

Memorandum



CITY OF DALLAS

DATE August 3, 2012

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

SUBJECT October 2012 General Obligation Bond Refunding

On Monday, August 6, 2012, at the Budget, Finance, and Audit Committee meeting, you will be briefed on the October 2012 General Obligation Bond Refunding. The briefing material is attached for your review.

Please contact me if you need additional information.

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

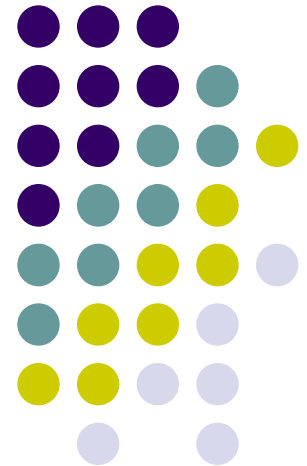
Jeanne Chipperfield
Chief Financial Officer

Attachment

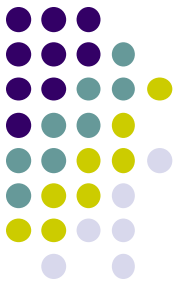
C: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Rosa A. Rios, City Secretary
Thomas P. Perkins, Jr., City Attorney
Craig D. Kinton, City Auditor
C. Victor Lander, Administrative Judge
A.C. Gonzalez, First Assistant City Manager
Ryan S. Evans, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Edward Scott, City Controller
Stephanie Pegues-Cooper, Assistant to the City Manager

October 2012 General Obligation Bond Refunding

Budget, Finance and Audit Committee
August 6, 2012

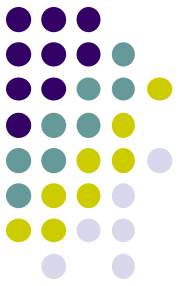


Purpose



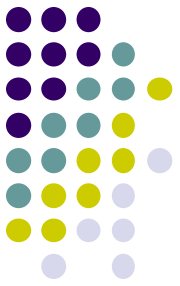
- Provide an overview of the bond sale
- Review general obligation bond refunding candidates
- Review the syndicate selection process and assignment for this transaction
- Seek committee recommendation on the August 22nd resolution authorizing staff to proceed with preparations for the sale of General Obligation Refunding Bonds, Series 2012

General Obligation Bond Refunding



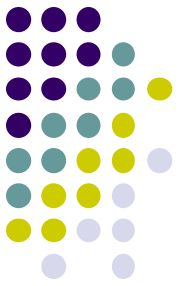
- Bond sale size currently estimated up to \$260 million based on current market conditions
 - Sale will be negotiated
 - Refunding does not extend or increase debt service in any year
 - Issuance costs of \$579,055 will be paid from bond proceeds
- Refunding candidates include specified maturities from the following bond issues:
 - General Obligation Bonds, Series 2004: \$ 25.665 million principal
 - General Obligation Bonds, Series 2005: \$ 85.160 million principal
 - General Obligation Bonds, Series 2006: \$128.425 million principal

General Obligation Bond Refunding



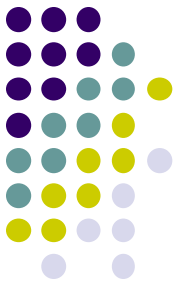
- Minimum total net present value (NPV) savings of \$21.7 million are estimated
 - 9.07% NPV savings as a percentage of the bonds being refunded
 - Meets the FMPC criterion of 4% NPV savings for advance refundings
- Co-Financial Advisors will continue to monitor the market to ensure feasibility of refunding
 - Refunding may be restructured or deleted based on market conditions prior to October pricing

Syndicate Selection



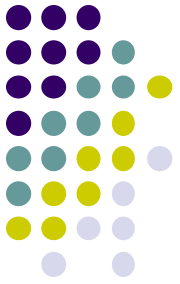
- In April 2010, City Council approved two underwriting syndicate teams for negotiated sales. Council approval provided that:
 - Bookrunning senior manager position would rotate between national and M/WBE firms
 - Co-senior manager would be the highest ranking national or regional firm if the bookrunning senior manager position is assigned to the M/WBE firm on a rotating basis
- Since April 2010, Team A has underwritten two negotiated sales, and Team B has underwritten one negotiated sale and will underwrite the August sale of up to \$435 million Dallas Water Utilities revenue refunding bonds

Syndicate Team A

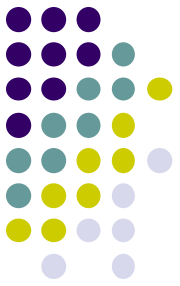


- Team A consists of the following firms:
 - **National**
 - JP Morgan
 - Bank of America Merrill Lynch
 - Morgan Stanley
 - **Regional**
 - Southwest Securities Group
 - RBC Capital Markets
 - Raymond James & Assoc.
 - **MWBE**
 - Siebert Brandford Shank & Co.
 - M. R. Beal & Co.
 - Cabrera Capital 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.
 - Jackson Securities, LLC



Syndicate Team A

- It is proposed that Team A underwrite the General Obligation Refunding bond sale:

Senior Managers

M.R. Beal & Co. (Bookrunning Senior Manager)

Bank of America Merrill Lynch (Co-Senior Manager)

Co-Managers

JP Morgan

Morgan Stanley

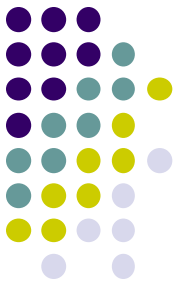
Southwest Securities Group

RBC Capital Markets

Raymond James & Assoc.

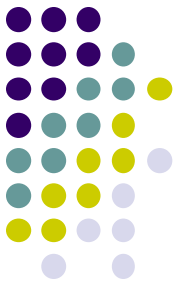
Siebert Brandford Shank & Co.

Cabrera Capital Markets



Timeline for Bond Sale

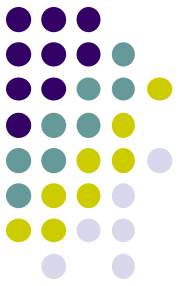
August 6	Budget, Finance and Audit Committee briefing
August 22	City Council authorization to proceed with sale
September 24	Receive ratings from rating agencies
September 26	Parameters ordinance authorized by City Council
October 9	Pricing of the bonds
October 31	Deliver bonds and receive proceeds



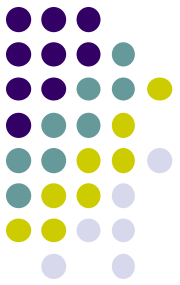
Recommendation

- Authorize staff to proceed with preparations for the sale of up to \$260 million General Obligation Refunding Bonds, Series 2012 on the August 22nd agenda

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Summary of Bonds to be Refunded	Page 16
Savings on Refunding	Page 17



Issuance Costs Schedule

Estimated Issuance Costs

Co-Bond Counsel	\$218,000
Co-Financial Advisors	162,200
Debt Analysis/Structuring	40,000
Official Statement Printing	10,000
Rating Agencies	131,855
Auditor – Grant Thornton	7,500
Attorney General Filing Fee	9,500

Total	\$579,055
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Bond Summary Statistics
City of Dallas, Texas
General Obligation Bond Refunding Bonds, Series 2012
Assumes 'Aa1/AA+' Uninsured Rates as of July 17, 2012
Refund Only Bonds Capturing 50% or more of Potential Savings
******* Preliminary - For Discussion Purposes Only *******

Dated Date	10/31/2012
Delivery Date	10/31/2012
First Coupon	2/15/2013
Last Maturity	2/15/2026
Arbitrage Yield	2.101736%
True Interest Cost (TIC)	2.404362%
Net Interest Cost (NIC)	2.695123%
All-In TIC	2.434152%
Average Coupon	5.000000%

Sources and Uses of Funds
City of Dallas, Texas
General Obligation Bond Refunding Bonds, Series 2012
Assumes 'Aa1/AA+' Uninsured Rates as of July 17, 2012
Refund Only Bonds Capturing 50% or more of Potential Savings
***** Preliminary - For Discussion Purposes Only *****

Dated Date 10/31/2012
Delivery
Date 10/31/2012

Sources:

Bond Proceeds:		
Par Amount		216,050,000.00
Premium		42,904,288.95
		258,954,288.95
Other Sources of Funds:		
I&S Contribution		3,060,270.83
		262,014,559.78

Uses:

Refunding Escrow Deposits:		
Cash Deposit		1.99
SLGS Purchases		260,488,054.00
		260,488,055.99
Delivery Date Expenses:		
Cost of Issuance		1,563,177.50
		1,563,177.50
Other Uses of Funds:		
Additional Proceeds		2,256.29
		262,014,559.78

Bond Debt Service
City of Dallas, Texas
General Obligation Bond Refunding Bonds, Series 2012
Assumes 'Aa1/AA+' Uninsured Rates as of July 17, 2012
Refund Only Bonds Capturing 50% or more of Potential Savings
******* Preliminary - For Discussion Purposes Only *******

Period Ending	Principal	Coupon	Interest	Debt Service
9/30/2013			8,551,979.17	8,551,979.17
9/30/2014	7,325,000	5.000%	10,619,375.00	17,944,375.00
9/30/2015	4,325,000	5.000%	10,328,125.00	14,653,125.00
9/30/2016	16,300,000	5.000%	9,812,500.00	26,112,500.00
9/30/2017	15,500,000	5.000%	9,017,500.00	24,517,500.00
9/30/2018	6,610,000	5.000%	8,464,750.00	15,074,750.00
9/30/2019	11,380,000	5.000%	8,015,000.00	19,395,000.00
9/30/2020	20,860,000	5.000%	7,209,000.00	28,069,000.00
9/30/2021	20,900,000	5.000%	6,165,000.00	27,065,000.00
9/30/2022	20,945,000	5.000%	5,118,875.00	26,063,875.00
9/30/2023	29,550,000	5.000%	3,856,500.00	33,406,500.00
9/30/2024	29,605,000	5.000%	2,377,625.00	31,982,625.00
9/30/2025	21,090,000	5.000%	1,110,250.00	22,200,250.00
9/30/2026	11,660,000	5.000%	291,500.00	11,951,500.00
	216,050,000		90,937,979.17	306,987,979.17

Summary of Bonds Refunded
City of Dallas, Texas
General Obligation Bond Refunding Bonds, Series 2012
Assumes 'Aa1/AA+' Uninsured Rates as of July 17, 2012
Refund Only Bonds Capturing 50% or more of Potential Savings
******* Preliminary - For Discussion Purposes Only *******

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
\$162,580,000 General Obligation Bonds, Series 2004					
	2/15/2014	5.000%	8,555,000.00	2/15/2013	100.000
	2/15/2023	5.000%	8,555,000.00	2/15/2013	100.000
	2/15/2024	5.000%	8,555,000.00	2/15/2013	100.000
			25,665,000.00		
\$179,810,000 General Obligation Bonds, Series 2005					
	2/15/2015	5.000%	9,465,000.00	2/15/2014	100.000
	2/15/2016	5.000%	9,465,000.00	2/15/2014	100.000
	2/15/2017	5.000%	9,465,000.00	2/15/2014	100.000
	2/15/2020	5.000%	9,465,000.00	2/15/2014	100.000
	2/15/2021	5.000%	9,460,000.00	2/15/2014	100.000
	2/15/2022	5.000%	9,460,000.00	2/15/2014	100.000
	2/15/2023	5.000%	9,460,000.00	2/15/2014	100.000
	2/15/2024	5.000%	9,460,000.00	2/15/2014	100.000
	2/15/2025	5.000%	9,460,000.00	2/15/2014	100.000
			85,160,000.00		
\$221,830,000 General Obligation Bonds, Series 2006					
	2/15/2016	5.000%	11,675,000.00	2/15/2015	100.000
	2/15/2017	5.000%	11,675,000.00	2/15/2015	100.000
	2/15/2018	5.000%	11,675,000.00	2/15/2015	100.000
	2/15/2019	5.000%	11,675,000.00	2/15/2015	100.000
	2/15/2020	4.500%	11,675,000.00	2/15/2015	100.000
	2/15/2021	4.500%	11,675,000.00	2/15/2015	100.000
	2/15/2022	4.500%	11,675,000.00	2/15/2015	100.000
	2/15/2023	4.500%	11,675,000.00	2/15/2015	100.000
	2/15/2024	4.500%	11,675,000.00	2/15/2015	100.000
	2/15/2025	4.750%	11,675,000.00	2/15/2015	100.000
	2/15/2026	4.750%	11,675,000.00	2/15/2015	100.000
			128,425,000.00		
			239,250,000.00		

Savings
City of Dallas, Texas
General Obligation Bond Refunding Bonds, Series 2012
Assumes 'Aa1/AA+' Uninsured Rates as of July 17, 2012
Refund Only Bonds Capturing 50% or more of Potential Savings

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

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings
9/30/2013	11,612,250.00	3,060,270.83	8,551,979.17	8,551,979.17	
9/30/2014	19,953,375.00		19,953,375.00	17,944,375.00	2,009,000.00
9/30/2015	20,412,875.00		20,412,875.00	14,653,125.00	5,759,750.00
9/30/2016	31,322,750.00		31,322,750.00	26,112,500.00	5,210,250.00
9/30/2017	30,265,750.00		30,265,750.00	24,517,500.00	5,748,250.00
9/30/2018	19,980,375.00		19,980,375.00	15,074,750.00	4,905,625.00
9/30/2019	19,396,625.00		19,396,625.00	19,395,000.00	1,625.00
9/30/2020	28,070,437.50		28,070,437.50	28,069,000.00	1,437.50
9/30/2021	27,066,937.50		27,066,937.50	27,065,000.00	1,937.50
9/30/2022	26,068,562.50		26,068,562.50	26,063,875.00	4,687.50
9/30/2023	33,411,312.50		33,411,312.50	33,406,500.00	4,812.50
9/30/2024	31,985,187.50		31,985,187.50	31,982,625.00	2,562.50
9/30/2025	22,203,343.75		22,203,343.75	22,200,250.00	3,093.75
9/30/2026	11,952,281.25		11,952,281.25	11,951,500.00	781.25
	333,702,062.50	3,060,270.83	330,641,791.67	306,987,979.17	23,653,812.50

Savings Summary

PV Savings Date	10/31/2012
Savings PV rate	2.434152%
PV of savings from cash flow	21,693,932.97
Plus: Refunding funds on hand	2,256.29

Net PV Savings	21,696,189.26
Percentage Savings of Refunded Bonds	9.07%