

Memorandum



CITY OF DALLAS

DATE August 8, 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 Program Update

On Tuesday, August 12, 2008 you will be briefed on the Dallas Water Utilities Commercial Paper Program. A copy of the briefing is attached for your review.

Please contact me if you need additional information.

A handwritten signature in cursive script, appearing to read 'D. Cook'.

David Cook
Chief Financial Officer

Attachment

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, Director, Budget & Management Services
Jody Puckett, Director, Dallas Water Utilities



Dallas Water Utilities Commercial Paper Program Update

Finance, Audit and Accountability Committee

August 12, 2008





Purpose

- Provide update on Dallas Water Utilities' commercial paper program
 - Status of current \$300m
 - Planned increase \$300m
- Seek committee recommendation of the August 27th resolution authorizing amendments to credit agreements with Bank of America which provides liquidity assurance for existing \$300m



Background

- Current commercial paper (CP) program is authorized for \$300m
 - Series B has \$200m limit
 - Series C has \$100m limit
- 10 year program authorized in 2004 (expires 2014)
- Program requires
 - Issuing/Paying Agent contract
 - Liquidity Facility agreement
 - Remarketing Agent contract



Current Program

- Program is backed by 2 credit agreements with Bank of America which provide liquidity assurance
 - Funds have never been drawn against credit agreements
- City received notice of non-renewal from Bank of America for Series B and C
- Due to market conditions, current pricing for liquidity facilities have increased substantially over commitment fees in existing agreements



Current Program

- Current credit agreement with Bank America
 - Series B
 - Commitment fee (\$236,274) is 11 basis points of commitment
 - Expires September 28, 2009
 - Requires 15 month notice of termination
 - Series C
 - Commitment fee (\$71,726) is 7 basis points of commitment
 - Expires September 28, 2008
 - Requires 90 day notice of termination



Current Program

- Bank of America has offered to extend credit agreements for an additional 3 year period
 - Series B
 - 9/28/08 thru 9/28/09 at 20 basis points of commitment (\$409,863)
 - 9/29/09 thru 9/28/11 at 40 basis points of commitment (\$859,178)
 - Series C
 - 9/28/08 thru 9/28/11 at 40 basis points of commitment (\$429,589)



Current Program

- While proposed pricing represents an increase in current fees, they are still below current market pricing for liquidity facilities
- In consultation with financial advisors, staff recommends approval of new terms and extension of credit agreements
- Authorization to extend credit agreements at new pricing is scheduled for Council approval on August 27th agenda



Increased Program

- Planning is underway to implement increased program from \$300m to \$600m for FY2008-09
- An amendment to the FMPC is required
 - From: The authorization of tax-exempt commercial paper will be limited to 10% of the 10-year capital improvement program in effect at the time of the commercial paper authorization
 - To: The authorization of tax-exempt commercial paper will be limited to 20% of the 10-year capital improvement program in effect at the time of the commercial paper authorization
 - Current 10-year capital improvement program is \$3.3b
- The FY2008-09 Proposed DWU Budget incorporates an expanded CP program



Increased Program

- RFP for liquidity provider for additional \$300m
 - Advertised on July 10 and 17
 - Opened on August 7
 - Review and recommendation in process



Increased Program

- RFP for dealer/remarketing agent
 - Advertised on July 31
 - Opening on August 20
 - Council authorization proposed for September 24th agenda
- Issuing/Paying Agent contract
 - Authorization to amend existing agreement to include additional \$300m proposed for September 24th agenda



Next Steps

- August/September – Review, negotiations and recommendation of award for liquidity facility and dealer/remarketing agent
- September 8 – Finance, Audit & Accountability Briefing/Update
- September 24 – City Council authorization
 - Amendments to FMPC and CP Ordinance
 - New Credit Agreement and Dealer/Remarketing Agent contract
 - Amendment to existing Issuing/Paying Agent contract to include additional \$300m



Recommendations

- Approval of extension and new terms of credit agreements with Bank of America on the August 27th Council agenda
- Staff proceed with steps necessary to increase CP program from \$300m to \$600m