

Memorandum



CITY OF DALLAS

DATE September 1, 2017

TO Honorable Members of the Government Performance & Financial Management Committee: Jennifer S. Gates (Chair), Scott Griggs (Vice Chair), Sandy Greyson, Lee M. Kleinman, Philip T. Kingston, Tennell Atkins, Kevin Felder

SUBJECT **Dallas Water Utilities Commercial Paper Program – Amendment and Extension of Credit Agreement**

The City Council agenda for September 13, 2017 includes a resolution for your consideration amending the revolving credit agreement and associated fee letter agreement that support Dallas Water Utilities' (DWU) \$300 million Series E Commercial Paper Program. The current revolving credit agreement for this series expires on September 30, 2017.

BACKGROUND

Established in 1987 at \$100 million, DWU's program consists of Series D and E with each series authorized at \$300 million. DWU uses its commercial paper program to provide interim financing for capital projects. Contracts are awarded using commercial paper as a funding source. Notes are issued to pay project costs as invoices are received. Notes are typically sold at lower interest rates than longer term bonds. Outstanding commercial paper is periodically reduced by refinancing with long-term bonds.

Commercial paper issuance is backed by lines of credit from highly rated banks. These lines of credit assure investors that the commercial paper notes will be paid in the event that a note cannot be sold to another investor at maturity. The rating agencies rate commercial paper programs based on the rating of the banks providing the credit lines, although the credit rating and outlook of the commercial paper issuer affects the marketability of the notes as well as the rating of the credit bank.

SERIES E CREDIT AGREEMENT EXTENSION

JPMorgan Chase Bank, N.A., has offered to continue providing the credit facility supporting DWU's \$300 million Series E Commercial Paper Program with no material changes in terms and conditions for an additional two-year period. The annual fee for the line of credit facility backing the existing program is 30 basis points, or 0.30 percent, which would remain the same. DWU's co-financial advisors, Hilltop Securities and Estrada Hinojosa, recommend acceptance of the bank's offer. Current quotes for comparable facilities from other banks are in the range of 0.40 – 0.45 percent. In addition, the co-financial advisors recommend continuation of JPMorgan Chase as credit provider

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due to strong market acceptance of commercial paper notes supported by its credit lines. Attached is a schedule of the estimated costs associated with this extension.

Please let me know if you need additional information.



M. Elizabeth Reich
Chief Financial Officer

Attachment

c: Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Billierae Johnson, City Secretary (Interim)
Daniel F. Solis, Administrative Judge
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jo M. (Jody) Puckett, P.E., Assistant City Manager (Interim)
Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
Raquel Favela, Chief of Economic Development & Neighborhood Services
Nadia Chandler Hardy, Chief of Community Services
Theresa O'Donnell, Chief of Resilience
Directors and Assistant Directors

Schedule I

Dallas Water Utilities Commercial Paper Program Series E

COST OF ISSUANCE/ CLOSING COST

Rating Agency (Closing Cost)

Fitch Rating	\$ 19,000
S&P Global	5,000

Co-Bond Counsel

McCall, Parkhurst, and Horton	\$ 10,000
Escamilla & Poneck	4,750

Co-Financial Advisors

First Southwest Company	\$ 24,000
Estrada Hinojosa	16,000

Disclosure Counsel

Andrews Kurth	\$ 4,500
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Liquidity Facility Bank Attorney Fees

Locke Lord	\$ 10,000
Printing Fees	2,500

Total Estimated Upfront Closing Cost	\$ 95,750
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ANNUAL FEES

Liquidity Facility Fees

JPMorgan Chase	\$ 980,000
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Rating Agencies (Annual Surveillance)

FitchRatings	\$ 18,000
S & P Global	34,000

Total Estimated Annual Fees	\$1,032,000
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Total (Annual Fees plus Closing Cost)	\$1,127,750
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Grand Total (Two-Year Agreement plus Closing Cost)	\$2,159,750
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