

Memorandum



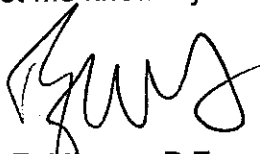
DATE August 8, 2008

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

SUBJECT Texas Water Development Board Water Infrastructure Funding – Water Utilities Projects

Attached is a briefing that will be presented to the Finance, Audit & Accountability Committee on Tuesday, August 12, 2008. The purpose of this briefing is to provide details and process of the Water Infrastructure loan program and Water Utilities Department projects eligible for funding.

Please let me know if you have any questions or need additional information.



Ramon F. Miguez, P.E.
Assistant City Manager

Attachment

c: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Thomas P. Perkins, City Attorney
Deborah Watkins, City Secretary
Craig Kinton, City Auditor
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
David K. Cook, Chief Financial Officer
Jeanne Chipperfield, Director of Budget & Management Services
Jo M. Puckett, P.E., Director, Dallas Water Utilities

Texas Water Development Board Water Infrastructure Funding – Water Utilities Projects

**Finance, Audit & Accountability Committee
August 12, 2008**



PURPOSE OF BRIEFING

- Discuss background of the Texas Water Development Board (TWDB) Water Infrastructure Fund (WIF) loan program
- Provide details and process of the WIF loan program
- Identify projects eligible for funding
- Identify next steps

BACKGROUND

- The Water Infrastructure Fund (WIF) was established in Senate Bill 2 during the 77th Texas Legislative Session for:
 - Financing for water conservation and water development projects, with emphasis on strategies in the State Water Plan
- 80th Legislature, House Bill 1 appropriated funds in the 2007-2009 budget to the TWDB to implement the WIF
- The program offers low interest financing and deferred interest and principal payments for State Water Plan projects
 - Low interest loans are provided on a 20-year repayment schedule at a reduction of 200 basis points below the current bond market interest rate
 - Deferred payment loans are at market rates, but payment can be deferred without penalty until construction is completed for up to ten years

BACKGROUND

- Similar process used to sell revenue bonds to the market
- Loans are closed using a bond purchase program
- City would sell directly to the TWDB at 200 basis points below their market rate
- TWBD average market interest rate as of August 1, 2008 is 4.53%, so City's average rate would be in the 2.5% range under current scenario

TYPES OF PROJECTS

- **State Participation for State Water Plan Projects**
 - Loans with payment deferrals for construction of excess project capacity
- **WIF Low Interest Loans**
 - Construction of non-excess capacity of State Participation Projects & for projects that do not meet criteria of State Participation Program
- **WIF 10-year Deferral**
 - Payment deferred low interest loans for development & permitting costs of water plan projects
- **All Phases of Projects including permitting, studies, design, and construction are eligible**

PROGRAM DETAILS

- Low Interest Loans
 - Design and/or Construction Funding provided at an interest rate cut of 200 basis points
 - 20-year loan repayment schedule
- Deferred Payment Loans
 - For design & permitting projects
 - Payments deferred until construction is complete up to 10 years
 - Note: All loans must be paid within 20 years regardless of deferral period

WIF PROGRAM BENEFITS

- Significant interest savings for DWU
- Additional funding source not previously available to DWU
- Application process planned to be streamlined and user friendly
- Deferral option permits payment delay until project is placed in service

APPLICATION PROCESS

- Application consists of
 - General, legal, and fiscal information about the applicant
 - An engineering feasibility report
 - An environmental assessment
 - A water conservation and emergency water demand management plan (required for financial assistance of more than \$500,000)
- Applications require a resolution by the Board or Council of the applicant (City Council for DWU)
- Applications considered for approval by the Texas Water Development Board
 - Deadline is semi annual with applications due on January 1 and July 1 of each year
 - Next round of applications would be due January 1, 2009
- Loans must be closed within 1 year of TWDB Board Approval (commitment to project)

City of Dallas Projects

- City has submitted three projects for financing
 - Cedar Crest Direct Recycling Pipeline Extension Project - \$15 Million – TWDB Approved March 25, 2008
 - Construction project
 - Lake Ray Hubbard Indirect Recycling Transfer Project Pipeline and Pump Station - \$8.3 Million (2 phases) – TWDB Approved March 25, 2008
 - Pre-Design, permitting, and design project
 - Eastside Water Purification Plant Clearwells - \$95 Million – Submitted June 2008
 - Construction project
 - TWDB review August 2008

NEXT STEPS

- TWDB consideration of projects to be at their August 25, 2008 meeting
 - Consideration of Eastside construction project (\$95M) at that meeting
- DWU will be required to issue a “private bond sale” to the TWDB to obtain funds approved by the Board
 - Rate will be 200 basis points below market
 - City Council will be required to pass a bond ordinance
- Contract awards pending for projects
 - Cedar Crest Recycled Water Pipeline Extension
 - Lake Ray Hubbard Indirect Recycled Water Phase I Flows Transfer Project
 - Eastside Clearwells construction project

NEXT STEPS

- Brief Finance, Audit & Accountability Committee in late Fall 2008 –
 - Regarding authorization for preparations of plans for issuance of revenue bonds sale
 - Sale of bonds would be to TWDB at a rate of 200 basis points below their market rate
 - Council Approval of the offering document in February 2008
 - Completing the closing with and accepting funds from the Texas Water Development Board (TWDB) – March 2009

APPENDIX

TENTATIVE SCHEDULE OF EVENTS

EVENT	DATE
Finance, Audit & Accountability TWBD WIF Program Briefing	August 12, 2008
Finance, Audit & Accountability Bond Sale Briefing	October 27, 2008
City Council Approval to Prepare for Bond Sale	November 10, 2008
Disclosure meeting to review 1 st draft of offering document	December 17, 2008
Comments due on draft of offering document	December 19, 2008
Receive 2 nd draft of offering document	January 16, 2009
Final Comments on offering document	January 26, 2009
Request Final TWDB rates for Bond Sale	January 26, 2009
Submit offering document to Council for Approval of Bond Sale	February 11, 2009
Attorney General Approves Bond Sale	30 days
Closing – funds deposited in Escrow Account	March 16, 2009
