

Memorandum



CITY OF DALLAS

DATE June 20, 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 Commercial Paper Sale Timing Change

On Monday, June 23, 2008 you will be briefed on the planned Dallas Water Utilities Commercial Paper Sale Timing Change. The materials are attached for your review.

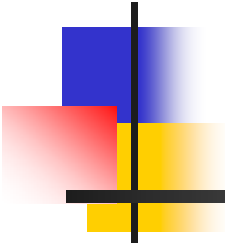
Please contact me if you need additional information.

A handwritten signature in black ink, appearing to read 'D. 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 Commercial Paper Sale Timing Change

Finance, Audit and Accountability Committee

June 23, 2008



Purpose

- To provide information regarding the planned change to the timing of Dallas Water Utilities commercial paper sales



Background

- Current commercial paper (CP) program is authorized for \$300m
- 10 year program authorized in 2004 (expires 2014)
- Planning to increase program to \$500m
- Will provide update to FAA Committee August 12



Current Process

- CP is sold at the time contracts are awarded by Council
 - Dealers: JP Morgan and Siebert, Brandford & Shank
- CP proceeds are invested in tax-exempt money market funds until needed for contract payments
- CP is refunded annually with revenue bonds
- Program is backed by credit agreements with Bank of America which provide liquidity assurance
 - Funds have never been drawn against credit agreements



Proposed Process

- Prior to November 2005, City Charter required CP proceeds to be deposited in the treasury prior to authorization of a contract
- Charter amendment in 2005 allows moneys to be derived from the sale of CP to be deemed to be in the treasury
 - Allows for the sale of CP when needed to make contract payments (rather than contract authorization)



Proposed Process

- Change the timing of the sale of CP from the contract award date to semi-monthly based on estimated contract payments
- Benefits:
 - Reduces outstanding CP balances
 - Reduces CP interest expense
 - Delays or reduces the size of future refunding bond issuances



Implementation

- Most recent CP sale was for contract authorizations on the Council's May 14th agenda
- Do not plan to sell additional CP with June 25th awards
- Spend down remaining balance of unspent CP proceeds with future contract payments
 - Current balance approximately \$128m



Recommendation

- Proceed with changing the timing of the sale of commercial paper from the contract award date to semi-monthly based on estimated contract payments