DEBT SERVICE

GENERAL OBLIGATION DEBT

Introduction

The General Obligation Debt Service Fund provides for the payment of principal and interest on the City's outstanding general obligation bonds, certificates of obligation and equipment acquisition notes. Debt financing is used to pay for large capital projects. By using debt, the project costs are allocated over the life of the asset. Capital projects may include improvements to and/or construction of the City's street system; parks and recreational facilities; libraries; police and fire protection facilities; flood protection and storm drainage system. The Financial Management Performance Criteria (FMPC) addresses debt management, and among other requirements it necessitates voter approval prior to the issuance of general obligation bonds, restricts the maturities, and the amounts of and purposes for which bonded debt may be issued.

The primary source of revenue for the debt service fund is the ad valorem property tax. The proposed ad valorem tax rate of 74.79¢ per $100 assessed value is split into two rates. Approximately one-third (22.49¢) of the tax revenue is used to pay principal and interest on the City's outstanding general obligation debt. The remaining two-thirds (52.30¢) of the revenue generated by the tax rate is used to pay for operating and maintenance costs incurred in the General Fund.

Due to the level principal structure of individual bond sales, the principal and interest payments of the existing general obligation debt decline annually. This repayment schedule creates more growth in the capacity to issue new debt within the existing debt service tax rate than a level payment schedule.

Credit Rating

The City of Dallas' general obligation debt currently holds AA+/Aa1 ratings from Standard & Poor's and Moody's Investors Service, respectively. These exceptionally high ratings reflect the sound management of the City of Dallas' financial resources and allow the City of Dallas to issue relatively low cost debt.

DEBT SERVICE

Legal Debt Margin

The City of Dallas Charter (Chapter XXI, Section 3) limits the maximum bonded indebtedness, payable from taxation, to 10% of assessed property value. However, the City's Financial Management Performance Criteria (FMPC) limits the net general obligation debt to 4% of the true market valuation of the taxable property of Dallas. Existing debt plus the planned issuance of $257.71 million would constitute 2.2% of the assessed value of $90.48 billion and 1.9% of the market value of $105.64 billion. Thus, the City would continue to be in compliance with both requirements as of 9/30/2009.

Assessed Value	$90,477,932,550
10% Legal Debt Margin	$9,047,793,255
Projected GO Debt 9/30/09[1]	$1,969,888,837
GO Debt as a percent of Assessed Property Value	2.2%
Market Value of Taxable Property	$105,644,893,068
4% FMPC Limit	$4,225,795,723
Projected GO Debt 9/30/09[1]	$1,969,888,837
GO Debt as a percent of Market Value	1.9%

[1]The Projected General Obligation debt assumes that the 2008 Certificates of Obligation issued for the Convention Center Hotel land acquisition will be refunded before February 2009.

DEBT SERVICE

FY2008-09 Debt Service Budget

The FY2008-09 budget includes principal and interest payments on $1.86 billion of existing general obligation debt.[1] This amount includes $356.49 million of outstanding pension obligation bonds. New debt to be issued includes $214.67 million in general obligation bonds, $35.54 million in equipment acquisition notes and $7.50 million in certificates of obligation. Principal and interest expenses for existing debt and new debt are $230.08 million and $11.02 million, respectively, and are summarized in the table below.

	Principal	Interest	Total
Existing General Obligation Debt	132,220,000	68,398,796	**200,618,796**
Existing Pension Obligation Debt	12,382,696	17,078,828	**29,461,524**
$214.67m General Obligation Bonds	-	8,467,539	**8,467,539**
$35.54m Equipment Acquisition Notes	1,166,076	1,121,484	**2,287,561**
$7.50m Certificates of Obligation	-	266,250	**266,250**
Total Debt Service	**$145,768,772**	**$95,332,898**	**$241,101,670**

[1]*The 2008-09 Debt Service Budget assumes that the 2008 Certificates of Obligation issued for the Convention Center Hotel land acquisition will be refunded before February 2009.*

Selected Financial Management Performance Criteria - Debt Management

These key criteria, established to ensure sound management of the City's financial resources, are listed below to detail the effects of the issuance of new debt.

Criteria	09/30/07 Actual	09/30/08 Estimate	09/30/09 Adopted[1]
Total direct plus overlapping debt not to exceed 8% of the market value of taxable property	4.2 % In compliance	3.7 % In compliance	3.8 % In compliance
Weighted average general obligation bond maturities (exclusive of pension obligation bonds) not to exceed 10 years	7.6 years In compliance	7.7 years In compliance	7.6 years In compliance
Certificate of obligation debt not to exceed 15% of total authorized and issued general obligation debt	1.8 % In compliance	3.6 % In compliance	3.4 % In compliance
Per capita general obligation debt not to exceed 10% of latest authoritative computation of per capita annual income	3.3 % In compliance	3.5 % In compliance	3.7 % In compliance

DEBT SERVICE

Statement of General Obligation Bonded Indebtedness
As of 09/30/2008

Series Number	Issue Name	Issue Date	Term Years	Interest Rate(s)	Outstanding Principal
560	General Obligation Improvement Bonds	11/01/1996	19	4.0%-6.0%	6,840,000
563	General Obligation Improvement Bonds	11/01/1997	19	4.3%-5.5%	2,880,000
574	General Obligation Improvement Bonds	11/01/1999	19	5.1%-5.5%	6,935,000
578	General Obligation Improvement Bonds	11/01/2000	19	5.0%-5.8%	16,260,000
583	General Obligation Improvement Bonds	11/01/2001	19	4.0%-5.0%	37,425,000
589	General Obligation Refunding Bonds	01/15/2003	8	2.5%-5.0%	9,995,000
592	General Obligation Refunding Bonds	10/29/2003	10	4.0%-5.0%	34,305,000
593	General Obligation Improvement Bonds	11/01/2003	19	3.5%-4.5%	136,870,000
597	General Obligation Improvement Bonds	11/01/2004	19	4.0%-5.0%	136,900,000
604	General Obligation Refunding Bonds	04/13/2005	15	5.0%	156,850,000
606	General Obligation Improvement Bonds	11/01/2005	19	3.3%-5.0%	160,880,000
611	General Obligation Improvement Bonds	11/01/2006	19	4.5%-5.0%	210,150,000
614	General Obligation Improvement Bonds	06/01/2007	20	5.0%-5.1%	124,235,000
615	General Obligation Refunding and Improvement Bonds	11/15/2007	19	4.0%-5.0%	363,240,000
	Total General Obligation Bonds				$ 1,403,765,000
598	Equipment Acquisition Notes	11/01/2004	5	3.0%	4,710,000
608	Equipment Acquisition Notes	11/01/2005	5	3.5%-4.0%	14,315,000
612	Equipment Acquisition Notes	11/01/2006	5	3.8%-4.0%	8,865,000
616	Equipment Acquisition Notes	11/15/2007	5	3.5%-4.0%	29,870,000
	Total Equipment Acquisition Notes				$ 57,760,000
580	Certificates of Obligation	11/01/2000	10	4.8%	4,970,000
591	Certificates of Obligation	06/01/2003	10	2.0%-3.3%	18,000,000
599	Certificates of Obligation	11/01/2004	10	3.0%-3.6%	3,790,000
605	Certificates of Obligation (Taxable)	04/13/2005	10	4.0%-4.5%	3,000,000
607	Certificates of Obligation	11/01/2005	10	3.8%-4.1%	4,670,000
617	Certificates of Obligation	11/15/2007	10	3.5%-4.0%	5,500,000
618	Certificates of Obligation	05/15/2008	10	2.0%-5.0%	40,280,000
	Total Certificates of Obligation				$ 80,210,000
	Total General Obligation Bonds, Equipment Acquisition Notes, and Certificates of Obligation				**$ 1,541,735,000**
600	Pension Obligation Bonds (Current Interest Bonds - Taxable)	01/19/2005	30	3.2%-5.0%	143,720,000
601	Pension Obligation Bonds (Capital Appreciation Bonds - Taxable)	01/19/2005	30	4.1%-5.5%	137,772,609
602	Pension Obligation Bonds (Step-up Coupon Bonds - Taxable)	01/19/2005	19	5.5%-8.0%	75,000,000
	Total Pension Obligation Bonds				$ 356,492,609
	Total General Obligation Debt				**$ 1,898,227,609**

DEBT SERVICE

General Obligation Debt Service Requirements
As of 09/30/2008

Fiscal	Outstanding Debt (w/o POB)			Outstanding Pension Obligation Bond Debt			Total
Year	Principal	Interest	Total	Principal	Interest	Total	Outstanding[1]
2009	133,030,000	70,646,358	203,676,358	12,382,696	17,078,828	29,461,524	233,137,882
2010	130,060,000	64,299,490	194,359,490	18,875,000	10,874,562	29,749,562	224,109,052
2011	117,080,000	58,426,452	175,506,453	11,097,826	19,311,023	30,408,849	205,915,302
2012	113,650,000	52,956,245	166,606,245	10,419,750	20,689,099	31,108,849	197,715,094
2013	105,055,000	47,652,056	152,707,057	9,707,602	22,148,747	31,856,349	184,563,406
2014	96,345,000	42,830,850	139,175,850	12,616,830	20,023,720	32,640,550	171,816,400
2015	90,645,000	38,360,804	129,005,804	8,636,841	24,855,408	33,492,249	162,498,053
2016	87,220,000	34,125,405	121,345,405	8,050,977	26,357,522	34,408,499	155,753,904
2017	83,780,000	30,001,431	113,781,431	8,214,089	27,166,370	35,380,459	149,161,890
2018	107,105,000	25,323,369	132,428,369	8,933,560	27,471,259	36,404,819	168,833,188
2019	72,700,000	20,907,306	93,607,306	8,635,322	28,821,172	37,456,494	131,063,800
2020	69,170,000	17,459,525	86,629,525	8,261,699	30,388,970	38,650,669	125,280,194
2021	64,155,000	14,247,400	78,402,400	28,800,000	10,930,587	39,730,587	118,132,987
2022	60,755,000	11,294,900	72,049,900	31,545,000	9,398,428	40,943,428	112,993,328
2023	60,745,000	8,476,888	69,221,888	35,350,000	7,183,500	42,533,500	111,755,388
2024	51,625,000	5,854,688	57,479,688	39,650,000	4,183,500	43,833,500	101,313,188
2025	43,070,000	3,617,719	46,687,719	8,036,834	36,784,235	44,821,069	91,508,788
2026	33,610,000	1,806,907	35,416,907	8,040,114	38,163,093	46,203,207	81,620,114
2027	21,935,000	509,875	22,444,875	8,037,694	39,593,689	47,631,383	70,076,258
2028	-	-	-	8,034,062	41,073,353	49,107,415	49,107,415
2029	-	-	-	8,038,642	42,583,831	50,622,473	50,622,473
2030	-	-	-	8,040,730	44,141,866	52,182,596	52,182,596
2031	-	-	-	8,035,840	45,728,242	53,764,082	53,764,082
2032	-	-	-	8,038,960	47,358,879	55,397,839	55,397,839
2033	-	-	-	8,037,046	49,022,603	57,059,649	57,059,649
2034	-	-	-	8,039,198	50,731,091	58,770,289	58,770,289
2035	-	-	-	14,936,297	45,590,144	60,526,441	60,526,441
	$1,541,735,000	$548,797,668	$2,090,532,670	$ 356,492,609	$ 787,653,721	$ 1,144,146,330	$3,234,679,000

[1]*Total Outstanding includes the 2008 Certificates of Obligation issued for the Convention Center Hotel land acquisition, but the budget assumes that the Obligations will be refunded before February 2009.*

DEBT SERVICE

Statement of Revenues and Expenditures

General Obligation Debt

	FY 2006-07 Actual	FY 2007-08 Budget	FY 2007-08 Estimate	FY 2008-09 Adopted [2]
Beginning Cash Balance	**$ 3,647,383**	**$ 4,277,155**	**$ 2,929,683**	**$ 6,385,169**
Revenues				
Ad Valorem Taxes	139,906,354	190,365,230	190,512,101	200,490,225
Department Pension Bond Assessment[1]	28,342,199	11,411,149	10,811,149	11,628,380
Interest/Transfers/Other	20,782,289	21,608,259	24,202,280	30,230,333
Total	**189,030,842**	**223,384,638**	**225,525,530**	**242,348,938**
Total Available Resources	**$ 192,678,225**	**$ 227,661,793**	**$ 228,455,213**	**$ 248,734,107**
Expenses				
Principal Payments	118,175,000	136,210,000	136,005,000	145,768,772
Interest Payments	69,334,786	84,736,395	81,822,496	95,332,898
Other Expenses	2,238,756	4,502,387	4,242,548	5,103,842
Total	**189,748,542**	**225,448,782**	**222,070,044**	**246,205,512**
Ending Cash Balance	**$ 2,929,683**	**$ 2,213,011**	**$ 6,385,169**	**$ 2,528,595**

[1] *Beginning in FY07-08, only those departments which are not part of the General Fund pay a separate pension bond debt service assessment.*
[2] *The 2008-09 General Obligation Debt budget assumes that the 2008 Certificates of Obligation for the Convention Center Hotel will be refunded before February 2009.*

DEBT SERVICE

AVIATION

Introduction

The Aviation Debt Service Fund provides for the payment of principal and interest on the Department of Aviation's outstanding revenue bonded indebtedness. In April 2001, the Department of Aviation issued $59.385 million in Series 2001 Airport System Revenue Bonds for construction of an additional parking facility at Dallas Love Field. Construction of the new garage began in August of 2001 and was completed in April of 2003. Revenues from Aviation operations and interest earned on the cash balance in the debt service fund are pledged for repayment of the debt. Revenues are transferred from the Aviation operating fund to the debt service fund to meet annual principal and interest obligations.

Credit Rating

The Department of Aviation currently holds BBB+/Baa2 underlying ratings from Standard & Poor's and Moody's Investors Service, respectively. The bonds are rated AA/Aaa based on the bond insurance policy that AMBAC Assurance Corporation is providing.

FY2008-09 Debt Service Budget

The FY2008-09 budget includes payments of $6.5 million in principal repayments and $1.0 million in interest payments. There are no plans to issue debt in the upcoming fiscal year.

Statement of Revenue Bonded Indebtedness, as of 09/30/08

Series Number	Issue Name	Date of Issue	Term Years	Interest Rate	Outstanding Principal
581	Airport System Revenue Bonds	04/01/01	10	5.0%	$ 20,315,000
		Total Aviation Department Outstanding Debt			**$ 20,315,000**

DEBT SERVICE

Aviation Debt Service Requirements
As of 09/30/2008

Fiscal Year	Outstanding Debt		
	Principal	Interest	Total
2009	6,495,000	1,015,750	7,510,750
2010	6,765,000	691,000	7,456,000
2011	7,055,000	352,750	7,407,750
	$ 20,315,000	**$ 2,059,500**	**$ 22,374,500**

DEBT SERVICE

Statement of Debt Service Revenues and Expenditures
Aviation

	FY 2006-07 Actual	FY 2007-08 Budget	FY 2007-08 Estimate	FY 2008-09 Adopted
Beginning Cash Balance	**$ 4,151,561**	**$ 4,306,220**	**$ 4,304,631**	**$ 4,481,392**
Revenues				
Transfers	7,597,750	7,539,250	7,539,250	7,483,375
Interest/Other	183,070	160,917	205,261	198,673
Total	**7,780,820**	**7,700,167**	**7,744,511**	**7,682,048**
Total Available Resources	**$ 11,932,381**	**$ 12,006,387**	**$ 12,049,142**	**$ 12,163,440**
Expenses				
Principal Payments	6,000,000	6,240,000	6,240,000	6,495,000
Interest Payments	1,627,750	1,327,750	1,327,750	1,015,750
Total	**7,627,750**	**7,567,750**	**7,567,750**	**7,510,750**
Ending Cash Balance	**$ 4,304,631**	**$ 4,438,637**	**$ 4,481,392**	**$ 4,652,690**

DEBT SERVICE

CONVENTION CENTER

Introduction

The Convention Center Debt Service Fund provides for the payment of principal and interest on the Convention Center's outstanding revenue bonded indebtedness. In April 1998, the Convention Center Complex issued $326.23 million in revenue bonds. This issue included the refunding of all of the Convention Center's $236.60 million outstanding debt and a new money issuance of $110.76 million. The new money issuance of $110.76 million was invested to generate total funding for the $125 million expansion and renovation of the complex which was put into service in 2002.

The 7% Hotel Occupancy Tax, operating revenues of the Convention Center Complex, and interest earned on cash balances in the bond reserve and debt service funds are pledged for repayment of the debt. Additionally, the City has covenanted to provide for the payment of operating and maintenance expenses of the Convention Center Complex, should a shortfall in Convention Center revenues occur. The General Fund will be providing financial assistance to the Convention Center during FY2008-09. Revenue from the Convention Center operating fund is transferred to the debt service fund to meet annual principal and interest payments.

Credit Rating

The Convention Center Complex currently holds A/A1 underlying ratings from Standard & Poor's and Moody's Investors Service, respectively. The bonds are rated AA/Aaa based on the bond insurance policy that MBIA Insurance Corporation is providing.

FY2008-09 Debt Service Budget

The FY2008-09 budget includes payments on existing debt of $12.5 million in principal repayments and $12.6 million in interest payments.

Statement of Revenue Bonded Indebtedness, as of 09/30/08

Series Number	Issue Name	Date of Issue	Term Years	Interest Rate	Outstanding Principal
567	Civic Center Convention Complex, Revenue Refunding Bonds	04/01/98	30	4.6%-6.0%	256,050,000
				Total Convention Center Outstanding Debt	**$256,050,000**

DEBT SERVICE

Convention Center Debt Service Requirements
As of 09/30/2008

Fiscal	Outstanding Debt		
Year	Principal	Interest	Total
2009	12,460,000	12,588,130	25,048,130
2010	12,065,000	12,014,970	24,079,970
2011	12,635,000	11,447,915	24,082,915
2012	13,240,000	10,841,435	24,081,435
2013	13,890,000	10,192,675	24,082,675
2014	14,585,000	9,498,175	24,083,175
2015	15,315,000	8,768,925	24,083,925
2016	16,080,000	8,003,175	24,083,175
2017	16,885,000	7,199,175	24,084,175
2018	17,725,000	6,354,925	24,079,925
2019	18,615,000	5,468,675	24,083,675
2020	19,520,000	4,561,194	24,081,194
2021	20,470,000	3,609,594	24,079,594
2022	6,470,000	2,611,681	9,081,681
2023	6,785,000	2,296,269	9,081,269
2024	7,115,000	1,965,500	9,080,500
2025	7,470,000	1,609,750	9,079,750
2026	7,845,000	1,236,250	9,081,250
2027	8,235,000	844,000	9,079,000
2028	8,645,000	432,250	9,077,250
	$256,050,000	**$121,544,663**	**$377,594,663**

DEBT SERVICE

Statement of Debt Service Revenues and Expenditures

Convention Center

	FY 2006-07 Actual	FY 2007-08 Budget	FY 2007-08 Estimate	FY 2008-09 Adopted
Beginning Cash Balance	**$ 4,089,060**	**$ 4,116,488**	**$ 4,538,817**	**$ 3,639,990**
Revenues				
Transfers	25,045,078	25,044,467	23,695,640	23,488,470
Interest/Other	449,509	450,000	450,000	499,705
Total	**25,494,587**	**25,494,467**	**24,145,640**	**23,988,175**
Total Available Resources	**$ 29,583,647**	**$ 29,610,955**	**$ 28,684,457**	**$ 27,628,165**
Expenses				
Principal Payments	11,245,000	11,835,000	11,835,000	12,460,000
Interest Payments	13,799,830	13,209,467	13,209,467	12,588,130
Total	**25,044,830**	**25,044,467**	**25,044,467**	**25,048,130**
Ending Cash Balance	**$ 4,538,817**	**$ 4,566,488**	**$ 3,639,990**	**$ 2,580,035**

DEBT SERVICE

SPORTS ARENA

Introduction

On January 17, 1998, the Dallas voters approved a proposition authorizing the City to impose an additional 2% Hotel Occupancy Tax and a 5% Motor Vehicle Rental Tax to be used solely to pay for a new sports arena. On June 24, 1998, $140.38 million of revenue bonds were issued to fund the City's $125 million contribution to build the new arena. Of the $140.38 million issued, $104.81 million of the bonds are tax-exempt and the other $35.57 million of the bonds are taxable. The debt service fund provides for the payment of principal and interest on both series of bonds.

Credit Rating

These bonds currently hold underlying ratings of A-/Baa1/A from Standard & Poor's, Moody's Investors Service and Fitch IBCA, respectively. These bonds are rated AAA/Aaa/AAA reflecting the assessment of the likelihood of repayment of principal and interest based on the bond insurance policy that Ambac Assurance Corporation is providing.

FY2008-09 Debt Service Budget

The FY2008-09 budget includes payments on existing debt of $3.4 million in principal repayments and $6.0 million in interest payments. These payments are funded with transfers of the 2% Hotel Occupancy Tax, the 5% Motor Vehicle Rental Tax, and interest earnings on the cash balance. Tax revenues in excess of the required debt service payments are retained in the Surplus Debt Redemption Fund until required for the payment of debt service. The Statement of Expenditures and Revenues shown on the next page reflects both of the Sports Arena Debt Service Funds and the Sports Arena Surplus Debt Redemption Fund. There are no plans to issue additional debt in FY2008-09.

Statement of Revenue Bonded Indebtedness as of 09/30/08

Series Number	Issue Name	Date of Issue	Term Years	Interest Rate	Outstanding Principal
568	Special Tax Revenue Bonds (Tax Exempt)	06/15/98	30	4.2%-5.4%	78,720,000
569	Special Tax and Lease Revenue Bonds (Taxable)	06/15/98	30	6.0%-6.7%	29,865,000
			Total Sports Arena Revenue Bonds		**$108,585,000**

DEBT SERVICE

Sports Arena Debt Service Requirements
As of 09/30/2008

Fiscal	Outstanding Debt		
Year	**Principal**	**Interest**	**Total**
2009	3,360,000	5,955,389	9,315,389
2010	3,550,000	5,767,369	9,317,369
2011	3,750,000	5,568,604	9,318,604
2012	3,960,000	5,358,499	9,318,499
2013	4,180,000	5,136,529	9,316,529
2014	4,415,000	4,902,029	9,317,029
2015	4,665,000	4,650,124	9,315,124
2016	4,935,000	4,383,825	9,318,825
2017	5,210,000	4,106,863	9,316,863
2018	5,495,000	3,823,856	9,318,856
2019	5,795,000	3,525,056	9,320,056
2020	6,110,000	3,209,713	9,319,713
2021	6,440,000	2,876,913	9,316,913
2022	6,790,000	2,525,744	9,315,744
2023	7,160,000	2,155,206	9,315,206
2024	7,555,000	1,764,056	9,319,056
2025	7,965,000	1,350,963	9,315,963
2026	8,400,000	915,094	9,315,094
2027	8,850,000	469,781	9,319,781
	$108,585,000	**$68,445,613**	**$177,030,613**

DEBT SERVICE

Statement of Debt Service Revenues and Expenditures
Sports Arena

	FY 2006-07 Actual	FY 2007-08 Budget	FY 2007-08 Estimate	FY 2008-09 Adopted
Beginning Cash Balance	**$ 50,779,995**	**$ 57,687,630**	**$ 58,421,490**	**$ 66,334,515**
Revenues				
2% Hotel Occupancy Tax	10,599,575	10,609,032	10,799,765	11,123,813
5% Motor Vehicle Rental Tax	3,973,262	3,966,592	4,210,209	4,294,413
Interest/Transfers/Other	2,384,895	2,239,876	2,218,608	2,355,550
Total	**16,957,732**	**16,815,500**	**17,228,582**	**17,773,776**
Total Available Resources	**$ 67,737,727**	**$ 74,503,130**	**$ 75,650,072**	**$ 84,108,291**
Expenses				
Principal	3,020,000	3,185,000	3,185,000	3,360,000
Interest/Other	6,296,237	6,130,557	6,130,557	5,955,389
Total	**9,316,237**	**9,315,557**	**9,315,557**	**9,315,389**
Ending Cash Balance	**$ 58,421,490**	**$ 65,187,573**	**$ 66,334,515**	**$ 74,792,902**

DEBT SERVICE

WATER UTILITIES

Introduction

The debt service component of the Operating Budget for Dallas Water Utilities (DWU) provides for payment of principal and interest on DWU's indebtedness. The budget for these payments is prescribed by the following standards:

- ♦ The Dallas City Charter provides in Chapter XI, Section 14 that all water and wastewater costs (including debt requirements) shall be paid for from customer service revenues.
- ♦ Revenue bond ordinances provide that customer service revenues solely secure water and wastewater bonds.
- ♦ Financial criteria for DWU provide for financing of capital improvements (effectively defined as capital projects with useful lives of 20 years or longer) either from debt or directly from revenues, to maintain system equity levels.

In addition to revenue bonds, debt sources include tax-exempt commercial paper notes (CP), which are utilized for interim financing of capital construction projects. On an annual basis, commercial paper is refinanced and retired with revenue bonds. This process lowers overall interest costs and provides greater financing flexibility. Debt sources also include certain contractual obligations whereby DWU reimburses other agencies for debt incurred to construct joint-use facilities. Under these contractual agreements DWU makes payments in proportion to its allocated share of the joint use facilities.

Credit Ratings

The City of Dallas Waterworks and Sewer System Revenue Bonds are judged to be of high quality by all standards. These credit ratings reflect the sound management of DWU financial resources and allow issuance of bonds with relatively low interest costs. The City of Dallas Waterworks and Sewer System Commercial Paper Notes hold similarly high credit ratings. Current ratings of the City's debt instruments are shown in the table below.

Credit Rating Service	Revenue Bonds	Commercial Paper Notes
Moody's	Aa2	P-1
Standard & Poor's	AAA	A-1+

DEBT SERVICE

Revenue Bond and Commercial Paper Note Coverage

The following are established standards for DWU net revenue in relation to future debt service payments.

- Revenue bond ordinances require net revenues equal to at least 1.25 times bond principal and interest requirements of the future year when those requirements are highest.
- DWU financial criteria state that net revenues should be 1.5 times maximum annual bond requirements at the end of each fiscal year.
- Commercial Paper coverage requirements state that net revenues should be 1.10 times the maximum annual principal and interest payments required on all debt outstanding in the future year when those requirements are highest.

For fiscal year 2007, coverage at September 30, 2007 is summarized in the table below.

Debt Service Coverage Requirements
FY 2006-07
(000 omitted)

Coverage Net Revenue (CNR) = $223,666

Authority	Ratio	Requirement	Denominator $	Actual
Bond Ordinance	CNR/Max YR	1.25	159,815	1.40
DWU Criteria	CNR/Max YR	1.50	159,815	1.40
DWU Criteria	CNR/Max CP	1.10	171,504	1.30
Rating Agencies	CNR/AVG	N/A	81,656	2.74

Max Yr = Maximum amount of debt service required in a single fiscal year for Principal and Interest payments on Outstanding Revenue Bond indebtedness.

Max CP = Maximum amount of debt service required in a single fiscal year for Principal and Interest payments on all Outstanding Debt.

DEBT SERVICE

FY 2008-09 Debt Service Budget

The FY 2008-09 budget provides principal and interest on existing debt of $91.2 million and $77.6 million, respectively. Commercial paper issues in FY 2008-09 are forecast at $172 million with an estimated interest cost and fees of $6.1 million, which is paid from the Water Utilities Operating Fund.

Water Utilities Financial Criteria for Debt Management

Financial criteria have been established to ensure sound management of DWU's financial resources. Financial criteria that apply to DWU indebtedness are listed below. Compliance with each of the criteria is projected for FY 2008-09 unless otherwise noted (in italics).

(1) Current revenues will be sufficient to support current expenditures including debt service and other obligations of the system.

(2) Long-term debt will be used only for capital expansion, replacement and improvement of plant, not for current expenses.

(3) Short-term debt, including tax-exempt commercial paper, will be used as authorized for interim financing of projects that will result in capital improvements.

(4) Capital projects financed through the issuance of debt will be financed for a period not to exceed the expected useful lives of the projects.

(5) An equity target will be maintained for each fiscal year-end of at least 20% of the total capital structure, excluding current liabilities. *Proposed budget maintains a 20% equity for fiscal year-end.*

(6) Net revenues available for debt service should be at least 1.5 times the maximum annual principal and interest requirements of relevant outstanding revenue bonds at the end of the same fiscal year, and at least 1.3 times maximum-year requirements at all times, measured during a fiscal year using the previous year net revenues available for debt service.

(7) Capital financing will be provided through revenue bonds, current revenues, contributed capital, and short-term debt.

(8) Revenue bonds will be issued with serial maturities not to exceed thirty (30) years.

(9) Debt refinancing will only be considered when the overall net present value savings is at least 3% of the principal amount to be refunded.

(10) Fully funded debt service reserves shall be maintained. A surety bond (or other type of credit facility such as a letter of credit) may be used in lieu of funding the reserve if the former is economically advantageous.

DEBT SERVICE

Statement of Indebtedness

As of 09/30/08

Series Number	Issue Name	Interest Rate(s)	Date of Issue	Term Years	Outstanding Principal
Revenue Bonds					
550	Refunding & Improvement	4.0%	09/01/93	20	4,715,000
570	Refunding*	4.3-5.0%	09/01/98	31	108,175,000
573	Refunding & Improvement	4.8-5.5%	09/01/99	20	5,415,000
576	Refunding & Improvement	5.3-5.8%	09/01/00	20	9,915,000
582	Refunding & Improvement	5.0-5.3%	09/01/01	20	16,025,000
586	Refunding	3.0-5.5%	02/01/02	20	7,765,000
587	Refunding	3.0-5.0%	09/01/02	8	65,150,000
590	Refunding & Improvement	3.0-5.4%	01/01/03	20	133,750,000
B595	Refunding & Improvement	3.5-5.0%	09/01/03	20	139,530,000
603	Refunding	5.0%	02/01/05	20	108,165,000
610	Refunding & Improvement	4.3-5.5%	04/01/06	30	243,895,000
613	Refunding & Improvement	4.0-5.0%	03/15/07	30	675,730,000
619	Refunding	4.0-5.0%	05/15/08	30	158,655,000
	Total Dallas Water Utilities Revenue Bonds				**$ 1,676,885,000**
	*Longer term authorized to prepay previous 50 year contractual obligation				
Commercial Paper Notes (projected)					**$ 67,240,000**
Equipment Notes					**$ 1,100,000**

DEBT SERVICE

Dallas Water Utilities Debt Service Requirements
As of 09/30/2008

Fiscal Year	Outstanding Debt Principal	Interest	Total
2009	91,215,000	77,606,452	168,821,452
2010	94,680,000	74,018,769	168,698,769
2011	77,430,000	69,789,423	147,219,423
2012	78,805,000	65,919,701	144,724,701
2013	86,210,000	61,812,373	148,022,373
2014	82,765,000	57,615,726	140,380,726
2015	78,755,000	53,658,344	132,413,344
2016	77,175,000	49,793,594	126,968,594
2017	75,040,000	46,081,447	121,121,447
2018	68,835,000	42,582,016	111,417,016
2019	73,475,000	39,150,704	112,625,704
2020	77,075,000	35,580,301	112,655,301
2021	75,620,000	32,029,670	107,649,670
2022	73,365,000	28,570,410	101,935,410
2023	67,060,000	25,338,578	92,398,578
2024	55,415,000	22,512,556	77,927,556
2025	45,540,000	20,135,513	65,675,513
2026	33,280,000	18,272,184	51,552,184
2027	34,880,000	16,655,131	51,535,131
2028	36,565,000	14,949,981	51,514,981
2029	38,340,000	13,162,006	51,502,006
2030	40,180,000	11,298,769	51,478,769
2031	27,145,000	9,700,222	36,845,222
2032	28,480,000	8,367,019	36,847,019
2033	29,880,000	6,968,019	36,848,019
2034	31,350,000	5,495,006	36,845,006
2035	32,905,000	3,944,053	36,849,053
2036	34,535,000	2,316,028	36,851,028
2037	21,065,000	986,644	22,051,644
2038	9,820,000	245,500	10,065,500
	$1,676,885,000	**$914,556,139**	**$2,591,441,139**

DEBT SERVICE

Statement of Debt Service Revenues and Expenditures

Dallas Water Utilities

	FY 2006-07 Actual	FY 2007-08 Budget	FY 2007-08 Estimate	FY 2008-09 Adopted
Beginning Cash Balance	**$ 112,272,024**	**$ 108,814,193**	**$ 126,148,247**	**$ 131,809,633**
Revenues				
Operating Fund Transfers	160,830,720	162,157,124	163,923,126	168,449,778
General Fund	262,075	257,213	257,213	252,888
Sanitation	332,101	325,940	325,940	320,459
Storm Water Utility Transfers	976,362	970,062	970,062	964,744
Total	**162,401,258**	**163,710,339**	**165,476,341**	**169,987,869**
Total Available Resources	**$ 274,673,282**	**$ 272,524,532**	**$ 291,624,588**	**$ 301,797,502**
Expenses				
Principal Payments	76,825,000	83,265,000	83,265,000	91,215,000
Interest Payments	71,700,035	76,549,955	76,549,955	77,606,452
Total	**148,525,035**	**159,814,955**	**159,814,955**	**168,821,452**
Ending Cash Balance	**$ 126,148,247**	**$ 112,709,577**	**$ 131,809,633**	**$ 132,976,050**

Note: Commercial paper costs, debt fees, and smaller debt expenses are paid directly from Water Utilities Operating Funds. These payments are to bond holders and reservoir debt holders and do not include any additional fees or commercial paper interest.