

Memorandum



CITY OF DALLAS

DATE June 7, 2024

TO Honorable Mayor and Members of the City Council

SUBJECT **June 12, 2024, Upcoming Agenda Item – 24-1752 – Resolution Authorizing the Amended and Restated Revolving Credit Agreement and Amended and Restated Fee Letter Agreement for the Extension of the Waterworks and Sewer System Commercial Paper Notes, Series F**

The June 12, 2024, City Council Agenda includes a resolution authorizing the execution of the Amended and Restated Revolving Credit Agreement and Amended and Restated Fee Letter Agreement with JPMorgan Chase Bank, N.A. (“JPMorgan”) in support of the City of Dallas, Texas Waterworks and Sewer System Commercial Paper Notes, Series F (“Series F Notes”). The agreement provides a three-year extension of the Series F Notes at a cost not to exceed \$6,230,579, which includes \$683,300 in upfront closing costs plus \$5,547,279 of liquidity fees paid over the three-year period.

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 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, 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 was authorized in June 2021 to be issued as Series F Notes, supported by lines of credit from JPMorgan (Sub-Series F-1) for \$225 million and Bank of America, N.A. (Sub-Series F-2) for \$75 million; and Series G Notes supported by a line of credit from State Street Bank and Trust Company for \$300 million.

SERIES F NOTES EXTENSION

JPMorgan has agreed to absorb the entirety of the \$300 million Series F Notes, thereby extending the agreement from expiring on July 8, 2024, to July 8, 2027, per an Amended and Restated Revolving Credit Agreement. This item provides authorization to extend the

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agreement for three years with JPMorgan under the same terms and conditions and a modified fee structure, per an Amended and Restated Fee Letter Agreement. The extension of the program is necessary to continue to provide liquidity for the Waterworks and Sewer System Commercial Paper Notes, Series F.

Please let me know if you need any additional information.

Service First, Now!



Jack Ireland
Chief Financial Officer

c: Kimberly Bizer 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)
Majed A. Al-Ghafry, 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