531,000	
June 18, 2008	Southside WWTP Sidestream Treatment System Construction	\$10,588,000	\$56,639,000
June 18, 2008	Southside WWTP Odor Control Improvements Design	\$1,454,000	\$55,185,000
June 18, 2008	Plata Way Area Water and Wastewater Replacements Const. Ph. I	\$7,089,000	\$48,096,000
June 18, 2008	Joe's Creek Area Water and Wastewater Replacement Construction Ph. II	\$7,556,000	\$40,540,000
June 18, 2008	Hickory Creek & Pleasant Grove Water and WW Repl. Const Ph I	\$6,202,000	\$34,338,000
	Total	\$32,889,000	

Capital Improvement Projects Award Schedule



Date	Estimated Contract to be Awarded	Est. Award Amount	CP Balance Available
August 13, 2008	East Side WTP Expansion (Change Order)	\$270,000	\$34,068,000
August 13, 2008	Central WWTP Major Maintenance and Rehabilitation Improvements	\$13,000,000	\$21,068,000
August 13, 2008	Central WWTP Influent Pump Station Design	\$5,500,000	\$15,568,000
August 13, 2008	Southside WWTP Co-generation Utilities Construction	\$6,213,000	\$9,355,000
August 13, 2008	White Rock Dam and Spillway Repairs Construction	\$6,700,000	\$2,655,000
August 13, 2008	East Side WTP Expansion Construction Management	\$2,800,000	(\$145,000)
August 13, 2008	East Side WTP Expansion to 540MGD - Clearwells, Yard Piping	\$50,000,000	(\$50,145,000)
August 13, 2008	Homeland Security	\$800,000	(\$50,945,000)
August 13, 2008	Eastside Pipeline to SW City, Phase I - Design Contract	\$6,400,000	(\$57,345,000)
August 13, 2008	Eastside Pipeline to SW City, Phase II - Design Contract	\$5,600,000	(\$62,945,000)
August 13, 2008	Sunset Pump Station rehabilitation	\$13,500,000	(\$76,445,000)
	Total	\$110,783,000	
August 27, 2008	Water and Wastewater Main Repl.Construction (Various Locations)	\$7,052,000	(\$83,497,000)
August 27, 2008	Water and Wastewater Main Repl.Construction (Various Locations)	\$6,060,000	(\$89,557,000)
	Total	\$13,112,000	

Capital Improvement Projects Award Schedule



Date	Estimated Contract to be Awarded	Est. Award Amount	CP Balance Available
September 10, 2008	Southside WWTP Rehabilitation Improvements	\$800,000	(\$90,357,000)
September 10, 2008	Southside WWTP Dewatering Facility Expansion Design	\$900,000	(\$91,257,000)
September 10, 2008	McKamy, Cottonwood, Central Branch Water and WW Repl. - Const.	\$6,602,000	(\$97,859,000)
September 10, 2008	Water and Wastewater Main Repl.Construction (Various Locations)	\$6,968,000	(\$104,827,000)
September 10, 2008	Water and Wastewater Main Repl.Construction (Various Locations)	\$3,815,000	(\$108,642,000)
September 10, 2008	Walcrest Pump Station Rehab - Design	\$1,600,000	(\$110,242,000)
September 10, 2008	Elm Fork Improvements & Emergency Ozone Generator	\$750,000	(\$110,992,000)
	Total	<u>\$21,435,000</u>	
September 22, 2008	Plata Way Area Wastewater Main Replacements Const. Ph.II	\$1,181,000	(\$112,173,000)
	Total	<u>\$1,181,000</u>	
	GRAND TOTAL	\$181,631,000	
Projects deferred to FY 08-09			
	Bachman Plant - Construction of Third Lagoon	\$9,900,000	
	Cathodic Protection for Water Mains	\$750,000	
	East Bank West Bank Interceptor	\$20,000,000	
	Total	<u>\$30,650,000</u>	

Outstanding Commercial Paper Transactions as of 4/23/08



Issue/Rollover Date	Maturity Date	Days Outstanding	Par Amount	Rate (%)
12/6/2007	6/11/2008	188	45,161,000	3.05%
2/27/2008	6/26/2008	120	6,544,000	2.25%
3/7/2008	6/26/2008	111	32,607,000	2.10%
3/10/2008	6/26/2008	108	11,260,000	2.00%
3/10/2008	6/26/2008	108	7,000,000	2.00%
3/11/2008	6/26/2008	107	\$10,000,000	2.00%
3/11/2008	6/26/2008	107	15,985,000	2.00%
3/11/2008	6/26/2008	107	6,251,000	2.00%
3/26/2008	6/26/2008	92	13,518,000	1.65%
4/9/2008	6/26/2008	78	8,695,000	1.40%
4/23/2008	6/24/2008	62	10,000,000	2.10%
4/23/2008	6/24/2008	62	5,892,000	2.10%
4/23/2008	6/24/2008	62	20,000,000	2.00%
4/23/2008	6/24/2008	62	7,270,000	2.00%
4/23/2008	6/24/2008	62	25,000,000	2.00%
4/23/2008	6/24/2008	62	5,359,000	2.00%
		Total	\$230,542,000	

Memorandum



CITY OF DALLAS

Date April 18, 2008

TO Members of the Finance, Audit & Accountability Committee
Chair Mitchell Rasansky, Vice Chair Jerry R. Allen, Mayor
Pro Tem Dr. Elba Garcia, Vonciel Jones Hill, Angela Hunt,
Ron Natinsky, David A. Neumann

SUBJECT Dallas Water Utilities Revenue Refunding Bond Issuance
(April 23rd Agenda Item #49)

Below are responses to questions asked during the April 14th Finance, Audit & Accountability committee meeting regarding the upcoming Dallas Water Utilities revenue refunding bond issuance.

1. Provide a schedule of outstanding commercial paper.

Attachment 1 shows the commercial paper outstanding as of April 9th.

2. What is the impact of reducing the bond sale from \$165 million to \$100m?

First Southwest Company has provided the attached analyses of the potential savings associated with the deferral of \$65 million of the refunding to a future date.

The first analysis (Attachment 2) shows the potential present value (PV) savings if the \$65 million is refunded with the next annual refunding in March 2009. The PV savings are estimated at \$1.04 million; however, if interest rates increase by more than 0.14% (14 basis points) by March 2009, these savings would be eliminated.

The second analysis (Attachment 3) shows the potential PV savings if the \$65 million were refunded in a stand-alone refunding of \$65 million in December 2008. The PV savings are estimated at \$0.4 million; however, if interest rates increase by more than 0.05% (5 basis points) by December 2008, the savings would be eliminated.

Additionally, the delay of \$65 million of commercial paper refunding would delay the award of \$65 million in Water Utilities Capital Improvement Program projects until the bond closing which occurs approximately a month after the issuance of the bonds.

Delaying the \$65 million commercial paper refunding would result in deferred capital projects and would expose Water Utilities to the risk of increasing

interest rates. Given these factors, we recommend the refunding of the \$65 million not be delayed. In addition, staff plans to prepare to expand the size of the commercial paper program as commercial paper is a useful tool in the reduction of the burden on the rate payers. Additional long-term debt would necessitate the additional rate increases in order to meet bond debt service coverage requirements. Use of the commercial program has to be judicious to avoid over exposure to interest rate risk.

3. What is the schedule to increase the size of the commercial paper program?

Commercial paper programs require liquidity facility, paying agent and remarketing agent contracts. These contracts are currently in place for the existing \$300 million commercial paper program but the City would likely not be able to renegotiate all 3 contracts with the existing terms due to current market conditions and sizing concerns. The city's co-financial advisors recommend leaving the existing contracts in place and preparing RFP's for an additional program. It is estimated that it would take 3-4 months to put a larger program in place once the optimal size of the program has been determined.

If you have any questions, please contact me at 214/670-7804.



David Cook
Chief Financial Officer

Attachments

- C: Honorable Mayor and Members of the City Council
- Mary K. Suhm, City Manager
- Ryan S. Evans, First Assistant City Manager
- David O. Brown, Interim Assistant City Manager
- A. C. Gonzalez, Assistant City Manager
- Jill A. Jordan, Assistant City Manager
- Ramon F. Miguez, Assistant City Manager
- Thomas P. Perkins, City Attorney
- Craig Kinton, City Auditor
- Jody Puckett, Director, Dallas Water Utilities
- Jeanne Chipperfield, Interim Budget Director

Attachment 1

Outstanding Commercial Paper Transactions as of 04/09/2008

Issue/Rollover Date	Maturity Date	Days Outstanding	Par Amount	Rate (%)
12/06/2007	06/11/2008	188	\$45,161,000	3.05
12/12/2007	04/23/2008	133	639,000	2.90
12/12/2007	04/23/2008	133	9,000,000	2.90
01/07/2008	04/23/2008	107	10,000,000	2.85
01/08/2008	04/23/2008	106	25,000,000	2.85
01/23/2008	04/23/2008	91	359,000	2.35
01/23/2008	04/23/2008	91	5,000,000	2.35
02/04/2008	04/23/2008	79	5,892,000	1.85
02/07/2008	04/23/2008	76	9,631,000	1.60
02/07/2008	04/23/2008	76	8,000,000	1.60
02/27/2008	06/26/2008	120	6,544,000	2.25
03/07/2008	06/26/2008	111	32,607,000	2.10
03/10/2008	06/26/2008	108	11,260,000	2.00
03/10/2008	06/26/2008	108	7,000,000	2.00
03/11/2008	06/26/2008	107	10,000,000	2.00
03/11/2008	06/26/2008	107	15,985,000	2.00
03/11/2008	06/26/2008	107	6,251,000	2.00
03/26/2008	06/26/2008	92	13,518,000	1.65
04/09/2008	06/26/2008	78	8,695,000	1.40
		Total	\$230,542,000	

City of Dallas Water Utilities
Breakeven Analysis - (Assumes \$65 Million CP Remains Outstanding)
Assumes CP is Refunded with Annual 2009 Issuance

Future Assumed CP Refund Date **3/1/2009**

<u>Date</u>	<u>2.45% CP Interest (1)</u>	<u>4.81% Bond Interest (2)</u>	<u>Cashflow Savings</u>	<u>Present Value Savings (3)</u>
7/1/2008	30,965	60,793	29,828	29,814
8/1/2008	132,708	260,542	127,833	127,512
9/1/2008	132,708	260,542	127,833	127,252
10/1/2008	132,708	260,542	127,833	126,993
11/1/2008	132,708	260,542	127,833	126,734
12/1/2008	132,708	260,542	127,833	126,476
1/1/2009	132,708	260,542	127,833	126,218
2/1/2009	132,708	260,542	127,833	125,961
3/1/2009	132,708	260,542	127,833	125,705
	<u>1,092,632</u>	<u>2,145,126</u>	<u>1,052,494</u>	<u>1,042,666</u>
Present Value Savings				1,042,666
Additional Issuance Costs (4)				-
Total Present Value Savings				1,042,666
PV Cost if TIC on Future Issue Increases 1 Basis Point (0.01%)				72,833
Increase in TIC Which Would Offset Savings (5)				0.14%
Breakeven TIC of Future Bond Issue				4.95%

Footnotes

- (1) CP interest calculated at the average outstanding City of Dallas WW&SS CP Rate as of April 9, 2008.
(2) Bond interest calculated at the estimated bond TIC of 4.81% as of April 7, 2008.
(3) Present Value Savings discounted at 2.45% to the initial bond closing date of June 24, 2008.
(4) No Incremental Issuance Cost Offset, Costs Are Only Delayed From 2008 to 2009.
(5) Equals total Present Value Savings divided by cost of 1 basis point.

City of Dallas Water Utilities
Breakeven Analysis - (Assumes \$65 Million CP Remains Outstanding)
Assumes CP is Refunded Prior to Annual 2009 Issuance

Future Assumed CP Refund Date **12/1/2008**

<u>Date</u>	<u>2.45% CP Interest (1)</u>	<u>4.81% Bond Interest (2)</u>	<u>Cashflow Savings</u>	<u>Present Value Savings (3)</u>
7/1/2008	30,965	60,793	29,828	29,814
8/1/2008	132,708	260,542	127,833	127,512
9/1/2008	132,708	260,542	127,833	127,252
10/1/2008	132,708	260,542	127,833	126,993
11/1/2008	132,708	260,542	127,833	126,734
12/1/2008	132,708	260,542	127,833	126,476
1/1/2009	-	-	-	-
2/1/2009	-	-	-	-
3/1/2009	-	-	-	-
	<u>694,507</u>	<u>1,363,501</u>	<u>668,994</u>	<u>664,782</u>
Present Value Savings				664,782
Additional Issuance Costs (4)				278,750
Total Present Value Savings				386,032
PV Cost if TIC on Future Issue Increases 1 Basis Point (0.01%)				72,833
Increase in TIC Which Would Offset Savings (5)				0.05%
Breakeven TIC of Future Bond Issue				4.86%

Footnotes

- (1) CP interest calculated at the average outstanding City of Dallas WW&SS CP Rate as of April 9, 2008.
(2) Bond interest calculated at the estimated bond TIC of 4.81% as of April 7, 2008.
(3) Present Value Savings discounted at 2.45% to the initial bond closing date of June 24, 2008.
(4) Assumes issuance of \$65 Million required to refund outstanding CP on December 1, 2008
(5) Equals total Present Value Savings divided by cost of 1 basis point.