

Memorandum



CITY OF DALLAS

DATE September 20, 2024

TO Honorable Members of the Government Performance and Financial Management Committee: Chad West (Chair), Paula Blackmon (Vice Chair), Cara Mendelsohn, Jesse Moreno, Jaime Resendez

SUBJECT **Upcoming Agenda Item 24-2780 for September 25, 2024 – Extension of the Waterworks and Sewer System Commercial Paper Notes, Series G**

The September 25, 2024, City Council Agenda includes an item related to the second extension of the Waterworks and Sewer System Commercial Paper Notes, Series G (“Series G Notes”) with State Street Bank and Trust Company (State Street).

Commercial paper provides interim financing for Dallas Water Utilities (DWU) capital projects. The use of commercial paper permits more cost-efficient use of funds as short-term debt, minimizes borrowing costs, and allows DWU greater flexibility to manage the award of capital project contracts and ongoing cash needs. Commercial paper notes are normally sold at rates of interest that are lower than rates available at the same time on long-term debt. 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. 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 \$600 million. The current \$600 million program is divided into two separate series of \$300 million each: (i) Series F notes re-authorized in June 2024, supported by a line of credit from JPMorgan Chase Bank N.A. and (ii) Series G notes authorized in June 2021, supported by a line of credit from State Street Bank and Trust Company (“State Street”).

On June 26, 2024, prior to the expiration of the agreement with State Street, the City Council approved a resolution authorizing a three-month extension of the Series G Notes from July 8, 2024, to October 4, 2024. State Street has agreed to a second amended agreement of the Series G Notes to extend the agreement from expiring on October 4, 2024, to January 2, 2025. This item provides authorization to extend the agreement for three months with State Street under the same terms and conditions. The extension of the program is necessary to provide liquidity for the Series G Notes while a new commercial paper liquidity provider is procured, and the outstanding commercial paper is refunded with the issuance of bonds.

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Please let me know if you need any additional information.



Jack Ireland
Chief Financial Officer

c: Kimberly Bizzor Tolbert, City Manager (I)
Tammy Palomino, City Attorney
Mark Swann, City Auditor
Billerae Johnson, City Secretary
Preston Robinson, Administrative Judge
Dominique Artis, Chief of Public Safety (I)
Dev Rastogi, Assistant City Manager

M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Alina Ciocan, Assistant City Manager
Donzell Gipson, Assistant City Manager (I)
Robin Bentley, Assistant City Manager (I)
Elizabeth Saab, Chief of Strategy, Engagement, and Alignment (I)
Directors and Assistant Directors