

Memorandum



CITY OF DALLAS

DATE October 9, 2017

Honorable Members of the Government Performance & Financial Management
Committee: Jennifer S. Gates (Chair), Scott Griggs (Vice Chair), Sandy Greyson,
TO Lee M. Kleinman, Philip T. Kingston, Tennell Atkins, Kevin Felder

SUBJECT **General Obligation Upcoming Bond Sale**

On Monday, October 16, 2017, the City Controller's Office will brief the Government Performance & Financial Management Committee on the General Obligation Upcoming Bond Sale. I have attached the briefing for your review.

Please let me know if you need additional information.

A handwritten signature in blue ink that reads "M. Elizabeth Reich".

M. Elizabeth Reich
Chief Financial Officer

Attachment

Honorable Mayor and Members of City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Billierae Johnson, City Secretary (Interim)
Daniel F. Solis, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
Jo M. (Jody) Puckett, Assistant City Manager (Interim)
Nadia Chandler Hardy, Chief of Community Services
Raquel Favela, Chief of Economic Development & Neighborhood Services
Theresa O'Donnell, Chief of Resilience
Directors and Assistant Directors

General Obligation Upcoming Bond Sale

**Government Performance and
Financial Management
Committee Briefing
October 16, 2017**

**Corrine Steeger, Assistant Director
City Controller's Office
City of Dallas**



Purpose

- Provide an overview of the bond sale
- Seek recommendation on the October 25 resolution authorizing staff to prepare for the sale of General Obligation Refunding and Improvement Bonds, Series 2017
- Seek recommendation on the November 8 ordinance authorizing the sale of up to \$350 million General Obligation Refunding and Improvement Bonds, Series 2017

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Bond Sale Overview

- Set estimated size of bond sale at \$350 million
- Issue up to \$50 million in bonds to retire general obligation commercial paper notes and refunding bonds
- Pay estimated issuance costs of \$771,500 from bond proceeds
- Sell bonds with a weighted average maturity of 9.271 Years by competitive bid

Commercial Paper Program

- Provides short-term financing for the City's capital improvement program
- Funds contract awards and payments
 - Current program size of \$350 million
 - Outstanding balance of \$9.65 million as of 10/12/17. Average interest rate 0.98% for 40 days

General Obligation Refunding Bonds

- Refunding par amount estimated up to \$32 million based on current market conditions
 - Refunding candidates include specified maturities from the General Obligation Refunding and Improvement Bonds, Series 2007A
 - Estimated total net present value (NPV) savings of \$3.018 million
 - 9.84% NPV savings as a percentage of the bonds being refunded
 - Meets the FMPC requirement of 3% NPV savings for current refundings

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General Obligation Improvement Bonds

- Up to \$300 million in improvement bonds to be issued to fund capital improvements authorized in the 2006 (\$26.837 million) and 2012 bond programs (\$273.163 million)
 - Remaining authority from the 2006 and 2012 bond programs will be \$127.09 million after the Series 2017 sale
- The Financial Advisors recommend a competitive sale based on favorable market conditions and the City's improved credit profile

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Bond Sale Timeline

- October 16 Government Performance and Financial Committee
- October 25 Council authorization to proceed with sale
- November 8 Council approval of parameters ordinance authorizing bond issue
- November 15 Pricing of the bonds
- December 12 Deliver bonds and receive proceeds

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Recommendation

- Council Action
 - Authorize staff to proceed with preparations for the sale of up to \$350 million General Obligation Refunding and Improvement Bonds, Series 2017, on the October 25 Council Agenda
 - Recommend approval of parameters ordinance authorizing the sale of up to \$350 million General Obligation Refunding and Improvement Bonds, Series 2017, on the November 8 Council Agenda

General Obligation Upcoming Bond Sale

**Government Performance and
Financial Management
Committee Briefing
October 16, 2017**

**Corrine Steeger, Assistant Director
City Controller's Office
City of Dallas**



Appendix

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Issuance Costs Schedule

Estimated Issuance Costs

Co-Bond Counsel	\$ 235,000
Disclosure Counsel	80,000
Financial Advisors	218,000
Official Statement Printing	10,000
Paying Agent/Escrow Agent	5,000
Rating Agencies	200,000
Auditor – Grant Thornton	14,000
Attorney General Filing Fee	<u>9,500</u>
Total	\$ 771,500

Sources and Uses of Funds
 City of Dallas, Texas
 2017 General Obligation Issuances
 Anticipated Sale Date: November 15, 2017
 Preliminary Numbers

Sources:	General Obligation Bonds, Series 2017	General Obligation Refunding Bonds, Series 2017	Total
Bond Proceeds:			
Par Amount	311,865,000.00	31,485,000.00	343,350,000.00
	311,865,000.00	31,485,000.00	343,350,000.00
Uses:			
Project Fund Deposits:			
Project Fund	300,000,000.00		300,000,000.00
Commercial Paper Refunding	9,650,000.00		9,650,000.00
	309,650,000.00		309,650,000.00
Refunding Escrow Deposits:			
Cash Deposit		0.99	0.99
SLGS Purchases		31,227,359.00	31,227,359.00
		31,227,359.99	31,227,359.99
Delivery Date Expenses:			
	2,214,325.00	257,425.00	2,471,750.00
Other Uses of Funds:			
Additional Proceeds	675.00	215.01	890.01
	311,865,000.00	31,485,000.00	343,350,000.00

Bond Debt Service
 City of Dallas, Texas
 2017 General Obligation Issuances
 Anticipated Sale Date: November 15, 2017

Preliminary Numbers

Period Ending	Principal	Coupon	Interest	Debt Service
9/30/2018	16,925,000	0.940%	4,984,124.97	21,909,124.97
9/30/2019	19,150,000	1.070%	7,240,189.50	26,390,189.50
9/30/2020	19,045,000	1.170%	7,026,323.75	26,071,323.75
9/30/2021	18,930,000	1.310%	6,790,919.00	25,720,919.00
9/30/2022	18,825,000	1.500%	6,525,740.00	25,350,740.00
9/30/2023	18,750,000	1.680%	6,227,052.50	24,977,052.50
9/30/2024	18,670,000	1.850%	5,896,855.00	24,566,855.00
9/30/2025	18,595,000	2.050%	5,533,558.75	24,128,558.75
9/30/2026	18,515,000	2.220%	5,137,443.50	23,652,443.50
9/30/2027	18,445,000	2.360%	4,714,276.00	23,159,276.00
9/30/2028	15,750,000	2.500%	4,299,750.00	20,049,750.00
9/30/2029	15,750,000	2.610%	3,897,337.50	19,647,337.50
9/30/2030	15,750,000	2.680%	3,480,750.00	19,230,750.00
9/30/2031	15,750,000	2.780%	3,050,775.00	18,800,775.00
9/30/2032	15,750,000	2.850%	2,607,412.50	18,357,412.50
9/30/2033	15,750,000	2.920%	2,153,025.00	17,903,025.00
9/30/2034	15,750,000	2.980%	1,688,400.00	17,438,400.00
9/30/2035	15,750,000	3.030%	1,215,112.50	16,965,112.50
9/30/2036	15,750,000	3.080%	733,950.00	16,483,950.00
9/30/2037	15,750,000	3.120%	245,700.00	15,995,700.00
	343,350,000		83,448,695.47	426,798,695.47

Bond Debt Service Breakdown
 City of Dallas, Texas
 2017 General Obligation Issuances
 Anticipated Sale Date: November 15, 2017
 Preliminary Numbers

Period Ending	General Obligation		Total
	Bonds, Series 2017	Refunding Bonds, Series 2017	
9/30/2018	17,273,081.81	4,636,043.16	21,909,124.97
9/30/2019	22,563,088.25	3,827,101.25	26,390,189.50
9/30/2020	22,386,632.25	3,684,691.50	26,071,323.75
9/30/2021	22,191,270.25	3,529,648.75	25,720,919.00
9/30/2022	21,964,950.00	3,385,790.00	25,350,740.00
9/30/2023	21,714,525.00	3,262,527.50	24,977,052.50
9/30/2024	21,436,537.50	3,130,317.50	24,566,855.00
9/30/2025	21,129,412.50	2,999,146.25	24,128,558.75
9/30/2026	20,793,150.00	2,859,293.50	23,652,443.50
9/30/2027	20,432,475.00	2,726,801.00	23,159,276.00
9/30/2028	20,049,750.00		20,049,750.00
9/30/2029	19,647,337.50		19,647,337.50
9/30/2030	19,230,750.00		19,230,750.00
9/30/2031	18,800,775.00		18,800,775.00
9/30/2032	18,357,412.50		18,357,412.50
9/30/2033	17,903,025.00		17,903,025.00
9/30/2034	17,438,400.00		17,438,400.00
9/30/2035	16,965,112.50		16,965,112.50
9/30/2036	16,483,950.00		16,483,950.00
9/30/2037	15,995,700.00		15,995,700.00
	392,757,335.06	34,041,360.41	426,798,695.47

Bond Summary Statistics
 City of Dallas, Texas
 2017 General Obligation Issuances
 Anticipated Sale Date: November 15, 2017

Preliminary Numbers

Dated Date	12/12/2017
Delivery Date	12/12/2017
Last Maturity	2/15/2037
Arbitrage Yield	2.592027%
True Interest Cost (TIC)	2.655164%
Net Interest Cost (NIC)	2.675444%
All-In TIC	2.683085%
Average Coupon	2.621513%
Average Life (years)	9.271
Weighted Average Maturity (years)	9.271
Duration of Issue (years)	8.034
Par Amount	343,350,000.00
Bond Proceeds	343,350,000.00
Total Interest	83,448,695.47
Net Interest	85,165,445.47
Total Debt Service	426,798,695.47
Maximum Annual Debt Service	26,390,189.50
Average Annual Debt Service	22,258,080.60
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	5.000000

Total Underwriter's Discount	5.000000
Bid Price	99.500000

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Bond Component	343,350,000.00	100.000	2.622%	9.271	267,181.75
	343,350,000.00			9.271	267,181.75

Summary of Refunding Results
City of Dallas, Texas
2017 General Obligation Issuances
Anticipated Sale Date: November 15, 2017
Preliminary Numbers

Dated Date	12/12/2017
Delivery Date	12/12/2017
Arbitrage yield	2.592027%
Escrow yield	1.012251%
Value of Negative Arbitrage	39,360.34
Bond Par Amount	31,485,000.00
True Interest Cost	1.992810%
Net Interest Cost	1.993673%
Average Coupon	1.878021%
Average Life	4.323
Par amount of refunded bonds	30,675,000.00
Average coupon of refunded bonds	4.505536%
Average life of refunded bonds	4.591
PV of prior debt to 12/12/2017 @ 2.683085%	33,484,612.52
Net PV Savings	3,017,336.13
Percentage savings of refunded bonds	9.836467%
Percentage savings of refunding bonds	9.583408%

Savings
 City of Dallas, Texas
 2017 General Obligation Issuances
 Anticipated Sale Date: November 15, 2017
 Preliminary Numbers

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 12/12/2017 @ 2.6830851%
9/30/2018	4,915,137.50	4,636,043.16	279,094.34	272,555.61
9/30/2019	4,180,387.50	3,827,101.25	353,286.25	338,024.16
9/30/2020	4,034,762.50	3,684,691.50	350,071.00	326,800.99
9/30/2021	3,879,137.50	3,529,648.75	349,488.75	318,333.34
9/30/2022	3,739,925.00	3,385,790.00	354,135.00	314,602.42
9/30/2023	3,612,000.00	3,262,527.50	349,472.50	302,713.46
9/30/2024	3,482,193.75	3,130,317.50	351,876.25	297,227.02
9/30/2025	3,348,625.00	2,999,146.25	349,478.75	287,851.27
9/30/2026	3,213,175.00	2,859,293.50	353,881.50	284,215.69
9/30/2027	3,077,725.00	2,726,801.00	350,924.00	274,797.17
	37,483,068.75	34,041,360.41	3,441,708.34	3,017,121.12

Savings Summary

Dated Date	12/12/2017
Delivery Date	12/12/2017
PV of savings from cash flow	3,017,121.12
Plus: Refunding funds on hand	215.01

Net PV Savings	3,017,336.13

CITY OF DALLAS, TEXAS
 REMAINING G.O. BOND AUTHORITY
 NOVEMBER 2017 BOND SALE COMPONENTS
 10/05/2017

<u>Proposition</u> <u>Number</u>	<u>Proposition Name</u>	<u>Bond Program</u>	<u>Remaining</u> <u>Authority 2015</u>	<u>Commercial</u> <u>Paper Issued</u> <u>and Paid Off</u>	<u>Remaining</u> <u>Authority 2017</u>	<u>2017</u> <u>Requested</u> <u>Amount</u>	<u>Remaining</u> <u>Authority</u>
1	Streets & Transportation Improvements	2006 Bond Program	48,273,000	2,400,000	45,873,000	19,284,000	26,589,000
2	Flood Protection & Storm Drainage Facilities	2006 Bond Program	12,289,000	1,258,000	11,031,000	1,110,000	9,921,000
3	Park and Recreation Facilities	2006 Bond Program	13,014,000	3,516,000	9,498,000	1,415,000	8,083,000
5	Cultural Arts Facilities	2006 Bond Program	3,530,000	99,000	3,431,000	0	3,431,000
6	City Hall, City Service and City Maintenance Facilities	2006 Bond Program	11,333,000	0	11,333,000	4,817,000	6,516,000
10	Land Acquisition in the Cadillac Heights area	2006 Bond Program	13,561,000	0	13,561,000	211,000	13,350,000
1	Streets & Transportation Improvements	2012 Bond Program	90,033,000	2,882,000	87,151,000	32,811,000	54,340,000
2	Flood Protection & Storm Drainage Facilities	2012 Bond Program	227,248,000	65,000	227,183,000	222,323,000	4,860,000
3	Economic Development Programs	2012 Bond Program	18,029,000	0	18,029,000	18,029,000	0
			<u>437,310,000</u>	<u>10,220,000</u>	<u>427,090,000</u>	<u>300,000,000</u>	<u>127,090,000</u>