

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 Commercial Paper Program- Credit Agreement Extension

The City Council agenda for June 12, 2013 includes a resolution for your consideration amending the ordinance authorizing the City of Dallas General Obligation Commercial Paper Notes, Series 2010A and Series 2010C. These amendments include the extension of \$350 million in lines of credit supporting the commercial paper program. The existing lines of credit will expire on December 2, 2013.

In 2010, City Council approved an ordinance establishing a \$350 million general obligation commercial paper program as interim financing for the City's capital improvements. The current program was initially authorized to be issued in three series, up to a maximum amount of \$150 million as Series 2010A Notes, a maximum amount of \$100 million as Series 2010B Notes, and a maximum amount of \$100 million as Series 2010C Notes. The program authorization expires on December 1, 2030.

Commercial paper issuance is supported by lines of credit from highly rated banks. These lines of credit assure investors that the notes will be paid in the unlikely event that a note cannot be sold to another investor at maturity. This program is currently supported by lines of credit from JPMorgan Chase (\$150 million for Series 2010A Notes), U.S. Bank (\$100 million for Series 2010B Notes), and Wells Fargo Bank (\$100 million for Series 2010C Notes), which were originally approved in 2010 for a three-year period expiring on December 2, 2013.

Pursuant to the existing credit agreements, the City recently requested a three-year extension of the lines of credit from JPMorgan Chase, U.S. Bank, and Wells Fargo. JPMorgan Chase and Wells Fargo have each agreed to the extension of their lines of credit and have also each agreed to increase their lines by \$50 million to add the amount previously supported by U.S. Bank, which declined to renew its line of credit. JPMorgan Chase is rated A1/P1 by Moody's and Standard and Poor's. Wells Fargo's ratings are A1+/P1 by the same rating agencies. U.S. Bank continues to serve as the issuing and paying agent bank for the program. Jefferies L.L.C. is the program's commercial paper dealer.

Commercial paper provides interim financing for the City's capital projects. The use of commercial paper permits more cost efficient use of capital as short-term debt is issued to closely match the amount and timing of the award of capital project contracts. Commercial paper notes are normally sold at interest rates that are lower than rates available at the same time on long-term debt. Outstanding commercial paper is periodically reduced by refinancing with long-term debt.

The extension of the credit agreements for the Series 2010A and 2010C programs includes a reduced fee structure, which will become effective at the same time as the new lines of credit. The fee for the existing lines of credit is 57.5 basis points (0.575%) annually. The fee for the extended lines of credit is 45 basis points (0.45%) annually. Attached is a schedule of the estimated costs associated with this extension.

Please contact me if you need additional information.



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
Edward Scott, City Controller

General Obligation Commercial Paper Program Series 2013A, 2013C

COST OF ISSUANCE/ CLOSING COSTS

Co-Bond Counsel

Bracewell & Giuliani L.L.P. \$26,000

West & Associates L.L.P. 10,000

Co-Financial Advisors

First Southwest Company 52,500

Estrada Hinojosa 35,000

Liquidity Facility Syndicate Bond Counsel 15,000

Printing Fees 2,500

Auditor

Grant Thornton L.L.P. 3,825

Total Estimated Upfront Closing Costs \$144,825

ANNUAL FEES

Liquidity Facility

JPMorgan Chase \$968,000

Wells Fargo 726,000

Credit Facility Agreement Amendment Fees 5,000

Issuing and Paying Agent

US Bank 5,000

Dealer

Jefferies 140,000

Cusip Numbers 2,000

Administration Fee 5,000

Rating Agencies

Moody's Investors Service 24,000

Standard & Poor's 33,000

Total Estimated Annual Fees \$1,908,000

Estimated Total **\$2,052,825**

3- year period (Annual Fees Only) 5,724,000

Total MWBE Participation as % of Total Issuance Costs: 22.7%