

Memorandum

RECEIVED

2009 DEC 10 PM 12:04

CITY SECRETARY
DALLAS, TEXAS



DATE: December 11, 2009

TO: Members of the Budget, Finance & Audit Committee
Ann Margolin, Vice Chair, Vonciel Jones Hill, Angela Hunt, Delia D. Jasso, Ron Natinsky,
David A. Neumann

SUBJECT: **Budget, Finance & Audit Committee Meeting**
Monday, December 14, 2009, 9:30 – 11:30 a.m.
1500 Marilla Street, City Hall, Room 6ES, Dallas, Texas 75201

AGENDA

1. Consideration of minutes from the October 26th, 2009 Budget, Finance and Audit Committee Meeting
2. 1998 Sports Arena Project Bonds Jeanne Chipperfield, Director
Optional Redemption Financial Services
3. Love Field Modernization Program Bond Dan Weber, Director
Financing Update Aviation Department
4. McCommas Bluff Landfill Mary Nix, Director
 Sanitation Services
5. Real Property Acquisition Procedures Theresa O'Donnell, Director
and Requirements Development Services
6. Review of Investment Strategies Corrine Steeger, Assist. Director
 City Controller's Office

FYI:

7. UPDATE – City's Investment in The Reserve Primary Fund

Jerry R. Allen, Chair
Budget, Finance & Audit Committee

C: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor
Ryan S. Evans, First Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
Dave Cook, Chief Financial Officer

A closed executive session may be held if the discussion of any of the above agenda items concerns one of the following:

- 1. Contemplated or pending litigation, or matters where legal advice is requested of the City Attorney. Section 551.071 of the Texas Open Meetings Act.**
- 2. The purchase, exchange, lease or value of real property, if the deliberation in an open meeting would have a detrimental effect on the position of the City in negotiations with a third person. Section 551.072 of the Texas Open Meetings Act.**
- 3. A contract for a prospective gift or donation to the City, if the deliberation in an open meeting would have a detrimental effect on the position of the City in negotiations with a third person. Section 551.073 of the Texas Open Meetings Act.**
- 4. Personnel matters involving the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee or to hear a complaint against an officer or employee. Section 551.074 of the Texas Open Meetings Act.**
- 5. The deployment, or specific occasions for implementation of security personnel or devices. Section 551.076 of the Texas Open Meetings Act.**
- 6. Deliberations regarding economic development negotiations. Section 551.087 of the Texas Open Meetings Act.**

DRAFT

**BUDGET, FINANCE, AND AUDIT COMMITTEE
DRAFT MEETING MINUTES
October 26, 2009**

The Council's Budget, Finance, and Audit Committee meetings are recorded. Agenda materials and audiotapes may be reviewed by contacting the City Manager's Office Staff Coordinator at 214-670-7804.

Meeting Date: October 26, 2009

Committee Members Present:

Jerry Allen, Chair, Ann Margolin, Vice – Chair
Vonciel Jones Hill, Angela Hunt, Delia Jasso, Ron Natinsky,
David A. Neumann

Committee Members Absent:

None

**Other Council members who attended a partial or duration
of the meeting:**

Sheffie Kadane

Staff Members Present:

A.C. Gonzalez, Kathy Becker, Laura
Carrillo, Jeanne Chipperfield,
Corrine Steeger, Zarin Gracey,
Edward Scott, Danny Soliz, Rhonn
Ramirez, Craig Kinton, Gwen
Satterthwaite, Warren Ernst, Donna
Lowe, Theresa O'Donnell, Vernon
Young, Peer Chacko

Meeting called to order at 10:42 a.m.

AGENDA:

1. Consideration of Minutes from October 12, 2009 Budget, Finance and Audit

Presenter(s):

Information Only:

Action Taken/Committee Recommendation(s):

Motion made by: Jerry Allen

Motion seconded by: David A. Neumann

The motion passed unanimously

2. Property Appraisal Process Overview

Presenter(s): Ken Nolan, Chief Appraiser/Exec. Director, Dallas Central Appraisal District

Information Only: Yes

Action Taken/Committee Recommendation(s): Recommend for approval by City Council

Motion made by:

Motion seconded by:

Follow up:

3. Real Property Acquisition Procedures and Requirements

Presenter(s): Theresa O'Donnell, Director, Development Services

Information Only:

Action Taken/Committee Recommendation(s): This item was not briefed.

Motion made by:

Motion seconded by:

Follow up:

4. Annual Investment Policy Review and Discussion of Investment Strategies

Presenter(s): Corrine Steeger, Assist. Director, City Controller's Office

Information Only:

Action Taken/Committee Recommendation(s): This item was not briefed.

Motion made by:

Motion seconded by:

Follow up:

FYI Only:

5. **Quarterly Investment Report**

Presenter(s):

Information Only: Yes

Action Taken/Committee Recommendation(s):

Motion made by:

Motion seconded by:

Follow up:

6. **August 2009 Financial Forecast Report**

Presenter(s):

Information Only: Yes

Action Taken/Committee Recommendation(s):

Motion made by:

Motion seconded by:

Follow up:

Meeting adjourned at 11:55 a.m.

Memorandum



CITY OF DALLAS

DATE December 11, 2009

TO Members of the Budget, Finance & Audit Committee:
Chair Jerry Allen, Vice-Chair Ann Margolin, Vonciel Jones Hill, Angela Hunt,
Delia Jasso, Ron Natinsky, David Neumann

SUBJECT 1998 Sports Arena Project Bonds Optional Redemption

On Monday, December 14, you will be briefed on the 1998 Sports Arena Bonds Optional Redemption. The materials are attached for your review.

If you have any questions, please contact me at 214-670-7804.

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

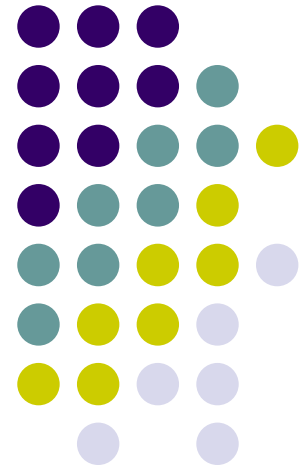
David Cook
Chief Financial Officer

Attachments

C: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Ryan S. Evans, First Assistant City Manager
Forest Turner, Assistant City Manager
A. C. Gonzalez, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Deborah Watkins, City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor
Jeanne Chipperfield, Director, Office of Financial Services

1998 Sports Arena Project Bonds Optional Redemption

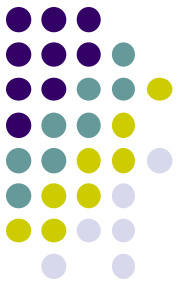
Budget, Finance and Audit Committee
December 14, 2009



Purpose



- Provide an update on the funds available to redeem the 1998A Tax Exempt Sports Arena Project Bonds and 1998B Taxable Sports Arena Project Bonds
- Seek committee's recommendation for the resolution authorizing the optional redemption of various outstanding maturities



Background

- In 1998, \$140.38m in revenue bonds were issued to fund the City's \$125m contribution to the construction costs of a new sports arena (now known as the American Airlines Center)
 - \$35.57m taxable bonds at 6.8% total interest cost
 - \$29.04m principal currently outstanding
 - \$104.81m tax exempt bonds at 5.1% total interest cost
 - \$4.37m principal currently outstanding



Background (cont'd)

Bond Repayment

- Voters authorized additional 2% Hotel Occupancy Tax (HOT) and 5% Short-term Motor Vehicle Rental Tax (SMVT)
- Investment earnings on funds in construction and debt service accounts
- Monthly, revenues received in excess of the debt service requirement are deposited in the Surplus Debt Redemption Fund (SDRF)
- Should a monthly deficit occur, revenues from SDRF are transferred to meet monthly debt service requirements
- Both issues have fully funded reserves equal to the average annual debt service
 - Reserve funds have never been used to make a debt service payment

Mandatory Redemption



- Tax exempt bond ordinance included a mandatory redemption of \$9.5m of bonds due in 2028 beginning on August 15, 2000 from Surplus Debt Redemption funds, to the extent that funds were available
 - Redemption of the \$9.5m occurred in full on 8/15/2000

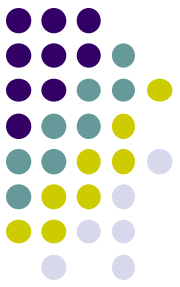


Optional Redemption

- Ordinance allows the City to optionally redeem in whole or in part any maturity beginning August 15, 2008 on an interest payment date as follows:

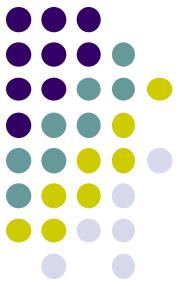
Redemption Date	Redemption Price
8/15/2008 - 8/14/2009	101% of par
8/15/2009 – 8/14/2010	100.5% of par
8/15/2010 and after	100% of par

Optional Redemption (cont'd)



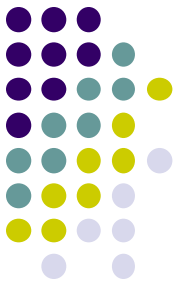
- Source of funds for optional redemption is the SDRF and debt service reserve funds
 - Current balance in SDRF is \$8.95m (as of 12-7-09)
 - As the bonds are called, the reserve requirement declines making reserve funds available to call bonds
- Maturities to be redeemed are selected based on highest coupon (interest rate)
- Redemption of taxable bonds will be considered after redemption of all tax exempt bonds due to private activity rules

Optional Redemption (cont'd)



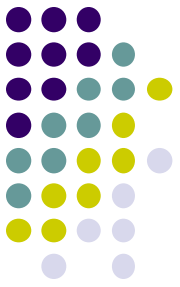
- Two optional redemptions have taken place to date
 - February 15th 2009
 - \$61.02m of 1998A Tax exempt bonds
 - Call premium of \$610k
 - \$10.6m savings on present value basis
 - Reduced outstanding tax exempt bonds to \$17.71m balance
 - August 15th 2009
 - \$13.34m of 1998A Tax exempt bonds
 - Call premium of \$67k
 - \$14.7m savings on present value basis
 - Reduced outstanding tax exempt bonds to current \$4.37m balance

Optional Redemption (cont'd)



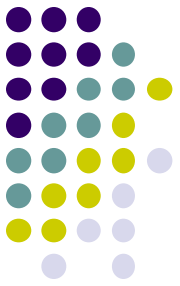
- Recommend redemption of remaining \$4.37m of the tax exempt bonds
 - Redeems all outstanding tax exempt bonds
- Call premium of \$21.85k
 - Minimum interest rate of 3.75% on City's cash in order to break even on call premium
 - October investment earnings at 1.73%
- Sources of Funds
 - \$482k from Debt Service and Reserve Funds
 - \$3.91m from Surplus Debt Redemption Fund

Optional Redemption (cont'd)

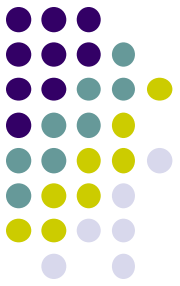


- Recommend redemption of \$2.81m of the taxable bonds
 - Reduces outstanding taxable bond balance to \$26.23m
- Call premium of \$14k
 - Minimum interest rate of 5.65% on City's cash in order to break even on call premium
 - October investment earnings at 1.73%
- Sources of Funds
 - \$376k from Debt Service and Reserve Funds
 - \$2.45m from Surplus Debt Redemption Fund

Optional Redemption (cont'd)

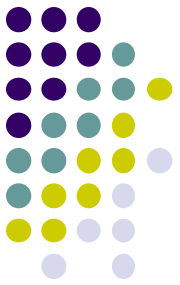


- \$481.7k aggregate savings on present value basis
- Leaves balance of \$2.58m in the SDRF
- Debt Service Reserve Fund fully funded based on revised requirement - \$2.58m
- Annual debt service payment reduced from \$3.1m through FY2026 and \$7.39m in FY2027 to:
 - \$2.58m through FY2027
- Recent annual tax revenues are \$13.3m



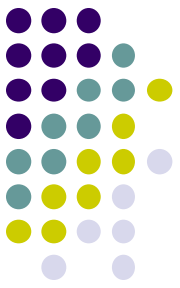
Future Redemption

- Staff and City's Financial Advisors will continue to monitor the revenues and analyze the opportunities to redeem bonds on upcoming interest dates
- Project full payoff of all outstanding Sports Arena issues by end of 2011
- After bonds are fully repaid, the 2% HOT and 5% SMVT will no longer be assessed



Schedule

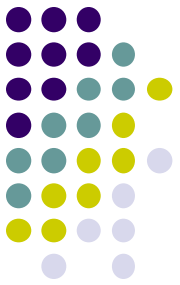
- January 13th – Council approval of resolution authorizing bond redemption
- January 15th – Paying agent notifies bond holders of bond redemption
- February 16th – Bonds redeemed



Recommendation

- Approval of January 13th resolution authorizing the optional redemption of \$4.37m of Tax Exempt Bonds and \$2.81m of Taxable Bonds plus payment of the call premium total of \$35.9k

Appendix



Debt Service Schedules – Before Call	Page 16
Schedule of Bonds to be Called	Page 17
Debt Service Schedules – After Call	Page 18

City of Dallas, Texas

Special Tax Revenue Bonds, Series 1998A & Series 1998B

Outstanding Debt - FY 2010 Through FY 2027

	<u>Series 1998A</u>				<u>Series 1998B</u>				<u>Total</u>			<u>Fiscal Total</u>
	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2/15/10	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	-	\$ -	
8/15/10	-	5.250%	103,788	103,788	885,000	6.650%	962,568.75	1,847,569	885,000	1,066,356	1,951,356	1,951,356
2/15/11	-		103,788	103,788	-		933,143	933,143	-	1,036,930	1,036,930	
8/15/11	-	5.250%	103,788	103,788	945,000	6.650%	933,143	1,878,143	945,000	1,036,930	1,981,930	3,018,860
2/15/12	-		103,788	103,788	-		901,721	901,721	-	1,005,509	1,005,509	
8/15/12	-	5.250%	103,788	103,788	1,005,000	6.650%	901,721	1,906,721	1,005,000	1,005,509	2,010,509	3,016,018
2/15/13	-		103,788	103,788	-		868,305	868,305	-	972,093	972,093	
8/15/13	-	5.250%	103,788	103,788	1,075,000	6.650%	868,305	1,943,305	1,075,000	972,093	2,047,093	3,019,185
2/15/14	-		103,788	103,788	-		832,561	832,561	-	936,349	936,349	
8/15/14	-	5.375%	103,788	103,788	1,145,000	6.650%	832,561	1,977,561	1,145,000	936,349	2,081,349	3,017,698
2/15/15	-		103,788	103,788	-		794,490	794,490	-	898,278	898,278	
8/15/15	-	5.375%	103,788	103,788	1,220,000	6.650%	794,490	2,014,490	1,220,000	898,278	2,118,278	3,016,555
2/15/16	-		103,788	103,788	-		753,925	753,925	-	857,713	857,713	
8/15/16	-	5.250%	103,788	103,788	1,300,000	6.625%	753,925	2,053,925	1,300,000	857,713	2,157,713	3,015,425
2/15/17	-		103,788	103,788	-		710,863	710,863	-	814,650	814,650	
8/15/17	-	5.000%	103,788	103,788	1,385,000	6.625%	710,863	2,095,863	1,385,000	814,650	2,199,650	3,014,300
2/15/18	-		103,788	103,788	-		664,984	664,984	-	768,772	768,772	
8/15/18	-	5.000%	103,788	103,788	1,480,000	6.625%	664,984	2,144,984	1,480,000	768,772	2,248,772	3,017,544
2/15/19	-		103,788	103,788	-		615,959	615,959	-	719,747	719,747	
8/15/19	-	5.000%	103,788	103,788	1,575,000	6.625%	615,959	2,190,959	1,575,000	719,747	2,294,747	3,014,494
2/15/20	-		103,788	103,788	-		563,788	563,788	-	667,575	667,575	
8/15/20	-	5.000%	103,788	103,788	1,680,000	6.625%	563,788	2,243,788	1,680,000	667,575	2,347,575	3,015,150
2/15/21	-		103,788	103,788	-		508,138	508,138	-	611,925	611,925	
8/15/21	-	5.000%	103,788	103,788	1,795,000	6.625%	508,138	2,303,138	1,795,000	611,925	2,406,925	3,018,850
2/15/22	-		103,788	103,788	-		448,678	448,678	-	552,466	552,466	
8/15/22	-	5.000%	103,788	103,788	1,910,000	6.625%	448,678	2,358,678	1,910,000	552,466	2,462,466	3,014,931
2/15/23	-		103,788	103,788	-		385,409	385,409	-	489,197	489,197	
8/15/23	-	5.000%	103,788	103,788	2,040,000	6.625%	385,409	2,425,409	2,040,000	489,197	2,529,197	3,018,394
2/15/24	-		103,788	103,788	-		317,834	317,834	-	421,622	421,622	
8/15/24	-	5.000%	103,788	103,788	2,175,000	6.625%	317,834	2,492,834	2,175,000	421,622	2,596,622	3,018,244
2/15/25	-		103,788	103,788	-		245,788	245,788	-	349,575	349,575	
8/15/25	-	5.000%	103,788	103,788	2,315,000	6.625%	245,788	2,560,788	2,315,000	349,575	2,664,575	3,014,150
2/15/26	-		103,788	103,788	-		169,103	169,103	-	272,891	272,891	
8/15/26	-	4.750%	103,788	103,788	2,470,000	6.625%	169,103	2,639,103	2,470,000	272,891	2,742,891	3,015,781
2/15/27	-		103,788	103,788	-		87,284	87,284	-	191,072	191,072	
8/15/27	<u>4,370,000</u>	4.750%	<u>103,788</u>	<u>4,473,788</u>	<u>2,635,000</u>	6.625%	<u>87,284</u>	<u>2,722,284</u>	<u>7,005,000</u>	<u>191,072</u>	<u>7,196,072</u>	<u>7,387,144</u>
	<u>\$ 4,370,000</u>		<u>\$ 3,632,563</u>	<u>\$ 8,002,563</u>	<u>\$ 29,035,000</u>		<u>\$ 20,566,515</u>	<u>\$ 49,601,515</u>	<u>\$ 33,405,000</u>	<u>\$ 24,199,078</u>	<u>\$ 57,604,078</u>	<u>\$ 57,604,078</u>

City of Dallas, Texas

Special Tax Revenue Bonds, Series 1998A & Series 1998B

Bonds to be Paid/Redeemed on February 15, 2010

	<u>Series 1998A</u>					<u>Series 1998B</u>					<u>Total</u>			
	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Red Prem</u>	<u>Total</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Red Prem</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Red Prem</u>	<u>Total</u>
2/15/10	\$ -		\$ -		\$ -	\$ -		\$ -		\$ -	\$ -		\$ -	\$ -
8/15/10	-	5.250%	-	-	-	885,000	6.650%	-	4,425	889,425	885,000	-	4,425	889,425
2/15/11	-		-	-	-	-		-	-	-	-	-	-	-
8/15/11	-	5.250%	-	-	-	945,000	6.650%	-	4,725	949,725	945,000	-	4,725	949,725
2/15/12	-		-	-	-	-		-	-	-	-	-	-	-
8/15/12	-	5.250%	-	-	-	980,000	6.650%	-	4,900	984,900	980,000	-	4,900	984,900
2/15/13	-		-	-	-	-		-	-	-	-	-	-	-
8/15/13	-	5.250%	-	-	-	-	6.650%	-	-	-	-	-	-	-
2/15/14	-		-	-	-	-		-	-	-	-	-	-	-
8/15/14	-	5.375%	-	-	-	-	6.650%	-	-	-	-	-	-	-
2/15/15	-		-	-	-	-		-	-	-	-	-	-	-
8/15/15	-	5.375%	-	-	-	-	6.650%	-	-	-	-	-	-	-
2/15/16	-		-	-	-	-		-	-	-	-	-	-	-
8/15/16	-	5.250%	-	-	-	-	6.625%	-	-	-	-	-	-	-
2/15/17	-		-	-	-	-		-	-	-	-	-	-	-
8/15/17	-	5.000%	-	-	-	-	6.625%	-	-	-	-	-	-	-
2/15/18	-		-	-	-	-		-	-	-	-	-	-	-
8/15/18	-	5.000%	-	-	-	-	6.625%	-	-	-	-	-	-	-
2/15/19	-		-	-	-	-		-	-	-	-	-	-	-
8/15/19	-	5.000%	-	-	-	-	6.625%	-	-	-	-	-	-	-
2/15/20	-		-	-	-	-		-	-	-	-	-	-	-
8/15/20	-	5.000%	-	-	-	-	6.625%	-	-	-	-	-	-	-
2/15/21	-		-	-	-	-		-	-	-	-	-	-	-
8/15/21	-	5.000%	-	-	-	-	6.625%	-	-	-	-	-	-	-
2/15/22	-		-	-	-	-		-	-	-	-	-	-	-
8/15/22	-	5.000%	-	-	-	-	6.625%	-	-	-	-	-	-	-
2/15/23	-		-	-	-	-		-	-	-	-	-	-	-
8/15/23	-	5.000%	-	-	-	-	6.625%	-	-	-	-	-	-	-
2/15/24	-		-	-	-	-		-	-	-	-	-	-	-
8/15/24	-	5.000%	-	-	-	-	6.625%	-	-	-	-	-	-	-
2/15/25	-		-	-	-	-		-	-	-	-	-	-	-
8/15/25	-	5.000%	-	-	-	-	6.625%	-	-	-	-	-	-	-
2/15/26	-		-	-	-	-		-	-	-	-	-	-	-
8/15/26	-	4.750%	-	-	-	-	6.625%	-	-	-	-	-	-	-
2/15/27	-		-	-	-	-		-	-	-	-	-	-	-
8/15/27	<u>4,370,000</u>	<u>4.750%</u>	<u>-</u>	<u>21,850</u>	<u>4,391,850</u>	<u>-</u>	<u>6.625%</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,370,000</u>	<u>-</u>	<u>21,850</u>	<u>4,391,850</u>
	<u>\$ 4,370,000</u>	<u>\$ -</u>	<u>\$ 21,850</u>	<u>\$ 4,391,850</u>	<u>\$ 2,810,000</u>	<u>\$ -</u>	<u>\$ 14,050</u>	<u>\$ 2,824,050</u>	<u>\$ 7,180,000</u>	<u>\$ -</u>	<u>\$ 35,900</u>	<u>\$ 7,215,900</u>		

City of Dallas, Texas

Special Tax Revenue Bonds, Series 1998A & Series 1998B

Bonds Remaining After Redemption on February 15, 2010

	<u>Series 1998A</u>			<u>Series 1998B</u>				<u>Total</u>			<u>Fiscal Total</u>	
	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>		<u>Total</u>
2/15/10	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -	\$ -		\$ -	
8/15/10	-	5.250%	-	-	-	6.650%	869,136	869,136	-	869,136	869,136	869,136
2/15/11	-		-	-	-		869,136	869,136	-	869,136	869,136	
8/15/11	-	5.250%	-	-	-	6.650%	869,136	869,136	-	869,136	869,136	1,738,273
2/15/12	-		-	-	-		869,136	869,136	-	869,136	869,136	
8/15/12	-	5.250%	-	-	25,000	6.650%	869,136	894,136	25,000	869,136	894,136	1,763,273
2/15/13	-		-	-	-		868,305	868,305	-	868,305	868,305	
8/15/13	-	5.250%	-	-	1,075,000	6.650%	868,305	1,943,305	1,075,000	868,305	1,943,305	2,811,610
2/15/14	-		-	-	-		832,561	832,561	-	832,561	832,561	
8/15/14	-	5.375%	-	-	1,145,000	6.650%	832,561	1,977,561	1,145,000	832,561	1,977,561	2,810,123
2/15/15	-		-	-	-		794,490	794,490	-	794,490	794,490	
8/15/15	-	5.375%	-	-	1,220,000	6.650%	794,490	2,014,490	1,220,000	794,490	2,014,490	2,808,980
2/15/16	-		-	-	-		753,925	753,925	-	753,925	753,925	
8/15/16	-	5.250%	-	-	1,300,000	6.625%	753,925	2,053,925	1,300,000	753,925	2,053,925	2,807,850
2/15/17	-		-	-	-		710,863	710,863	-	710,863	710,863	
8/15/17	-	5.000%	-	-	1,385,000	6.625%	710,863	2,095,863	1,385,000	710,863	2,095,863	2,806,725
2/15/18	-		-	-	-		664,984	664,984	-	664,984	664,984	
8/15/18	-	5.000%	-	-	1,480,000	6.625%	664,984	2,144,984	1,480,000	664,984	2,144,984	2,809,969
2/15/19	-		-	-	-		615,959	615,959	-	615,959	615,959	
8/15/19	-	5.000%	-	-	1,575,000	6.625%	615,959	2,190,959	1,575,000	615,959	2,190,959	2,806,919
2/15/20	-		-	-	-		563,788	563,788	-	563,788	563,788	
8/15/20	-	5.000%	-	-	1,680,000	6.625%	563,788	2,243,788	1,680,000	563,788	2,243,788	2,807,575
2/15/21	-		-	-	-		508,138	508,138	-	508,138	508,138	
8/15/21	-	5.000%	-	-	1,795,000	6.625%	508,138	2,303,138	1,795,000	508,138	2,303,138	2,811,275
2/15/22	-		-	-	-		448,678	448,678	-	448,678	448,678	
8/15/22	-	5.000%	-	-	1,910,000	6.625%	448,678	2,358,678	1,910,000	448,678	2,358,678	2,807,356
2/15/23	-		-	-	-		385,409	385,409	-	385,409	385,409	
8/15/23	-	5.000%	-	-	2,040,000	6.625%	385,409	2,425,409	2,040,000	385,409	2,425,409	2,810,819
2/15/24	-		-	-	-		317,834	317,834	-	317,834	317,834	
8/15/24	-	5.000%	-	-	2,175,000	6.625%	317,834	2,492,834	2,175,000	317,834	2,492,834	2,810,669
2/15/25	-		-	-	-		245,788	245,788	-	245,788	245,788	
8/15/25	-	5.000%	-	-	2,315,000	6.625%	245,788	2,560,788	2,315,000	245,788	2,560,788	2,806,575
2/15/26	-		-	-	-		169,103	169,103	-	169,103	169,103	
8/15/26	-	4.750%	-	-	2,470,000	6.625%	169,103	2,639,103	2,470,000	169,103	2,639,103	2,808,206
2/15/27	-		-	-	-		87,284	87,284	-	87,284	87,284	
8/15/27	-	4.750%	-	-	<u>2,635,000</u>	6.625%	<u>87,284</u>	<u>2,722,284</u>	<u>2,635,000</u>	<u>87,284</u>	<u>2,722,284</u>	<u>2,809,569</u>
	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,225,000</u>		<u>\$ 20,279,900</u>	<u>\$ 46,504,900</u>	<u>\$ 26,225,000</u>	<u>\$ 20,279,900</u>	<u>\$ 46,504,900</u>	<u>\$ 46,504,900</u>

Memorandum



CITY OF DALLAS

DATE December 11, 2009

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen, Chair; Ann Margolin, Vice-Chair; Vonciel Jones Hill; Angela Hunt; Delia D. Jasso; Ron Natinsky

SUBJECT Love Field Modernization Program – Bond Financing Update

Attached is the briefing entitled, "Love Field Modernization Program—Bond Financing Update" that will be presented to you on December 14, 2009.

Please contact me if you need additional information.

A handwritten signature in black ink, appearing to read 'A.C. González', written over a circular scribble.

A.C. González
Assistant City Manager

c: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Thomas P. Perkins, Jr., City Attorney
Deborah Watkins, City Secretary
Craig 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
David K. Cook, Chief Financial Officer
Jeanne Chipperfield, Director, Office of Financial Services
Edward Scott, Director, Controller's Office
Helena Stevens-Thompson, Assistant to the City Manager - Council Office
Daniel T. Weber, Director, Department of Aviation



Love Field Modernization Program Bond Financing Update

Briefing to the
Budget, Finance & Audit Committee

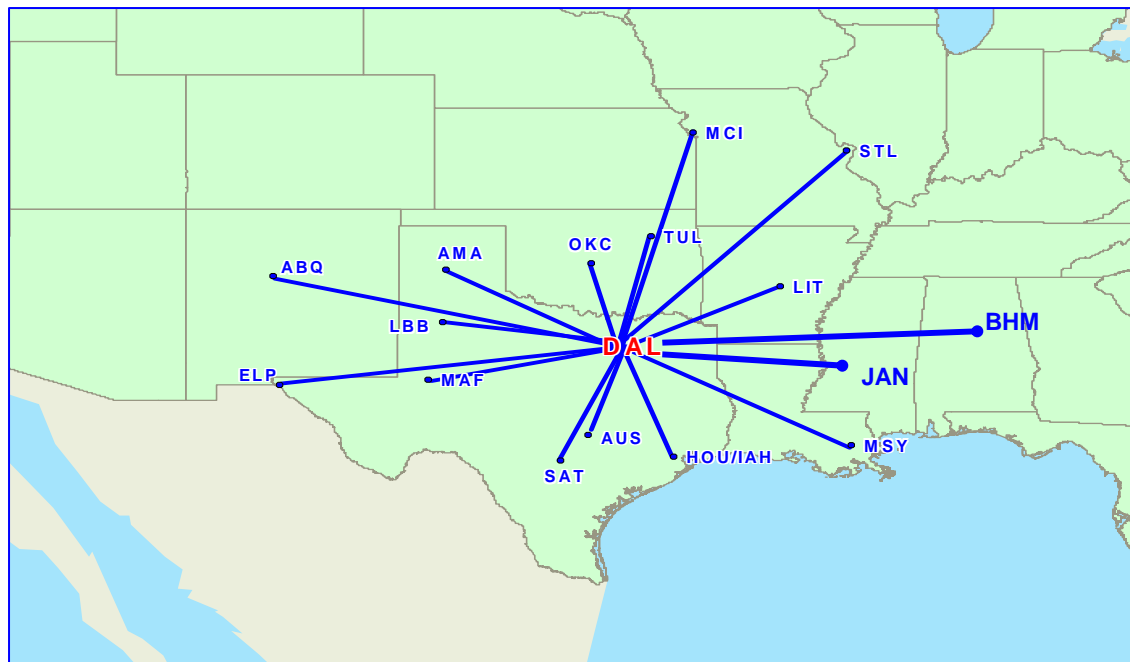
Department of Aviation
December 14, 2009

Purpose

- Review LFMP background and give status update of LFMP bond financing
 - Agreement structure, flow of funds
- Discuss Jan 11, 2010 briefing and timetable for bond closing
- Next Steps
 - City Council Agenda Jan 13, 2010

Love Field Modernization Program

- Background
 - Wright Amendment – 1979 - 2014
 - Commercial flights restricted to 5 states (plus 4 added later)



Love Field Modernization Program



- Background
 - Wright Amendment Reform Act of 2006
 - Based on local 5-Party Agreement to repeal Wright Amendment
 - Flight restrictions phase out over 8 years
 - Love Field capacity limited to 20 gates
 - **Requires City & Southwest Airlines to collaborate** on modernization of Love Field

Love Field Modernization Program

Present



Future

Financing Agreement Structure

- Foundation Agreements

- Term Sheet (June 2008)

- Established LFMP concept & budget
 - Established Local Government Corp structure
 - Established cost recovery method of airline rates & charges
 - Defined roles of the City & Southwest
 - Enabled Inducement Resolution authorizing \$75M Southwest expense

- Program Development Agreement (Nov 2008)

- Established management structure for LFMP
 - Defined financial structure

- Airport Use & Lease Agreement (Dec 2008)

- Terminal space lease, use of airport
 - Sets priority on application of airport revenues
 - Assures revenues to fund airport annual budget

Financing Agreement Structure

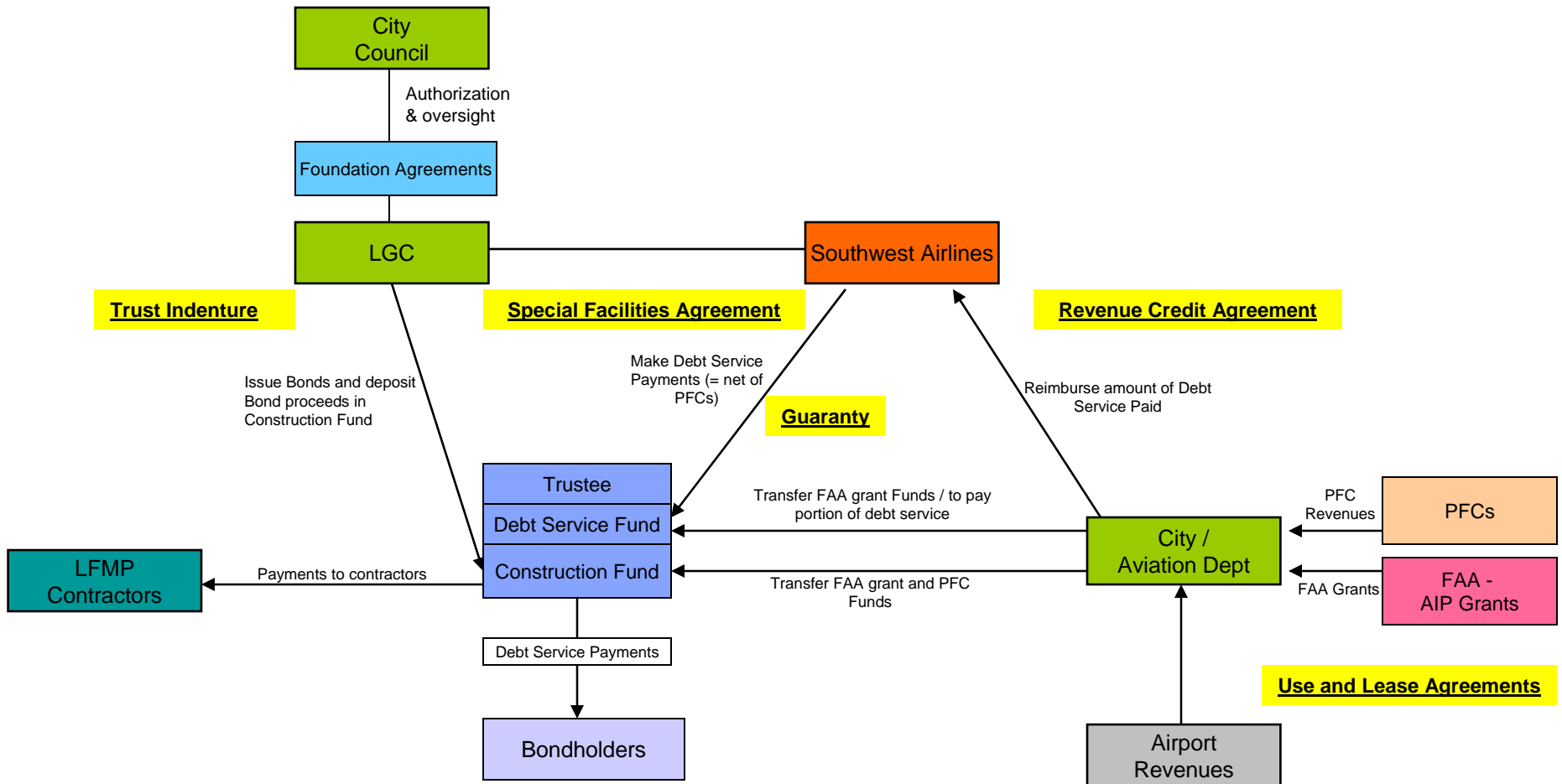
- The Term Sheet (June 2008) and the Program Development Agreement (Nov 2008) are implemented through the following Bond Financing Agreements
 - Special Facility Agreement
 - (City, Local Government Corporation, Southwest)
 - Revenue Credit Agreement
 - (City, Southwest)
 - Trust Indenture
 - (Local Government Corporation, Trustee)
 - Guaranty (Trustee, Southwest)
- The Airport Use & Lease Agreement (Dec 2008) continues through 2028

Financing Agreement Structure

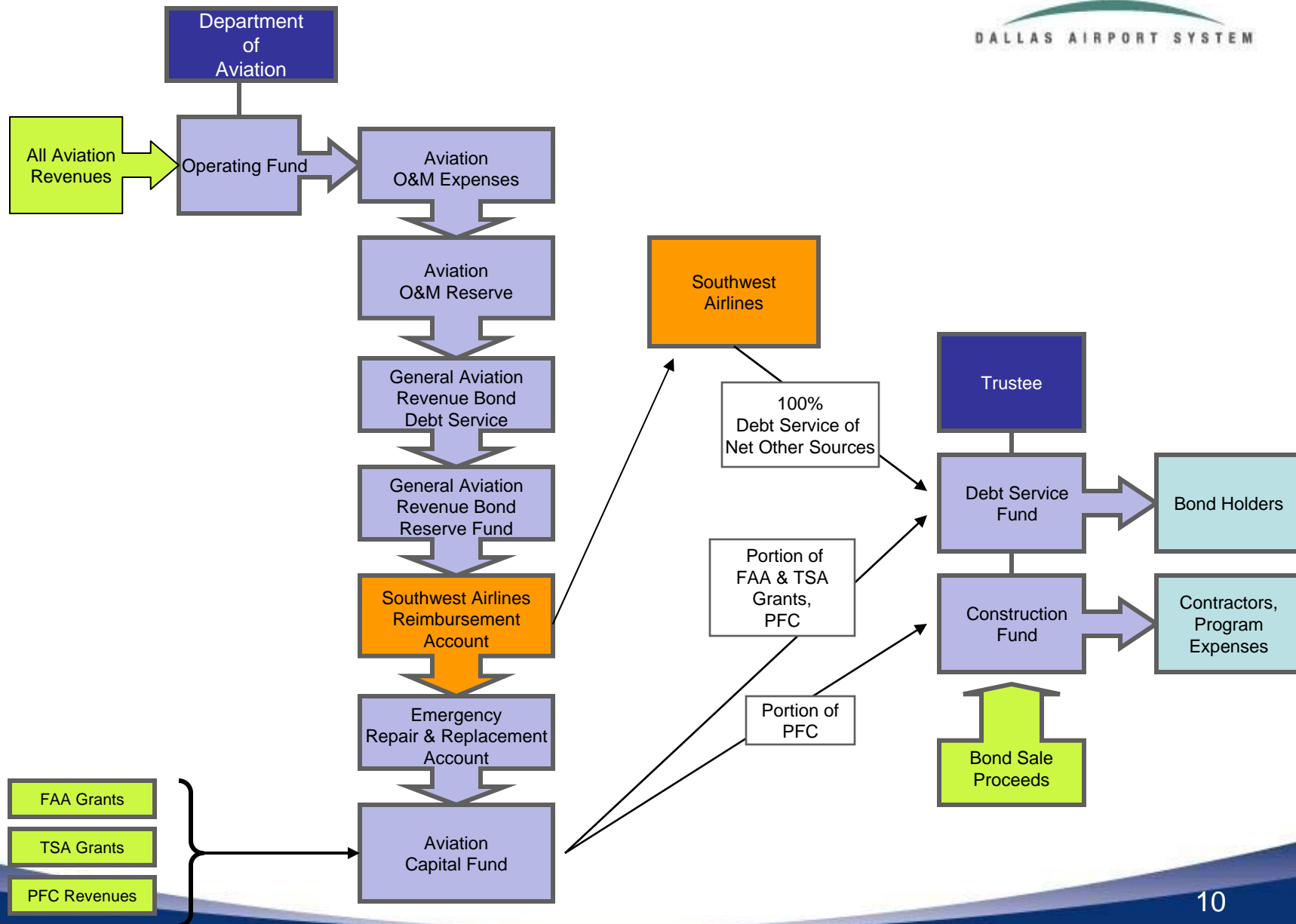


- Bond Financing Agreements (briefed Sept 15, 2009)
 - Special Facility Agreement (City, Local Government Corporation, Southwest)
 - City agrees to operate facilities & authorize Local Gov't Corp to issue bonds
 - Local Gov't Corp issues bonds backed by Southwest credit
 - Southwest agrees to construct facilities and pay debt service
 - Revenue Credit Agreement (City, Southwest)
 - Defines Aviation Fund reimbursement to Southwest for debt service payments received from other sources
 - Provides for transfer to Trustee of certain FAA grant & PFC funds
 - Trust Indenture (Local Government Corporation, Trustee)
 - Trustee management of bond & other funding, pays contractors
 - Trustee receives debt service funds & pays bondholders
 - Guaranty (Trustee, Southwest)
 - Southwest guarantees to the Trustee the repayment of the Bonds

Funding/Financing Structure



Flow of Funds



Financial Risk



Condition	Risk	Mitigation/Effect
Reimbursement to Southwest of debt service paid	If Airport system revenues not sufficient to fully fund Southwest Reimbursement Account, then result would be shortfall	Airport Use & Lease Agrm't: 1) Mid-year rate adjustment 2) Year end settlement process
If PFC collection rates drop from traffic reduction	Planned contribution up to \$10M toward annual debt service amount not met	Amount of Southwest debt service payments increased by amount PFC reduced
Airport Use & Lease Agreement expires 12 years before bonds mature (2028 vs. 2040)	Ability to generate net revenues from new Airport Use & Lease Agreement sufficient to fund Southwest Reimbursement Account	Sec 22.019 & Sec 22.021 of Texas Transportation Code allows City to set reasonable rates & charges which recover cost of facility
If Southwest reimbursement account under funded at end of bond term	Southwest still owed reimbursement after bonds are fully paid	City will remain obligated to reimburse Southwest from available net revenues for one year beyond term of bonds

Bond Sale Preparations

- Finance Team Documents Status
 - Plan of Finance – in progress
 - Bond Feasibility Study – in progress
 - Preliminary Official Statement – in progress
 - Parameters Bond Ordinance – in progress
- To be briefed to Committee 1/11/10

Financing Time Table

- 1/11/10 – Committee briefing on items currently in progress by Finance Team
- 1/13/10 – City Council consideration to approve agreements, Financing Plan, Parameters Resolution
- 1/27/10 – Bond pricing
- 1/28/10 – Love Field Airport Modernization Corp
 - Approval of Bond Resolution, all other related documents
 - Execute Bond Purchase Agreement
- 2/18/10 – Closing

Next Steps

- 1/11/10 Committee Briefing on Plan of Finance, Feasibility Study, Preliminary Official Statement, Parameters Bond Ordinance
- 1/13/10 City Council agenda for consideration on agreements and Bond Parameters Resolution

Appendix



Finance Team

City of Dallas

Department of Aviation

City Attorney's Office

Airport Consultant – Unison Consulting, Inc.

Co-Financial Advisors – First Southwest Company

Co-Financial Advisors – Estrada Hinojosa

Co-Bond Counsel – McCall, Parkhurst & Horton L.L.P.

Co-Bond Counsel – Escamilla Poneck

Trustee – Wells Fargo Bank, N.A.

Trustee Counsel – Haynes and Boone

Southwest Airlines

Airline Consultants – AvAir Pros

Airline Counsel – Winstead PC

Printer - TBD

Underwriters

Senior Managers – Goldman Sachs (Lead)

Co-Senior Mgrs – Bank of America Merrill Lynch

Co-Senior Mgrs – Ramirez & Co.

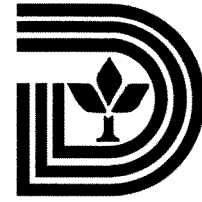
Co-Managers – Citi

Comerica

Co-Underwriters Counsel – Katten Muchin Roseman LLP

Mahomes Bolden Warren Sigmon PC

Memorandum



CITY OF DALLAS

DATE December 11, 2009

TO Honorable Members of the Budget, Finance & Audit Committee: Jerry R. Allen, Chair; Ann Margolin, Vice Chair; Delia D. Jasso, Vonciel Jones Hill, Angela Hunt, David A. Neumann, Ron Natinsky

SUBJECT **McCommas Bluff Landfill Briefing**

Attached is the briefing requested on the topic of McCommas Bluff Landfill. This briefing will be presented by Sanitation Services to the Budget, Finance & Audit Committee at 9:30 a.m. on Monday, December 14, 2009.

Please let me know if you need additional information.

A handwritten signature in black ink, appearing to read 'Ryan S. Evans'.

Ryan S. Evans
First Assistant City Manager

Attachment

C: Honorable Mayor and Members of the City Council
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
Jill A. Jordan, P.E., Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Forest E. Turner, Assistant City Manager
David K. Cook, Chief Financial Officer
Mary Nix, Director, Sanitation Services
Helena Stevens-Thompson, Assistant to the City Manager

McCommas Bluff Landfill

Briefing for:
Budget, Finance and Audit Committee
14 December 2009
Ron Smith, SAN Assistant Director





McCommas Bluff Landfill

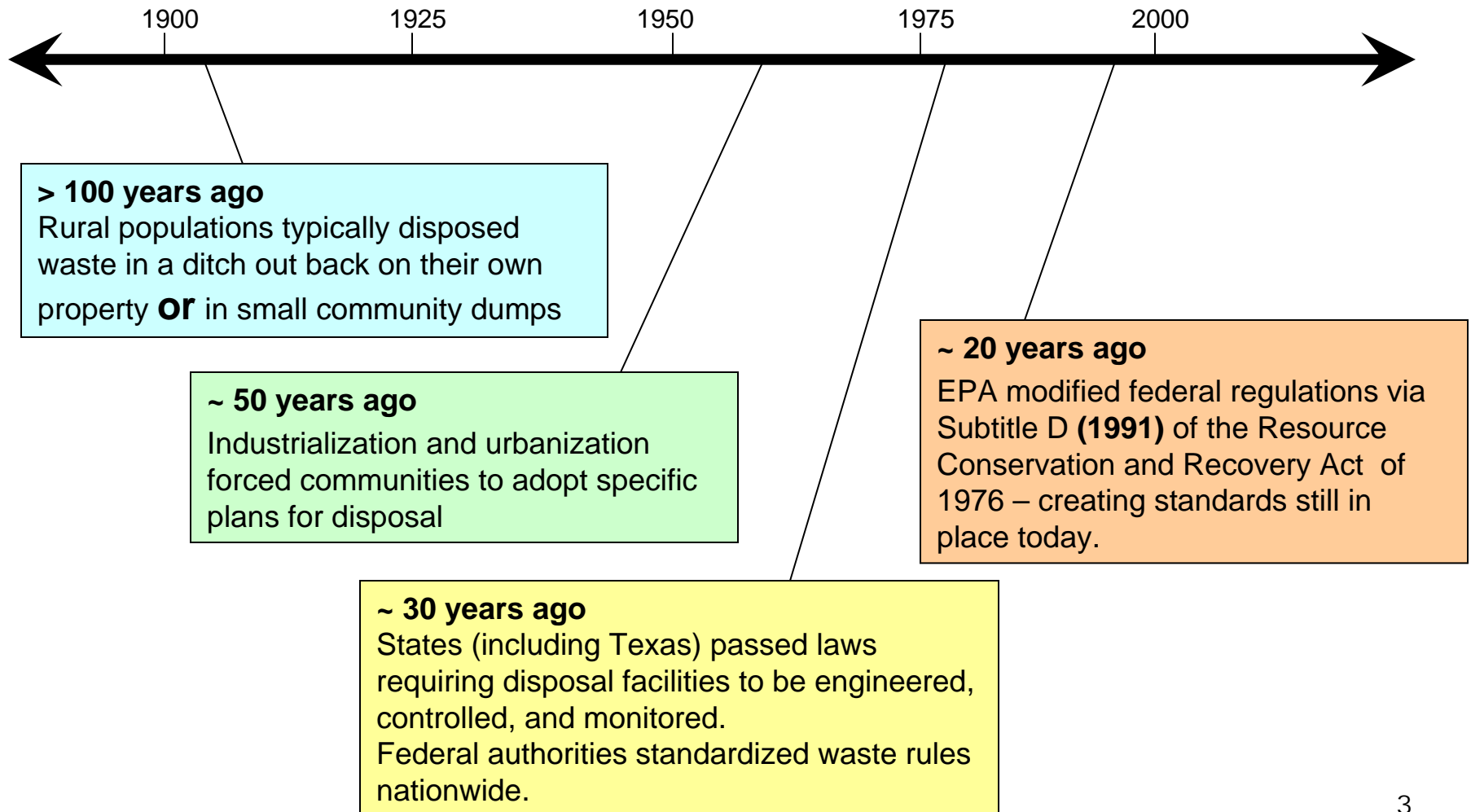
The landfill is a valuable city asset that meets a basic need of our citizens – the **safe** and **efficient** disposal of solid waste.

It is a large, on-going and developing site, well-planned and operated to last for many decades – possibly as long as Dallas needs disposal space.

This briefing will tell the story of how this landfill came to be, how we operate it, and where we're going in the future with it ... starting with a little history of waste disposal.

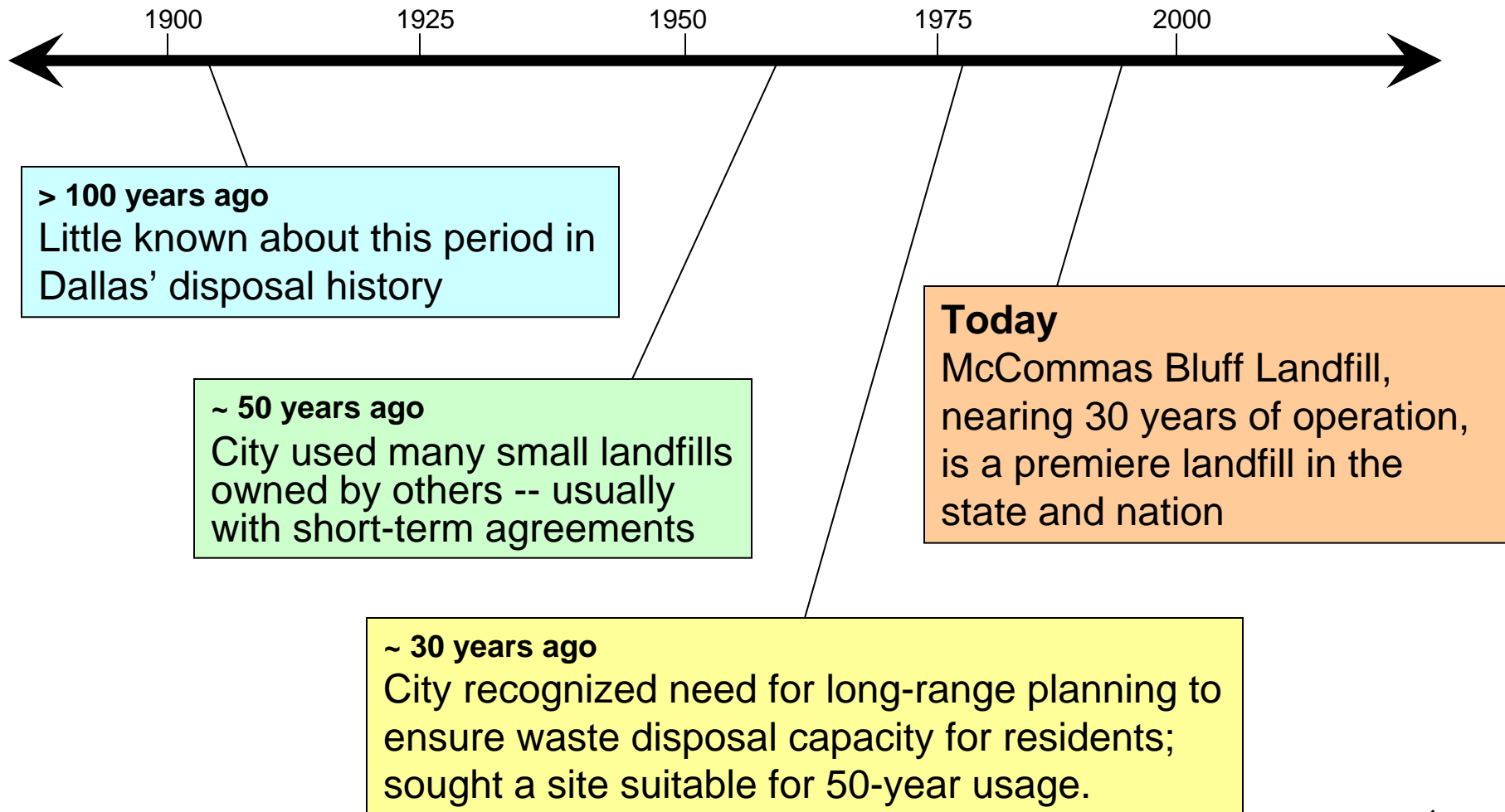
How We Got Here:

Waste disposal history in the U.S.



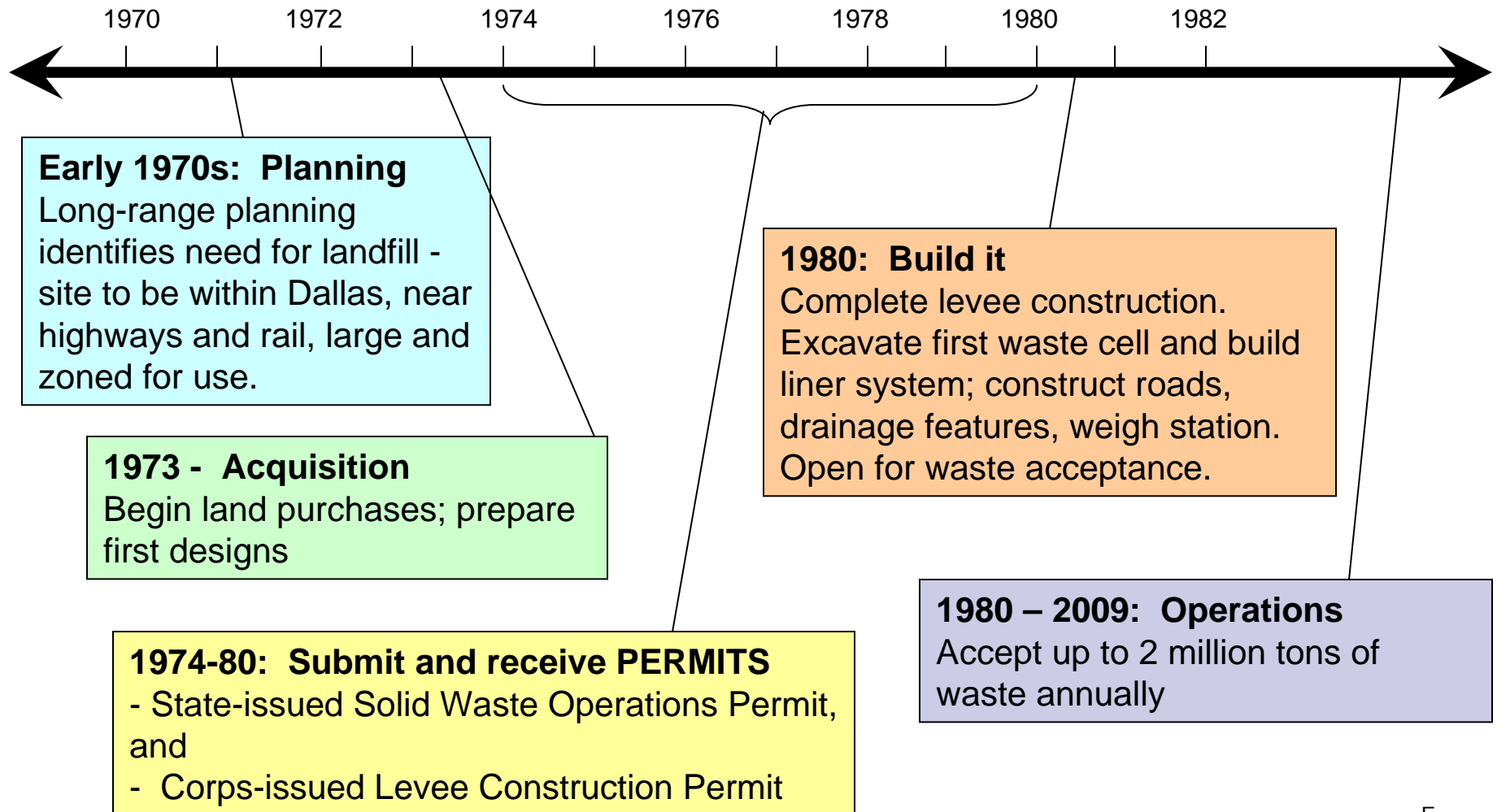
How We Got Here:

Waste disposal history *in Dallas*



How We Got Here:

The McCommas Bluff timeline



How We Got Here:

A landfill is not a “dump”

What makes a landfill different ?

Planning:

Landfills require long-range planning (similar to airports and & water supply)
Site selection, zoning, property acquisition are among the tasks requiring 3-10 years

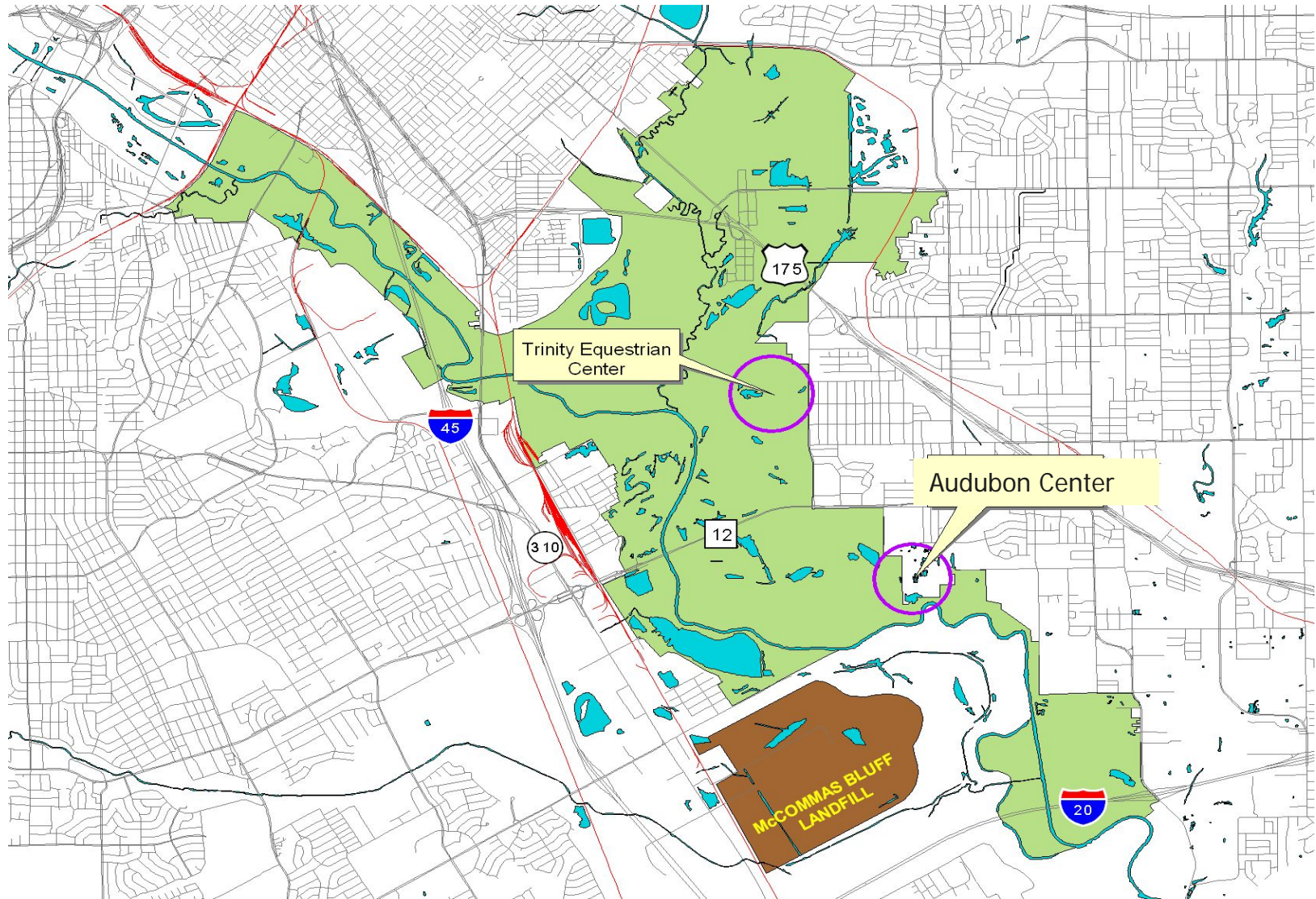
Engineering:

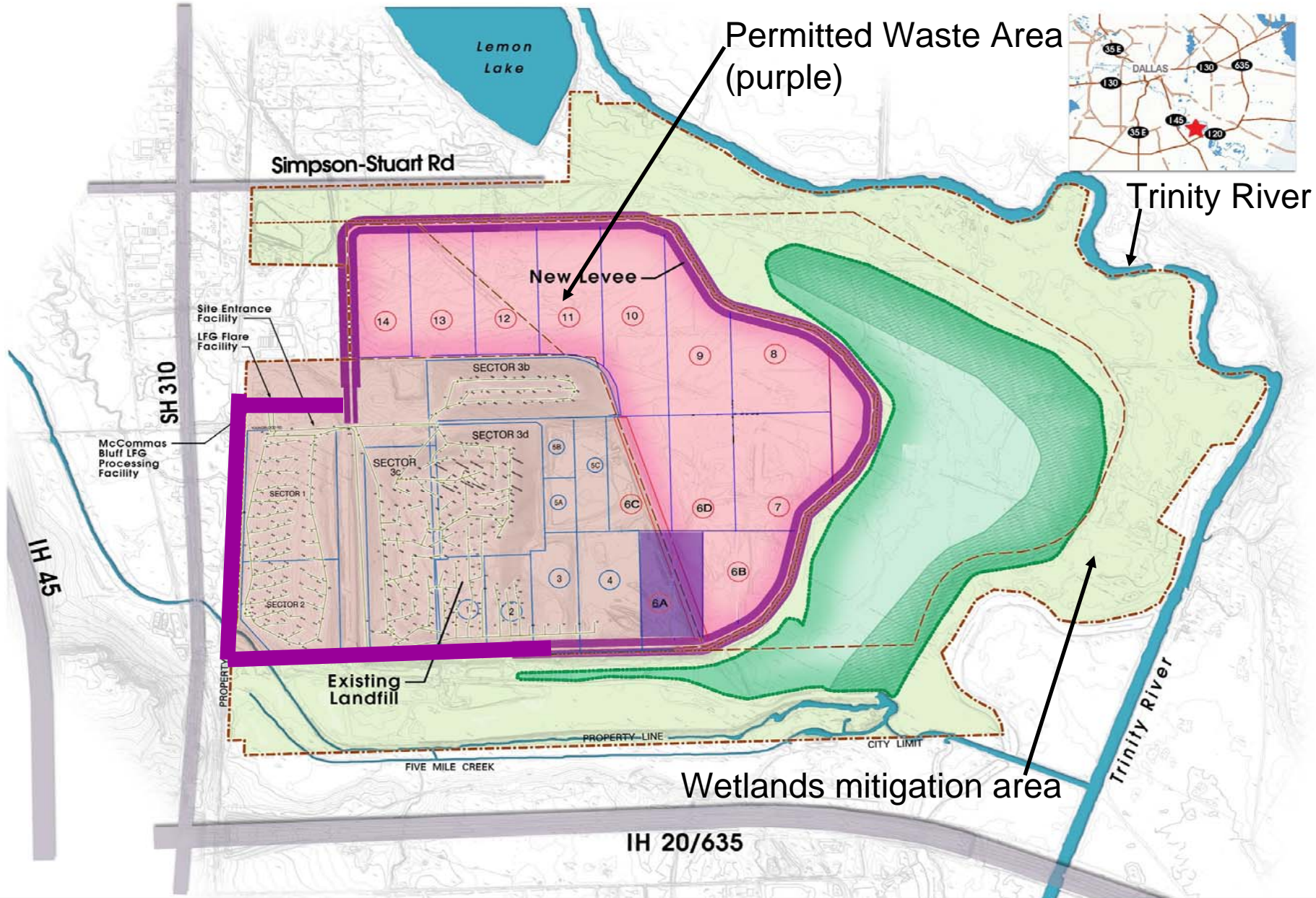
A landfill is an engineered facility – essentially, it’s one large Public Works project that spans decades of design, construction and operations ... building a series of waste cells, roads, drainage features, slopes and berms, pump systems, and so on

Rules:

Landfills must adhere to strict federal, state, and local solid waste rules and protocols; must conduct rigorous environmental monitoring tasks to maintain compliance, must pay significant fees to state agencies who verify proper operations

McCommas Bluff Landfill in the Trinity Corridor





What We Do Here:

Waste Disposal for our Residents

The primary purpose is to serve the disposal needs of Dallas residents:

- Residents generate about 600,000 tons of waste annually
- Landfill capacity can serve just that need for **120 years**
- New technologies should replace landfills within 50 years
- McCommas' surplus capacity can provide much needed disposal capacity for commercial customers
- So ... we use what we can and sell the rest !



What We Do Here:

Waste Disposal for Others

The secondary purpose is to serve any other disposal needs, as a business venture

- Commercial waste haulers need landfill disposal space
- Dallas fulfills commercial demand with surplus capacity



- FY09 usage from commercial haulers: 1.1M tons
- City balances commercial usage with residential needs – using an annual capacity review and evaluation
- Landfill revenues contribute to Dallas' financial stability
- Everybody wins!

What We Do Here:

Reuse and Recycle

Waste Diversion: Recycle it !

- **Concrete:** diverted, crushed, and reused (**25,000 tons per year**)
 - *Reuse as gravel substitute for landfill haul roads*
- **Brush:** diverted, ground, and reused (**15,000 tons per year**)
 - *Reuse as slope protection and wet-weather platform base*
- **Old Tires:** diverted to vendor (**500 tons per year**)
 - *Reuse as aggregate for biotech fluid dispersion system*
- **Glass, Plastic, Metals:** diverted to processor (**100 tons per year**)

Beneficial Reuse: Use it a second time !

- **Asphalt:** from street re-surfacing projects (**7,000 tons per year**)
 - *Reuse as gravel substitute for landfill haul roads*
- **Clean Soil:** from various contractor sources (**16,000 tons per year**)
 - *Reuse as soil cover, berms, haul road base*

What We Do Here:

Energy Recovery

Landfill Gas as a Renewable Energy

Dec 1994: City signs 30-year lease with EcoGas

Mid-1996: Initial gas wells installed, flare utilized
(well-field and flare cost: \$2.0M)

Jun 1998: Gas plant constructed to process gas
(plant financed using private funds at \$14.0M)

Today's Status

- *Dallas Clean Energy* is current lessee
- **5 million cubic feet** of landfill gas collected each day
 - Plans to triple that volume by 2014
- Gas plant “cleans” the gas and sells at market – a quantity that could heat 35,000 homes annually
- Dallas receives royalty on sales - \$1.2M annually, starting Dec 2008

What It Costs/Earns:

Landfill's FY10 Budget Summary

Expenses

Item	Expense
Labor	\$5.6 M
Equipment & Supplies	\$7.5 M
Utilities, Fees, etc.	\$4.6 M
Total:	\$17.7 M

Revenues

Source	Revenue
Commercial Hauler Fees	\$23.5 M
Commercial Hauler Franchises	\$2.5 M
Residents' Monthly Bills	\$5.8 M
Landfill Gas Sales	\$1.2 M
Total:	\$33.0 M

Net Contribution
to
General Fund

\$15.3 M

Portion of the residents' monthly Sanitation fee allocated to dispose of residential waste

What It Costs/*Earns*:

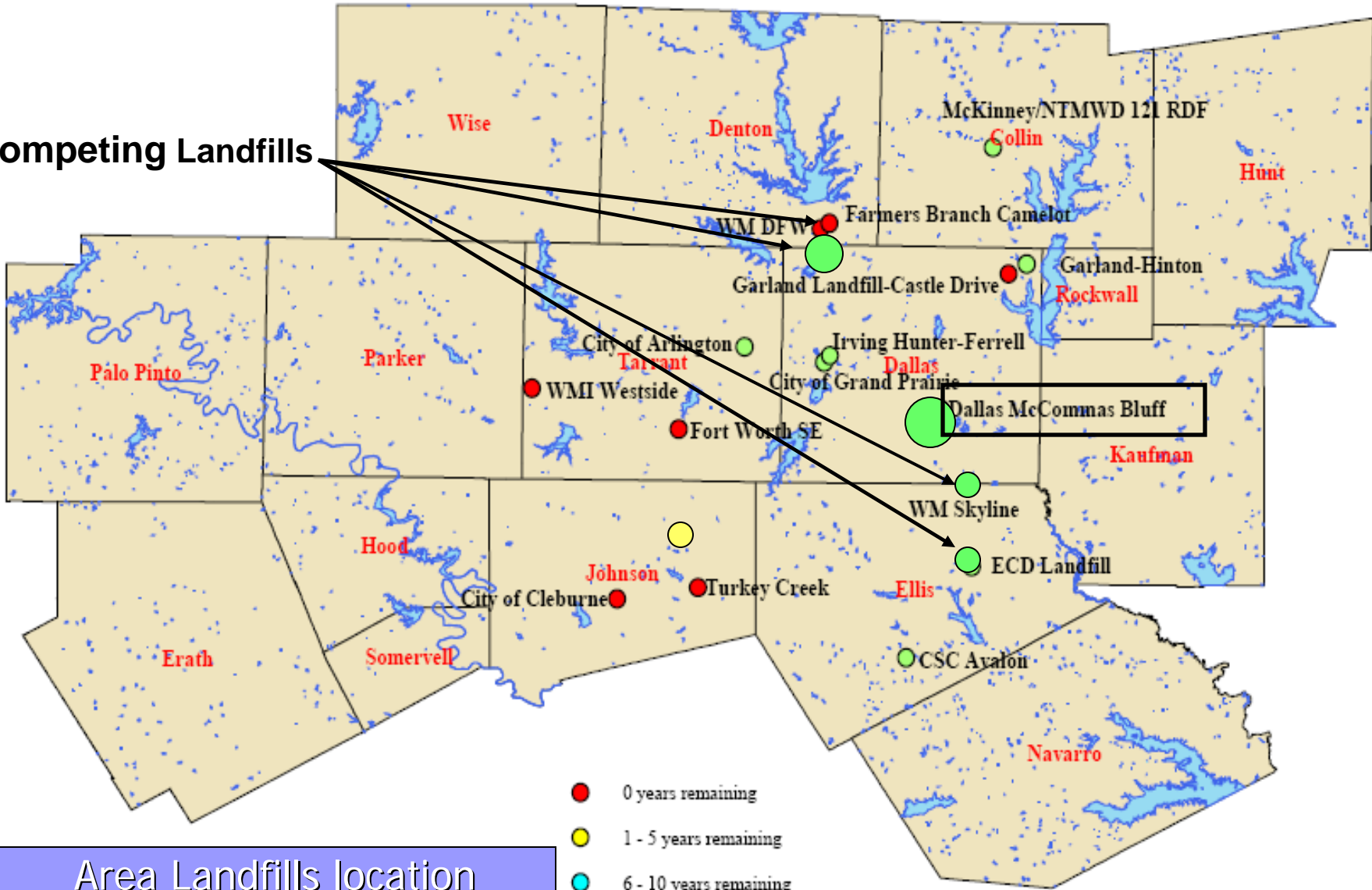
Landfill Market Analysis

- McCommas Bluff's **secondary** purpose – meet the needs of Dallas' commercial haulers, as a business venture
- Price the commodity (landfill waste space) based on market analysis
- Recognize that DFW area has ample waste capacity for the next 10 years – then dwindling capacity thereafter

Landfills with Competitive Range				
Site	Operator	Fee * (per ton)	Annual Tons	Est'd Life (years)
McCommas Bluff	City of Dallas	\$ 21.00	1,750,000	47
Skyline	Waste Mgmt	\$ 29.73	1,000,000	25
DFW Lewisville	Waste Mgmt	\$ 23.50	1,400,000	11
Farmers Branch	Republic Waste	\$ 25.50	350,000	14
121 Regional	Republic Waste	\$ 31.00	650,000	102
Hinton	City of Garland	\$ 35.00	450,000	39
Grand Prairie	City of Grand Prairie	\$ 36.00	200,000	35
Hunter Ferrell	City of Irving	\$ 40.00	175,000	44
ECD (Ellis County)	Republic Waste	\$ 24.00	130,000	230

* Highlighted fees indicate that Operator offers discounts (up to 30%)

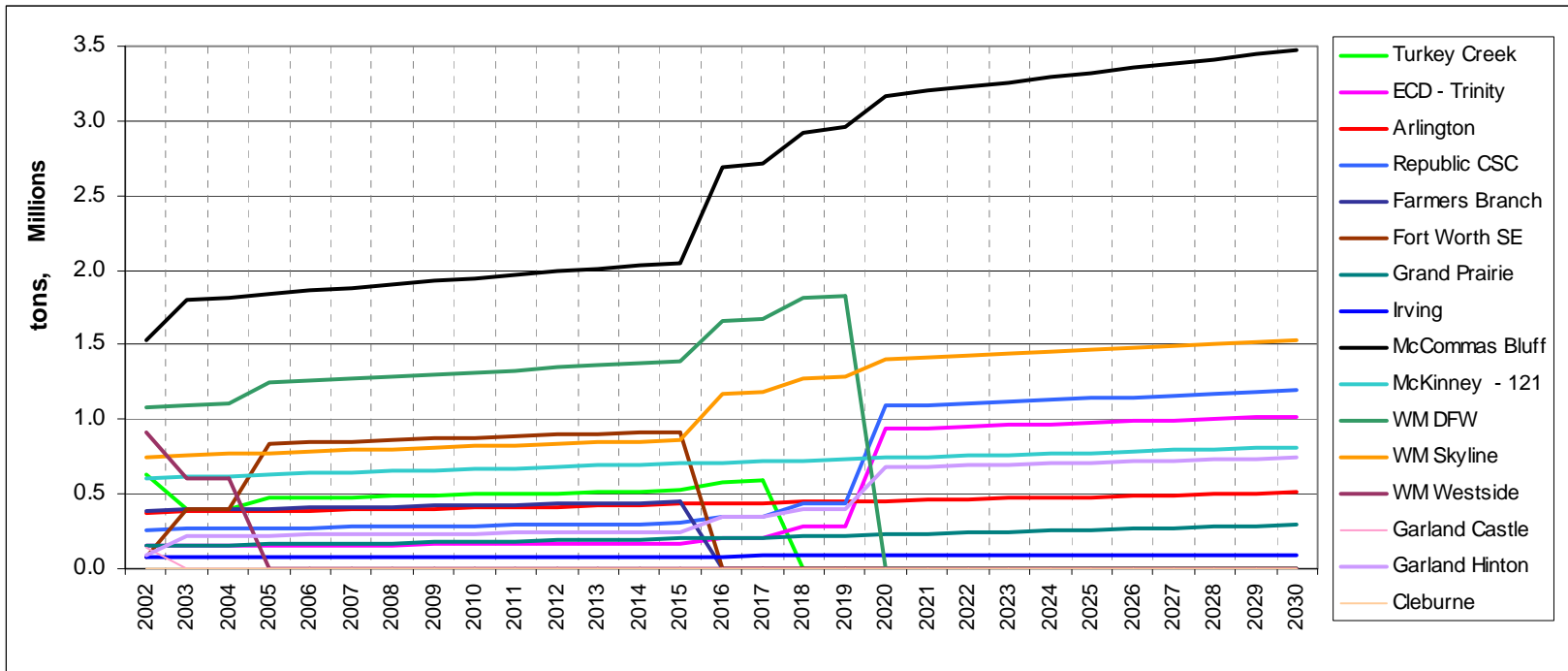
Competing Landfills



Area Landfills location and their remaining life
 2003 NCTCOG report

What It Costs/Earns:

Landfill Market Analysis



According to a NCTCOG study conducted in 2003, McCommas' capacity will be essential to meet the DFW area's waste disposal needs for the long-term.

What It Costs/*Earns*:

Landfill Revenues

- Dallas area disposal rates: \$15 and above
 - Most cities raise the fee to conserve landfill capacity
 - Some rates up to \$40/ton

- McCommas' Gate Rate: **\$21 / ton**
 - Ample capacity at this site
 - Competing landfills charge \$15-\$28
 - Dallas offers volume discounts via **disposal contracts**
 - Discount based on quantity and contract period
 - Rates range from \$17.16 to \$18.43 under contracts
 - Keeps revenue stream more predictable
 - 29% of commercial tonnage under contract

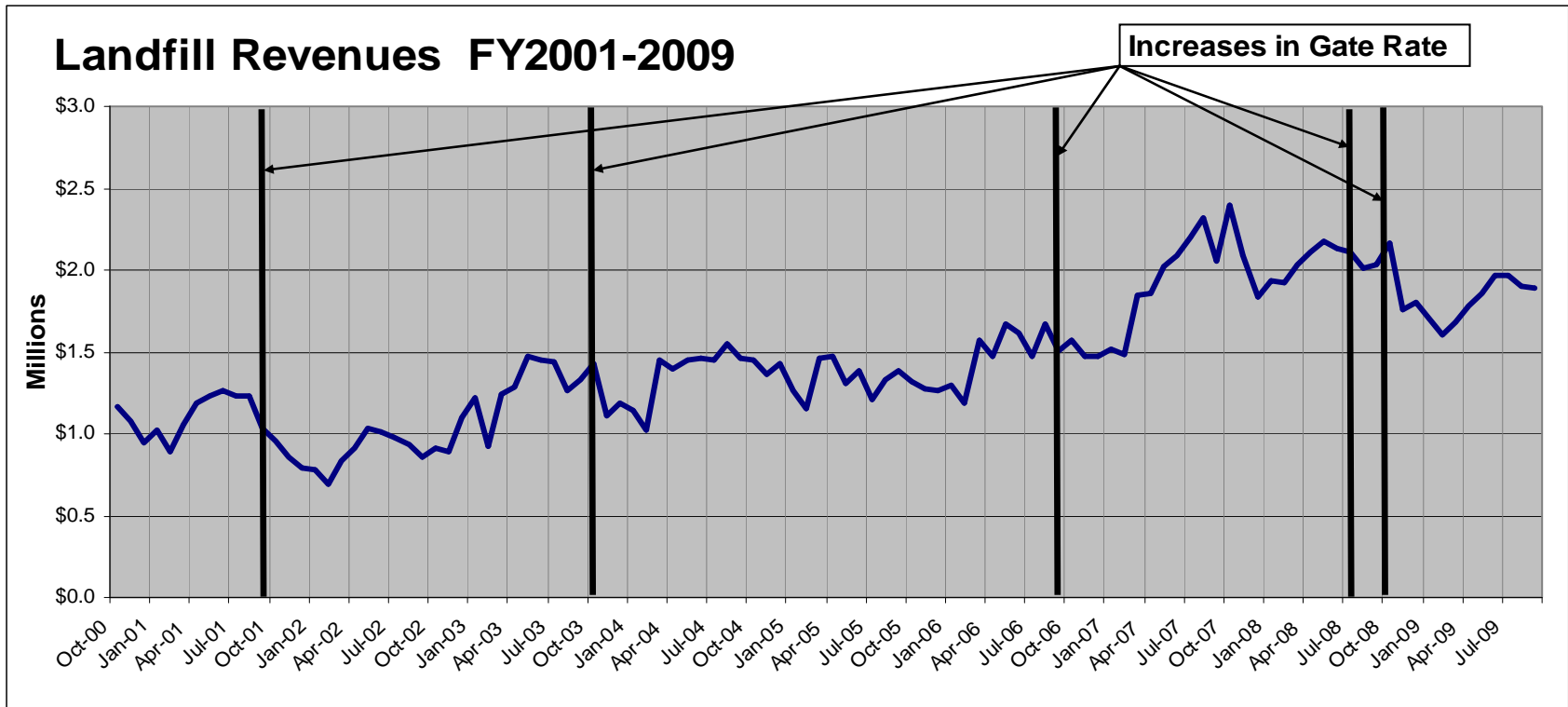


What It Costs/*Earns*:

Landfill Revenues

- Changing the landfill fee
 - Highly competitive marketplace
 - Four landfills within 30 miles of McCommas
 - Haulers switch from one site to another easily
 - McCommas advantages:
 - Readily accessible location
 - Well-managed site
 - Broad hours of operation

- Sensitivity of rate changes
 - McCommas acts as pricing anchor
 - Rate increase sets off loss of customer
 - Other sites adjust prices upward, subsequently
 - **Market-share recovery requires 6 months or so**



Notes:

- 1) Following a gate rate increase, landfill revenues fall for 4-6 months. Recovery to the previous revenue level requires as much as a year, depending on the local economy.
- 2) Other landfills respond to McCommas' rate increases by attracting commercial haulers with unchanged rates, and seek extended agreements to keep the revenue stream.
- 3) The City should secure more the commercial waste stream through disposal contracts (now at 29%) before hiking the gate rate.

Franchise Fees as a Revenue Source

- Prior to the franchise system the city utilized individual vehicle and container permits.
 - Proved to be labor intensive
 - Very time consuming to manage
- Transitioned to a Franchise system for all solid waste haulers January 2007
 - More efficient
 - More revenue



Franchise Fees



■ Background

- Change from “permit system” to “franchises” for efficiency, better oversight of haulers, and increased revenue
- Solid waste haulers operating in Dallas must have a franchise, effective 2007. Council awards individual franchises, with a term of 20 years plus four 5-year extensions (up to 40 years total)

■ First franchises awarded in Jan 2007

- 180 haulers now franchised; additional haulers awarded when identified and educated on the requirement
- **\$2.5M** in annual fees collected in FY09 (vs. \$1.6M using permit system)
- Many smaller haulers resisted the requirement
 - New system – needed to adjust bookkeeping and rates
 - Concerned about remaining competitive

■ SAN arranged for Auditor to audit franchisees, beginning after the first year’s reports from haulers

Franchise Fees, cont'd

- Auditor followed up, as planned

- Audited nine waste haulers
- Representing 85% of revenue stream

- Auditor found:

- Haulers tried to follow ordinance properly for reporting and paying fees
- Seven underpaid; two overpaid
- Discrepancies were resolved – and SAN invoiced and collected the unpaid balances
- SAN and Auditor to continue audits to ensure accuracy of hauler payments to city





What the Future Holds:

Continuous improvement . . .

- Continue good stewardship of this valuable city resource

- Continue protecting the environment with prudent waste management

Innovate . . .

- Accelerate landfill gas production using Biotechnology techniques

- Increase recycling and diversion to retain surplus waste capacity for sale to commercial market

- Implement composting as additional diversion option

- Propose landfill capacity increase – for longer-term benefits to community

What the Future Holds:

Innovation.....

Landfill Biotechnology

- A means to optimize landfill capacity and gas production
 - First in the state of Texas
 - Add liquids to the waste to accelerate decomposition
 - Results in faster settlement
 - Can re-use the same waste space
 - Reduces need for new cell construction (\$4M every 2-3 years)
 - Accelerates gas production, generates gas royalties sooner
 - Becoming a model site for industry, researchers and regulators to gather and share information nationwide

What does Landfill Biotechnology look like?



Summary

- Landfill is a valuable asset because of its size, location and disposal capacity
- Landfill produces positive net revenue to General Fund of about \$10M -15M annually
 - Revenue is primarily from commercial haulers who pay market-based rate
- New technology is generating “green energy” and valuable reclaimed capacity





CITY OF DALLAS

Memorandum

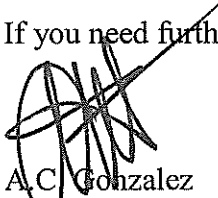
Date: December 10, 2009

To: Budget, Finance and Audit Committee:
Jerry Allen (Chair), Ann Margolin (Vice Chair), Vonciel Jones Hill, Angela Hunt,
Delia D. Jasso, Ron Natinsky, David A. Neumann

Subject: Real Property Acquisition Procedures and Requirements

On Monday, December 14, you will be briefed on City Code requirements and procedures for acquiring real property for public purposes. A copy of the briefing is attached for your review.

If you need further information, please call Theresa O'Donnell at 214-670-4127.



A.C. Gonzalez
Assistant City Manager

c: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Thomas Perkins, City Attorney
Deborah Watkins, City Secretary
Craig Kinton, City Auditor
Judge C. Victor Lander, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Forest Turner, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Dave Cook, Chief Financial Officer
Theresa O'Donnell, Director of Development Services
Jeanne Chipperfield, Director, Office of Financial Services
Helena Stevens-Thompson, Assistant to the City Manager

REAL PROPERTY ACQUISITION PROCEDURES and REQUIREMENTS

Budget, Finance & Audit Committee
December 14, 2009

Purpose

- Provide overview of City's current procedures and requirements for real property acquisitions

City Code Requirements

- Sec. 2-11.2
 - Addresses acceptance of Conveyance or Acquisition by Eminent Domain where consideration is \$10,000 or less
 - City Council action not required unless by ED
 - Short Form Resolution administratively processed
- Sec. 2-11.3
 - Addresses real property acquisitions where consideration exceeds \$500,000
 - Consideration in excess of \$500,000 requires two independent fee appraisals
- Sec. 12A-1.3
 - Prohibits City officials and employees from any financial interest, direct or indirect, or engagement in any business, transaction, or professional activity

Acquisition procedures

- Many city departments make requests to Real Estate for property acquisition.
 - parks, libraries, streets, fire stations, drainage easements, water line easements, etc

- First step is determining basic physical needs
 - How much property is needed?
 - What is the most appropriate location?
 - When is the property needed?
 - Fee simple vs. easement?

- Next step is determining the property's value

Acquisition procedures

- Property value under \$10,000
County Appraisal District valuation can be used for small properties and easements valued at less than \$10,000

- Property value between \$10,000 and \$500,000
1 independent fee appraisal must be obtained

- Property value over \$500,000
2 independent fee appraisal must be obtained

Independent Appraisals

- ❑ Real Estate issues RFP to qualified proposers for appraisal
- ❑ Receive responses from qualified appraisal firms
- ❑ Appraisals typically cost \$2,500 – \$5,000 and use comparable sales method
- ❑ Instruction letter typically states highest and best use
- ❑ Experienced staff members review appraisals for consistency with guidelines and to catch any anomalies.

Acquisition procedures

- ❑ Once property has been identified and fair market established, Real Estate staff can proceed with routine acquisition process
- ❑ All acquisitions with valuation over \$10,000 are authorized and approved by Dallas City Council by resolution
- ❑ Low percentage of acquisitions go through eminent domain proceedings.

Eminent Domain

- Eminent Domain Proceedings
 - Eminent domain proceedings will be initiated:
 - When both parties cannot agree upon fair market value,
 - If there are title issues that cannot be resolved, or
 - If property is owned by City Official
 - Real Estate staff works in conjunction with the City Attorney's Office throughout the entire condemnation procedure.
 - Code specifies that the measure of damages for the condemnation is the local market value of the property at the time of the Commissioners' hearing.
 - Condemnations are authorized and approved by City Council.

Eminent Domain

- Commissioners' Hearing
 - A Commissioners' Hearing will be convened
 - The members of the Commissioner's Court are three disinterested parties appointed by the County Judge
 - City and property owner both have opportunity to present their facts to the Commissioners as to the value of the property
 - Commissioners will make an award
 - Commissioners award can be appealed to District Court

QUESTIONS?

Memorandum



CITY OF DALLAS

DATE December 10, 2009

TO Members of the Budget, Finance & Audit Committee:
Chair Jerry Allen, Vice-Chair Ann Margolin, Vonciel Jones Hill, Angela Hunt, Delia Jasso, Ron Natinsky, David Neumann

SUBJECT Review of Investment Strategies

The December 14, 2009 Budget, Finance & Audit meeting agenda includes a briefing of the City's Investment Strategies. Attached is a copy of the briefing.

A handwritten signature in black ink, appearing to read 'D. Cook'.

David Cook
Chief Financial Officer

c: Honorable Mayor & Members of the City Council
Mary K. Suhm, City Manager
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Forest E. Turner, Assistant City Manager
Craig Kinton, City Auditor

CITY OF DALLAS

REVIEW OF INVESTMENT STRATEGIES

**BUDGET, FINANCE & AUDIT
COMMITTEE**

December 14, 2009

INVESTMENT STRATEGIES

- “As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control.”

Chapter 2256.005(d), Texas Public Funds Investment Act

INVESTMENT STRATEGIES

- Cash flow needs determine the appropriate investment strategy
 - Short term – current needs (0 to 1 year)
 - Medium term – liability matching horizon (1 to 3 years)
 - Long term – dedicated purpose (3 to 5 years)

INVESTMENT POOL STRATEGY

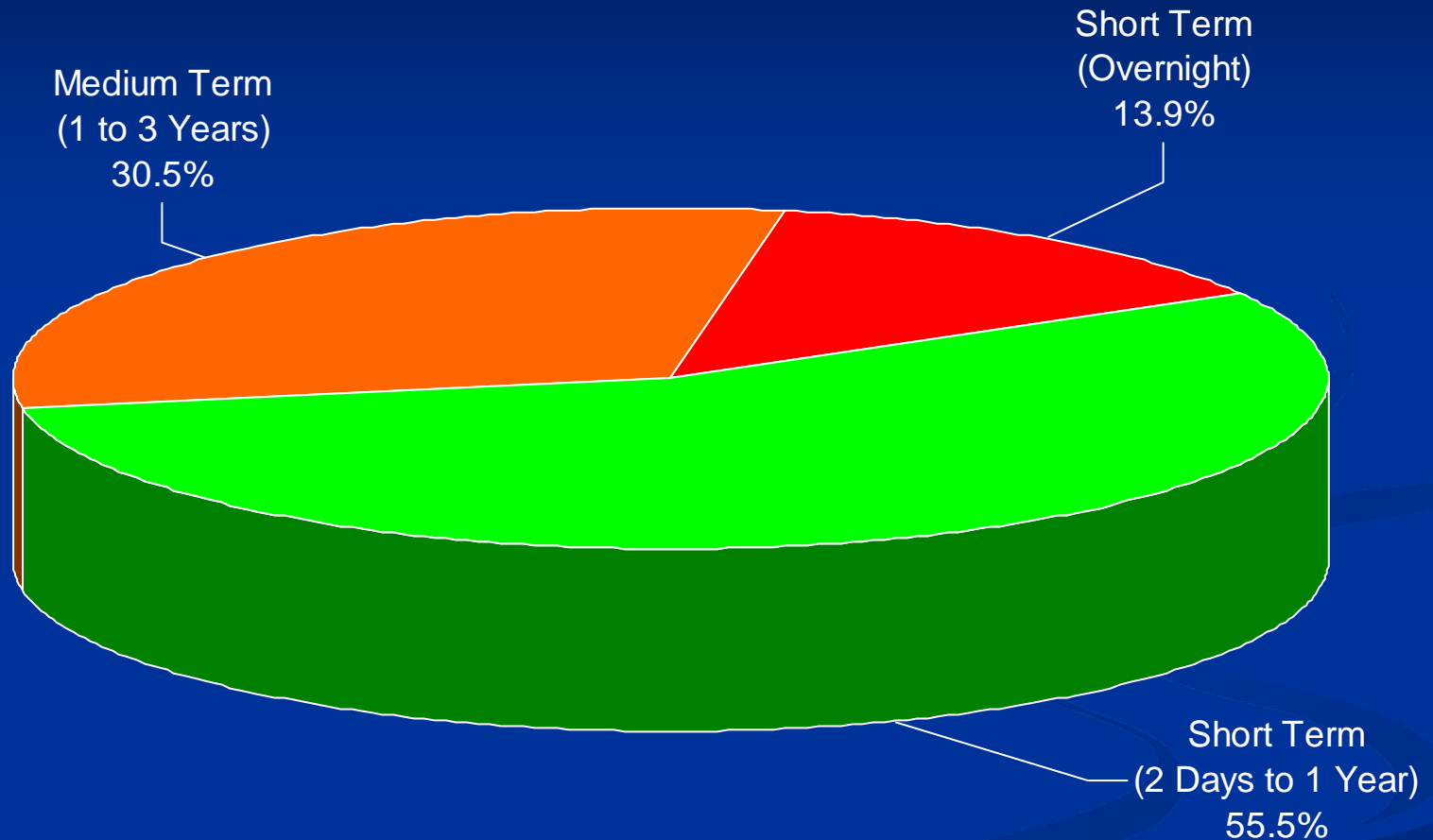
- The majority of City revenues are pooled internally for investment
 - Tax receipts
 - Enterprise fund revenues
 - Fine and fee revenues
 - Some bond proceeds, grants and gifts

INVESTMENT POOL STRATEGY

■ Objectives

- Keep adequate liquidity to meet short term needs
 - Money market mutual funds
 - Local government investment pools
 - Short term securities with maturities of one year or less
 - Certificates of deposit
- Match medium term investments to known future cash flow needs (payroll, debt service payments, etc.)
 - U.S. treasury and agency securities
- Limit weighted average maturity of the pool to 1.5 years

INVESTMENT POOL STRATEGY PORTFOLIO BY MATURITY AS OF 9/30/09



BOND RESERVE FUND STRATEGY

- Some bond reserve funds are invested separately
- Objectives
 - Use long term investments to optimize interest earnings
 - Subject to rebate under federal tax regulations
 - Keep investment market values at levels required by bond ordinances
 - U.S. treasury and agency securities
 - Keep investment maturities less than final maturity of the bonds
 - Investment policy limits maximum maturity to 5 years

Memorandum



CITY OF DALLAS

DATE December 10, 2009

TO Members of the Budget, Finance & Audit Committee:
Chair Jerry Allen, Vice-Chair Ann Margolin, Vonciel Jones Hill, Angela Hunt, Delia Jasso, Ron Natinsky, David Neumann

SUBJECT UPDATE – City’s Investment in The Reserve Primary Fund

This memo provides an updated status and history of the City’s \$2,073,000 investment in the Reserve Primary Fund.

- **September 15, 2008** – Lehman Brothers filed for bankruptcy protection.
- **September 16, 2008** – The Reserve Primary Fund announced that the fund “broke the dollar” (Net asset value fell below \$1 a share to \$0.97) due to its exposure to Lehman Brothers.
- **September 16, 2008** – Standard and Poors downgraded The Reserve Primary Fund to “Dm” from “AAAm”.
- **September 17, 2008** – The City requested redemption of the remaining balance at \$0.9712.
 - Pursuant to the SEC Rule 2a-7 that governs money market mutual funds, a seven day waiting period was established for all redemptions. In other words, even though the City redeemed the remaining balance on the 17th, The Reserve had until the 24th to settle.
- **September 17, 2008** – Shareholders filed a lawsuit in U.S. District Court seeking damages for a class of shareholders who had not redeemed their shares as of September 16th.
 - The lawsuit accused the fund of deviating from its investment objective by investing \$785 million in commercial paper issued by Lehman, which resulted in the fund “breaking the dollar.”
- **September 19, 2008** – The Reserve filed an application with the SEC for a temporary order to suspend all rights of redemption and to postpone the date of payment of redemption proceeds for a period longer than 7 days (this directly affected the City of Dallas).
- **September 23, 2008** – The SEC, pursuant to section 22(e)(3) of the Investment Company Act of 1940, approved The Reserve’s request. Accordingly, the SEC requested that the request be granted until the markets are liquid to a degree that enables the Fund to liquidate the portfolio securities without impairing the net asset value of the Fund. Finally, the SEC said that this shall be in effect as of September 17, 2008 (the day the City redeemed its balance).
- **October 31, 2008** – The City received the first of several planned distributions from the Reserve Primary Fund. Details of the distributions are listed below.

*Balance as of September 17, 2008: \$ 2,075,221

Distribution Date	Amount	Remaining Balance
10/31/08	\$ 1,052,944	\$ 1,022,277
12/03/08	583,243	439,034
02/20/09	137,672	301,362
04/17/09	93,155	208,207
10/02/09	40,499	167,708

* Includes principal (\$2,073,000) and interest (\$2,221) accrued from September 1 through September 14, 2008.

Memorandum

DATE December 10, 2009

TO Chair and Members of the Budget, Finance & Audit
Committee

SUBJECT UPDATE – City's Investment in the Reserve Primary Fund
Page 2

- **November 25, 2009** – A federal judge ruled that the remaining assets of the Reserve Primary Fund, minus legal fees and management expenses, should be distributed on prorated basis to shareholders.
 - The distribution is anticipated to occur within two months. According to a statement published by the Securities and Exchange Commission on November 27th, the amount to be returned to investors will be approximately \$0.99 for each \$1.00 invested in the fund when it closed on September 16, 2008.
 - Based on that estimate, the city would receive a final distribution of approximately \$144,757. This would provide an overall redemption of \$2,052,270 of the City's \$2,075,221 September 17, 2008 account balance.

We will continue to keep you informed.



David Cook
Chief Financial Officer

c: Mary K. Suhm, City Manager
Ryan S. Evans, First Assistant City Manager
Ramon F. Miguez, P.E., Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Forest E. Turner, Assistant City Manager