

Memorandum



CITY OF DALLAS

Date: December 2, 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: Texas Water Development Board: Low Cost Financial Assistance Programs

On December 5, 2016 the Budget, Finance & Audit Committee will be briefed on Texas Water Development Board: Low Cost Financial Assistance Programs. The briefing is attached for your review.

Should you have any questions, please contact me at 214-670-3296.

A handwritten signature in blue ink, appearing to read 'Ry - S. Evans'.

Ryan S. Evans
First Assistant City Manager

Attachment

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Eric D. Campbell, Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Sana Syed, Public Information Officer
Jo M. (Jody) Puckett, Director, Dallas Water Utilities
Elsa Cantu, Assistant to the City Manager – Mayor and Council

Texas Water Development Board: Low Cost Financial Assistance Programs

Budget, Finance & Audit Committee
December 5, 2016



Purpose

- Provide details on the Texas Water Development Board (TWDB) – Drinking Water (DWSRF) and Clean Water (CWSRF) State Revolving Funds
- Discuss how participating in these programs can save Dallas Water Utilities significant financing costs while implementing its pipeline replacement program
- Seek Council Committee recommendation to support December 14, 2016 agenda items to submit loan applications to the Texas Water Development Board for low cost financial assistance to fund DWU's annual pipeline replacement program

Outline

- TWDB Drinking Water and Clean Water Programs
- How These Programs Will Benefit DWU
- Application Process and Timeline
- Summary

TWDB - State Revolving Funds

- Drinking Water State Revolving Fund (DWSRF) and Clean Water State Revolving Fund (CWSRF) are both authorized under the Safe Drinking Water Act
- DWSRF provides approximately \$250M annually in low cost financing for water related projects throughout Texas
- CWSRF provides approximately \$500M annually in low cost financing for wastewater related projects throughout Texas
- Each year, projects are ranked and invitations are sent based on available funding.

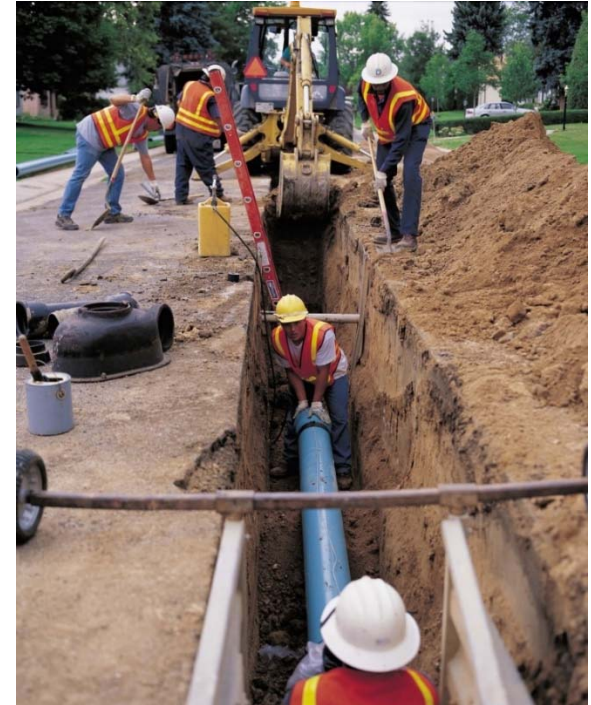
DWSRF and CWSRF Benefits

- Below market interest rates
 - DWSRF (125 basis point reduction)
 - CWSRF (155 basis point reduction)
- No maximum funding limits
- Multi-year commitments
- Flexible repayment periods



How These Programs Will Benefit DWU

- In March 2016, DWU submitted project information forms to the TWDB to fund its small diameter pipeline replacement program for the next 5 years
- Annual pipeline replacement budget (engineering and construction) –
 - \$44 million for water
 - \$22 million for wastewater
- Total funds DWU would be applying for –
 - \$220 million for water
 - \$110 million for wastewater



How These Programs Will Benefit DWU (cont'd)

- Financial analysis shows DWU could reduce its annual average debt service payment by \$4M dollars per year over the life of the 30 year loans (Present Value Difference of \$75M).
- Loans will be issued in installments over the 5-year commitment
- Coverages and reserve requirements are the same as current revenue bonds
- Loan subsidies are locked for the 5-year commitment
- First principal payment is not due until 12 months after the completion of construction

Application Process and Timeline

- March 2016 – Submitted project information forms
- October 2016 – Invitation to submit loan applications received
- December 14, 2016 – Seek Council authorization to apply for loans
- January to April 2017 – Finalize loan applications
- May 2017 – Seek Council authorization to accept funds

Summary

- DWU has been invited by the TWDB to submit loan applications for DWSRF and CWSRF funding for its annual pipeline replacement program for the next five years.
- And participating in these programs has the potential to reduce DWU's debt service payment by \$4M dollars per year over the next thirty years. (Present Value Difference of \$75M)
- Seeking Council Committee recommendation to approve December 14, 2016 Agenda Items 40 and 41 authorizing the submittal of loan applications to the TWDB for low cost financial assistance to fund DWU's annual pipeline replacement program

Questions?