

Memorandum



CITY OF DALLAS

DATE April 29, 2016

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 Dallas Water Utilities Upcoming Bond Sale

On May 2, 2016, the Budget, Finance and Audit Committee will be briefed on the Dallas Water Utilities Upcoming Bond Sale. The briefing will be presented by Corrine Steeger, Assistant Director in the City Controller's Office.

Please let me know if you need additional information.

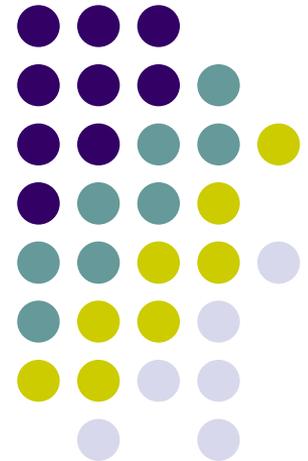

Jeanne Chipperfield
Chief Financial Officer

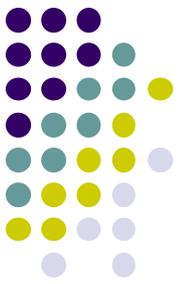
cc: Honorable Mayor and Members of the City Council
AC Gonzalez, City Manager
Christopher D. Bowers, Interim City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge

Ryan S. Evans, First Assistant City Manager
Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor & Council

Dallas Water Utilities Upcoming Bond Sales

Budget, Finance and Audit Committee
May 2, 2016





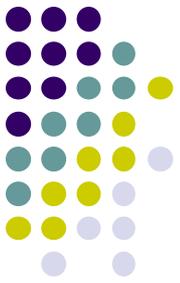
Purpose

- Provide an overview of the tax-exempt and taxable bond sales
- Review the syndicate selection process and assignment for these transactions
- Seek committee recommendation on the May 11th resolution authorizing staff to proceed with preparations for the sale of Waterworks and Sewer System Revenue Refunding Bonds, Series 2016A/B
- Recommend approval of parameters ordinance authorizing the sale of up to \$640 million Waterworks and Sewer System Revenue Refunding Bonds, Series 2016A/B on the June 15th Council Agenda



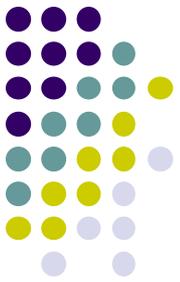
Bond Sales Overview

- Total size of bond sales currently estimated up to \$640 million
- Proposed bond sale will include proceeds sufficient to retire up to \$230 million in commercial paper estimated to be outstanding at the time of the sale and to refund approximately \$410 million in existing revenue bond debt through the issuance of tax-exempt and taxable bonds
- Estimated issuance costs of \$1,249,118 to be paid from Water Utilities (DWU) operating funds
- 30-year bonds with a ten-year call
- Sales will be negotiated



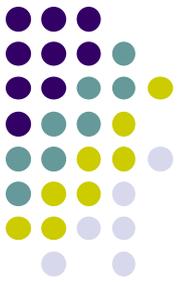
Revenue Bond Refundings

- Current interest rates provide an opportunity to advance refund outstanding revenue bonds using a combination of tax-exempt and taxable refundings
- Proposed tax-exempt refunding includes specified maturities of:
 - Series 2006 Revenue Refunding Bonds: \$11.445 million principal
 - Maturities: Oct.1, 2016/2017;
 - Interest Rates: 4.25% - 4.38%
 - Series 2007 Revenue Refunding Bonds: \$37.220 million principal
 - Maturities: Oct. 1, 2018; Oct. 1, 2029 – Oct. 1, 2036;
 - Interest Rates: 4.38% – 5.00%
 - Series 2008 Revenue Refunding Bonds: \$19.160 million principal
 - Maturities: Oct. 1, 2036/2037;
 - Interest Rate: 5.00%



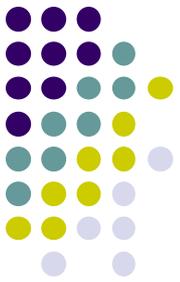
Revenue Bond Refundings

- Proposed tax-exempt refunding includes specified maturities of:
 - Series 2011 Revenue Refunding Bonds: \$41.770 million principal
 - Maturities: Oct. 1, 2023 – Oct. 1, 2034
 - Interest Rate: 5.00%
 - Series 2012A Revenue Refunding Bonds: \$38.800 million principal
 - Maturities: Oct. 1, 2023 – Oct. 1, 2026; Oct. 1, 2028 – Oct. 1, 2031;
 - Interest Rate: 4.00% - 5.00%
 - Series 2013A Revenue Refunding Bonds: \$13.420 million principal
 - Maturities: Oct. 1, 2025 – Oct. 1, 2027
 - Interest Rate: 5.00%



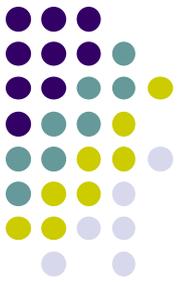
Revenue Bond Refundings

- Proposed taxable refunding includes specified maturities of:
 - Series 2007 Revenue Refunding Bonds: \$150.285 million principal
 - Maturities: Oct. 1, 2018 – Oct. 1, 2019; Oct. 1, 2027 – Oct. 1, 2036
 - Interest Rates: 4.38% - 5.00%
 - Series 2010 Revenue Refunding Bonds: \$83.635 million principal
 - Maturities: Oct. 1, 2025 – Oct. 1, 2034
 - Interest Rate: 5.00%



Revenue Bond Refundings

- Based on current interest rates, the estimated savings are:
 - Total net present value (NPV) cash savings of \$25.87 million
 - 6.54% NPV savings as a percentage of the bonds being refunded
 - Exceeds FMPC criteria of 4% savings for an advance refunding
- Co-Financial Advisors will continue to monitor the market to ensure feasibility of refunding, which may be restructured or deleted if market changes prior to June pricing



Commercial Paper Refunding

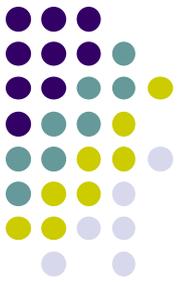
- Commercial paper provides short-term financing for the DWU's capital improvement program
- Current program size is \$600 million
- Commercial paper issuance is timed to fund contract payments
- Outstanding commercial paper balance is \$201.178 million as of 4/30/2016 with \$326.268 million of commitment (contract awards)
- Average interest rate is 0.1146% for 364 days



Syndicate Selection

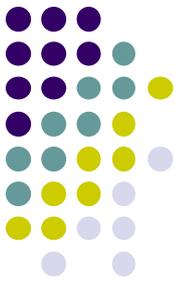
- In April 2010, City Council approved two underwriting syndicate teams for negotiated sales. Council approval provided that:
 - Bookrunning senior manager position rotates between national and M/WBE firms
 - Co-senior manager is the highest ranking national or regional firm if the bookrunning senior manager position is assigned to the M/WBE firm on a rotating basis
 - Alternate firms assume the place on a team of a firm that can no longer serve

Syndicate Team A

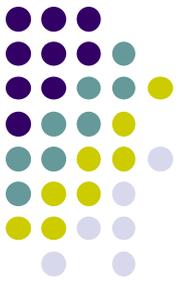


- Team A consists of the following firms:
 - **National**
 - JP Morgan
 - Bank of America Merrill Lynch
 - Morgan Stanley
 - **Regional**
 - RBC Capital Markets
 - Raymond James & Assoc.
 - Stephens, Inc. (replaced Southwest Securities Group)
 - **MWBE**
 - Siebert Brandford Shank & Co.
 - Cabrera Capital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

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 B

- It is proposed that Team B underwrite the Waterworks and Sewer System Revenue Refunding bond sales:

Senior Managers

Goldman Sachs & Co. (Bookrunning Senior Manager)

Loop Capital Markets LLC (Co-Senior Manager)

Co-Managers

Citigroup Global Markets, Inc.

Wells Fargo Bank, N.A.

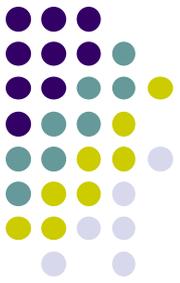
Piper Jaffray

Stifel, Nicolaus & Company Inc.

Frost Bank

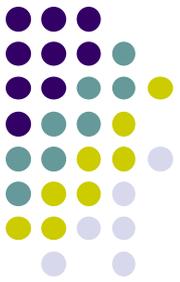
Samuel A. Ramirez & Company

Stern Brothers & Company



Timeline for Bond Sales

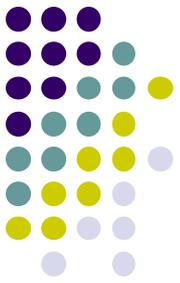
May 2	Budget, Finance and Audit Committee
May 11	City Council authorization to proceed with sale
May 27	Anticipated date of ratings
June 15	Parameters ordinance authorized by City Council
June 23	Pricing of the bonds
July 7	Deliver bonds and receive proceeds



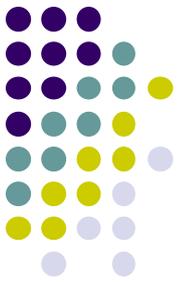
Recommendation

- Authorize staff to proceed with preparations for the sale of up to \$640 million Waterworks and Sewer System Revenue Refunding Bonds, Series 2016A/B on the May 11th Council Agenda
- Recommend approval of parameters ordinance authorizing the sale of up to \$640 million Waterworks and Sewer System Revenue Refunding Bonds, Series 2016A/B on the June 15th Council Agenda

Appendix



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Issuance Costs Schedule

Estimated Issuance Costs

Co-Bond Counsel	\$393,375
Co-Disclosure Counsel	156,800
Co-Financial Advisors	390,200
Debt Analysis/Structuring	40,000
Official Statement Printing	10,000
Rating Agencies	222,243
Escrow Fees	3,500
Auditor – Grant Thornton	14,000
Attorney General Filing Fee	19,000
Total	\$1,249,118

Bond Summary Statistics

City of Dallas, Texas

Waterworks and Sewer System Revenue Refunding Bonds, Series 2016AB

Assumes Aa1/AAA Uninsured Rates as of April 25, 2015 LESS 25bps

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

Dated Date	7/7/2016
Delivery Date	7/7/2016
First Coupon	10/1/2016
Last Maturity	10/1/2045
Arbitrage Yield	2.273472%
True Interest Cost (TIC)	3.097501%
Net Interest Cost (NIC)	3.448440%
All-In TIC	3.097501%
Average Coupon	4.385545%
Average Life (years)	13.794
Weighted Average Maturity (years)	14.292
Duration of Issue (years)	10.654
Par Amount	597,370,000.00
Bond Proceeds	677,695,115.10
Total Interest	361,365,219.79
Net Interest	284,148,590.94
Bond Years from Dated Date	8,239,916,333.33
Bond Years from Delivery Date	8,239,916,333.33
Total Debt Service	958,735,219.79
Maximum Annual Debt Service	65,885,901.00
Average Annual Debt Service	32,795,959.63
Underwriter's Fees (per \$1000)	
Average Takedown	4.576969
Other Fee	0.626651

Sources and Uses of Funds
City of Dallas, Texas
Waterworks and Sewer System Revenue Refunding Bonds, Series 2016AB
Assumes Aa1/AAA Uninsured Rates as of April 25, 2015 LESS 25bps

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

Dated Date 7/7/2016
Delivery
Date 7/7/2016

Sources:	CP Refunding	TE Bond Refunding	Taxable Bond Refunding	Total
Bond Proceeds:				
Par Amount	188,565,000.00	149,965,000.00	258,840,000.00	597,370,000.00
Premium	42,945,707.25	37,379,407.85		80,325,115.10
	<u>231,510,707.25</u>	<u>187,344,407.85</u>	<u>258,840,000.00</u>	<u>677,695,115.10</u>
Uses:	CP Refunding	TE Bond Refunding	Taxable Bond Refunding	Total
Project Fund Deposits:				
Commercial Paper Refunding	230,495,000.00			230,495,000.00
Refunding Escrow Deposits:				
Cash Deposit		766.21	378.11	1,144.32
Open Market Purchases		186,482,538.10	257,605,100.95	444,087,639.05
		<u>186,483,304.31</u>	<u>257,605,479.06</u>	<u>444,088,783.37</u>
Delivery Date Expenses:	1,014,410.00	862,316.25	1,231,760.00	3,108,486.25
Other Uses of Funds:				
Additional Proceeds	1,297.25	-1,212.71	2,760.94	2,845.48
	<u>231,510,707.25</u>	<u>187,344,407.85</u>	<u>258,840,000.00</u>	<u>677,695,115.10</u>

Bond Debt Service

City of Dallas, Texas

Waterworks and Sewer System Revenue Refunding Bonds, Series 2016A

Assumes Aa1/AAA Uninsured Rates as of April 25, 2015 LESS 25bps

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

Period Ending	Principal	Coupon	Interest	Debt Service
9/30/2017	9,415,000	0.350%	16,391,512.79	25,806,512.79
9/30/2018	8,990,000	**	22,250,091.00	31,240,091.00
9/30/2019	43,985,000	**	21,900,901.00	65,885,901.00
9/30/2020	32,425,000	**	21,386,423.00	53,811,423.00
9/30/2021	5,730,000	**	21,024,526.50	26,754,526.50
9/30/2022	5,950,000	**	20,808,284.50	26,758,284.50
9/30/2023	6,180,000	**	20,577,932.75	26,757,932.75
9/30/2024	24,205,000	**	20,133,415.75	44,338,415.75
9/30/2025	10,650,000	**	19,627,276.25	30,277,276.25
9/30/2026	17,835,000	**	19,171,588.75	37,006,588.75
9/30/2027	18,395,000	**	18,605,317.50	37,000,317.50
9/30/2028	28,245,000	**	17,876,395.00	46,121,395.00
9/30/2029	41,795,000	**	16,788,130.00	58,583,130.00
9/30/2030	48,195,000	**	15,360,425.00	63,555,425.00
9/30/2031	29,070,000	**	13,949,375.00	43,019,375.00
9/30/2032	30,465,000	5.000%	12,553,625.00	43,018,625.00
9/30/2033	28,775,000	5.000%	11,072,625.00	39,847,625.00
9/30/2034	30,255,000	5.000%	9,596,875.00	39,851,875.00
9/30/2035	31,805,000	5.000%	8,045,375.00	39,850,375.00
9/30/2036	18,035,000	5.000%	6,799,375.00	24,834,375.00
9/30/2037	28,295,000	5.000%	5,641,125.00	33,936,125.00
9/30/2038	17,455,000	5.000%	4,497,375.00	21,952,375.00
9/30/2039	8,465,000	5.000%	3,849,375.00	12,314,375.00
9/30/2040	8,900,000	5.000%	3,415,250.00	12,315,250.00
9/30/2041	9,360,000	5.000%	2,958,750.00	12,318,750.00
9/30/2042	9,840,000	5.000%	2,478,750.00	12,318,750.00
9/30/2043	10,340,000	5.000%	1,974,250.00	12,314,250.00
9/30/2044	10,870,000	5.000%	1,444,000.00	12,314,000.00
9/30/2045	11,430,000	5.000%	886,500.00	12,316,500.00
9/30/2046	12,015,000	5.000%	300,375.00	12,315,375.00
	597,370,000		361,365,219.79	958,735,219.79

Summary of Bonds Refunded
City of Dallas, Texas
Waterworks and Sewer System Revenue Refunding Bonds, Series 2016AB
Assumes Aa1/AAA Uninsured Rates as of April 25, 2015 LESS 25bps
***** Preliminary - For Discussion Purposes Only *****

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
\$255,375,000 Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2006, 2006:					
SERIAL	10/1/2016	4.250%	5,580,000.00	8/8/2016	100.000
	10/1/2017	4.375%	5,865,000.00	8/8/2016	100.000
			11,445,000.00		
\$678,480,000 Waterworks and Sewer System Revenue Refunding Bonds, Series 2007, 2007:					
SERIAL	10/1/2018	5.000%	41,675,000.00	10/1/2017	100.000
TERM	10/1/2029	4.375%	18,080,000.00	10/1/2017	100.000
	10/1/2030	4.375%	8,985,000.00	10/1/2017	100.000
	10/1/2031	4.375%	9,390,000.00	10/1/2017	100.000
	10/1/2032	4.375%	9,810,000.00	10/1/2017	100.000
TERM2	10/1/2033	4.375%	2,330,000.00	10/1/2017	100.000
	10/1/2034	4.375%	2,445,000.00	10/1/2017	100.000
	10/1/2035	4.375%	2,555,000.00	10/1/2017	100.000
	10/1/2036	4.375%	2,670,000.00	10/1/2017	100.000
TERM3	10/1/2033	4.500%	7,920,000.00	10/1/2017	100.000
	10/1/2034	4.500%	8,280,000.00	10/1/2017	100.000
	10/1/2035	4.500%	8,660,000.00	10/1/2017	100.000
	10/1/2036	4.500%	9,055,000.00	10/1/2017	100.000
SERIAL	10/1/2019	4.500%	31,350,000.00	10/1/2017	100.000
	10/1/2027	4.500%	11,880,000.00	10/1/2017	100.000
	10/1/2028	4.500%	12,420,000.00	10/1/2017	100.000
			187,505,000.00		
\$158,655,000 Waterworks and Sewer System Revenue Refunding Bonds, Series 2008, 2008:					
TERM2	10/1/2036	5.000%	9,340,000.00	10/1/2018	100.000
	10/1/2037	5.000%	9,820,000.00	10/1/2018	100.000
			19,160,000.00		
\$295,850,000 Waterworks and Sewer System Revenue Refunding Bonds, Series 2010, 2010:					
SER	10/1/2025	5.000%	2,645,000.00	10/1/2020	100.000
	10/1/2026	5.000%	2,780,000.00	10/1/2020	100.000
	10/1/2027	5.000%	2,920,000.00	10/1/2020	100.000
	10/1/2028	5.000%	12,665,000.00	10/1/2020	100.000
	10/1/2029	5.000%	13,300,000.00	10/1/2020	100.000
	10/1/2030	5.000%	8,905,000.00	10/1/2020	100.000
TERM1	10/1/2031	5.000%	9,360,000.00	10/1/2020	100.000
	10/1/2032	5.000%	9,840,000.00	10/1/2020	100.000
	10/1/2033	5.000%	10,345,000.00	10/1/2020	100.000
	10/1/2034	5.000%	10,875,000.00	10/1/2020	100.000
			83,635,000.00		

Summary of Bonds Refunded
City of Dallas, Texas
Waterworks and Sewer System Revenue Refunding Bonds, Series 2016AB
Assumes Aa1/AAA Uninsured Rates as of April 25, 2015 LESS 25bps
***** Preliminary - For Discussion Purposes Only *****

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
\$239,425,000 City of Dallas Waterworks and Sewer System Revenue Refunding Bonds, Series 2011, 2011:					
SER	10/1/2023	5.000%	8,980,000.00	10/1/2021	100.000
	10/1/2024	5.000%	2,290,000.00	10/1/2021	100.000
	10/1/2025	5.000%	2,410,000.00	10/1/2021	100.000
	10/1/2026	5.000%	2,535,000.00	10/1/2021	100.000
	10/1/2027	5.000%	2,665,000.00	10/1/2021	100.000
	10/1/2028	5.000%	2,800,000.00	10/1/2021	100.000
	10/1/2029	5.000%	2,945,000.00	10/1/2021	100.000
	10/1/2030	5.000%	3,095,000.00	10/1/2021	100.000
	10/1/2031	5.000%	3,255,000.00	10/1/2021	100.000
	TERM1	10/1/2032	5.000%	3,420,000.00	10/1/2021
10/1/2033		5.000%	3,595,000.00	10/1/2021	100.000
10/1/2034		5.000%	3,780,000.00	10/1/2021	100.000
41,770,000.00					
\$259,420,000 Waterworks and Sewer System Revenue Refunding Bonds, Series 2012A, 2012A:					
SER	10/1/2023	5.000%	9,050,000.00	10/1/2022	100.000
	10/1/2024	5.000%	2,245,000.00	10/1/2022	100.000
	10/1/2025	4.000%	2,350,000.00	10/1/2022	100.000
	10/1/2026	4.000%	2,440,000.00	10/1/2022	100.000
	10/1/2028	5.000%	8,135,000.00	10/1/2022	100.000
	10/1/2029	5.000%	8,550,000.00	10/1/2022	100.000
	10/1/2030	5.000%	2,940,000.00	10/1/2022	100.000
	10/1/2031	5.000%	3,090,000.00	10/1/2022	100.000
	38,800,000.00				
\$156,540,000 Waterworks and Sewer System Revenue Bonds, Series 2013A, 2013A:					
SER	10/1/2025	5.000%	4,250,000.00	10/1/2023	100.000
	10/1/2026	5.000%	4,470,000.00	10/1/2023	100.000
	10/1/2027	5.000%	4,700,000.00	10/1/2023	100.000
13,420,000.00					
395,735,000.00					

Savings
City of Dallas, Texas
works and Sewer System Revenue Refunding Bonds, Series :
umes Aa1/AAA Uninsured Rates as of April 25, 2015 LESS 25
***** Preliminary - For Discussion Purposes Only *****

Date	Prior Debt Service	Refunding Debt Service	Savings
9/30/2017	24,322,287.52	18,892,462.79	5,429,824.73
9/30/2018	24,360,415.64	18,925,841.00	5,434,574.64
9/30/2019	59,000,243.76	53,568,526.00	5,431,717.76
9/30/2020	46,927,993.76	41,493,798.00	5,434,195.76
9/30/2021	14,872,618.76	14,439,776.50	432,842.26
9/30/2022	14,872,618.76	14,440,034.50	432,584.26
9/30/2023	14,872,618.76	14,440,307.75	432,311.01
9/30/2024	32,451,868.76	32,020,915.75	430,953.01
9/30/2025	18,392,743.76	17,959,901.25	432,842.51
9/30/2026	25,119,743.76	24,689,838.75	429,905.01
9/30/2027	25,116,693.76	24,685,192.50	431,501.26
9/30/2028	34,238,843.76	33,804,520.00	434,323.76
9/30/2029	46,699,968.76	46,266,755.00	433,213.76
9/30/2030	51,670,143.76	51,237,425.00	432,718.76
9/30/2031	31,134,721.89	30,703,250.00	431,471.89
9/30/2032	31,136,643.77	30,703,500.00	433,143.77
9/30/2033	27,967,518.77	27,533,375.00	434,143.77
9/30/2034	27,963,756.27	27,534,250.00	429,506.27
9/30/2035	27,969,928.14	27,535,875.00	434,053.14
9/30/2036	12,948,028.14	12,515,375.00	432,653.14
9/30/2037	22,051,643.76	21,620,875.00	430,768.76
9/30/2038	10,065,500.00	9,635,000.00	430,500.00
	624,156,544.02	594,646,794.79	29,509,749.23

Savings Summary

Savings PV date	7/7/2016
Savings PV rate	2.940580%
PV of savings from cash flow	25,863,764.58
Plus: Refunding funds on hand	1,548.23

Net PV Savings	25,865,312.81