

Memorandum



CITY OF DALLAS

DATE June 1, 2018

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 **Dallas Water Utilities Upcoming Bond Sale**

On Monday, June 4, 2018, the City Controller's Office will brief the Government Performance & Financial Management Committee on the Dallas Water Utilities 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

c: 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
Daniel F. Solis, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jo M. (Jody) Puckett, Assistant City Manager (Interim)
Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
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

Dallas Water Utilities Upcoming Bond Sale

**Government Performance and
Financial Management
Committee Briefing
June 4, 2018**

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



Purpose

- Provide an overview of the bond sale
- Seek recommendation on the June 27th resolution authorizing staff to prepare for the sale of the Waterworks and Sewer System Revenue Refunding Bonds, Series 2018C
- Seek recommendation on the August 8th ordinance authorizing the sale of up to \$165 million Waterworks and Sewer System Revenue Refunding Bonds, Series 2018C

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Bond Sale Overview

- Set estimated size of bond sale at \$165 million
- Produce proceeds sufficient to retire commercial paper outstanding at the time of the sale
- Pay estimated issuance costs of \$512,360 from Dallas Water Utilities (DWU) operating funds
- Sell 30-year bonds with a 10-year call by competitive bid
- Co-Financial Advisors recommend a competitive sale based on favorable market conditions and DWU's stable credit profile



Commercial Paper Program

- Provides short-term financing for DWU's capital improvement program
- Funds contract awards and payments
 - Current program size of \$600 million
 - Outstanding balance of \$99 million as of 5/30/18 with \$315 million of commitment (contract awards)
 - Average interest rate 1.5595% for 70 days

Bond Sale Timeline

- June 4 Government Performance & Financial Management Committee
- June 27 Council authorization to proceed with sale
- August 8 Council approval of parameters ordinance authorizing bond issuance
- August 29 Pricing of the bonds
- September 26 Receive proceeds



Recommendation

- Council Action
 - Authorize staff to proceed with preparations for the sale of up to \$165 million Waterworks and Sewer System Revenue Refunding Bonds, Series 2018C, on the June 27th Council Agenda
 - Recommend approval of parameters ordinance authorizing the sale of up to \$165 million Waterworks and Sewer System Revenue Refunding Bonds, Series 2018C, on the August 8th Council Agenda

Appendix

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Issuance Costs Schedule

Estimated Issuance Costs

Co-Bond Counsel	\$126,250
Disclosure Counsel	50,000
Co-Financial Advisors	102,610
Debt Analysis/Structuring	20,000
Official Statement Printing	10,000
Rating Agencies	180,000
Auditor – Grant Thornton	14,000
Attorney General Filing Fee	9,500
Total	<u>\$512,360</u>

Dallas Water Utilities Upcoming Bond Sale

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June 4, 2018**

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City Controller's Office
City of Dallas**



BOND SUMMARY STATISTICS

City of Dallas, Texas
Water and Sewer System Revenue Refunding Bonds, Series 2018C
\$164.2 Million Commercial Paper Refunding
Assumes AAA/AA+ Uninsured Rates as of May 14, 2018 Plus 50bps
**** Preliminary - For Discussion Purposes Only ****

Dated Date	09/26/2018
Delivery Date	09/26/2018
First Coupon	04/01/2019
Last Maturity	10/01/2047
Arbitrage Yield	3.822720%
True Interest Cost (TIC)	3.881230%
Net Interest Cost (NIC)	3.946595%
All-In TIC	3.881230%
Average Coupon	4.151917%
Average Life (years)	18.009
Weighted Average Maturity (years)	17.681
Duration of Issue (years)	12.256
Par Amount	158,345,000.00
Bond Proceeds	164,998,891.30
Total Interest	118,396,651.39
Net Interest	112,541,651.39
Bond Years from Dated Date	2,851,614,236.11
Bond Years from Delivery Date	2,851,614,236.11
Total Debt Service	276,741,651.39
Maximum Annual Debt Service	9,424,100.00
Average Annual Debt Service	9,538,247.44
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	5.045258
Total Underwriter's Discount	5.045258
Bid Price	103.697622

Bond Component	Par Value	Price	Average Coupon	Average Life	Average Maturity Date
Serial Bonds	87,135,000.00	107.603	4.412%	12.067	10/20/2030
Term Bond	36,385,000.00	100.245	4.000%	23.094	10/30/2041
Term Bond	34,825,000.00	99.828	4.000%	27.564	04/19/2046
	158,345,000.00			18.009	

	TIC	All-In TIC	Arbitrage Yield
Par Value	158,345,000.00	158,345,000.00	158,345,000.00
+ Accrued Interest			
+ Premium (Discount)	6,653,891.30	6,653,891.30	6,653,891.30
- Underwriter's Discount	-798,891.30	-798,891.30	
- Cost of Issuance Expense			
- Other Amounts			
Target Value	164,200,000.00	164,200,000.00	164,998,891.30
Target Date	09/26/2018	09/26/2018	09/26/2018
Yield	3.881230%	3.881230%	3.822720%

SOURCES AND USES OF FUNDS

City of Dallas, Texas
Water and Sewer System Revenue Refunding Bonds, Series 2018C
\$164.2 Million Commercial Paper Refunding
Assumes AAA/AA+ Uninsured Rates as of May 14, 2018 Plus 50bps
****** Preliminary - For Discussion Purposes Only ******

Dated Date	09/26/2018
Delivery Date	09/26/2018

Sources:

Bond Proceeds:	
Par Amount	158,345,000.00
Net Premium	6,653,891.30
	164,998,891.30

Uses:

Project Fund Deposits:	
Commercial Paper Refunding	164,200,000.00
Delivery Date Expenses:	
Underwriter's Discount	798,891.30
	164,998,891.30

BOND DEBT SERVICE

City of Dallas, Texas
Water and Sewer System Revenue Refunding Bonds, Series 2018C
\$164.2 Million Commercial Paper Refunding
Assumes AAA/AA+ Uninsured Rates as of May 14, 2018 Plus 50bps
****** Preliminary - For Discussion Purposes Only ******

Period Ending	Principal	Coupon	Interest	Debt Service
09/30/2019			3,522,451.39	3,522,451.39
09/30/2020	2,635,000	5.000%	6,788,625.00	9,423,625.00
09/30/2021	2,770,000	5.000%	6,653,500.00	9,423,500.00
09/30/2022	2,910,000	5.000%	6,511,500.00	9,421,500.00
09/30/2023	3,060,000	5.000%	6,362,250.00	9,422,250.00
09/30/2024	3,215,000	5.000%	6,205,375.00	9,420,375.00
09/30/2025	3,380,000	5.000%	6,040,500.00	9,420,500.00
09/30/2026	3,555,000	5.000%	5,867,125.00	9,422,125.00
09/30/2027	3,735,000	5.000%	5,684,875.00	9,419,875.00
09/30/2028	3,930,000	5.000%	5,493,250.00	9,423,250.00
09/30/2029	4,130,000	5.000%	5,291,750.00	9,421,750.00
09/30/2030	4,340,000	5.000%	5,080,000.00	9,420,000.00
09/30/2031	4,565,000	5.000%	4,857,375.00	9,422,375.00
09/30/2032	4,800,000	5.000%	4,623,250.00	9,423,250.00
09/30/2033	5,045,000	5.000%	4,377,125.00	9,422,125.00
09/30/2034	5,275,000	4.000%	4,145,500.00	9,420,500.00
09/30/2035	5,490,000	4.000%	3,930,200.00	9,420,200.00
09/30/2036	5,715,000	4.000%	3,706,100.00	9,421,100.00
09/30/2037	5,950,000	4.000%	3,472,800.00	9,422,800.00
09/30/2038	6,190,000	4.000%	3,230,000.00	9,420,000.00
09/30/2039	6,445,000	4.000%	2,977,300.00	9,422,300.00
09/30/2040	6,705,000	4.000%	2,714,300.00	9,419,300.00
09/30/2041	6,980,000	4.000%	2,440,600.00	9,420,600.00
09/30/2042	7,265,000	4.000%	2,155,700.00	9,420,700.00
09/30/2043	7,565,000	4.000%	1,859,100.00	9,424,100.00
09/30/2044	7,870,000	4.000%	1,550,400.00	9,420,400.00
09/30/2045	8,190,000	4.000%	1,229,200.00	9,419,200.00
09/30/2046	8,525,000	4.000%	894,900.00	9,419,900.00
09/30/2047	8,875,000	4.000%	546,900.00	9,421,900.00
09/30/2048	9,235,000	4.000%	184,700.00	9,419,700.00
	158,345,000		118,396,651.39	276,741,651.39