

Memorandum



CITY OF DALLAS

DATE June 21, 2024

TO Honorable Members of the Government Performance and Financial Management Committee: Chad West (Chair), Paula Blackmon (Vice Chair), Cara Mendelsohn, Jesse Moreno, Jaime Resendez

SUBJECT **June 26, 2024, Upcoming Agenda Items – 24-1945 and 24-2057 – Extension of the Waterworks and Sewer System Commercial Paper Notes, Series F and Series G**

The June 26, 2024, City Council Agenda includes two items related to the extension of the respective Waterworks and Sewer System Commercial Paper Notes, Series F (“Series F Notes”) and Series G (“Series G Notes”); with JPMorgan Chase Bank, N.A. (“JPMorgan”) in support of the Series F Notes, and State Street Bank and Trust Company (State Street) in support of the Series G Notes.

BACKGROUND

Commercial paper provides interim financing for Dallas Water Utilities (DWU) capital projects. The use of commercial paper permits more cost-efficient use of funds 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 for \$300 million. The current agreements expire on July 8, 2024.

SERIES F NOTES EXTENSION

JPMorgan has agreed to absorb the entirety of the \$300 million Series F notes in an amended agreement and to extend the agreement from expiring on July 8, 2024, to July 8, 2027. On June 12, 2024, the City Council approved a resolution authorizing the execution of the Amended and Restated Revolving Credit Agreement and Amended and

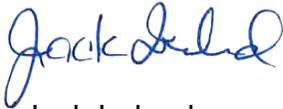
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Restated Fee Letter Agreement with JPMorgan in support of the Series F Notes extension under the same terms and conditions and a modified fee structure. This item authorizes the issuance of the Series F notes via an updated ordinance, as required by the Attorney General's Office.

SERIES G NOTES EXTENSION

State Street has agreed to an amended agreement of the \$300 million Series G notes to extend the agreement from expiring on July 8, 2024, to October 4, 2024. This item provides authorization to extend the agreement for three-months with State Street 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 G while a new commercial paper liquidity provider is procured.

Please let me know if you need any additional information.



Jack Ireland
Chief Financial Officer

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| Tammy Palomino, City Attorney | Alina Ciocan, Assistant City Manager |
| Mark Swann, City Auditor | Donzell Gipson, Assistant City Manager (I) |
| Biliera Johnson, City Secretary | Robin Bentley, Assistant City Manager (I) |
| Preston Robinson, Administrative Judge | Jack Ireland, Chief Financial Officer |
| Dominique Artis, Chief of Public Safety (I) | Elizabeth Saab, Chief of Strategy, Engagement, and Alignment (I) |
| Majed A. Al-Ghafry, Assistant City Manager | Directors and Assistant Directors |
| M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager | |