

Memorandum



Date October 31, 2014

To Honorable Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair), Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

Subject General Obligation Bond Sale

On November 3, 2014, the Budget, Finance and Audit Committee will be briefed on the General Obligation Bond Sale. The briefing will be presented by Corrine Steeger, Assistant Director and Treasury Manager in the City Controller's Office.

Please let me know if you need additional information.


Jeanne Chipperfield
Chief Financial Officer

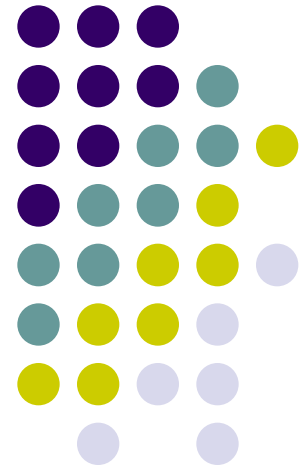
Attachment

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

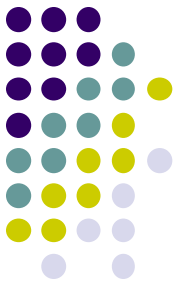
Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Forest E. Turner, Chief Wellness Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager

General Obligation Bond Sale

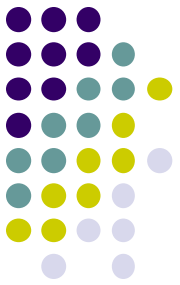
Budget, Finance and Audit Committee
November 3, 2014



Purpose



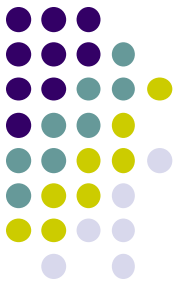
- Provide an overview of the bond sale
 - Review general obligation tax-exempt refunding bond candidates, refunding of outstanding general obligation commercial paper notes, and issuance of improvement bonds
- Review the syndicate selection process and assignment for this transaction
- Seek committee recommendation on the November 12th resolution authorizing the payment of expenses associated with the issuance of General Obligation Refunding and Improvement Bonds, Series 2014
- Seek committee recommendation on the November 12th ordinance authorizing the sale of General Obligation Refunding and Improvement Bonds, Series 2014



Bond Sale Overview

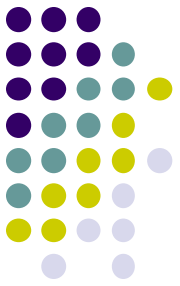
- Total size of bond sale currently estimated up to \$635 million
- Proposed bond sale will include issuing \$26.475 million to retire outstanding commercial paper, issuing up to \$323.530 million in improvement bonds and refunding approximately \$245.210 million in existing general obligation bond debt
- Issuance costs of \$1,030,509 to be paid from bond proceeds
- Refunding does not extend or increase debt service in any year
- Sale will be negotiated

General Obligation Bond Refundings



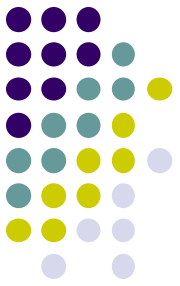
- Current interest rates provide an opportunity to advance refund approximately \$245.210 million in outstanding general obligation bonds
- Proposed tax-exempt refunding includes specified maturities of:
 - Series 2005 GO Bonds: \$17.970 million principal
 - Maturities: Feb.15, 2016; Interest Rate: 5.00%
 - Series 2007 GO Bonds: \$52.295 million principal
 - Maturities: Feb. 15, 2020 – Feb. 15, 2027; Interest Rate: 5.00%
 - Series 2007A GO Bonds: \$86.625 million principal
 - Maturities: Feb. 15, 2021 – Feb. 15, 2027; Interest Rates: 4.25% - 5.00%
 - Series 2008 GO Refunding Bonds: \$88.320 million principal
 - Maturities: Feb. 15, 2021 – Feb. 15, 2028; Interest Rates: 5.25% - 5.00%

General Obligation Bond Refunding



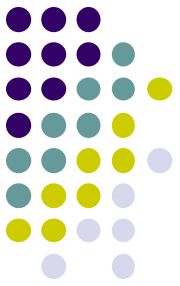
- Based on current interest rates, the estimated savings are:
 - Total net present value (NPV) cash savings of \$17.9 million
 - 7.3% NPV savings as a percentage of the bonds being refunded
 - Exceeds FMPC criteria of 4% savings
- Co-Financial Advisors will continue to monitor the market to ensure feasibility of refunding
 - Refunding may be restructured or deleted if market changes prior to December pricing

Commercial Paper Refunding and Improvement Bonds



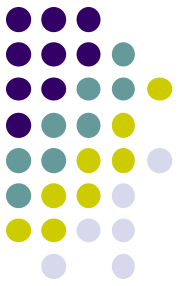
- \$26.475 million in general obligation refunding bonds will be issued to refund outstanding commercial paper
- Commercial paper provides short-term financing for the City's capital improvement program
 - Current program size is \$350 million
 - Commercial paper issuance is timed to fund contract payments
 - Outstanding commercial paper balance is \$26.475 million as of 11/3/2014
 - Interest rate is 0.08% for 61 days
- \$323.53 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 has underwritten three negotiated sales, and Team B has underwritten two negotiated sales

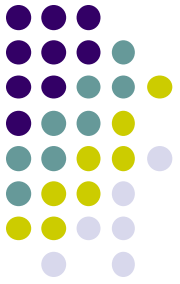
Syndicate Team A



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

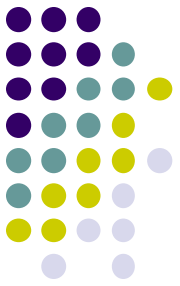
*Duncan-Williams is the Team A MWBE alternate. Duncan-Williams replaced M.R. Beal & Co., which is no longer engaged in municipal bond underwriting

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.*

*Stern Brothers & Co., is the Team B MWBE alternate. Stern Brothers replaced Jackson Securities, which is no longer engaged in municipal bond underwriting



Syndicate Team B

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

Senior Managers

Wells Fargo Bank, N.A. (Bookrunning Senior Manager)

Loop Capital Markets, LLC (Co-Senior Manager)

Stern Brothers & Co. (Co-Senior Manager)

Co-Managers

Citigroup Global Markets, Inc.

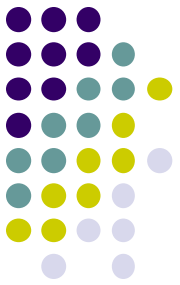
Goldman Sachs & Co.

Piper Jaffray

Stifel Nicolaus & Co.

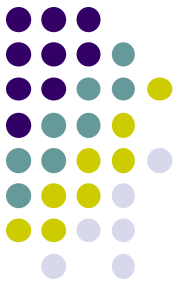
Frost Bank

Samuel A. Ramirez & Co.



Timeline for Bond Sale

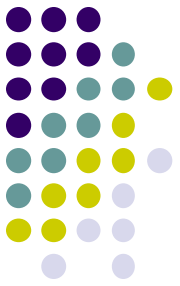
- November 3 Budget, Finance and Audit Committee
- November 12 City Council authorization to sell bonds
Parameters ordinance authorized by City Council
- November 14 Receive ratings from rating agencies
- December 11 Pricing of the bonds
- December 22 Deliver bonds and receive proceeds



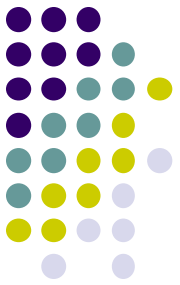
Recommendation

- Authorize payment of the expenses associated with the issuance of up to \$635 million General Obligation Refunding and Improvement Bonds, Series 2014 on the November 12th Council Agenda
- Authorize the sale of up to \$635 million General Obligation and Improvement Bonds, Series 2014 on the November 12th Council Agenda

Appendix



Issuance Costs Schedule	Page 14
General Obligation Improvement Bonds – Proposed Use of Bond Proceeds	Page 15
Bond Summary Statistics	Page 16
Sources and Uses	Page 17
Debt Service Schedule	Page 18
Summary of Bonds to be Refunded	Page 19
Savings on Refunding	Page 20



Issuance Costs Schedule

Estimated Issuance Costs

Co-Bond Counsel	\$365,250
Co-Financial Advisors	366,700
Debt Analysis/Structuring	40,000
Official Statement Printing	10,000
Rating Agencies	231,100
Auditor – Grant Thornton	7,959
Attorney General Filing Fee	9,500
Total	\$1,030,509

**General Obligation Improvement Bonds -
Proposed Use of Bond Proceeds**

Proposition	Amount
Trinity River Corridor Project	\$ 20,636,000
Total - 1998 Bond Program	20,636,000
Street & Transportation Improvements	78,368,000
Flood Protection and Storm Drainage Facilities	10,015,000
Park and Recreation Facilities	22,987,000
Library Facilities	11,815,000
Cultural Arts Facilities	149,000
City Hall, City Service and City Maintenance Facilities	6,711,000
Land Acquisition for the Development of Low and Moderate Income, Single Family Homes	805,000
Economic Development in the Southern Area of the City and in other areas of the City in connection with transit-oriented development	6,400,000
Public Safety Facilities	16,042,000
Total - 2006 Bond Program	153,292,000
Street & Transportation Improvements	77,322,000
Flood Protection and Storm Drainage Facilities	76,697,000
Economic Development in the Southern Area of the City and in other areas of the City in connection with transit-oriented development	22,053,000
Total - 2012 Bond Program	\$ 350,000,000

Bond Summary Statistics
City of Dallas, Texas
General Improvement Refunding Bonds, Series 2014
Assumes Aa1/AA+ Uninsured Rates as of October 8, 2014
***** Preliminary - For Discussion Purposes Only *****

Dated Date	12/22/2014
Delivery Date	12/22/2014
First Coupon	2/15/2015
Last Maturity	2/15/2034
Arbitrage Yield	2.300242%
True Interest Cost (TIC)	2.794360%
Net Interest Cost (NIC)	3.127468%
All-In TIC	2.848952%
Average Coupon	4.999607%
Average Life (years)	9.634

Sources and Uses of Funds
City of Dallas, Texas
General Improvement Refunding Bonds, Series 2014
Assumes Aa1/AA+ Uninsured Rates as of October 8, 2014
***** Preliminary - For Discussion Purposes Only *****

Dated Date 12/22/2014
Delivery Date 12/22/2014

Sources	New Money	Refunding (CP & Bond)	Total
Bond Proceeds:			
Par Amount	277,780,000.00	252,125,000.00	529,905,000.00
Premium	48,448,633.20	49,606,103.35	98,054,736.55
	326,228,633.20	301,731,103.35	627,959,736.55
Other Sources of Funds:			
DSF Contribution		2,111.39	2,111.39
	326,228,633.20	301,733,214.74	627,961,847.94

Uses:	New Money	Refunding (CP & Bond)	Total
Project Fund Deposits:			
New Money	323,530,000.00		323,530,000.00
Commercial Paper Rede		26,475,000.00	26,475,000.00
	323,530,000.00	26,475,000.00	350,005,000.00
Refunding Escrow Deposits:			
Cash Deposit		1.10	1.10
SLGS Purchases		272,824,688.00	272,824,688.00
		272,824,689.10	272,824,689.10
Delivery Date Expenses:			
Cost of Issuance	2,698,026.72	2,429,960.53	5,127,987.25
Other Uses of Funds:			
Additional Proceeds	606.48	3,565.11	4,171.59
	326,228,633.20	301,733,214.74	627,961,847.94

Bond Debt Service
City of Dallas, Texas
General Improvement Refunding Bonds, Series 2014
Assumes Aa1/AA+ Uninsured Rates as of October 8, 2014
***** Preliminary - For Discussion Purposes Only *****

Period				
Ending	Principal	Coupon	Interest	Debt Service
9/30/2015	4,540,000	2.000%	17,014,762.91	21,554,762.91
9/30/2016	22,005,000	5.000%	25,718,125.00	47,723,125.00
9/30/2017	15,820,000	5.000%	24,772,500.00	40,592,500.00
9/30/2018	15,820,000	5.000%	23,981,500.00	39,801,500.00
9/30/2019	15,820,000	5.000%	23,190,500.00	39,010,500.00
9/30/2020	15,820,000	5.000%	22,399,500.00	38,219,500.00
9/30/2021	44,760,000	5.000%	20,885,000.00	65,645,000.00
9/30/2022	45,430,000	5.000%	18,630,250.00	64,060,250.00
9/30/2023	45,500,000	5.000%	16,357,000.00	61,857,000.00
9/30/2024	45,575,000	5.000%	14,080,125.00	59,655,125.00
9/30/2025	45,635,000	5.000%	11,799,875.00	57,434,875.00
9/30/2026	45,690,000	5.000%	9,516,750.00	55,206,750.00
9/30/2027	45,745,000	5.000%	7,230,875.00	52,975,875.00
9/30/2028	26,855,000	5.000%	5,415,875.00	32,270,875.00
9/30/2029	15,815,000	5.000%	4,349,125.00	20,164,125.00
9/30/2030	15,815,000	5.000%	3,558,375.00	19,373,375.00
9/30/2031	15,815,000	5.000%	2,767,625.00	18,582,625.00
9/30/2032	15,815,000	5.000%	1,976,875.00	17,791,875.00
9/30/2033	15,815,000	5.000%	1,186,125.00	17,001,125.00
9/30/2034	15,815,000	5.000%	395,375.00	16,210,375.00
	529,905,000		255,226,137.91	785,131,137.91

Summary of Bonds Refunded
City of Dallas, Texas
General Improvement Refunding Bonds, Series 2014
Refund all 2007 & 2008 Bonds Eligible for Advance Refunding
Assumes Aa1/AA+ Uninsured Rates as of October 8, 2014
***** Preliminary - For Discussion Purposes Only *****

	Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
\$156,850,000	General Obligation Refunding Bonds, Series 2005, 2005REF:					
	SERIAL	2/15/2016	5.000%	17,970,000.00	2/15/2015	100.000
\$130,775,000	General Obligation Bonds, Series 2007, 2007:					
	SERIAL	2/15/2020	5.000%	6,540,000.00	2/15/2017	100.000
		2/15/2021	5.000%	6,540,000.00	2/15/2017	100.000
		2/15/2022	5.000%	6,540,000.00	2/15/2017	100.000
		2/15/2023	5.000%	6,535,000.00	2/15/2017	100.000
	TERM1	2/15/2024	5.000%	6,535,000.00	2/15/2017	100.000
		2/15/2025	5.000%	6,535,000.00	2/15/2017	100.000
	TERM2	2/15/2026	5.000%	6,535,000.00	2/15/2017	100.000
		2/15/2027	5.000%	6,535,000.00	2/15/2017	100.000
				52,295,000.00		
\$363,240,000	General Obligation Refunding and Improvement Bonds, Series 2007A, 2007AREF:					
	SERIAL	2/15/2021	5.000%	12,375,000.00	2/15/2017	100.000
		2/15/2022	4.250%	12,375,000.00	2/15/2017	100.000
		2/15/2023	4.250%	12,375,000.00	2/15/2017	100.000
		2/15/2024	4.375%	12,375,000.00	2/15/2017	100.000
		2/15/2025	4.500%	12,375,000.00	2/15/2017	100.000
		2/15/2026	4.500%	12,375,000.00	2/15/2017	100.000
		2/15/2027	4.500%	12,375,000.00	2/15/2017	100.000
				86,625,000.00		
\$209,815,000	General Obligation Bonds, Series 2008, 2008:					
	SERIAL	2/15/2021	5.000%	11,040,000.00	2/15/2018	100.000
		2/15/2022	5.000%	11,040,000.00	2/15/2018	100.000
		2/15/2023	5.000%	11,040,000.00	2/15/2018	100.000
		2/15/2024	5.000%	11,040,000.00	2/15/2018	100.000
		2/15/2025	5.000%	11,040,000.00	2/15/2018	100.000
		2/15/2026	5.000%	4,440,000.00	2/15/2018	100.000
		2/15/2026	5.125%	6,600,000.00	2/15/2018	100.000
		2/15/2027	5.000%	9,015,000.00	2/15/2018	100.000
		2/15/2027	5.125%	2,025,000.00	2/15/2018	100.000
		2/15/2028	5.000%	7,365,000.00	2/15/2018	100.000
		2/15/2028	5.250%	3,675,000.00	2/15/2018	100.000
				88,320,000.00		
				245,210,000.00		

Bond Debt Service
City of Dallas, Texas
General Improvement Refunding Bonds, Series 2014
Assumes Aa1/AA+ Uninsured Rates as of October 8, 2014
***** Preliminary - For Discussion Purposes Only *****

Period Ending	Principal	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings
9/30/2015	11,831,875.00	2,111.39	11,829,763.61	11,829,763.61	0.00
9/30/2016	29,352,625.00		29,352,625.00	17,272,875.00	12,079,750.00
9/30/2017	10,933,375.00		10,933,375.00	10,933,250.00	125.00
9/30/2018	10,933,375.00		10,933,375.00	10,933,250.00	125.00
9/30/2019	10,933,375.00		10,933,375.00	10,933,250.00	125.00
9/30/2020	17,309,875.00		17,309,875.00	10,933,250.00	6,376,625.00
9/30/2021	39,812,500.00		39,812,500.00	39,149,750.00	662,750.00
9/30/2022	38,361,156.25		38,361,156.25	38,360,875.00	281.25
9/30/2023	36,951,343.75		36,951,343.75	36,948,375.00	2,968.75
9/30/2024	35,538,921.88		35,538,921.88	35,537,250.00	1,671.88
9/30/2025	34,111,031.26		34,111,031.26	34,107,750.00	3,281.26
9/30/2026	32,671,281.26		32,671,281.26	32,670,375.00	906.26
9/30/2027	31,230,265.63		31,230,265.63	31,230,250.00	15.63
9/30/2028	11,320,593.75		11,320,593.75	11,316,000.00	4,593.75
	351,291,593.78	2,111.39	351,289,482.39	332,156,263.61	19,133,218.78

Savings Summary

Savings PV date	12/22/2014
Savings PV rate	2.593680%
PV of savings from cash flow	17,893,152.30
Plus: Refunding funds on hand	737.40
Percentage savings of refunded bonds	7.297374%

Net PV Savings	17,893,889.70