

# Memorandum



CITY OF DALLAS

DATE April 10, 2017

TO Members of the Budget, Finance, & Audit Committee: Jennifer S. Gates (Chair), Philip T. Kingston (Vice Chair), Erik Wilson, Rickey D. Callahan, Scott Griggs, Lee M. Kleinman

SUBJECT Dallas Water Utilities Upcoming Bond Sale

On Monday, April 17, 2017, the City Controller's Office will brief the Budget, Finance, & Audit Committee on Dallas Water Utilities Upcoming Bond Sale. I have attached the briefing for your review.

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: Honorable Mayor and Members of City Council  
T.C. Broadnax, City Manager  
Larry E. Casto, City Attorney  
Craig D. Kinton, City Auditor  
Rosa A. Rios, City Secretary  
Daniel F. Solis, Administrative Judge  
Kimberly Bizer Tolbert, Chief of Staff to the City Manager  
Majed A. Al-Ghafry, Assistant City Manager  
Theresa O'Donnell, Interim Chief of Economic Development & Neighborhood Services

Mark McDaniel, Assistant City Manager  
Eric D. Campbell, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Joey Zapata, Assistant City Manager  
Alan E. Sims, Interim Chief of Community Services  
Directors and Assistant Directors

# Dallas Water Utilities Upcoming Bond Sale

**Budget, Finance, and Audit  
Committee  
April 17, 2017**

**Corrine Steeger, Assistant Director  
City Controller's Office  
City of Dallas**



# Purpose

- Provide an overview of the bond sale
- Review the syndicate selection process and assignment for this transaction
- Seek recommendation on the April 26<sup>th</sup> resolution authorizing staff to prepare for the sale of the Waterworks and Sewer System Revenue Refunding Bonds, Series 2017
- Seek recommendation on the June 14<sup>th</sup> ordinance authorizing the sale of up to \$201 million Waterworks and Sewer System Revenue Refunding Bonds, Series 2017

# Bond Sale Overview

- Set estimated size of bond sale at \$201 million
- Produce proceeds sufficient to retire commercial paper outstanding at the time of the sale
- Pay estimated issuance costs of \$585,900 from Dallas Water Utilities (DWU) operating funds
- Sell 30-year bonds with a 10-year call by negotiation

# Commercial Paper Program

- Provides short-term financing for DWU's capital improvement program
- Funds contract awards and payments
  - Current program size of \$600 million
  - Outstanding balance of \$136.892 million as of 3/31/17 with \$ 324 million of commitment (contract awards)
  - Average interest rate 0.8689% for 40 days

# Syndicate Selection

- In April 2010, City Council approved two underwriting syndicate teams for negotiated sales. Council approval provided that:
  - Senior manager position rotates between national and MWBE firms or between regional and MWBE firms
  - Co-senior manager is the highest ranking national or regional firm if the senior manager position is assigned to a MWBE by rotation

# Syndicate Teams

- Team A
  - National
    - JPMorgan, Bank of America Merrill Lynch, Morgan Stanley
  - Regional
    - RBC Capital Markets, Raymond James & Assoc., Stephens, Inc.
  - MWBE
    - Siebert Cisneros Shank & Co., Cabrera Capital Markets, Duncan-Williams

# Syndicate Teams

- Team B
  - National
    - Citigroup Global Markets, Wells Fargo Bank, Goldman Sachs & Co.
  - Regional
    - Piper Jaffray, Stifel Nicolaus & Co., Frost Bank
  - MWBE
    - Loop Capital Markets, Samuel A. Ramirez & Co., Stern Brothers & Co.



# Syndicate Team B

- Senior Managers
  - Loop Capital Markets (Senior Manager)
  - Piper Jaffray (Co-Senior Manager)
- Co-Managers
  - Citigroup Global Markets, Inc.
  - Wells Fargo Bank
  - Goldman Sachs & Co.
  - Stifel, Nicolaus & Co.
  - Frost Bank
  - Samuel A. Ramirez & Co.
  - Stern Brothers & Co.

# Bond Sale Timeline

- April 17 Budget, Finance and Audit Committee
- April 26 Council authorization to proceed with sale
- June 14 Council approval of parameters ordinance authorizing bond issuance
- June 27/July 11 Pricing of the bonds
- July 20/Aug 10 Deliver bonds and receive proceeds

# Recommendation

- Council Action
  - Authorize staff to proceed with preparations for the sale of up to \$201 million Waterworks and Sewer System Revenue Refunding Bonds, Series 2017, on the April 26<sup>th</sup> Council Agenda
  - Recommend approval of parameters ordinance authorizing the sale of up to \$201 million Waterworks and Sewer System Revenue Refunding Bonds, Series 2017, on the June 14<sup>th</sup> Council Agenda

# Appendix

- Issuance Costs Schedule Page 12
- Bond Summary Statistics Page 13
- Sources and Uses Page 15
- Debt Service Schedule Page 16

# Issuance Costs Schedule

## Estimated Issuance Costs

Co-Bond Counsel	\$ 159,000
Disclosure Counsel	66,000
Co-Financial Advisors	137,400
Debt Analysis/Structuring	20,000
Official Statement Printing	10,000
Rating Agencies	170,000
Auditor – Grant Thornton	14,000
Attorney General Filing Fee	<u>9,500</u>
Total	\$ 585,900

# Dallas Water Utilities Upcoming Bond Sale

**Budget, Finance and Audit  
Committee**

**April 17, 2017**

**Corrine Steeger, Assistant Director  
City Controller's Office  
City of Dallas**



**Bond Summary Statistics**  
**City of Dallas, Texas**  
**Waterworks and Sewer System Revenue Bonds, Series 2017**  
**30 Year Level Debt Service**

\*\*\* Assumes AAA/AA+ Uninsured Rates as of April 3, 2017 Plus 25bps \*\*\*

Dated Date	7/20/2017
Delivery Date	7/20/2017
First Coupon	10/1/2017
Last Maturity	10/1/2046
Arbitrage Yield	3.385014%
True Interest Cost (TIC)	3.999403%
Net Interest Cost (NIC)	4.332596%
All-In TIC	3.999403%
Average Coupon	5.000000%
Average Life (years)	18.581
Weighted Average Maturity (years)	18.516
Duration of Issue (years)	12.264
Par Amount	177,935,000.00
Bond Proceeds	200,723,887.35
Total Interest	165,309,386.81
Net Interest	143,243,743.21
Bond Years from Dated Date	3,306,187,736.11
Bond Years from Delivery Date	3,306,187,736.11
Total Debt Service	343,244,386.81
Maximum Annual Debt Service	11,623,625.00
Average Annual Debt Service	11,756,063.10
Underwriter's Fees (per \$1000)	
Average Takedown	3.501524
Other Fee	0.563127
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	-
Total Underwriter's Discount	4.064651
Bid Price	112.400957

Bond Component	Par Value	Price	Average Coupon	Average Life	Average Maturity Date
Serial Bonds	93,690,000.00	114.029	5.000%	12.333	11/18/2029
Term Bond	42,100,000.00	111.674	5.000%	23.297	11/5/2040
Term Bond	42,145,000.00	111.223	5.000%	27.760	4/23/2045
	177,935,000.00			18.581	

	TIC	All-In TIC	Arbitrage Yield
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Par Value	177,935,000.00	177,935,000.00	177,935,000.00
+ Accrued Interest			
+ Premium (Discount)	22,788,887.35	22,788,887.35	22,788,887.35
- Underwriter's Discount	-723,243.75	-723,243.75	
- Cost of Issuance Expense			

**Bond Summary Statistics**  
**City of Dallas, Texas**  
**Waterworks and Sewer System Revenue Bonds, Series 2017**  
**30 Year Level Debt Service**  
**\*\*\* Assumes AAA/AA+ Uninsured Rates as of April 3, 2017 Plus 25bps \*\*\***

- Other Amounts

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<b>Target Value</b>		<b>200,000,643.60</b>		<b>200,000,643.60</b>	<b>200,723,887.35</b>
<b>Target Date</b>		<b>7/20/2017</b>		<b>7/20/2017</b>	<b>7/20/2017</b>
<b>Yield</b>		<b>3.999403%</b>		<b>3.999403%</b>	<b>3.385014%</b>



Sources and Uses of Funds  
City of Dallas, Texas  
Waterworks and Sewer System Revenue Bonds, Series 2017  
30 Year Level Debt Service

\*\*\* Assumes AAA/AA+ Uninsured Rates as of April 3, 2017 Plus 25bps \*\*\*

Dated Date 7/20/2017  
Delivery  
Date 7/20/2017

Sources:

<b>Bond Proceeds:</b>		
	Par Amount	177,935,000.00
	Premium	22,788,887.35
		200,723,887.35

Uses:

<b>Project Fund Deposits:</b>		
	CP Redemption	200,000,000.00
 <b>Delivery Date Expenses:</b>		
	Underwriter's Discount	723,243.75
 <b>Other Uses of Funds:</b>		
	Additional Proceeds	643.60
		200,723,887.35

**Bond Debt Service**  
**City of Dallas, Texas**  
**Waterworks and Sewer System Revenue Bonds, Series 2017**  
**30 Year Level Debt Service**

\*\*\* Assumes AAA/AA+ Uninsured Rates as of April 3, 2017 Plus 25bps \*\*\*

Period Ending	Principal	Coupon	Interest	Debt Service
9/30/2018			6,203,011.81	6,203,011.81
9/30/2019	2,795,000	5.000%	8,826,875.00	11,621,875.00
9/30/2020	2,940,000	5.000%	8,683,500.00	11,623,500.00
9/30/2021	3,090,000	5.000%	8,532,750.00	11,622,750.00
9/30/2022	3,245,000	5.000%	8,374,375.00	11,619,375.00
9/30/2023	3,415,000	5.000%	8,207,875.00	11,622,875.00
9/30/2024	3,590,000	5.000%	8,032,750.00	11,622,750.00
9/30/2025	3,775,000	5.000%	7,848,625.00	11,623,625.00
9/30/2026	3,965,000	5.000%	7,655,125.00	11,620,125.00
9/30/2027	4,170,000	5.000%	7,451,750.00	11,621,750.00
9/30/2028	4,385,000	5.000%	7,237,875.00	11,622,875.00
9/30/2029	4,610,000	5.000%	7,013,000.00	11,623,000.00
9/30/2030	4,845,000	5.000%	6,776,625.00	11,621,625.00
9/30/2031	5,095,000	5.000%	6,528,125.00	11,623,125.00
9/30/2032	5,355,000	5.000%	6,266,875.00	11,621,875.00
9/30/2033	5,630,000	5.000%	5,992,250.00	11,622,250.00
9/30/2034	5,920,000	5.000%	5,703,500.00	11,623,500.00
9/30/2035	6,220,000	5.000%	5,400,000.00	11,620,000.00
9/30/2036	6,540,000	5.000%	5,081,000.00	11,621,000.00
9/30/2037	6,875,000	5.000%	4,745,625.00	11,620,625.00
9/30/2038	7,230,000	5.000%	4,393,000.00	11,623,000.00
9/30/2039	7,600,000	5.000%	4,022,250.00	11,622,250.00
9/30/2040	7,990,000	5.000%	3,632,500.00	11,622,500.00
9/30/2041	8,400,000	5.000%	3,222,750.00	11,622,750.00
9/30/2042	8,830,000	5.000%	2,792,000.00	11,622,000.00
9/30/2043	9,280,000	5.000%	2,339,250.00	11,619,250.00
9/30/2044	9,760,000	5.000%	1,863,250.00	11,623,250.00
9/30/2045	10,260,000	5.000%	1,362,750.00	11,622,750.00
9/30/2046	10,785,000	5.000%	836,625.00	11,621,625.00
9/30/2047	11,340,000	5.000%	283,500.00	11,623,500.00
	<b>177,935,000</b>		<b>165,309,386.81</b>	<b>343,244,386.81</b>