

Memorandum



CITY OF DALLAS

DATE October 30, 2017

Honorable Members of the Government Performance & Financial Management
TO 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 December 13, 2017 will include a resolution for your consideration amending the revolving credit agreements and associated fee letter agreements that support Dallas Water Utilities' (DWU) \$300 million Series D Commercial Paper Program. The current revolving credit agreements for this series expire on January 8, 2018.

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. In addition, the credit rating and outlook of the commercial paper issuer also affects the marketability of the notes.

SERIES D CREDIT AGREEMENT EXTENSION

State Street Bank and Trust Company ("State Street") and Bank of America, N.A. ("Bank of America") have offered to provide the credit facility supporting DWU's \$300 million Series D Commercial Paper Program with no material changes in terms and conditions for an additional two-year period. State Street will continue to provide \$225 million of the total credit facility while Bank of America will provide \$75 million. The annual fee for the line of credit facility backing the existing program is 35 basis points, or 0.35 percent, which would remain the same. DWU's co-financial advisors, Hilltop Securities and Estrada Hinojosa, recommend acceptance of the banks' offer.

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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 State Street and Bank of America as credit providers due to strong market acceptance of commercial paper notes supported by their 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
Billerae Johnson, City Secretary (Interim)
Daniel F. Solis, Administrative Judge
Kimberly Bizer 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
Jo M. (Jody) Puckett, Assistant City Manager (Interim)
Nadia Chandler Hardy, Chief of Community Services
Raquel Favela, Chief of Economic Development & Neighborhood Services
Theresa O'Donnell, Chief of Resilience
Directors and Assistant Directors

Attachment I

Dallas Water Utilities Commercial Paper Program Series D

COST OF ISSUANCE/ CLOSING COST

Rating Agency (Closing Cost)

Fitch Ratings (Vendor VC14720)	\$	10,000
S&P Global (Vendor 954974)		5,000

Co-Bond Counsel

McCall, Parkhurst, and Horton (Vendor 193173)	\$	10,000
Escamilla & Poneck (Vendor VS0000018586)		7,125

Co-Financial Advisors

First Southwest Company (Vendor 193056)	\$	35,000
Estrada Hinojosa (Vendor 259910)		14,000

Disclosure Counsel

Andrews Kurth (Vendor VC13546)	\$	4,500
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Liquidity Facility Bank Attorney Fees

Chapman and Cutler LLP (Vendor VS88313)	\$	15,000
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Printing Fee

TBD	\$	2,500
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Total Estimated Upfront Closing Cost \$ 103,125

ANNUAL FEES

Liquidity Facility Fees

Bank of America (Vendor 211068)	\$	263,229
State Street (Vendor VC0000008056)	\$	804,089

Rating Agencies (Annual surveillance)

Fitch Ratings (Vendor VC14720)	\$	5,000
S&P Global (Vendor 954974)		18,000

Total Estimated Annual Fees \$ 1,090,318

Total (Annual Fees plus Closing Cost) \$ 1,193,443

Grand Total (Two-Year Agreement plus Closing Cost) \$ 2,283,761