



## Legislation Text

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File #: 20-2136, Version: 1

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**STRATEGIC PRIORITY:** Government Performance and Financial Management

**AGENDA DATE:** November 11, 2020

**COUNCIL DISTRICT(S):** N/A

**DEPARTMENT:** City Controller's Office

**EXECUTIVE:** Elizabeth Reich

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### **SUBJECT**

A resolution authorizing the **(1)** execution of the Fourth Amendment to Revolving Credit Agreement with Bank of America, N.A., for a four-month extension from December 30, 2020 through April 15, 2021; **(2)** execution of the Fourth Amendment to Revolving Credit Agreement with State Street Bank and Trust Company, for a one-year extension from December 30, 2020 through December 29, 2021; all in support of the City of Dallas, Texas Waterworks and Sewer System Commercial Paper Notes, Series D; and **(3)** execution of agreements pertaining thereto and resolving other matters related thereto - Not to exceed \$719,000 - Financing: Dallas Water Utilities Fund (subject to annual appropriations)

### **BACKGROUND**

In 1987, City Council authorized an ordinance establishing a commercial paper program as interim financing for Dallas Water Utilities (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 consisting of Series D and E with each series authorized at \$300 million.

Commercial paper provides interim financing for DWU capital projects. The use of commercial paper permits more cost-efficient use of capital as short-term debt is issued to closely match the amount and timing of the award of capital project contracts. Commercial paper notes are normally sold at rates of interest that are lower than rates available at the same time on long-term debt. Outstanding commercial paper is periodically reduced by refinancing it with 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. The current \$300 million Series D program was authorized in June 2014 for a three-year period and supported by lines of credit from State Street Bank and Trust Company ("State Street") and Bank of America, N.A. ("Bank of America"). The credit agreements with State Street and Bank of America were extended in 2017, 2019, and again in May 2020 to December 30, 2020.

State Street and 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 period. State Street will continue to provide \$225 million of the total credit facility through December 29, 2020, while Bank of America will continue to provide \$75 million of the total credit facility through April 15, 2021. The annual fee for the line of credit facility backing the existing program is 30 basis points, or 0.30 percent, for the period of the extension.

This item provides authorization to extend the agreement with State Street from an amended effective date of December 30, 2020 to December 29, 2021; and to extend the agreement with Bank of America from an amended effective date of December 30, 2020 to April 15, 2021 under the same terms and conditions. The extension of the program is necessary to provide liquidity for the Waterworks and Sewer System Commercial Paper Notes, Series D and allows a new commercial paper liquidity provider solicitation.

### **PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)**

On December 10, 2014, City Council authorized an ordinance amending and restating Ordinance No. 27486, approving and authorizing the issuance by the City of Dallas of its Waterworks and Sewer System Commercial Paper Notes, Series D, in an aggregate principal amount at any one time outstanding not to exceed \$300 million, to permit the issuance of such Commercial Paper Notes in sub-series; resolving other matters incident and related to the issuance, sale, security and delivery of such Commercial Paper Notes, including the approval of and authorizing the execution of separate revolving credit agreements with State Street and Bank of America; a restated Dealer Agreement with Merrill Lynch, Pierce, Fenner & Smith Incorporated and a related Issuing and Paying Agent Agreement with U.S. Bank National Association; and providing an effective date; and approving the payment of issuance costs in connection with the issuance of the short term obligations and approving the use of an Offering Memorandum in connection with the sale of the short term obligations by Ordinance No. 29549.

On December 13, 2017, City Council authorized the execution of the First Amendment to Revolving Credit Agreement with Bank of America; execution of the First Amendment to Fee Letter Agreement with Bank of America.; execution of the First Amendment to Revolving Credit Agreement with State Street Bank; execution of the First Amendment to Fee Letter Agreement with State Street Bank, all in support of the City of Dallas, Texas Waterworks and Sewer System Commercial Paper Notes, Series D; and execution of agreements pertaining thereto and resolving other matters related thereto by Resolution No. 17-1837.

On December 11, 2019, City Council authorized the execution of the Second Amendment to Revolving Credit Agreement with Bank of America; execution of the Second Amendment to Fee Letter Agreement with Bank of America.; execution of the Second Amendment to Revolving Credit Agreement with State Street Bank; execution of the Second Amendment to Fee Letter Agreement with State Street Bank, all in support of the City of Dallas, Texas Waterworks and Sewer System Commercial Paper Notes, Series D; and execution of agreements pertaining thereto and resolving other matters related thereto by Resolution No. 19-1851.

On May 27, 2020, City Council authorized the execution of the Third Amendment to Revolving Credit Agreement with Bank of America, N.A.; execution of the Third Amendment to Revolving Credit Agreement with State Street Bank and Trust Company; all in support of the City of Dallas, Texas Waterworks and Sewer System Commercial Paper Notes, Series D; and execution of agreements pertaining thereto and resolving other matters related thereto by Resolution No. 20-0804.

Government Performance and Financial Management Committee will be briefed by memorandum regarding this matter on November 10, 2020.

### **FISCAL INFORMATION**

The cost estimate for the extension and annual fees is detailed in Schedule I.

Fund	FY 2021	FY 2022	Future Years
Dallas Water Utilities Fund	\$519,000.00	\$200,000.00	\$0.00

### **OWNERS**

**Bank of America, N.A. is a wholly owned subsidiary of Bank of America Corporation**

Brian Moynihan, Chairman of the Board

**State Street Bank and Trust Company**

Joseph L. Hooley, Chairman of the Board