

Memorandum



CITY OF DALLAS

DATE September 6, 2019

TO Honorable Mayor and Members of the City Council

SUBJECT **Dallas Water Utilities Commercial Paper Program, Series E - Amendment and Extension of Credit Agreement**

The City Council agenda for September 11, 2019 includes a resolution for your consideration amending the revolving credit agreement and associated fee letter agreement that support Dallas Water Utilities' (DWU) \$300 million Series E Commercial Paper Program. The current revolving credit agreement for this series expires on September 30, 2019.

BACKGROUND

Commercial paper provides interim financing for Dallas Water Utilities (DWU) 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 rates of interest that are lower than rates available at the same time on long-term debt. Outstanding commercial paper is periodically reduced by refinancing it with long-term debt.

In 1987, the City Council authorized an ordinance establishing a commercial paper program as interim financing for DWU capital improvements for a period of 10 years, ending in September 1997, with a maximum issuance amount of \$100 million. Since 1987, DWU's initial commercial paper program has been reauthorized several times and increased in total size to \$300 million. The current \$300 million program was authorized in June 2014 to be issued as Series E notes.

Commercial paper issuance is supported by lines of credit from highly rated banks. These lines of credit assure investors that the notes will be paid in the unlikely event that a note cannot be sold to another investor at maturity. This program was re-authorized in 2004 and supported by lines of credit from Bank of America and JPMorgan Chase Bank N.A. It was extended for two three-year periods in 2008 and 2011. In 2014, it was solely supported by a line of credit from JPMorgan Chase Bank N.A. and extended to September 30, 2017. In 2017, the credit agreement with JPMorgan Chase Bank N.A. was extended to September 30, 2019.

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SERIES E CREDIT AGREEMENT EXTENSION

JPMorgan Chase Bank, N.A., has offered to continue providing the credit facility supporting DWU's \$300 million Series E Commercial Paper Program with no material changes in terms and conditions for an additional nine-month period. The annual fee for the line of credit facility backing the existing program is 30 basis points, or 0.30 percent, which would remain the same. The extension of the program is necessary to provide liquidity for the Waterworks and Sewer System Commercial Paper Notes, Series E and is being extended to coincide with the Waterworks and Sewer System Commercial Paper Notes, Series D program expiration date. Attached is a schedule of the estimated costs associated with this extension.

Please let me know if you need additional information.



M. Elizabeth Reich
Chief Financial Officer

Attachment

cc: T.C. Broadnax, City Manager
Chris Caso, City Attorney (Interim)
Mark Swann, City Auditor
Billerae Johnson, City Secretary
Preston Robinson, 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
Nadia Chandler Hardy, Assistant City Manager and Chief of Resilience
Michael Mendoza, Chief of Economic Development & Neighborhood Services
Laila Aleqresh, Chief Innovation Officer
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors

STRATEGIC PRIORITY: Government Performance and Financial Management
AGENDA DATE: September 11, 2019
COUNCIL DISTRICT(S): All
DEPARTMENT: Office of Procurement Services
EXECUTIVE: Elizabeth Reich

SUBJECT

A resolution authorizing the **(1)** execution of the Second Amendment to Revolving Credit Agreement; **(2)** execution of the Second Amendment to Fee Letter Agreement with JPMorgan Chase Bank, National Association in support of the City of Dallas, Texas Waterworks and Sewer System Commercial Paper Notes, Series E; and **(3)** execution of agreements pertaining thereto and resolving other matters related thereto, for a nine-month extension from September 30, 2019 through June 30, 2020 - Not to exceed \$800,000 - Financing: Dallas Water Utilities Fund (subject to annual appropriations)

BACKGROUND

Commercial paper provides interim financing for Dallas Water Utilities (DWU) 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 rates of interest that are lower than rates available at the same time on long-term debt. Outstanding commercial paper is periodically reduced by refinancing it with long-term debt.

In 1987, City Council authorized an ordinance establishing a commercial paper program as interim financing for DWU capital improvements for a period of 10 years, ending in September 1997, with a maximum issuance amount of \$100 million. Since 1987, DWU's initial commercial paper program has been reauthorized several times and increased in total size to \$300 million. The current \$300 million program was authorized in June 2014 to be issued as Series E notes.

Commercial paper issuance is supported by lines of credit from highly rated banks. These lines of credit assure investors that the notes will be paid in the unlikely event that a note cannot be sold to another investor at maturity. This program was re-authorized in 2004 and supported by lines of credit from Bank of America and JPMorgan Chase Bank N.A. It was extended for three-year periods in 2008 and 2011, until 2014 when it was solely supported by a line of credit from JPMorgan Chase Bank N.A. to September 30, 2017. In 2017, the credit agreement with JPMorgan Chase Bank N.A. was extended to September 30, 2019.

This item provides authorization to extend the agreement for nine months with JPMorgan Chase Bank, N.A. with the same fee structure, terms and conditions. The extension of the program is necessary to provide liquidity for the Waterworks and Sewer System Commercial Paper Notes, Series E and is being extended to coincide with the Waterworks and Sewer System Commercial Paper Notes, Series D program expiration date.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On April 28, 2004, City Council authorized the preparation of plans to increase the maximum principal amount at any one time outstanding of the City of Dallas Waterworks and Sewer System Commercial Paper Notes and to resolve other matters related to the issuance, sale, security and delivery of such short-term obligations by Resolution No. 04-1473.

On August 25, 2004, City Council authorized issuance of \$200,000,000 Series B Commercial Paper Notes by Ordinance No. 25714; and authorized issuance of \$100,000,000 Series C Commercial Paper Notes, including approval of the Credit Agreements with Bank of America N.A by Ordinance No. 25715.

On August 27, 2008, City Council authorized an amendment to Ordinance No. 25714, previously approved on August 25, 2004 to amend the Credit Agreement with Bank of America, N.A. to extend the term of the contract for a three-year period from September 28, 2008 through September 30, 2011 for the City of Dallas, Texas Waterworks and Sewer System Series B short term obligations; and an amendment to Ordinance No. 25715, previously approved on August 25, 2004 to amend the Credit Agreement with Bank of America, N.A. to extend the term of the contract for a three-year period from September 28, 2008 through September 30, 2011 for the City of Dallas, Texas Waterworks and Sewer System Series C short term obligations by Resolution No. 08-2261.

On August 24, 2011, City Council authorized an amendment to Dallas Water Utilities' Ordinance No. 25714, approved on August 25, 2004 and previously amended on August 27, 2008, to amend the Credit Agreement with Bank of America, N.A. to extend the term of the agreement for an additional three-year period from September 28, 2011 through September 30, 2014 and add JPMorgan Chase Bank N.A. to the Credit Agreement for the City of Dallas, Texas Waterworks and Sewer System Series B short-term obligations; and an amendment to Dallas Water Utilities' Ordinance No. 25715, approved on August 25, 2004 and previously amended on August 27, 2008, to amend the Credit Agreement with Bank of America, N.A. to extend the term of the agreement for an additional three-year period from September 28, 2011 through September 30, 2014 and add JPMorgan Chase Bank N.A. to the Credit Agreement for the City of Dallas, Texas Waterworks and Sewer System Series C short-term obligations by Resolution No. 11-2252.

On June 25, 2014, City Council authorized the issuance of the City of Dallas, Texas Waterworks and Sewer System Series E short term obligations authorizing such short term obligations to be issued, sold and delivered in various forms, including commercial

paper notes and a bank note; making certain covenants and agreements in connection therewith; re-establishing the 10-year tenor of the program by extending the maturity date to September 30, 2024; resolving other matters related to the issuance, sale, security and delivery of such short term obligations, including the re-appointment of U.S. Bank Trust National Association as the Issuing and Paying Agent and authorizing the execution of an Issuing and Paying Agent Agreement, authorizing a Credit Agreement with JPMorgan Chase; and the appointment of Dealer JPMorgan Securities and authorizing the execution of a Commercial Paper Dealer Agreement; approving the payment of issuance costs in connection with the issuance of the short term obligations; approving the use of an Offering Memorandum in connection with the sale of the short term obligations; and providing an effective date by Resolution No. 14-0987; Ordinance No. 29377.

On September 13, 2017, City Council authorized the execution of the First Amendment to Revolving Credit Agreement; execution of the First Amendment to Fee Letter Agreement with JPMorgan Chase Bank, National Association in support of the City of Dallas, Texas Waterworks and Sewer System Commercial Paper Notes, Series E; and the execution of agreements pertaining thereto and resolving other matters related thereto by Resolution No. 17-1402.

FISCAL INFORMATION

Dallas Water Utilities Fund - \$800,000.00 (subject to annual appropriations), as described in Schedule I

Fund	FY 2019	FY 2020
Dallas Water Utilities Fund	\$306,667.00	\$493,333.00
Total	\$306,667.00	\$493,333.00

M/WBE INFORMATION

In accordance with the City’s Business Inclusion and Development Plan adopted on October 22, 2008, by Resolution No. 08-2826, as amended, the M/WBE participation on this contract is as follows:

Contract Amount	Category	M/WBE Goal	M/WBE %	M/WBE \$
\$800,000.00	Professional Services	N/A	N/A	N/A
<ul style="list-style-type: none"> M/WBE Goal Waived 				

OWNER

JPMorgan Chase Bank, N.A., a wholly owned subsidiary of JPMorgan Chase & Co.

Jamie Dimon, Jr., Chairman of the Board

Schedule I

Dallas Water Utilities Commercial Paper Program Series E Extension

Co-Bond Counsel

McCall, Parkhurst & Horton (Vendor No. 193173) \$ 2,500

Liquidity Facility Bank Attorney Fees

Chapman and Cutler LLP (Vendor No. VS88313) 3,500

Miscellaneous Fees

Miscellaneous Vendor 2,000

Liquidity Facility Fees

JPMorgan Chase (Vendor No. 399837) 740,000

Rating Agencies (Annual surveillance)

Fitch Ratings (Vendor No. VC14720) 18,000

S&P Global (Vendor No. 954974) 34,000

Total

\$800,000

September 11, 2019

WHEREAS, JPMorgan Chase Bank, National Association (the “Liquidity Provider”) currently provides liquidity services to the City of Dallas for the Waterworks and Sewer System Commercial Paper Notes, Series E (the “Commercial Paper Notes”); and

WHEREAS, the City of Dallas desires to continue to provide liquidity support for the Waterworks and Sewer System Series E short-term obligations; and

WHEREAS, the Liquidity Provider provides liquidity support for the Commercial Paper Notes in accordance with the terms of a Revolving Credit Agreement for the Commercial Paper Notes, dated as of September 13, 2017 (the “Credit Agreement”); and

WHEREAS, the Liquidity Provider is compensated for the liquidity support services provided under the terms of the Credit Agreement in accordance with the terms of a Fee Letter Agreement, dated as of September 13, 2017 (the “Fee Letter Agreement”); and

WHEREAS, under the terms of the Credit Agreement, the City may request an extension of the term of the Credit Agreement; and

WHEREAS, the City of Dallas desires to extend the Revolving Credit Agreement with JPMorgan Chase Bank, National Association to provide liquidity support for the Waterworks and Sewer System Series E short-term obligations; and

WHEREAS, the Liquidity Provider has agreed to extend the term of the Credit Agreement through June 30, 2020, in accordance with the provisions of the Second Amendment to Revolving Credit Agreement; and

WHEREAS, the Liquidity Provider has agreed to extend the term of the Fee Letter Agreement through June 30, 2020, in accordance with the provisions of the Second Amendment to Fee Letter Agreement; and

WHEREAS, no changes to the fees charged by the Liquidity Provider for providing liquidity support for the Commercial Paper Notes are proposed in the First Amendment to Fee Letter Agreement; and

WHEREAS, it is in the best interests of the City of Dallas to authorize the City Manager to execute the Second Amendment to Revolving Credit Agreement and the Second Amendment to Fee Letter Agreement, in accordance with the provisions, and subject to the limitations, set forth in this resolution.

September 11, 2019

Now, Therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

SECTION 1. That the City Manager is hereby authorized to **(1)** execute the Second Amendment to Revolving Credit Agreement; **(2)** execute the Second Amendment to Fee Letter Agreement, with JPMorgan Chase Bank, National Association in support of the City of Dallas, Texas Waterworks and Sewer System Commercial Paper Notes, Series E; and **(3)** execution of agreements pertaining thereto, and resolving other matters related thereto for a nine-month extension from September 30, 2019 through June 30, 2020, approved as to form by the City Attorney.

SECTION 2. That the Chief Financial Officer is hereby authorized to disburse funds in an amount not to exceed \$2,500 to McCall, Parkhurst & Horton L.L.P. (Vendor 193173) for professional legal services in connection with the review of the Second Amendment to Revolving Credit Agreement and the Second Amendment to Fee Letter Agreement, under contract with McCall, Parkhurst & Horton L.L.P., from the Water Utilities Operating Fund, Fund 0100, Department DWU, Unit 7017, Object 3827.

SECTION 3. That the Chief Financial Officer is hereby authorized to disburse funds in an amount not to exceed \$3,500 to Chapman and Cutler LLP (Vendor VS88313) for professional legal services in connection with the drafting and review of the Second Amendment to Revolving Credit Agreement and the Second Amendment to Fee Letter Agreement, from the Water Utilities Operating Fund, Fund 0100, Department DWU, Unit 7017, Object 3827.

SECTION 4. That the Chief Financial Officer is hereby authorized to disburse funds in an amount not to exceed \$2,000 for miscellaneous expenses in connection with the Second Amendment to Revolving Credit Agreement and the Second Amendment to Fee Letter Agreement, from the Water Utilities Operating Fund, Fund 0100, Department DWU, Unit 7017, Object 3827.

SECTION 5. That the Second Amendment to Revolving Credit Agreement is designated as Contract No. CCO-2017-00003722.

SECTION 6. That the Second Amendment to Fee Letter Agreement is designated as Contract No. CCO-2017-00003721.

SECTION 7. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.