

Memorandum



CITY OF DALLAS

DATE December 3, 2010

TO Members of the Economic Development Committee:
Ron Natinsky (Chair), Tennell Atkins (Vice-Chair), Dwaine Caraway,
Jerry R. Allen, Sheffie Kadane, Ann Margolin, Linda Koop, Steve Salazar

SUBJECT TEFRA Bond Sale (Financing for McCommas Bluff Landfill Gas Plant)

The December 8, 2010 Addendum includes an item for the Council's consideration of a request to the Mission Economic Development Corporation to issue \$55 million of tax-exempt solid waste disposal revenue bonds. The proceeds will be used by Dallas Clean Energy to construct improvements to the landfill gas processing plant at the McCommas Bluff Landfill.

The City of Dallas is not being asked to issue debt; nor will the bonds will be an obligation, a debt, or a liability of the City; and the City's name will not appear on the bonds. Further, the financing documents will include language that provide for the City's right to payments from the lease of gas revenues to be superior to those rights of any party receiving payments associated with the debt service on the bonds.

The McCommas Bluff Landfill generates large volumes of gas daily, and when treated, the gas is usable and salable as a green energy commodity. Dallas Clean Energy LLC (or, DCE) holds a lease with the City through 2024 with the obligation to manage the gas to its best use. The gas processing plant is now 12 years old, and new technologies have emerged that, once incorporated to the current plant, will allow the plant to handle the increasing volumes of gas the landfill is projected to produce – and to do so more efficiently.

DCE has determined that a capital expenditure of \$55m is needed to effect the facility improvements and to refinance existing debt. They sought a low-cost financial instrument for this amount through the Mission Economic Development Corporation (or MEDC) of Mission, Texas, using the revenue from the sale of the gas as the means to repay the bonds. MEDC will issue revenue bonds as tax-exempt, provided that (1) the City requests the financing and approves the planned use of the funds as suitable for the work and that (2) a public hearing (a TEFRA hearing) meeting the statutory requirements is held on the matter.

On the first matter, the City stands to benefit from the improved processing technology, as DCE remits royalty (lease) payments to the City quarterly – with an annual total of \$1.3m in paid royalties for FY10 and a projected FY11 amount of \$1.9m. Improving the processing will allow DCE to sell more of the gas, and so further the royalty payment due to the City.

On the second matter, DCE has scheduled the required TEFRA hearing for Wednesday, December 8th at 8:30 am at Dallas City Hall. The notice was published on November 24th; satisfying the 14 day minimum advance posting requirement.

Please let me know if you have any questions.



Jeanne Chipperfield
Chief Financial Officer

C: Mary K. Suhm, City Manager
Deborah A. Watkins, City Secretary
Thomas P. Perkins, Jr., City Attorney
Craig D. Kinton, City Auditor
Judge C. Victor Lander, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Mary Nix, Director, Sanitation Services