

Memorandum



CITY OF DALLAS

DATE June 26, 2020

TO Honorable Mayor and Members of the City Council

SUBJECT **Preparation for FY 2020-21 Budget Town Halls**

As we begin planning for the FY 2020-21 Budget town hall meetings, we are mindful of the increasing number of novel coronavirus (COVID-19) cases in our area. Therefore, we are providing up to three virtual town hall opportunities for the Mayor and each City Council district to enable public participation while keeping residents, staff, and City Council members safe.

Between Thursday, August 13, and Thursday, August 27, staff will support Webex meetings, and if desired, staff will also coordinate and identify funding for one tele-town hall meeting for the Mayor and each City Council district.

Opportunity 1: Webex Meeting

We have used the Cisco Webex tool to conduct City business since we began working remotely. Your staff have been trained on the system, and many of you have used this platform to conduct community meetings. This format allows up to 3,000 participants per event, can email invitations, has meeting reminders, and offers post-event surveys for additional feedback from participants.

Scheduling is flexible for Webex meetings; therefore, Mayor and City Council offices may choose any day/time between Thursday, August 13, and Thursday, August 27. We will do our best to accommodate depending on the number of requests for that slot, or we will work with your office to identify an alternative.

Opportunity 2: Telephone Town Hall Meeting (TTHM or tele-town hall)

We have used the TTHM tool successfully for several years. In this scenario, the vendor calls district residents a few days prior to the scheduled meeting and allows residents to “opt in” to the call on the evening of the event. This format limits participants to those within a district, is simulcast in Spanish, can be viewed online, and includes polling questions for additional feedback from participants.

The available dates for tele-town halls are listed below. We can host two 60-minute meetings each evening at the time you choose (including simultaneously). Any additional TTHMs will be funded from your district budget and are subject to vendor availability.

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SUBJECT **Preparation for FY 2020-21 Budget Town Halls**

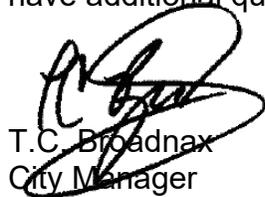
- Thursday, August 13
- Monday, August 17
- Tuesday, August 18
- Wednesday, August 19
- Thursday, August 20
- Monday, August 24
- Tuesday, August 25
- Wednesday, August 26
- Thursday, August 27

With either format, you may choose to broadcast from your City Hall office, your home, the City Council Briefing Room, or City Council Chambers. City staff will also be available remotely to answer questions or provide information, as needed. We recognize that some individuals may miss the traditional in-person meetings; however, it is impossible to know when the public health crisis will be resolved, and we need to finalize dates soon to ensure adequate communication to residents.

With that in mind, please submit your preferred dates and times to Carrie Prysock by close of business Monday, July 6; TTHM selections will be honored based on seniority.

As a reminder, Communications, Outreach, and Marketing (COM) will reach out to you individually to identify those interested in robocalls, and they will provide flyers and other collateral materials in English and Spanish to promote your meetings.

We appreciate your flexibility in such an unprecedented and dynamic situation. If you have additional questions, please reach out to me or Elizabeth Reich.



T.C. Broadnax
City Manager

c: Chris Caso, City Attorney
Mark Swann, City Auditor
Billierae 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
Dr. Eric A. Johnson, Chief of Economic Development and Neighborhood Services
M. Elizabeth Reich, Chief Financial Officer
Laila Aleqresh, Chief Innovation Officer
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors

Memorandum



CITY OF DALLAS

DATE June 26, 2020

TO Honorable Members of the Government Performance and Financial Management Committee

SUBJECT **2021 Employee Health Benefits Response to Question – Increased Enrollment**

Please find response below to question raised during the GPFM Committee meeting on Monday, June 22, 2020.

Question: Provide the breakdown of the new enrollees in the 2020 City of Dallas Health Plan.

Response: Based on prior enrollment, it is estimated that approximately **214 current employees**, who were not covered on the City's Plan in 2019, gained coverage in 2020. Additionally, it is estimated that **61 new employees** enrolled in the 2020 plans. **In total, 275 employees enrolled in the 2020 plans who were not covered under the City's Plan in 2019.**

Please feel free to reach out to me or Nina Arias, Director of Human Resources if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kimberly Bizer Tolbert'.

Kimberly Bizer Tolbert
Chief of Staff

- c:
- | | |
|--|--|
| T.C. Broadnax, City Manager | Joey Zapata, Assistant City Manager |
| Chris Caso, City Attorney | Nadia Chandler Hardy, Assistant City Manager |
| Mark Swann, City Auditor | Dr. Eric A. Johnson, Chief of Economic Development and Neighborhood Services |
| Biliera Johnson, City Secretary | M. Elizabeth Reich, Chief Financial Officer |
| Preston Robinson, Administrative Judge | Laila Aleqresh, Chief Innovation Officer |
| Majed A. Al-Ghafry, Assistant City Manager | M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion |
| Jon Fortune, Assistant City Manager | Directors and Assistant Directors |

Memorandum



CITY OF DALLAS

DATE June 26, 2020

TO Honorable Mayor and Members of City Council

SUBJECT **COVID-19 Enforcement Update**

At the request of Chairman Thomas of the Ad Hoc Committee on COVID-19 Recovery and Assistance, the following memo is intended to provide the City Council an update on current COVID-19 related enforcement.

The City's efforts to enforce current COVID-19 Emergency Orders continues. Since March 13, 2020 there have been over 7,650 related calls to 311 and Code Compliance has completed over 19,800 inspections. Only 36 citations have been issued for non-compliance. The vast majority of the issues addressed, have been related to non-posting of the current emergency regulations.

Recently, Governor Abbott announced updated state regulations allowing local jurisdictions to implement standards related to wearing masks. Subsequently, Dallas County issued an order requiring businesses to implement a masking policy. Violations related to this order are either (1) a failure to create a policy or (2) a failure to implement the policy. Dallas County Health and Human Service Department is the lead enforcement agency to enforce the business masking policy. Businesses, not the individual, can be fined for violation of the County order, though the County's order provides certain exceptions.

In response to sharp increases in positive COVID-19 cases in Texas, this morning Governor Abbott announced additional regulations to require bars to close, further limiting restaurant indoor occupancy to 50%, and providing restrictions on outdoor gatherings of 100 or more people. Staff is currently evaluating these new regulations to ensure that we establish the appropriate enforcement response.

Code Compliance will continue enforcement and proactive education of current orders and regulations, and 311 will continue to serve as the central point of contact for residents related to reporting suspected violations, and for questions or concerns. Staff will continue to adjust strategies as regulations change or new issues arise.

Please contact me should you have any additional questions.

A handwritten signature in blue ink that reads "Jon Fortune".

Jon Fortune,
Assistant City Manager

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney
Mark Swann, City Auditor
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
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CITY OF DALLAS

DATE June 26, 2020

TO Honorable Mayor and Council Members

SUBJECT **Workday Payroll Implementation**

I am pleased to share that we have completed phase one of the Workday Human Capital Management and Payroll system implementation, and the system is available for employee use. The first civilian payroll will be processed next week and paid on July 3, 2020. The first uniform payroll will be processed the following week and paid on July 10, 2020.

Workday will dramatically improve our employees' ability to understand each element of their pay and benefits. It will also enable employees to view and update personal information. The new system will allow departments greater visibility into their workforce to deploy services efficiently and manage labor costs. Additionally, the Workday implementation will remediate several audit recommendations for increased security and controls around our timekeeping procedures, including change control, data preservation, and segregation of duties. In sum, this technological enhancement, along with a reorganization of payroll functions, should greatly improve overall accuracy and transparency.

I would like to thank all members of the project implementation team who worked extremely hard to clean and validate data, design new business processes, as well as backload a multitude of catch-up transactions to make Workday as accurate as possible from the start. A sincere thank you to all City departments for their dedication to this project as well.

A handwritten signature in blue ink that reads "M. Elizabeth Reich".

M. Elizabeth Reich
Chief Financial Officer

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney
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CITY OF DALLAS

DATE June 26, 2020

TO Honorable Members of the Government Performance & Financial Management Committee

SUBJECT **Answers to Questions from the Government Performance & Financial Management Committee Meeting on June 22, 2020**

During Monday's GPFM committee, committee members asked questions about the Budget Accountability Report (BAR) that required follow-up:

Question 1: What equipment is Public Works purchasing with the unplanned revenue received from Dallas County?

Response 1: The funds received from Dallas County will purchase one milling machine, two asphalt street pavers, and two distributor trucks to be used by in-house crews for street maintenance. .

Question 2: Dallas 365 #32 states "percentage of 311 calls answered within 90 seconds." The goal is to answer 70 percent within the 90 seconds. The end-of-year forecast is to answer 40 percent within the 90 seconds. What is the current average time for answering calls?

Response 2: As of June 21, the year-to-date ASA (average speed of answer) for all calls (311, DWU, DAS, TRN, etc.) is 4 minutes 52 seconds.

Question 3: The variance note for Dallas Fire Rescue indicates that a civilian hiring freeze is in place. Is Dallas Police Department subject to the civilian hiring freeze?

Response 3: Yes. The civilian hiring freeze is applicable to all funds and departments. However, a process is in place for departments (including DPD) to request exceptions to the civilian hiring freeze. Exception requests are submitted to the Office of Budget. Each week, the City Manager reviews the requests for exceptions and will either approve or deny them based on operational needs of the City.

DATE June 26, 2020
SUBJECT Answers to Questions from the Government Performance & Financial Management Meeting on June 22, 2020

Thank you for a robust committee discussion. Should you have any further questions, please contact me or Jack Ireland, Director of the Office of Budget.


M. Elizabeth Reich
Chief Financial Officer

c: Honorable Mayor and Members of the City Council
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CITY OF DALLAS

DATE June 26, 2020

TO Honorable Mayor and Members of the City Council

SUBJECT **Fiscal Year 2019 Audit Reports**

I am pleased to present the City of Dallas' [Federal Single Audit](#) and [State Single Audit Reports](#) for fiscal year (FY) 2019 and the [Dallas Convention Center Hotel Development Corporation \(DCCHDC\) Audit Report](#) for the year ended December 31, 2019.

The Federal and State Single Audits are annual reports checking for compliance with how the City administers its Federal and State financial assistance as required by the Office of Management and Budget (OMB) and State of Texas Uniform Grant Management Standards.

We have now concluded all external audits for 2019. In March 2020, we previously published the City of Dallas' fiscal year [\(FY\) 2019 Comprehensive Annual Financial Report \(CAFR\)](#). This report is a summary of the financial activities of the City for the past fiscal year; we received an unmodified audit opinion on our financial statements. We also published the annual audit reports for the [Airport Revenues Fund](#), [Schedule of Passenger Facility Charges Collected and Expended](#), [Dallas Water Utilities](#), and [Downtown Dallas Development Authority](#).

Thank you for your support of excellent financial management and reporting. We look forward to working with you to further strengthen the City's financial policy and operations.

A handwritten signature in blue ink that reads "M. Elizabeth Reich".

M. Elizabeth Reich
Chief Financial Officer

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CITY OF DALLAS

DATE June 26, 2020

TO The Honorable Mayor and Members of the City Council

SUBJECT **Bond Sale Results - Equipment Acquisition Contractual Obligations, Series 2020 and Certificates of Obligation, Series 2020**

On Tuesday, June 23, the City received bids in a competitive sale for the Combination Tax and Revenue Certificates of Obligation, Series 2020 (the "Certificates") and the Equipment Acquisition Contractual Obligations, Series 2020 (the "Contractual Obligations").

As a result, the City issued \$16 million in Certificates of Obligation at a true interest cost (TIC) of 1.49 percent, in a bid submitted by Huntington Securities. In total, the City received 11 bids for the Certificates of Obligation, with TIC ranging from 1.49 percent to 3.64 percent.

Additionally, the City issued \$29.67 million in Contractual Obligations at a true interest cost of .44 percent, in a bid submitted by BNY Mellon Capital Markets. In total, the City received 16 bids for the Contractual Obligations, with TIC ranging from .44 percent to .69 percent.

On February 12, 2020, the City Council approved the sale of up to \$16 million in Certificates of Obligation for the purpose of financing the restoration of damages to City facilities following severe storms; and approved the sale of up to \$33 million in Contractual Obligations to finance the purchase of various City equipment. Prior to the sale, the City's ratings were affirmed by S&P Global ('AA-' Stable) and Fitch Ratings ('AA' Stable).

Market conditions were favorable for a successful sale, reinforced by the credit strength of the City. Thank you for your continued support and commitment to strengthening the City's financial position. Please let me know if you need additional information.

A handwritten signature in black ink that reads "M. Elizabeth Reich".

M. Elizabeth Reich
Chief Financial Officer

[Attachment]

c: T.C. Broadnax, City Manager
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SOURCES AND USES OF FUNDS

City of Dallas, Texas
2020 - GO/EAN Sale

Sources:	Equipment Notes, Series 2020	Certificates of Obligation, Series 2020	Total
Bond Proceeds:			
Par Amount	29,665,000.00	16,000,000.00	45,665,000.00
Premium	3,569,214.65	228,816.00	3,798,030.65
	<u>33,234,214.65</u>	<u>16,228,816.00</u>	<u>49,463,030.65</u>
Uses:			
Project Fund Deposits:			
Project Fund	33,000,000.00	16,000,000.00	49,000,000.00
Delivery Date Expenses:			
Cost of Issuance	170,000.00	160,000.00	330,000.00
Underwriter's Discount	<u>58,918.90</u>	<u>67,982.53</u>	<u>126,901.43</u>
	228,918.90	227,982.53	456,901.43
Other Uses of Funds:			
Additional Proceeds	5,295.75	833.47	6,129.22
	<u>33,234,214.65</u>	<u>16,228,816.00</u>	<u>49,463,030.65</u>

BOND SUMMARY STATISTICS

City of Dallas, Texas
Equipment Notes, Series 2020

Dated Date	07/02/2020
Delivery Date	07/02/2020
Last Maturity	02/15/2025
Arbitrage Yield	0.529323%
True Interest Cost (TIC)	0.442521%
Net Interest Cost (NIC)	0.481711%
All-In TIC	0.646023%
Average Coupon	5.000000%
Average Life (years)	2.619
Duration of Issue (years)	2.533
Par Amount	29,665,000.00
Bond Proceeds	33,234,214.65
Total Interest	3,884,540.97
Net Interest	374,245.22
Total Debt Service	33,549,540.97
Maximum Annual Debt Service	7,447,040.97
Average Annual Debt Service	7,262,678.74
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	1.986142
Total Underwriter's Discount	1.986142
Bid Price	111.833122

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Bond Component	29,665,000.00	112.032	5.000%	2.619	8,363.85
	29,665,000.00			2.619	8,363.85

	TIC	All-In TIC	Arbitrage Yield
Par Value	29,665,000.00	29,665,000.00	29,665,000.00
+ Accrued Interest			
+ Premium (Discount)	3,569,214.65	3,569,214.65	3,569,214.65
- Underwriter's Discount	-58,918.90	-58,918.90	
- Cost of Issuance Expense		-170,000.00	
- Other Amounts			
Target Value	33,175,295.75	33,005,295.75	33,234,214.65
Target Date	07/02/2020	07/02/2020	07/02/2020
Yield	0.442521%	0.646023%	0.529323%

BOND SUMMARY STATISTICS

City of Dallas, Texas
 Certificates of Obligation, Series 2020

Dated Date	07/02/2020
Delivery Date	07/02/2020
Last Maturity	02/15/2030
Arbitrage Yield	0.529323%
True Interest Cost (TIC)	1.492736%
Net Interest Cost (NIC)	1.499498%
All-In TIC	1.699281%
Average Coupon	1.695849%
Average Life (years)	5.119
Duration of Issue (years)	4.864
Par Amount	16,000,000.00
Bond Proceeds	16,228,816.00
Total Interest	1,389,088.89
Net Interest	1,228,255.42
Total Debt Service	17,389,088.89
Maximum Annual Debt Service	1,952,088.89
Average Annual Debt Service	1,807,701.99
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	4.248908
Total Underwriter's Discount	4.248908
Bid Price	101.005209

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Bond Component	16,000,000.00	101.430	1.696%	5.119	6,848.00
	16,000,000.00			5.119	6,848.00

	TIC	All-In TIC	Arbitrage Yield
Par Value	16,000,000.00	16,000,000.00	16,000,000.00
+ Accrued Interest			
+ Premium (Discount)	228,816.00	228,816.00	228,816.00
- Underwriter's Discount	-67,982.53	-67,982.53	
- Cost of Issuance Expense		-160,000.00	
- Other Amounts			
Target Value	16,160,833.47	16,000,833.47	16,228,816.00
Target Date	07/02/2020	07/02/2020	07/02/2020
Yield	1.492736%	1.699281%	0.529323%

Memorandum



CITY OF DALLAS

DATE June 26, 2020

TO Honorable Mayor and Council Members

SUBJECT **Moody's Investors Service Releases Credit Opinion in Update to Credit Analysis of Dallas Water Utilities' 'Aa2' (Stable) Rating - INFORMATION**

On June 22, Moody's Investors Service (Moody's) released a credit opinion article regarding recent updates to the credit analysis of Dallas Water Utilities' (DWU) 'Aa2' (stable outlook) rating. According to Moody's report, the DWU system "exhibits healthy credit fundamentals. The system is a very large, regional water and wastewater service provider with a healthy asset condition, ample water supply and system capacity and strong financial performance." Regarding the coronavirus outbreak, Moody's states, "we regard the coronavirus outbreak as a social risk under our environmental, social and governance framework, given the substantial implications for public health and safety and the economy," and explains, "we do not see any material immediate credit risks for the Dallas Waterworks and Sewer Enterprise because of the essential service provided and because the system management is actively implementing expenditure cuts to make up the projected revenue shortfall in fiscal 2020."

The report identifies certain credit challenges, such as the "slightly elevated ratio of debt to operating revenues," due in part to "robust and long-range capital planning to access additional water supply and replace aging infrastructure," and "exposure to ERF unfunded pension liability." However, the report continues that, "the stable outlook reflects the expectation that favorable demographic trends, strong financial management and strategic planning, and ongoing city council support of rate increases as needed will lead to maintenance of solid liquidity and adequate debt service coverage levels for the system."

This article is not a rating action from Moody's but is a positive reflection of DWU's fiscal strength and sound fundamentals, especially during unprecedented times. Attached is the published report for your review. Please let me know if you need additional information.


M. Elizabeth Reich
Chief Financial Officer

[Attachment]

c: T.C. Broadnax, City Manager
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CREDIT OPINION

22 June 2020

Update

✓ Rate this Research

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CLIENT SERVICES

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Japan 81-3-5408-4100

EMEA 44-20-7772-5454

Dallas (City of) TX Waterworks & Sewer Ent.

Update to credit analysis

Summary

The Dallas Waterwork and Sewer Enterprise (“the system” or “the enterprise”) (Aa2 stable) credit profile considers the close credit relationship between the city of Dallas (A1 stable) and the system, as well as the strong credit fundamentals of the system. The linkage between the two entities is driven by its shared governance, as the City Council is the responsible body over general city operations as well as the enterprise system.

The enterprise system exhibits credit strengths that bolster the profile, including both legal protections and system fundamentals. Specifically, the legal framework protecting bondholders is strong, both in state legislation and the bond legal documents, including secured pledge of net revenue and the closed loop of funds as required in the city’s voter-approved charter. Additionally, the system exhibits healthy credit fundamentals. The system is a very large, regional water and wastewater service provider with a healthy asset condition, ample water supply and system capacity and strong financial performance. Being a large provider, system management exhibits robust and long-range capital planning to access additional water supply and replace aging infrastructure, though this has resulted in a slightly elevated debt level relative to revenue. The profile is also constrained by its exposure to the Dallas Employees’ Retirement Fund, though allocated pension leverage and annual pension costs to the system are manageable.

We regard the coronavirus outbreak as a social risk under our environmental, social and governance framework, given the substantial implications for public health and safety and the economy. We do not see any material immediate credit risks for the Dallas Waterworks and Sewer Enterprise because of the essential service provided and because the system management is actively implementing expenditure cuts to make up the projected revenue shortfall in fiscal 2020. However, the situation surrounding coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of the enterprise system changes, we will update our opinion at that time.

Credit strengths

- » Large service area that is nearly double the size of the city of Dallas
- » DFW region exhibits strong economic indicators
- » Long history of rate increases to support capital needs

- » Strong bond holder legal protections

Credit challenges

- » Slightly elevated ratio of debt to operating revenues
- » Exposure to ERF unfunded pension liability

Rating outlook

The stable outlook reflects the expectation that favorable demographic trends, strong financial management and strategic planning, and ongoing city council support of rate increases as needed will lead to maintenance of solid liquidity and adequate debt service coverage levels for the system. The stable outlook also incorporates the expectation that rising pension costs associated with the Dallas Employees' Retirement Fund, and allocated to the system, will remain a small percentage of operating expenses.

Factors that could lead to an upgrade

- » Reduced ratio of debt to operating revenues
- » Significant improvement to debt service coverage
- » Upgrade of the city's GOLT rating

Factors that could lead to a downgrade

- » Trend of declining system liquidity
- » Downgrade of the city's GOLT; material increases to the unfunded pension liability associated with ERF

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 1

Dallas Waterworks and Sewer Enterprise, TX

System Characteristics					
Asset Condition (Net Fixed Assets / Annual Depreciation)	42 years				
System Size - O&M (in \$000s)	\$295,389				
Service Area Wealth: MFI % of US median	100.0%				
Legal Provisions					
Rate Covenant (x)	1.25				
Debt Service Reserve Requirement	DSRF funded at less than 3-prong test OR springing DSRF (A)				
Management					
Rate Management	Aa				
Regulatory Compliance and Capital Planning	Aaa				
Financial Strength					
	2015	2016	2017	2018	2019
Operating Revenue (\$000)	\$577,362	\$611,430	\$658,969	\$676,398	\$635,285
System Size - O&M (\$000)	\$295,619	\$313,288	\$284,684	\$300,230	\$295,389
Net Revenues (\$000)	\$281,743	\$298,142	\$374,285	\$376,168	\$339,896
Net Funded Debt (\$000)	\$2,371,905	\$2,443,753	\$2,510,782	\$2,617,816	\$2,568,229
Annual Debt Service (\$000)	\$178,354	\$182,900	\$182,000	\$202,597	\$212,157
Annual Debt Service Coverage (x)	1.6x	1.6x	2.1x	1.9x	1.6x
Cash on Hand	207 days	202 days	225 days	269 days	274 days
Debt to Operating Revenues (x)	4.1x	4.0x	3.8x	3.9x	4.0x

MFI based on broader service area

Source: Moody's Investors Service, city audited financial reports, revenue bond documents

Profile

The City of Dallas Waterworks and Sewer Enterprise is a large water and sewer utility serving 300,000 retail accounts within the city of Dallas. The system also provides wholesale water and wastewater treatment to numerous local governments in the Dallas - Fort Worth metroplex.

Detailed credit considerations

Service area and customer base: large wholesale and retail service base; strong planning for long-term water resources

The response to the coronavirus pandemic has resulted in an unprecedented slowdown in economic activity across the US. The effect on local governments will vary based on the extent and duration of local disruption and could be more or less severe than the nation overall. The evolution of the crisis remains highly uncertain and the full extent of the economic costs will be unclear for some time.

The Dallas waterworks and sewer system serves a growing area of residential, commercial and retail development. The system has approximately 300,000 water accounts and provides water on a wholesale basis to 27 local governments in the metro area (23 treated, and 4 untreated water). Water supply is available from six surface water impoundments and from water in the Elm Fork of the Trinity River. All of the sources are located in north central and east Texas. The city's dependable connected water supply yield is 431 million gallons per day (MGD) from current connections, and increases to 604 MGD including available but not yet connected supply. As of 2019, the average demand on the system was 369 MGD and the peak was 606 MGD. Future surface water impoundments are anticipated, including an important connection to Lake Palestine which is about two-thirds complete and expected to be available by the time it is needed in 2027. The city's water supply is projected to be adequate to 2050 upon completion of the connection to Lake Palestine. Long-term affordable water supply options continue to be identified – the city updated their long range water supply plan in fiscal 2014 in order to secure water through 2070.

The system also includes wastewater collection and treatment, and serves the City of Dallas on a retail basis, and provides treatment services to 11 local governments in the area. Wastewater infrastructure includes over 4,020 miles of pipe and two treatment plants. The plants are permitted to treat 280 MGD on an average daily basis. As of 2019, the average daily usage was 231 MGD and the peak usage of 552 MGD.

Debt service coverage and net working capital: healthy debt service coverage supported by regular rate increases

Debt service coverage will remain adequate over the next few fiscal years despite the economic slowdown associated with the coronavirus pandemic due to the essentiality of the service, limited retail delinquencies and no expected wholesale delinquencies, and otherwise a strong fiscal management team.

The city's exhibits a strong and stable trend rate management to maintain adequate debt service coverage, which is a favorable credit factor given the utility's increasing expenditure requirements. The City Council, who approves water and sewer rates, has demonstrated willingness to increase rates as needed. Both water and sewer rates for retail and wholesale service (which represents the majority of system revenues) have reflected manageable annual increases historically. Rates remained flat in fiscal 2019 and 2020, as a result of the settlement with the Sabine River Authority, though are projected to modestly increase again annually through 2024 to accommodate planned capital improvements.

In fiscal 2019, net revenues available for debt service declined to \$339.9 million, which covered annual debt service requirements of \$212.2 million by an adequate 1.6 times. City officials have a goal to maintain fiscal year-end maximum debt service coverage of 1.5 times. Prudently, the target is used for budgeting purposes in order to account for any reductions in water revenues and still sufficiently meet the rate covenant and additional bonds test. The drop in net revenues in fiscal 2019 was anticipated, as wholesale customers received a credit as a result of the Sabine River Authority (SRA) settlement, which will be offset by fund balance, and decreased water consumption. Additionally, system operating expenditures reflect a Moody's adjustment of -\$71 million, which converts the GASB accrual expense for pension and OPEBs into cash contributions. More information about this adjustment can be found in our [pension and OPEB adjustments methodology](#).

Fiscal 2020 revenues are forecast to be about 10% below budget, and slightly below fiscal 2019, though coverage should remain stable through reduced expenditures. Wetter weather earlier in the fiscal year, coupled with decreased commercial demand resulting from the pandemic are the primary reasons for the forecast decline. However, the city has been able to source cost savings to make up for the loss. In addition to cost savings from reduced water treatment expenses, it has also implemented hiring freezes, restricted non-essential spending, and deferred certain capital projects.

LIQUIDITY

The system's unrestricted liquidity has continued to improve, with cash increasing from \$147.4 million in 2014 to \$221.8 million in fiscal 2019, representing a healthy 274 days of operating expenditures. The city has also adopted a financial policy to maintain an unreserved cash balance that provides a minimum quick ratio of 1.50 times and 30 days of budgeted expenditures.

Debt and legal covenants: substantial capital plan to replace aging infrastructure and source additional water supply; strong legal structure

The systems' debt to revenues ratio will likely remain elevated though manageable in the near term given additional borrowing plans through 2024 in line with past issuance trends. The fiscal 2019 ratio of debt to revenues has come down slightly over the past few years, though remains moderately elevated at 4 times revenues, which is in line with similarly sized enterprises with substantial capital needs to serve a regional population. The system has undertaken a robust capital improvement plan for the system to replace aging infrastructure and expand to accommodate growth. The city uses a combination of commercial paper, revenue bonds and cash contributions from current revenues to fund annual capital needs. The current city council authorization for the CP program is \$600 million. As of 2019, the system's total debt includes approximately \$2.2 billion in revenue bonds and \$425.4 million in contract revenue bonds associated with the integrated pipeline project, as well as \$75.5 million in pension obligation bonds allocated to the system (including accretion).

DEBT STRUCTURE

The system issues 30 year, fixed rate, revenue bonds to take out the outstanding CP. Overall revenue bond debt structure descends over time. Approximately 39% of principal will amortize within 10 years.

LEGAL STRUCTURE

The bonds are secured by a first lien on the net revenues of the system. The contract revenue bonds are secured by a pledge of gross operating revenues and are considered an O&M expense.

Legal provisions associated with the revenue bonds provide strong bondholder security. Texas government code 1208 perfects the lien on pledged revenues, which can point to increased bondholder recovery in the event of severe fiscal distress of the city. Additionally, per the current city charter and management practices, there exists a strict separation of accounts and assets between general city operations and the system, except for payments in lieu of taxes, street rental fees, and charges for services rendered. While the charter may be amended by a vote of the residents, an amendment impacting the system is not currently contemplated.

The bond documents include a rate covenant that requires net revenues to produce 1.25 times peak debt service, and the additional bonds test is 1.25 times average annual debt service. A reserve fund is required to be maintained at 100% average annual debt service funded over 60 months. All of the debt service reserves have been cash funded. As of September 2019 the balance in the DSRF was \$105.4 million. Outstanding CP notes (rated P-1) have a subordinate lien on system net revenues. Finally, the Bond Ordinance requires equal monthly installments for the next payment of principal and interest due.

DEBT-RELATED DERIVATIVES

The system is not a party to any debt-related derivative agreements.

PENSIONS AND OPEB

The system funds a portion of the city's single-employer Employees' Retirement Fund ("ERF"). As of fiscal 2019, the system was allocated 19.3% of the reported ERF net pension liability of \$2.3 billion, based on a 5.98% discount rate. The Moody's Adjusted Net Pension Liability ("ANPL") of the ERF as of fiscal 2019 was \$3.7 billion, based on an assumed rate of return of 4.2%. Based on an assumed 19.3% share, the ANPL attributable to the system is \$708.1 million, or 0.9 times revenues.

Environmental, social, and governance considerations**ENVIRONMENTAL**

The system is within the Great Plains region, which is forecast to be most affected by rising temperatures that put increasing strain on water supplies and energy. The region is also expected to see periods of extreme rainfall that can cause flooding. The system maintains a robust water, wastewater and stormwater capital improvement, water sourcing and conservation plans to manage these risks, which are expected to materialize over the long term.

SOCIAL

The system's service area demographic trends have been strong, exhibiting a growing population. Though the city's socioeconomic profile is weak overall, the larger service area wealth and income levels are generally above average relative to the nation.

GOVERNANCE

Management of the Dallas Waterworks and Sewer System provide departmental administration within the framework of the city's council-manager form of government. Subject to the direction and supervision of the Office of the City Manager, the Director of Water Utilities is charged with management of the system. The system demonstrates good governance through annual adoption of rate increases to support system needs, and maintenance of policies for debt service coverage and liquidity.

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Memorandum



CITY OF DALLAS

DATE June 26, 2020

TO Honorable Mayor and Council Members

SUBJECT **Fitch Ratings Affirms 'AA' Rating and Stable Outlook in Updated Report for City of Dallas General Obligation Debt - INFORMATION**

On Monday, Fitch Ratings (Fitch) affirmed the City's 'AA' credit rating and stable outlook in an updated report of upcoming general obligation debt. Fitch previously reviewed the City's upcoming general obligation debt including bonds, certificates of obligation, and equipment acquisition contractual obligations, that were previously approved by City Council and scheduled to sell in early April. The certificates and contractual obligations completed a scheduled competitive sale on Wednesday, June 23. The certificates of obligation proceeds will finance the construction of two new fire stations damaged in storms and the contractual obligation proceeds will finance the acquisition of various departmental equipment.

According to the report, the City's 'AA' rating is reflective of "strong post-pandemic revenue growth prospects, conservative budgeting practices, and solid reserve levels." Fitch also states that "reforms to both the city's civilian and public safety plans have had a positive effect on the city's long-term liability burden, and recent operating performance has been positive despite increased spending on both pensions and public safety salaries."

In the analysis, Fitch again assigns 'aaa' grades to two Key Rating Drivers following updated budget information, Revenue Framework and Operating Performance, citing "expectations for continued economic expansion once normal business activity resumes," and noting that the City's "healthy reserves position it to maintain financial resilience through the current crisis and future economic cycles." The report today is a positive note for the City of Dallas and an indicator of the challenging yet appropriate steps forward in the right direction.

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: T.C. Broadnax, City Manager
Chris Caso, City Attorney
Mark Swann, City Auditor
Billieae 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
Dr. Eric A. Johnson, Chief of Economic Development & Neighborhood Services
Laila Alequresh, Chief Innovation Officer
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors



RATING ACTION COMMENTARY

Fitch Affirms Dallas, TX \$46MM COs at 'AA'; Outlook Stable

Mon 22 Jun, 2020 - 4:44 PM ET

Fitch Ratings - Austin - 22 Jun 2020: Fitch Ratings - Austin: Fitch Ratings has affirmed the 'AA' rating on the following City of Dallas, Texas obligations:

--\$15,525,000 Combination Tax and Revenue Certificates of Obligation, Series 2020;

--\$30,090,000 Equipment Acquisition Contractual Obligations, Series 2020.

The certificates and contractual obligations were originally scheduled to sell in early April but are now scheduled for a competitive sale on June 23. Certificate proceeds will finance the construction of two new fire stations; contractual obligation proceeds will finance the acquisition of various departmental equipment.

Fitch also has affirmed the following ratings:

--Issuer Default Rating (IDR) at 'AA';

--\$1.6 billion of outstanding limited tax debt at 'AA'.

The Rating Outlook is Stable.

SECURITY

The certificates and contractual obligations are payable from a limited ad valorem tax levied against all taxable property in the city. The certificates are further backed by a limited pledge (not to exceed \$1,000) of the city's drainage utility system.

ANALYTICAL CONCLUSION

The city's 'AA' IDR and LT bond rating reflect strong post-pandemic revenue growth prospects, conservative budgeting practices, and solid reserve levels. Reforms to both the city's civilian and public safety plans have had a positive effect on the city's long-term liability burden, and recent operating performance has been positive despite increased spending on both pensions and public safety salaries. Budgeting pressure over the near to medium term is likely to continue as the city attempts to build up police staffing levels and continues with increasing pension contributions; these pressures will be exacerbated by the pandemic-induced economic contraction but are expected to be manageable given the city's high degree of inherent budget flexibility.

ECONOMIC RESOURCE BASE

Dallas is the anchor of the large and diverse Dallas-Fort Worth regional economy. The city is a center for technology, trade, finance and healthcare; it also ranks among the top visitor and leisure destinations in the state.

KEY RATING DRIVERS

Revenue Framework: 'aaa'

Strong revenue growth prospects are based on expectations for continued economic expansion once normal business activity resumes. The assessment also reflects the city's diminished, though still high, independent legal ability to increase ad valorem revenues as a result of recently approved state legislation effective in fiscal 2021.

Expenditure Framework: 'a'

The city's pace of spending is expected to be generally in line with revenue growth given its mature residential base. Increased pension contributions will keep carrying costs at an elevated level; a rapid debt amortization rate also contributes to the elevated carrying costs.

Long-Term Liability Burden: 'aa'

The long-term liability burden currently represents a moderate 12% of personal income. Recent pension reforms to both the civilian and uniform plans have reduced the combined total liability by roughly 40%. These reforms, in conjunction with continued economic growth, are expected to keep the long-term liability burden within the current range.

Operating Performance: 'aaa'

The city of Dallas' gap-closing capabilities and healthy reserves position it to maintain financial resilience through the current crisis and future economic cycles. Elevated debt and retiree benefit outlays will maintain a certain amount of pressure on future budget management practices.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Continued positive operating performance and successful absorption of additional public safety-related spending.

--An improvement in Fitch's assessment of the city's expenditure flexibility, due to moderation in fixed debt service and retiree benefit costs as a percentage of spending.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--An economic contraction extending well into the second half of 2020 or beyond, consistent with Fitch's coronavirus downside scenario, which triggers sustained and deeper than expected revenue declines and materially erodes the city's gap-closing capacity.

--Failure to consistently fund annual pension contributions at the actuarially determined levels.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Public Finance issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

CURRENT DEVELOPMENTS

Sectorwide Coronavirus Implications

The ongoing outbreak of coronavirus and related government containment measures worldwide creates an uncertain global environment for U.S. state and local governments and related entities in the near term. While the city's most recently available fiscal and economic data may not fully reflect impairment, material changes in revenues and expenditures are occurring across the country and likely to worsen in the coming weeks and months as economic activity suffers and public health spending increases. Fitch's ratings are forward-looking in nature, and Fitch will monitor developments in state and local governments as a result of the virus

outbreak as it relates to severity and duration, and incorporate revised expectations for future performance and assessment of key risks.

In its baseline scenario, Fitch assumes sharp economic contractions to hit major economies in 1H20 at a speed and depth that is unprecedented since World War II. Sequential recovery is projected to begin from 3Q20 onward as the health crisis subsides after a short but severe global recession. GDP is projected to remain below its 4Q19 level until mid-2022. Additional details, including key assumptions and implications of the baseline scenario and a downside scenario, are described in the report entitled, "Fitch Ratings Coronavirus Scenarios: Baseline and Downside Cases - Update" (<https://www.fitchratings.com/site/re/10120570>), published April 29, 2020 on www.fitchratings.com.

The city's most recent projection for fiscal 2020 (FYE 9/30) financial performance include sales tax revenues of \$300 million, roughly 8% below budget; strong pre-pandemic economic performance offset a sharp decline beginning in March. Sales tax receipts typically comprise roughly 25% of annual general fund revenues. Management reports total general fund revenues are tracking roughly \$50 million below budget (a 3.5% decline from \$1.44 billion budgeted) while expenses have been trimmed by nearly \$40 million. Administrators plan to eliminate the remaining \$10 million gap through a combination of measures, including application of federal assistance for coronavirus-related expenses. The city received a \$234.4 million allocation from the CARES Act Coronavirus Relief Fund, which comes with certain restrictions regarding how the money is used. The city also reports receipt of various other grant funding for specific pandemic-response purposes. Preliminary projections for the first year of the city's fiscal 2021-2022 biennial budget suggest a \$60 million to \$100 million gap, which management plans to close prior to adoption of the budget in September.

CREDIT PROFILE

Certificate proceeds will finance the designing, constructing, improving, equipping and furnishing fire station facilities for stations #41 and #19; contractual obligation proceeds will finance the acquisition of various departmental equipment.

For additional information on Dallas, please see 'Fitch Rates Dallas TX \$276MM GOs, COs 'AA'; Outlook Stable' published April 2, 2020 and available on fitchratings.com.

CRITERIA VARIATION

None

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance, if present, is a score of 3. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity(ies), either due to their nature or to the way in which they are being managed by the entity(ies). For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY/DEBT	RATING		
Dallas (TX) [General Government]	LT IDR	AA Rating Outlook Stable	Affirmed
● Dallas (TX) /General Obligation - Limited Tax/1 LT	LT	AA Rating Outlook Stable	Affirmed

[VIEW ADDITIONAL RATING DETAILS](#)

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Additional information is available on www.fitchratings.com**APPLICABLE CRITERIA**

[U.S. Public Finance Tax-Supported Rating Criteria \(pub. 27 Mar 2020\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

FAST States & Locals - Fitch Analytical Stress Test Model, v2.4.0 (1)

ADDITIONAL DISCLOSURES

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Dallas (TX)

EU Endorsed

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Memorandum



CITY OF DALLAS

DATE June 26, 2020

TO Honorable Mayor and Members of the City Council

SUBJECT **New Procurement Opportunities**

The Office of Procurement Services (OPS) would like to inform the City Council of the following contract opportunities that have been advertised in the last week in the *Dallas Morning News*. These opportunities are also on Bonfire, the City's electronic bid portal: <https://dallascityhall.bonfirehub.com/login>. (Free registration is required to view the opportunity in full.)

In addition, we have updated citywide opportunities for the current quarter on the OPS website: <https://dallascityhall.com/departments/procurement/Pages/Home.aspx>

Solicitation No.	Solicitation Name
1. BD20-00014002	Mobile Ventilation Training Trailer and Forcible Entry Training Props
2. BJZ20-00014012	Inspection, Maintenance, & Repair of Railroad Spurs
3. BQZ-00013983	Drivers of Poverty Program

Once an opportunity/solicitation is advertised, it is considered an open procurement until the City Council awards the contract. Please be advised that Section 12A-15.8(g) of the Code of Ethics prohibits communication between councilmembers and bidders or proposers on open procurements.

Should you have any questions, please contact Chhunny Chhean, Director of Procurement Services.


M. Elizabeth Reich
Chief Financial Officer

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney
Mark Swann, City Auditor
Billierae 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
Dr. Eric A. Johnson, Chief of Economic Development and Neighborhood Services
Laila Aleqresh, Chief Innovation Officer
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors

Memorandum



CITY OF DALLAS

DATE June 26, 2020

TO Honorable Mayor and Members of the City Council

SUBJECT **Dallas Streetcar Fare Implementation Update**

On Tuesday, June 23, 2020, the Dallas Area Rapid Transit (DART) Board took its final required action to implement a fare on the Dallas Streetcar. This fare was implemented at the urging of the City Council to help defray operating costs and to promote parity with other public transit systems within the City.

The \$1 fare on the Dallas Streetcar will begin on Monday, July 27, 2020 following a public notification process. Those eligible to pay a reduced or free fare on the DART system will also be eligible for a reduced or free fare on the Dallas Streetcar.

Streetcar passengers may pay the fare using one of DART's current payment methods, which includes a pre-purchased DART pass, DART's GoPass App, and the GoPass Tap Card. However, there will not be any means to pay cash on the streetcar. The fare will also be transferable to a bus or light rail on DART's transit system and will not increase the overall cost for longer trips.

The press release can be viewed here: <https://www.dart.org/news/news.asp?ID=1511>. If you have any questions or need additional information, please contact Michael Rogers, Director of the Department of Transportation, at michael.rogers@dallascityhall.com.

A handwritten signature in blue ink, appearing to read 'Majed Al-Ghafry'.

Majed Al-Ghafry, P.E.
Assistant City Manager

c: T.C. Broadnax, City Manager
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