

# Memorandum



CITY OF DALLAS

DATE May 30, 2013

TO Honorable Members of the Budget, Finance & Audit Committee: Jerry Allen (Chair), Tennell Atkins (Vice Chair), Monica R. Alonzo, Scott Griggs, Ann Margolin

SUBJECT General Obligation Bond Sale

Attached is the General Obligation Bond Sale briefing. This briefing will be presented by Corrine Steeger, Assistant Director in the City Controller's Office.

Please let me know if you need additional information.

A handwritten signature in blue ink that reads "Jeanne Chipperfield".

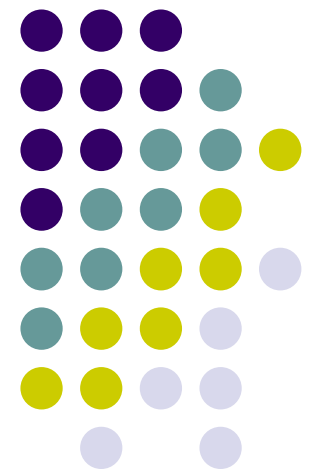
Jeanne Chipperfield  
Chief Financial Officer

## Attachment

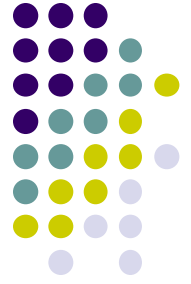
c: Honorable Mayor and Members of the City Council  
Mary K. Suhm, City Manager  
Rosa A. Rios, City Secretary  
Thomas P. Perkins, Jr., City Attorney  
Daniel F. Solis, Administrative Judge Municipal Court  
Craig D. Kinton, City Auditor  
A.C. Gonzalez, First Assistant City Manager  
Ryan S. Evans, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Forest E. Turner, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Stephanie Cooper, Assistant to the City Manager

# General Obligation Bond Sale

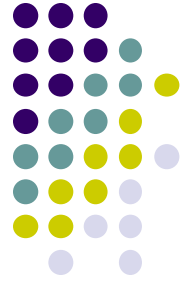
Budget, Finance and Audit Committee  
June 3, 2013



# Purpose



- Provide an overview of the bond sales
  - Review general obligation tax-exempt refunding bond candidates, refunding of outstanding general obligation commercial paper notes, and issuance of improvement bonds
  - Review general obligation taxable refunding bond candidates
- Review the syndicate selection process and assignment for this transaction
- Seek committee recommendation on the June 12<sup>th</sup> resolution authorizing staff to proceed with preparations for the sales of General Obligation Refunding and Improvement Bonds, Series 2013A/B



# Bond Sales Overview

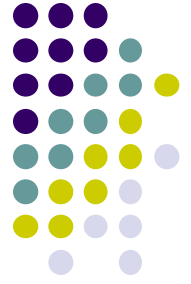
- Total size of bond sales currently estimated up to \$500 million
- Proposed bond sale will include up to \$80 million to retire outstanding commercial paper, issue up to \$130 million in improvement bonds and refund up to \$290 million in existing general obligation bond debt through the issuance of separate tax-exempt and taxable series
- Issuance costs of \$960,440 to be paid from bond proceeds
- Refunding does not extend or increase debt service in any year
- Sales will be negotiated

# General Obligation Bond Refundings



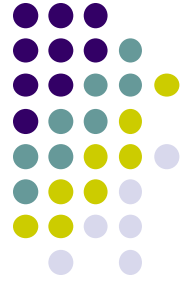
- Current interest rates provide an opportunity to advance refund approximately \$255 million in outstanding general obligation bonds using a combination of tax-exempt and taxable refundings
- Proposed tax-exempt refunding includes specified maturities of:
  - Series 2007 GO Bonds: \$52.295 million principal
    - Maturities: Feb.15, 2020 – Feb.15, 2027; Interest Rates: 5.00%
  - Series 2007A GO Bonds: \$61.925 million principal
    - Maturities: Feb. 15, 2021 – Feb. 15, 2025; Interest Rates: 4.25% – 5.00%
  - Series 2008 GO Bonds: \$61.800 million principal
    - Maturities: Feb. 15, 2021 – Feb. 15, 2026; Interest Rates: 5.00% – 5.125%

# General Obligation Bond Refundings



- Proposed taxable refunding includes specified maturities of:
  - Series 2005 GO Refunding Bonds: \$57.530 million principal
    - Maturities: Feb. 15, 2016 – Feb. 15, 2020; Interest Rates: 5.00%
  - Series 2007 GO Refunding Bonds: \$21.105 million principal
    - Maturities: Feb. 15, 2019 – Feb. 15, 2021; Interest Rates: 5.00%
    - Maturities: Feb. 15, 2024 – Feb. 15, 2027; Interest Rates: 4.375% – 4.50%

# General Obligation Bond Refundings



- Based on current interest rates, the estimated savings are:
  - Total net present value (NPV) cash savings of \$14.8 million
  - 5.81% NPV savings as a percentage of the bonds being refunded
    - Exceeds FMPC criteria of 4% savings
- 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 July pricing

# Commercial Paper Refunding and Improvement Bonds



- \$80 million in general obligation refunding bonds will be issued to refund outstanding commercial paper
- Commercial paper provides short-term financing for the City's capital improvement program
  - Current program size is \$350 million
  - Commercial paper issuance is timed to fund contract payments
  - Outstanding commercial paper balance is \$78 million as of 6/3/2013
  - Average interest rate is 0.2374% for 46 days
- \$130 million in improvement bonds will be issued to fund contracts for capital improvements approved through June 30<sup>th</sup>

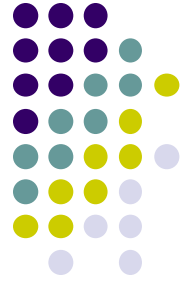


# Syndicate Selection



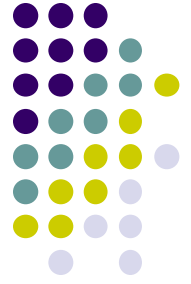
- In April 2010, City Council approved two underwriting syndicate teams for negotiated sales. Council approval provided that:
  - Bookrunning senior manager position would rotate between national and M/WBE firms
  - Co-senior manager would be the highest ranking national or regional firm if the bookrunning senior manager position is assigned to the M/WBE firm on a rotating basis
  - Alternate firms would assume the place on a team of a firm that could no longer serve
- Since April 2010, Team A has underwritten two negotiated sales, and Team B has underwritten one negotiated sale

# 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 B



- Team B consists of the following firms:
  - **National**
    - Citigroup Global Markets, Inc.
    - Wells Fargo Bank, N.A.
    - Goldman, Sachs & Co.
  - **Regional**
    - Piper Jaffray
    - Stifel Nicolaus & Co.
    - Frost Bank\*
  - **MWBE**
    - Loop Capital Markets, LLC
    - Samuel A. Ramirez & Co.
    - Stern Brothers & Co.\*

\*Stern Brothers & Co., is the Team B MWBE alternate. Stern Brothers replaces Jackson Securities, which is no longer engaged in municipal bond underwriting



# Syndicate Team B

- It is proposed that Team B underwrite the General Obligation refunding and improvement bond sales:

## **Senior Managers**

Samuel A. Ramirez & Co.. (Bookrunning Senior Manager)

Wells Fargo Bank, N.A. (Co-Senior Manager)

## **Co-Managers**

Citigroup Global Markets, Inc.

Goldman Sachs & Co.

Piper Jaffray

Stifel Nicolaus & Co.

Frost Bank

Loop Capital Markets, LLC

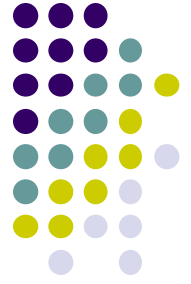
Stern Brothers & Co.



# Timeline for Bond Sales

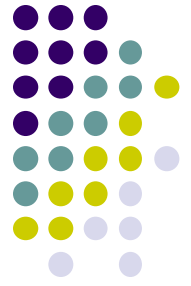
June 3	Budget, Finance and Audit Committee
June 12	City Council authorization to proceed with sale
June 26	Parameters ordinance authorized by City Council
June 28	Receive ratings from rating agencies
July 16	Pricing of the bonds
August 6	Deliver bonds and receive proceeds

# Recommendation



- Authorize staff to proceed with preparations for the sale of up to \$500 million General Obligation Refunding and Improvement Bonds, Series 2013A/B on the June 12<sup>th</sup> Council Agenda

# Appendix



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Sources and Uses	Page 18
Debt Service Schedule	Page 19
Summary of Bonds to be Refunded	Page 20
Savings on Refunding	Page 21



# Issuance Costs Schedule

## Estimated Issuance Costs

Co-Bond Counsel	\$394,000
Co-Financial Advisors	293,800
Debt Analysis/Structuring	40,000
Official Statement Printing	10,000
Rating Agencies	199,815
Auditor – Grant Thornton	3,825
Attorney General Filing Fee	19,000

<b>Total</b>	<b>\$960,440</b>
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## General Obligation Improvement Bonds - Proposed Use of Bond Proceeds

<b>Proposition</b>	<b>Amount</b>
Trinity River Corridor Project	\$1,629,000
<b>Total- 1998 Bond Program</b>	<b>1,629,000</b>
Street & Transportation Improvements	66,400,000
Flood Protection and Storm Drainage Facilities	45,756,000
Park and Recreation Facilities	59,914,000
Library Facilities	-
Cultural Arts Facilities	399,000
City Hall, City Service and City Maintenance Facilities	3,505,000
Land Acquisition for the Development of Low and Moderate Income, Single Family Homes	150,000
Economic Development in the Southern Area of the City and oriented development	5,862,000
Farmers Market Improvements	3,639,000
Land Acquisition in the Cadillac Heights area for future location of city facilities	300,000
Court Facilities	
Public Safety Facilities	9,708,000
<b>Total- 2006 Bond Program</b>	<b>195,633,000</b>
Street & Transportation Improvements	14,841,000
Flood Protection and Storm Drainage Facilities	1,397,000
Economic Development in the Southern Area of the City and in other areas of the City in connection with transit-oriented development	1,500,000
<b>Total- 2012 Bond Program</b>	<b>17,738,000</b>
<b>Total All Bond Programs</b>	<b>\$215,000,000</b>

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**Bond Summary Statistics**  
**City of Dallas, Texas**  
**General Obligation Refunding Bonds, Series 2013A & B**  
**Assumes Aa1/AA+ Rates as of May 16, 2013**  
**Parameters Run**

**\*\*\*\*\* Preliminary - For Discussion Purposes Only \*\*\*\*\***

<b>Dated Date</b>	<b>8/13/2013</b>
<b>Delivery Date</b>	<b>8/13/2013</b>
<b>First Coupon</b>	<b>2/15/2014</b>
<b>Last Maturity</b>	<b>2/15/2032</b>
<b>Arbitrage Yield</b>	<b>2.094993%</b>
<b>True Interest Cost (TIC)</b>	<b>2.493366%</b>
<b>Net Interest Cost (NIC)</b>	<b>2.772596%</b>
<b>All-In TIC</b>	<b>2.524923%</b>
<b>Average Coupon</b>	<b>4.589402%</b>
<b>Average Life (years)</b>	<b>8.981</b>

Sources and Uses of Funds  
City of Dallas, Texas  
General Obligation Refunding Bonds, Series 2013A & B  
Assumes Aa1/AA+ Rates as of May 16, 2013  
Parameters Run  
\*\*\*\*\* Preliminary - For Discussion Purposes Only \*\*\*\*\*  
Dated Date 8/13/2013  
Delivery Date 8/13/2013

Sources:	CP Ref & New Money	TE Ref	Taxable Ref	Total
<b>Bond Proceeds:</b>				
Par Amount	178,635,000.00	166,850,000.00	83,040,000.00	428,525,000.00
Premium	31,660,734.55	38,258,110.85		69,918,845.40
	<u>210,295,734.55</u>	<u>205,108,110.85</u>	<u>83,040,000.00</u>	<u>498,443,845.40</u>
<b>Other Sources of Funds:</b>				
I&S Fund Contribution		4,242,071.88	1,858,465.63	6,100,537.51
	<u>210,295,734.55</u>	<u>209,350,182.73</u>	<u>84,898,465.63</u>	<u>504,544,382.91</u>
<b>Uses:</b>				
<b>Project Fund Deposits:</b>				
Commercial Paper Refunding	80,000,000.00			80,000,000.00
New Money	130,000,000.00			130,000,000.00
	<u>210,000,000.00</u>			<u>210,000,000.00</u>
<b>Refunding Escrow Deposits:</b>				
Cash Deposit		4,242,071.88	1,858,466.25	6,100,538.13
SLGS Purchases		204,844,265.00	82,415,367.00	287,259,632.00
		<u>209,086,336.88</u>	<u>84,273,833.25</u>	<u>293,360,170.13</u>
<b>Delivery Date Expenses:</b>				
Cost of Issuance	400,369.17	373,955.81	186,115.02	960,440.00
	<u>400,369.17</u>	<u>373,955.81</u>	<u>186,115.02</u>	<u>960,440.00</u>
<b>Other Uses of Funds:</b>				
Additional Proceeds	1,708.30	2,228.35	1,832.38	5,769.03
	<u>210,402,077.47</u>	<u>209,462,521.04</u>	<u>84,461,780.65</u>	<u>504,320,610.13</u>

**Bond Debt Service**  
**City of Dallas, Texas**  
**General Obligation Refunding Bonds, Series 2013A & B**  
**Assumes Aa1/AA+ Rates as of May 16, 2013**  
**Parameters Run**  
**\*\*\*\*\* Preliminary - For Discussion Purposes Only \*\*\*\*\***

Period				
Ending	Principal	Coupon	Interest	Debt Service
9/30/2014	9,405,000	5.000%	18,706,302.26	28,111,302.26
9/30/2015	9,405,000	5.000%	18,131,403.50	27,536,403.50
9/30/2016	21,055,000	**	17,622,126.00	38,677,126.00
9/30/2017	25,095,000	**	17,032,045.00	42,127,045.00
9/30/2018	21,610,000	**	16,408,982.00	38,018,982.00
9/30/2019	18,275,000	**	15,802,415.00	34,077,415.00
9/30/2020	24,155,000	5.000%	14,899,107.50	39,054,107.50
9/30/2021	42,575,000	5.000%	13,230,857.50	55,805,857.50
9/30/2022	39,615,000	5.000%	11,176,107.50	50,791,107.50
9/30/2023	39,720,000	5.000%	9,192,732.50	48,912,732.50
9/30/2024	42,850,000	5.000%	7,128,482.50	49,978,482.50
9/30/2025	42,875,000	**	5,073,694.75	47,948,694.75
9/30/2026	25,860,000	**	3,605,788.00	29,465,788.00
9/30/2027	19,030,000	**	2,735,709.50	21,765,709.50
9/30/2028	9,400,000	5.000%	2,115,000.00	11,515,000.00
9/30/2029	9,400,000	5.000%	1,645,000.00	11,045,000.00
9/30/2030	9,400,000	5.000%	1,175,000.00	10,575,000.00
9/30/2031	9,400,000	5.000%	705,000.00	10,105,000.00
9/30/2032	9,400,000	5.000%	235,000.00	9,635,000.00
	<b>428,525,000</b>		<b>176,620,753.51</b>	<b>605,145,753.51</b>

\*\*Combination of tax-exempt and taxable rates

**Summary of Bonds Refunded**  
**City of Dallas, Texas**  
**General Obligation Refunding Bonds, Series 2013A & B**  
**Assumes Aa1/AA+ Rates as of May 16, 2013**  
**Parameters Run**

\*\*\*\*\* Preliminary - For Discussion Purposes Only \*\*\*\*\*

		Interest				
Bond	Maturity Date	Rate	Par Amount	Call Date	Call Price	
<b>\$156,850,000 General Obligation Refunding Bonds, Series 2005, 2005REF:</b>						
SERIAL	2/15/2016	5.000%	17,970,000.00	2/15/2015	100.000	
	2/15/2017	5.000%	14,500,000.00	2/15/2015	100.000	
	2/15/2018	5.000%	11,510,000.00	2/15/2015	100.000	
	2/15/2019	5.000%	8,540,000.00	2/15/2015	100.000	
	2/15/2020	5.000%	5,010,000.00	2/15/2015	100.000	
			57,530,000.00			
<b>\$130,775,000 General Obligation Bonds, Series 2007, 2007:</b>						
SERIAL	2/15/2020	5.000%	6,540,000.00	2/15/2017	100.000	
	2/15/2021	5.000%	6,540,000.00	2/15/2017	100.000	
	2/15/2022	5.000%	6,540,000.00	2/15/2017	100.000	
	2/15/2023	5.000%	6,535,000.00	2/15/2017	100.000	
TERM1	2/15/2024	5.000%	6,535,000.00	2/15/2017	100.000	
	2/15/2025	5.000%	6,535,000.00	2/15/2017	100.000	
TERM2	2/15/2026	5.000%	6,535,000.00	2/15/2017	100.000	
	2/15/2027	5.000%	6,535,000.00	2/15/2017	100.000	
			52,295,000.00			
<b>\$363,240,000 General Obligation Refunding and Improvement Bonds, Series 2007A, 2007AREF:</b>						
SERIAL	2/15/2021	5.000%	15,400,000.00	2/15/2017	100.000	
	2/15/2022	4.250%	12,385,000.00	2/15/2017	100.000	
	2/15/2023	4.250%	12,385,000.00	2/15/2017	100.000	
	2/15/2024	4.375%	15,400,000.00	2/15/2017	100.000	
	2/15/2025	4.500%	15,400,000.00	2/15/2017	100.000	
	2/15/2020	5.000%	3,015,000.00	2/15/2017	100.000	
	2/15/2026	4.500%	3,015,000.00	2/15/2017	100.000	
	2/15/2027	4.500%	3,015,000.00	2/15/2017	100.000	
			80,015,000.00			
<b>\$209,815,000 General Obligation Bonds, Series 2008, 2008:</b>						
SERIAL	2/15/2021	5.000%	11,040,000.00	2/15/2018	100.000	
	2/15/2022	5.000%	11,040,000.00	2/15/2018	100.000	
	2/15/2023	5.000%	11,040,000.00	2/15/2018	100.000	
	2/15/2024	5.000%	11,040,000.00	2/15/2018	100.000	
	2/15/2025	5.000%	11,040,000.00	2/15/2018	100.000	
	2/15/2026	5.125%	6,600,000.00	2/15/2018	100.000	
			61,800,000.00			
			251,640,000.00			

Savings  
City of Dallas, Texas  
General Obligation Refunding Bonds, Series 2013A & B  
Assumes Aa1/AA+ Rates as of May 16, 2013  
Parameters Run  
\*\*\*\*\* Preliminary - For Discussion Purposes Only \*\*\*\*\*

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings
9/30/2013	6,100,537.51	6,100,537.51			
9/30/2014	12,201,075.02		12,201,075.02	9,960,056.43	2,241,018.59
9/30/2015	12,201,075.02		12,201,075.02	9,905,028.50	2,296,046.52
9/30/2016	29,721,825.02		29,721,825.02	21,516,001.00	8,205,824.02
9/30/2017	25,440,075.02		25,440,075.02	25,436,170.00	3,905.02
9/30/2018	21,799,825.02		21,799,825.02	21,798,357.00	1,468.02
9/30/2019	18,328,575.02		18,328,575.02	18,327,040.00	1,535.02
9/30/2020	23,775,950.02		23,775,950.02	23,773,982.50	1,967.52
9/30/2021	41,002,325.02		41,002,325.02	41,000,857.50	1,467.52
9/30/2022	36,460,143.77		36,460,143.77	36,456,107.50	4,036.27
9/30/2023	35,049,906.27		35,049,906.27	35,047,732.50	2,173.77
9/30/2024	36,586,100.01		36,586,100.01	36,583,482.50	2,617.51
9/30/2025	35,023,975.00		35,023,975.00	35,023,694.75	280.25
9/30/2026	17,012,762.50		17,012,762.50	17,010,788.00	1,974.50
9/30/2027	9,781,212.50		9,781,212.50	9,780,709.50	503.00
	360,485,362.72	6,100,537.51	354,384,825.21	341,620,007.68	12,764,817.53

Savings Summary

Savings PV date	8/13/2013
Savings PV rate	2.524923%
PV of savings from cash flow	12,090,236.47
Plus: Refunding funds on hand	4,060.73
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Net PV Savings	12,094,297.20