

Memorandum



CITY OF DALLAS

DATE October 2, 2015

TO Members of the Budget, Finance & Audit Committee: Jennifer S. Gates (Chair), Philip T. Kingston (Vice Chair), Erik Wilson, Rickey D. Callahan, Scott Griggs, Lee M. Kleinman

SUBJECT General Obligation Bond Sale

On October 5, 2015 the Budget, Finance and Audit Committee will be briefed on the General Obligation Bond Sale. The briefing is attached for your review.

Please let me know if you need additional information.


Jeanne Chipperfield
Chief Financial Officer

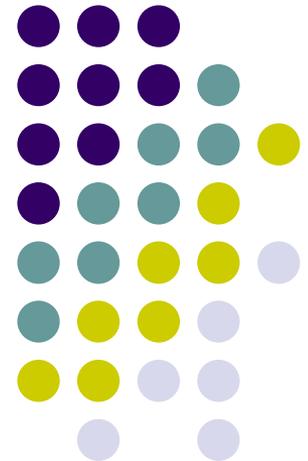
Attachment

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Rosa A. Rios, City Secretary
Craig D. Kinton, City Auditor
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

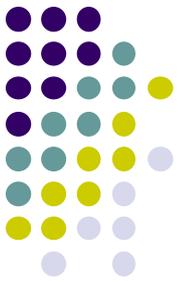
Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager

General Obligation Bond Sale

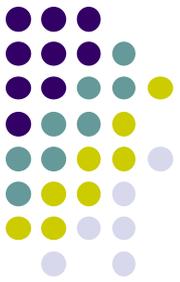
Budget, Finance and Audit Committee
October 5, 2015



Purpose



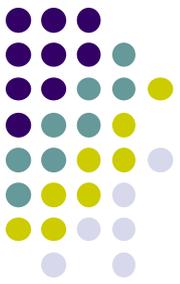
- Provide an overview of the bond sale
- Review the syndicate selection process and assignment for this transaction
- Seek committee recommendation on the October 14th resolution authorizing the payment of expenses associated with the issuance of General Obligation Refunding and Improvement Bonds, Series 2015
- Seek committee recommendation on the October 28th ordinance authorizing the sale of General Obligation Refunding and Improvement Bonds, Series 2015



Bond Sale Overview

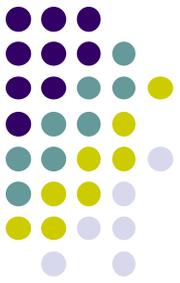
- Total size of bond sale currently estimated up to \$227 million
- Proposed bond sale will include issuing up to \$3 million to retire outstanding general obligation commercial paper and issuing up to \$224 million in improvement bonds
- Issuance costs of \$825,737 to be paid from bond proceeds
- Sale will be negotiated

Commercial Paper Refunding and Improvement Bonds



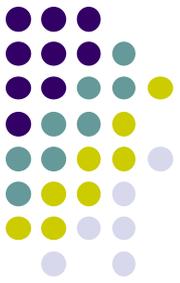
- Up to \$3 million in general obligation refunding bonds will be issued to refund outstanding commercial paper
- Commercial paper provides short-term financing for the City's capital improvement program
 - Current program size is \$350 million
 - Commercial paper issuance is timed to fund contract payments
 - Outstanding commercial paper balance is \$27.88 million as of 10/05/2014 with interest rate at 0.05% for 48 days
 - \$25 million of cash savings from November 2014 refinancing and accumulated ending balance will be used to retire commercial paper as planned in FY 2015-16 budget.
- Up to \$224 million in improvement bonds will be issued to fund contracts for capital improvements

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
 - Alternate firms would assume the place on a team of a firm that could no longer serve
- Since April 2010, Team A and Team B have each underwritten four bond sales

Syndicate Team A



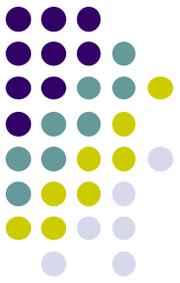
- Team A consists of the following firms:
 - **National**
 - JP Morgan
 - Bank of America Merrill Lynch
 - Morgan Stanley
 - **Regional**
 - RBC Capital Markets
 - Raymond James & Assoc.
 - Stephens, Inc.
 - **MWBE**
 - Siebert Brandford Shank & Co.
 - Cabrera Capital Markets
 - Duncan-Williams

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.
 - Stern Brothers & Co.

Syndicate Team A



- It is proposed that Team A underwrite the General Obligation refunding and improvement bond sale:

Senior Managers

Morgan Stanley (Bookrunning Senior Manager)

Siebert, Brandford, Shank & Co. (Co-Senior Manager)

Co-Managers

JP Morgan

Bank of America Merrill Lynch

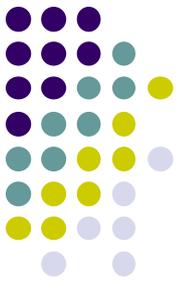
RBC Capital Markets

Raymond James & Assoc.

Stephens, Inc.

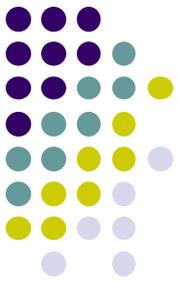
Cabrera Capital Markets

Duncan-Williams



Timeline for Bond Sale

- October 5 Budget, Finance and Audit Committee
- October 14 City Council with plans to proceed with bond sale and authorizing payment of associated expenses
- October 28 Parameters ordinance authorized by City Council
- November 17 Pricing of the bonds
- December 17 Deliver bonds and receive proceeds



Recommendation

- Authorize plans to proceed with bond sale and the payment of the expenses associated with the issuance of up to \$227 million General Obligation Refunding and Improvement Bonds, Series 2015 on the October 14th Council Agenda
- Authorize the sale of up to \$227 million General Obligation Refunding and Improvement Bonds, Series 2015 on the October 28th Council Agenda

Appendix



Issuance Costs Schedule

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Sources and Uses

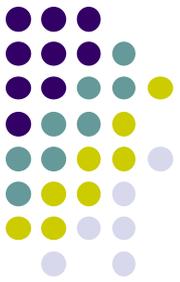
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Debt Service Schedule

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Bond Summary Statistics

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Issuance Costs Schedule

Estimated Issuance Costs

Co-Bond Counsel	\$284,750
Co-Disclosure Counsel	196,705
Co-Financial Advisors	146,380
Official Statement Printing	10,000
Rating Agencies	169,152
Auditor – Grant Thornton	8,500
Paying Agent Fee	750
Attorney General Filing Fee	9,500
Total	\$825,737

Sources and Uses of Funds
City of Dallas, Texas
General Obligation Bonds, Series 2015
Assumes Aa1/AA+ Uninsured Rates as of September 25, 2015 Plus 50bps.

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

Dated Date 12/15/2015
Delivery
Date 12/15/2015

Sources:	New Money	CP Refunding	Total
Bond Proceeds:			
Par Amount	197,250,000.00	2,555,000.00	199,805,000.00
Premium	26,668,443.20	345,050.00	27,013,493.20
	<u>223,918,443.20</u>	<u>2,900,050.00</u>	<u>226,818,493.20</u>
Uses:			
Project Fund Deposits:			
New Money	222,120,000.00		222,120,000.00
CP Refunding		2,880,000.00	2,880,000.00
	<u>222,120,000.00</u>	<u>2,880,000.00</u>	<u>225,000,000.00</u>
Delivery Date Expenses:	1,794,508.75	23,207.50	1,817,716.25
Other Uses of Funds:			
Additional Proceeds	3,934.45	-3,157.50	776.95
	<u>223,918,443.20</u>	<u>2,900,050.00</u>	<u>226,818,493.20</u>

Bond Debt Service Breakdown
City of Dallas, Texas
General Obligation Bonds, Series 2015
Assumes Aa1/AA+ Uninsured Rates as of September 25, 2015 Plus 50bps.
***** Preliminary - For Discussion Purposes Only *****

Period Ending	CP		Total
	New Money	Refunding	
9/30/2016	6,501,966.67	84,200	6,586,166.67
9/30/2017	20,488,850.00	268,400	20,757,250.00
9/30/2018	20,000,750.00	261,875	20,262,625.00
9/30/2019	19,452,750.00	254,625	19,707,375.00
9/30/2020	18,904,750.00	247,375	19,152,125.00
9/30/2021	18,356,750.00	240,125	18,596,875.00
9/30/2022	17,808,750.00	232,875	18,041,625.00
9/30/2023	17,260,750.00	225,625	17,486,375.00
9/30/2024	16,712,750.00	213,500	16,926,250.00
9/30/2025	16,164,750.00	206,500	16,371,250.00
9/30/2026	15,616,750.00	199,500	15,816,250.00
9/30/2027	15,068,750.00	192,500	15,261,250.00
9/30/2028	14,520,750.00	185,500	14,706,250.00
9/30/2029	13,972,750.00	178,500	14,151,250.00
9/30/2030	13,419,875.00	171,500	13,591,375.00
9/30/2031	12,872,125.00	164,500	13,036,625.00
9/30/2032	12,324,375.00	157,500	12,481,875.00
9/30/2033	11,776,625.00	150,500	11,927,125.00
9/30/2034	11,228,875.00	143,500	11,372,375.00
	292,453,691.67	3,778,600	296,232,291.67

Bond Summary Statistics

City of Dallas, Texas

General Obligation Bonds, Series 2015

Assumes Aa1/AA+ Uninsured Rates as of September 25, 2015 Plus 50bp

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

Dated Date	12/15/2015
Delivery Date	12/15/2015
First Coupon	8/15/2016
Last Maturity	2/15/2034
Arbitrage Yield	2.860151%
True Interest Cost (TIC)	3.339837%
Net Interest Cost (NIC)	3.647195%
All-In TIC	3.386273%
Average Coupon	4.993294%
Average Life (years)	9.665
Weighted Average Maturity (years)	9.681
Duration of Issue (years)	7.770
Par Amount	199,805,000.00
Bond Proceeds	226,818,493.20
Total Interest	96,427,291.67
Net Interest	70,432,294.72
Total Debt Service	296,232,291.67
Maximum Annual Debt Service	20,757,250.00
Average Annual Debt Service	16,306,364.68
Underwriter's Fees (per \$1000)	
Average Takedown	4.096963
Other Fee	1.000488

Total Underwriter's Discount	5.097451
Bid Price	113.010183

Bond Component	Par Value	Price	Average Coupon	Average Life	Average Maturity Date
Serial Bonds	199,805,000.00	113.520	4.993%	9.665	8/14/2025
	199,805,000.00			9.665	