

Memorandum



CITY OF DALLAS

DATE November 26, 2014

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

SUBJECT Upcoming Agenda Item: Water and Sewer System Commercial Paper Program - Credit Agreement Extension

The City Council agenda for December 10, 2014 includes a resolution for your consideration amending the ordinance authorizing the City of Dallas Water and Sewer System Commercial Paper Notes, Series D. These amendments extend \$300 million in lines of credit supporting the commercial paper program and create Sub-Series D-1 and D-2. The existing lines of credit expire in March 2015.

In 2009, City Council approved an ordinance establishing the \$300 million Series D commercial paper program for Dallas Water Utilities as interim financing for capital improvements. The program authorization expires in September 2019.

Commercial paper issuance is supported by lines of credit from highly rated banks. These lines of credit assure investors that the notes will be repaid in the unlikely event that a new note cannot be sold to another investor at maturity. The Series D program is currently supported by lines of credit from State Street Bank (\$175 million), California State Teachers' Retirement System, CalSTRS, (\$125 million), which were approved on February 8, 2012 for a three-year period expiring on March 16, 2015.

Pursuant to the existing Series D credit agreements, the City recently requested a three-year extension of the lines of credit from State Street Bank and CalSTRS. State Street Bank agreed to extend its line of credit for three years and to increase the amount of the line by \$50 million to \$225 million. Bank of America agreed to replace CalSTRS, which declined to renew its line of credit, by offering a \$75 million three-year line of credit to the City. State Street Bank is rated A-1+/P-1 by Standard and Poor's and Moody's. Bank of America ratings are A-1/P-1 by the same rating agencies. U.S. Bank continues to serve as the issuing and paying agent bank for the program. Merrill Lynch is the program's commercial paper dealer.

Commercial paper provides interim financing for capital projects. The use of commercial paper permits more cost efficient use of capital as short-term debt is issued to closely match the amount and timing of the award of capital project contracts. Commercial paper notes are normally sold at interest rates that are lower than rates available at the same time on longer-term debt. Outstanding commercial paper is periodically refinanced with long-term debt.

The extension of the credit agreements of the Series D, Sub-Series D-1 and D-2, programs includes a reduction of the fee to 35 basis points annually from 37 basis points annually, which will become effective at the same time as the new lines of credit. Attached is a schedule of the estimated costs associated with this extension.

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

Eric 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

Schedule I

Dallas Water Utilities Commercial Paper Program Series D

COST OF ISSUANCE/ CLOSING COSTS

Co-Bond Counsel

McCall, Parkhurst, and Horton	\$135,000
Escamilla & Poneck	60,000

Co-Financial Advisors

First Southwest Company	105,000
Estrada Hinojosa	70,000

Liquidity Facility Attorney Fees 45,000

Printing Fees 2,500

Attorney General Fee 19,000

Total Estimated Upfront Closing Costs \$436,500

ANNUAL FEES

Liquidity Facility

State Street Bank	\$845,753
Bank of America, N.A.	281,918

Total \$1,127,671

Issuing & Paying Agent Fee \$400

Credit Facility Agreement Amendment Fees (if needed) 5,000

CUSIP Numbers 1,000

Rating Agencies

Moody's Investors Service	25,200
Standard & Poor's	34,000

Total Estimated Annual Fees \$1,193,271

Total (Annual Fees plus Closing Cost) \$1,629,771

Grand Total (three year contract plus Closing Cost) \$4,016,313