

Memorandum



CITY OF DALLAS

DATE February 7, 2020

TO The Honorable Mayor and Members of the City Council

SUBJECT **Upcoming Agenda Items: General Obligation Refunding and Improvement Bonds, Series 2020; Certificates of Obligation, Series 2020; Equipment Notes, Series 2020**

The February 12, 2020 Council agenda includes two items (20-187 and 20-188, attached) that must be considered collectively to authorize staff to prepare for the sale of General Obligation Refunding and Improvement Bonds, Series 2020; Certificates of Obligation, Series 2020; and Equipment Notes, Series 2020; and authorize the publication of Notice of Intention to Issue Certificates of Obligation, as required by state law.

Please note that these items are only the preliminary steps to prepare for issuance. We will request your authorization to issue the bonds, certificates of obligation, and equipment notes on the April 8, 2020 City Council agenda.

Please let me know if you need additional information or if you would like to meet to discuss.

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

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 Ribinson, Administrative Judge
Kimberly Bizar 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
Michael Mendoza, Chief of Economic Development and Neighborhood Services
Laila Alequresh, 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: February 12, 2020
COUNCIL DISTRICT(S): N/A
DEPARTMENT: City Controller's Office
EXECUTIVE: Elizabeth Reich

SUBJECT

A resolution authorizing the preparation of plans and the payment of potential future costs and expenses for the issuances of **(1)** General Obligation Refunding and Improvement Bonds, Series 2020 in an amount not to exceed \$280,000,000; **(2)** Certificates of Obligation, Series 2020 in an amount not to exceed \$16,000,000; and **(3)** Equipment Notes, Series 2020 in an amount not to exceed \$33,000,000 - Total not to exceed \$329,000,000 - Financing: This action has no cost consideration to the City (see Fiscal Information for potential future costs)

BACKGROUND

Pursuant to elections held in November 2017, the residents of Dallas voted and authorized the City to issue general obligation bonds for the purpose of providing funds for permanent public improvements. The adopted FY 2019-20 capital budget assumed the issuance of approximately \$232 million in General Obligation bonds and \$30 million in equipment acquisition notes in FY 2019-20. Additional monies are needed to finance restoration of City facilities damaged by severe storms. The City's financial advisors, PFM Financial Advisors LLC, recommend: **(1)** issuance of refunding and improvement bonds to refund a portion of Series 2010C bonds and to finance capital improvement projects at the City, in an amount not to exceed \$280,000,000; **(2)** issuance of certificates of obligation to finance restoration of damages to City facilities following severe storms, in an amount not to exceed \$16,000,000; and **(3)** issuance of equipment notes to finance the purchase of City equipment, in an amount not to exceed \$33,000,000.

The City's financial advisors recommend collectively issuing up to \$329,000,000 in bonds, certificates of obligation, and equipment notes for the purpose of funding capital improvements, repairing structural damage to the City, and for the purchase of necessary equipment to maintain City services. The issuance and sale of the bonds, certificates of obligation, and equipment notes is contingent upon City Council's approval to begin preparations of the issuances, approval of a Notice of Intent to issue Certificates of Obligation concurrently with this item, and parameters Ordinances currently scheduled for consideration and approval by the City Council in April 2020.

ESTIMATED SCHEDULE OF PROJECT

Authorize Preparation for Issuance of Bonds	February 2020
Authorize Notice of Intent	February 2020
Approval of Parameters Ordinances	April 2020
Pricing	April 2020
Delivery of Proceeds	May 2020

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

City Council will be briefed by memorandum regarding this matter on February 7, 2020.

FISCAL INFORMATION

This action has no cost consideration to the City. The anticipated cost of issuance is \$890,000 from Series 2020 General Obligation Refunding and Improvement Bond Funds, \$110,000 from 2020 Certificates of Obligation Funds, and \$145,000 from 2020 Equipment Acquisition Notes Funds; for a total estimated amount of \$1,145,000. See Attachment I.

Attachment I provides an estimate of bond issuance costs for the proposed bonds, certificates of obligation, equipment notes, and the M/WBE participation. Payment of fees and expenses is contingent upon the issuance and sale of the General Obligation Refunding and Improvement Bonds, Series 2020; Certificates of Obligation, Series 2020; and Equipment Notes, Series 2020.

Attachment I

Estimate of Total Issuance Costs and M/WBE Participation

	<u>Fees</u>	<u>Percent of Total Costs</u>
Co-Bond Counsel		
Bracewell (Vendor VS0000056820)	\$271,850	24%
West & Associates (Vendor 330805)	\$163,600	14%
Disclosure Counsel		
Norton Rose Fulbright US LLP (Vendor VC0000006239)	\$150,000	13%
Financial Advisor		
PFM (Vendor VC16222)	\$314,350	27%
Printing Fee		
TBD	\$5,000	0%
Paying Agent Fee		
UMB Bank, N.A. (Vendor VS92247)	\$600	0%
Rating Agencies		
Fitch Ratings (Vendor VC14720)	\$90,000	8%
S&P Global (Vendor 954974)	\$107,825	9%
Attorney General Filing Fee		
	\$28,500	2%
Misc. Expenses		
	<u>\$13,275</u>	<u>1%</u>
Total Issuance Costs	<u><u>\$1,145,000</u></u>	<u><u>100%</u></u>
Total M/WBE Participation as % of Total Issuance Costs:	\$168,600	15%

Note: Payment of fees and expenses is contingent upon the issuance and sale of the General Obligation Refunding & Improvement Bonds, Series 2020; Certificates of Obligation, Series 2020; and Equipment Notes, Series 2020.

General Obligation Refunding & Improvement Bonds, Series 2020
\$280,000,000

Estimate of Issuance Costs and M/WBE Participation

	<u>Fees</u>	<u>Percent of Total Costs</u>
Co-Bond Counsel		
Bracewell (Vendor VS0000056820)	\$207,500	23%
West & Associates (Vendor 330805)	124,000	14%
Disclosure Counsel		
Norton Rose Fulbright US LLP (Vendor VC0000006239)	128,834	14%
Financial Advisor		
PFM (Vendor VC16222)	241,650	27%
Printing Fee		
TBD	4,294	0%
Paying Agent Fee		
UMB Bank, N.A. (Vendor VS92247)	200	0%
Rating Agencies		
Fitch Ratings (Vendor VC14720)	77,301	9%
S&P Global (Vendor 954974)	92,610	10%
Attorney General Filing Fee		
	9,500	1%
Misc. Expenses		
	<u>4,110</u>	<u>0%</u>
Total Issuance Costs		
	<u>\$890,000</u>	<u>100%</u>
 Total M/WBE Participation as % of Total Issuance Costs:	 \$128,294	 14%

Note: Payment of fees and expenses is contingent upon the issuance and sale of the General Obligation Refunding & Improvement Bonds, Series 2020.

Certificates of Obligation, Series 2020 - \$16,000,000

Estimate of Issuance Costs and M/WBE Participation

	<u>Fees</u>	<u>Percent of Total Costs</u>
Co-Bond Counsel		
Bracewell (Vendor VS0000056820)	\$28,600	26%
West & Associates (Vendor 330805)	17,600	16%
Disclosure Counsel		
Norton Rose Fulbright US LLP (Vendor VC0000006239)	7,362	7%
Financial Advisor		
PFM (Vendor VC16222)	32,150	29%
Printing Fee		
TBD	245	0%
Paying Agent Fee		
UMB Bank, N.A. (Vendor VS92247)	200	0%
Rating Agencies		
Fitch Ratings (Vendor VC14720)	4,417	4%
S&P Global (Vendor 954974)	5,292	5%
Attorney General Filing Fee		
	9,500	9%
Misc. Expenses		
	<u>4,633</u>	<u>4%</u>
Total Issuance Costs	<u><u>\$110,000</u></u>	<u><u>100%</u></u>
 Total M/WBE Participation as % of Total Issuance Costs:	 \$17,845	 16%

Note: Payment of fees and expenses is contingent upon the issuance and sale of the Certificates of Obligation, Series 2020.

Equipment Notes, Series 2020 - \$33,000,000

Estimate of Issuance Costs and M/WBE Participation

	<u>Fees</u>	<u>Percent of Total Costs</u>
Co-Bond Counsel		
Bracewell (Vendor VS0000056820)	\$35,750	25%
West & Associates (Vendor 330805)	22,000	15%
Disclosure Counsel		
Norton Rose Fulbright US LLP (Vendor VC0000006239)	13,804	10%
Financial Advisor		
PFM (Vendor VC16222)	40,550	28%
Printing Fee		
TBD	460	0%
Paying Agent Fee		
UMB Bank, N.A. (Vendor VS92247)	200	0%
Rating Agencies		
Fitch Ratings (Vendor VC14720)	8,282	6%
S&P Global (Vendor 954974)	9,923	7%
Attorney General Filing Fee		
	9,500	7%
Misc. Expenses		
	<u>4,531</u>	<u>3%</u>
Total Issuance Costs	<u><u>\$145,000</u></u>	<u><u>100%</u></u>
 Total M/WBE Participation as % of Total Issuance Costs:	 \$22,460	 15%

Note: Payment of fees and expenses is contingent upon the issuance and sale of the Equipment Notes, Series 2020.

February 12, 2020

WHEREAS, the adopted Capital Improvement Program, currently underway and scheduled, requires issuance of an amount not to exceed \$280,000,000 of General Obligation Refunding and Improvement Bonds, Series 2020; for the purpose of financing capital improvement projects at the City; and

WHEREAS, the adopted Capital Improvement Program, currently underway and scheduled, requires issuance of an amount not to exceed \$33,000,000 of Equipment Notes, Series 2020; for the purpose of financing the purchase of City equipment; and

WHEREAS, the City will issue the proposed Certificates of Obligation, Series 2020 in an amount not to exceed \$16,000,000 for the purpose of financing capital improvements to City facilities damaged by severe storms, pursuant to the authority granted by Subchapter C of Chapter 271, Texas Local Government Code (the "Certificate of Obligation Act of 1971"), as amended; and

WHEREAS, the General Obligation Refunding and Improvement Bonds, Series 2020; Equipment Notes, Series 2020; and Certificates of Obligation, Series 2020 are collectively referenced herein as the "Bonds;" and

WHEREAS, the City Council hereby finds that, in order to accomplish the Issuances in a timely and cost-efficient manner, the City Manager, the City Attorney, the City's Financial Advisors, the City's Co-Bond Counsel, and the City's Disclosure Counsel (collectively, the "Necessary Parties") should be authorized and directed to take such action and prepare documents as necessary in order to accomplish the sale of the Bonds.

Now, Therefore,

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

SECTION 1. That the Necessary Parties are hereby authorized to take action and prepare documents, including, without limitation, the actions specified in this resolution, needed to accomplish the sale of the Bonds, in a collective principal amount not to exceed \$329,000,000, with the sale of the Bonds scheduled to occur in a timely manner.

SECTION 2. That the Necessary Parties are hereby authorized and directed to prepare an Official Statement with respect to such obligations and to take such other action and prepare such other documents as are necessary and incidental to the issuance, sale, and delivery of the Bonds.

SECTION 3. That the City Manager is hereby authorized to use the previously contracted professional services of PFM Financial Advisors LLC as financial advisors for the sale of the Bonds. Payment for the advisory services of PFM (VC16222) is estimated to

SECTION 3. (continued)

be \$314,350 and shall be made from proceeds after delivery of the Bonds.

SECTION 4. That the City Manager is hereby authorized to use the previously contracted professional services of Bracewell L.L.P. and West & Associates, P.C. as co-bond counsel in connection with the sale and delivery of the Bonds. If Bonds are issued, payment for the opinion of Bracewell L.L.P. (VS0000056820) shall be at the rate of \$0.30 per \$1,000 increment of obligations issued plus an hourly rate of \$150 to \$475 for services rendered by individual attorneys and paralegals (estimated at a combined amount to be \$271,850), and shall be made from the bond proceeds.

If Bonds are issued, payment for the opinion of West & Associates L.L.P., P.C. (330805) shall be at the rate of \$0.20 per \$1,000 increment of obligations issued plus an hourly rate of \$150 to \$475 for services rendered by individual attorneys and paralegals (estimated at a combined amount to be \$163,600), and shall be made from bond proceeds.

SECTION 5. That the City Manager is hereby authorized to use contracted professional services of Norton Rose Fulbright US LLP (VC0000006239) as Disclosure Counsel in connection with the sale and delivery of the Bonds. Payment for the opinion of Norton Rose Fulbright US LLP shall be at the rate of \$0.20 per \$1,000 increment of obligations issued plus an hourly rate of \$475 and lower for services rendered by individual attorneys and paralegals (estimated at a combined amount to be \$150,000) and shall be made from the proceeds after delivery of the Bonds.

SECTION 6. That the City Manager is hereby authorized to obtain bond ratings from Fitch Ratings (VC14720) and from Standard & Poor's, Inc. (954974) in connection with the sale of the Bonds. Payment for the bond ratings is estimated to be \$197,825 and shall be made from proceeds after delivery of the Bonds.

SECTION 7. That the Chief Financial Officer is hereby authorized to make payments for printing services to print and mail official statements. Payment for printing services is estimated to be \$5,000 and shall be made from the proceeds after delivery of the Bonds.

SECTION 9. That the Chief Financial Officer is hereby authorized to make payment to UMB Bank, N.A. for services provided as paying agent/registrar with respect to the Bonds at an annual cost of \$600 plus mailing expenses from the General Fund 0001, Department CCO, Unit 1126, Object 3537, (VS92247) upon issuance of the Bonds.

SECTION 10. That the proceeds received from the sale of the Bonds shall be deposited by type in Series 2020 General Obligation Refunding and Improvement Bond Funds, Fund 0682, Department BMS, Unit 0640, Revenue Code 8448; 2020 Certificates of Obligation Funds, Fund 0792, Department BMS, Unit 0644, Revenue Code 8448; 2020 Equipment Acquisition Notes Fund, Fund 0770, Department BMS, Unit 0643,

February 12, 2020

SECTION 10. (continued)

Revenue Code 8448. Any accrued interest from these proceeds will be deposited in the Debt Service Fund, Fund 0981, Department BMS, Revenue Code 8438.

SECTION 11. That the City Manager is hereby authorized and directed to file an Official Statement with respect to such Bonds and prepare such other documents as are necessary and incidental to the issuance, sale and delivery of the Bonds with the Attorney General; and that the Chief Financial Officer be and is hereby authorized to make the payment for filing with the Attorney General's office (344989) prior to receiving the Bond proceeds. The cost is estimated to be \$28,500 and shall be made from the General Fund 0001, Department CCO, Unit 1126, Object 3537 and shall be reimbursed from Bond proceeds.

SECTION 12. That the Chief Financial Officer is hereby authorized to make payments for miscellaneous services relating to the sale of the Bonds. Payments for the miscellaneous services are estimated to be \$13,275 and shall be made after delivery of the Bonds.

SECTION 13. 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.

STRATEGIC PRIORITY: Government Performance and Financial Management
AGENDA DATE: February 12, 2020
COUNCIL DISTRICT(S): All
DEPARTMENT: City Controller's Office
EXECUTIVE: Elizabeth Reich

SUBJECT

A resolution of the City Council of the City of Dallas, Texas, authorizing the publication of Notice of Intention to Issue Certificates of Obligation; approving the preparation of a preliminary official statement and a Notice of Sale; and providing for the effective date thereof - Financing: No cost consideration to the City

BACKGROUND

The City's financial advisors recommend the issuance of certificates of obligation to finance restoration and capital improvements of City facilities damaged by severe storms, in an amount not to exceed \$16,000,000. Federal tax regulations allow for the reimbursement of capital expenditures from bond or short-term debt proceeds. These regulations can be used to begin implementation prior to issuance of bonds or commercial paper.

Additionally, State law requires City Council approval of a Notice of Intention to Issue Certificates of Obligation under and pursuant to the provisions of the Texas Local Government Code, Section 271.049, as amended.

Passage of this resolution will authorize the publication of the Notice of Intention to Issue Certificates of Obligation and allow for expenditures in advance of the certificates of obligation, scheduled in April 2020.

ESTIMATED SCHEDULE OF PROJECT

Authorize Preparation for Issuance of Bonds	February 2020
Authorize Notice of Intent	February 2020
Approval of Parameters Ordinances	April 2020
Pricing	April 2020
Delivery of Proceeds	May 2020

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

City Council will be briefed by memorandum regarding this matter on February 7, 2020.

FISCAL INFORMATION

No cost consideration to the City.

EXHIBIT A

NOTICE OF INTENTION TO ISSUE CERTIFICATES OF OBLIGATION

NOTICE IS HEREBY GIVEN that the City Council of the City of Dallas, Texas (the "City"), will meet in the Council Chambers at the City Hall, 1500 Marilla Street, Dallas, Texas, 75201 the regular meeting place of the City Council, at 9:00 a.m. on the 8th day of April 2020, which is the time and place tentatively set for the passage of an ordinance and such other action as may be deemed necessary to authorize the issuance of the City's certificates of obligation (the "Certificates"), in the maximum aggregate principal amount not to exceed \$16,000,000, payable from the levy of a direct and continuing ad valorem tax against all taxable property within the City sufficient to pay the interest on this series of Certificates as due and to provide for the payment of the principal thereof as the same matures, as authorized by Chapter 271, Subchapter C, Texas Local Government Code, as amended, and from all or a part of the surplus revenues of the City's municipal drainage revenue system, such pledge of surplus revenues being limited to \$1,000, bearing interest at any rate or rates not to exceed the maximum interest rate authorized by law, as shall be determined within the discretion of the City Council of the City at the time of issuance of the Certificates, and maturing over a period not to exceed ten (10) years from the date of issuance, for the purposes of evidencing the indebtedness of the City for all or any part of the costs associated with (i) designing, constructing, improving, equipping and furnishing fire station facilities for stations #41 and #19; and (ii) professional services incurred in connection with items (i) and (ii), and to pay the costs incurred in connection with the issuance of the Certificates. The estimated combined principal and interest required to pay the Certificates on time and in full is \$18,000,993.75. Such estimate is provided for illustrative purposes only, and is based on an assumed interest rate of 2.26%. Market conditions affecting interest rates vary based on a number of factors beyond the control of the City, and the City cannot and does not guarantee a particular interest rate associated with the Certificates. As of the date of this notice, the aggregate principal amount outstanding of tax-supported debt obligations of the City is \$2,060,812,115, and based on the City's expectations, as of the date of this notice the combined principal and interest required to pay all of the outstanding tax-supported debt obligations of the City on time and in full is \$3,163,467,690.96.

WITNESS MY HAND AND THE OFFICIAL SEAL OF THE CITY, this 12th day of February, 2020.

/s/Biliera Johnson, City Secretary

City of Dallas, Texas

February 12, 2020

WHEREAS, the City Council (the “City Council”) of the City of Dallas, Texas (the “City”), deems it advisable to issue certificates of obligation (the “Certificates”) of the City for the purpose of financing capital improvements to City Facilities and infrastructure and restoration of damages resulting from severe storms in an amount not to exceed \$16,000,000 and in accordance with the notice hereinafter set forth; and

WHEREAS, the City desires to approve the preparation of a preliminary official statement (the “Preliminary Official Statement”) and the preparation of a notice of sale (“Notice of Sale”), in anticipation of its issuance of the Certificates; and

WHEREAS, the City Council has found and determined that a notice of intention to issue certificates of obligation should be published in accordance with the requirements of Section 271.049 of the Texas Local Government Code; and

WHEREAS, it is hereby found and determined that the meeting at which this resolution is considered is open to the public as required by law, and public notice of the time, place and purpose of said meeting was given as required by Chapter 551, Texas Government Code.

Now, Therefore,

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

SECTION 1. That the findings, definitions and recitations set out in the preamble to this resolution are found to be true and correct and are hereby adopted by City Council and made a part hereof for all purposes.

SECTION 2. That the City Secretary is hereby authorized and directed to cause to be published in the manner required by law and in substantially the form attached hereto as Exhibit A, a notice of the City’s intention to issue the Certificates (the “Notice”).

SECTION 3. That the Notice shall be published once a week for two (2) consecutive weeks in a newspaper which is of general circulation in the City, the date of the first publication to be at least forty-six (46) days before the date tentatively set in the Notice for the passage of the ordinance authorizing the issuance of the Certificates. In addition, the Notice shall be posted continuously on the City’s website for at least forty-five (45) days before the date tentatively set in the Notice for the passage of the ordinance authorizing the issuance of the Certificates.

February 12, 2020

SECTION 4. That for purposes of section 1.150-2(d) of the Treasury Regulations, this Notice serves as the City's official declaration of intent to use proceeds of the Certificates to reimburse itself from Certificates issued in the maximum principal amount and for expenditures paid in connection with the projects, each as set forth in Exhibit A hereof. Any such reimbursement will only be made (i) for an original expenditure paid no earlier than sixty (60) days prior to the date hereof and (ii) not later than eighteen (18) months after the later of (A) the date the original expenditure is paid or (B) the date of with the project to which such expenditure relates is placed in service or abandoned, but in to event more than three (3) years after the original expenditure is paid.

SECTION 5. That the Mayor, City Manager, any Assistant City Manager, the Chief Financial Officer, City Secretary and other appropriate officials of the City, the City's financial advisor, PFM Financial Advisors LLC, disclosure counsel, Norton Rose Fulbright LLP and co-bond counsel, Bracewell LLP and West & Associates, LLP, are authorized and directed to proceed with the preparation of the Preliminary Official Statement and the Notice of Sale, if any, and to make other necessary arrangements for the sale of the Certificates at a future meeting of the City Council of the City.

SECTION 6. That the City hereby authorizes the preparation and distribution of a Notice of Sale and Preliminary Official Statement relating to the Certificates and authorizes the Chief Financial Officer or City Manager to approve the final form of and deem final such Preliminary Official Statement within the meaning and for the purposes of paragraph (b)(1) of Rule 15c2-12 of the United States Securities and Exchange Commission.

SECTION 7. That the Mayor, City Manager, any Assistant City Manager or the Chief Financial Officer, City Secretary, and other officers and agents of the City are hereby authorized and directed to do any and all things necessary or desirable to carry out the provisions of this resolution.

SECTION 8. 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.

(Signature page follows)

February 12, 2020

INTRODUCED, READ AND PASSED by the affirmative vote of the City Council of the City of Dallas, Texas this 12th day of February, 2020.

By: _____
Name: Eric Johnson
Title: Mayor

ATTEST:

By: _____
Name: Bilierae Johnson
Title: City Secretary

[SEAL]

APPROVED AS TO FORM

Christopher J. Caso
Interim City Attorney

By: _____
Name: Christopher J. Caso
Title: Interim City Attorney