



## Legislation Text

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**File #:** 21-1011, **Version:** 1

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

**AGENDA DATE:** June 9, 2021

**COUNCIL DISTRICT(S):** All

**DEPARTMENT:** City Controller's Office

**EXECUTIVE:** Elizabeth Reich

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### **SUBJECT**

An ordinance approving and authorizing the issuance by the City of Dallas of its Waterworks and Sewer System Commercial Paper Notes, Series G, in an aggregate principal amount at any one time outstanding not to exceed \$300,000,000, to provide interim financing to pay Project Costs for Eligible Projects and to refund obligations issued in connection with Eligible Projects; authorizing the issuance and delivery of promissory notes in connection with the issuance, sale and delivery of Commercial Paper Notes, and prescribing the terms, features and characteristics of such instruments; approving and authorizing certain authorized officers and employees to act on behalf of the City in the selling and delivery of such Commercial Paper Notes, within the limitations and procedures specified herein; making certain covenants and agreements in connection therewith; resolving other matters incident and related to the issuance, sale, security and delivery of such Commercial Paper Notes, including **(1)** the approval and authorizing the execution of a Credit Agreement with State Street Bank and Trust Company; **(2)** a Dealer Agreement with BofA Securities, Inc.; and **(3)** an Issuing and Paying Agent Agreement with U.S. Bank National Association in the manner herein provided; and approving the use of an Offering Memorandum in connection with the sale from time to time of such Commercial Paper Notes; and providing an effective date - Not to exceed \$3,018,310 - Financing: Dallas Water Utilities Fund (\$487,300, upfront closing costs plus annual fee of \$843,670 for a total 3-year cost of \$3,018,310) (subject to annual appropriations)

### **BACKGROUND**

Commercial paper provides interim financing for Dallas Water Utilities (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. 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 existing \$600 million program was authorized in June 2014 to be issued as Series D and Series E notes. Currently, the City is seeking to replace the expiring program and authorize a new DWU commercial paper program, as Series F and Series G, respectively.

Current service providers for the Series E program are U.S. Bank N.A. as Issuing and Paying Agent, J.P. Morgan Securities LLC as commercial paper dealer, and JPMorgan Chase Bank, N.A. as Liquidity Facility provider.

In February 2021, the Office of Procurement Services issued a Request for Competitive Sealed Proposals for Commercial Paper Dealer and Liquidity Provider for the City of Dallas Waterworks and Sewer System to establish Series F (\$300 million) and Series G (\$300 million). Based on the size of the programs and on recommendation of financial advisors, two City selected two service providers for Commercial Paper Dealer and three service providers for Liquidity Provider.

A six-member evaluation committee was selected from the following departments:

- City Controller's Office (1)
- Dallas Water Utilities (1)
- Department of Aviation (1)
- Office of Bond and Construction Management (1)
- Financial Advisors (2)

For the Series G program, one successful proposer was selected as Dealer by the committee on the basis of demonstrated competence and qualifications under the following criteria:

- Qualifications/experience of the firm (55%)
- Pricing (40%)
- Local Preference Program ( 5%)

For the Series G program, one successful proposer was selected as Liquidity Provider by the committee on the basis of demonstrated competence and qualifications under the following criteria:

- Qualifications/experience of the firm (45%)
- Bank Ratings (20%)
- Pricing (30%)
- Local Preference Program ( 5%)

An informal bid was issued for Commercial Paper Issuing and Paying Agent, consisting of four bank solicitations with one issuing and paying agent response received by U.S. Bank, N.A.

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

On June 25, 2014, City Council authorized the issuance of the City of Dallas, Texas Waterworks and Sewer System Series E short term obligations authorizing such short term obligations to be issued, sold and delivered in various forms, including commercial paper notes and a bank note; making certain covenants and agreements in connection therewith; re-establishing the 10-year tenor of the program by extending the maturity date to September 30, 2024; resolving other matters related to the issuance, sale, security and delivery of such short term obligations, including the re-appointment of U.S. Bank Trust National Association as the Issuing and Paying Agent and authorizing the execution of an Issuing and Paying Agent Agreement, authorizing a Credit Agreement with JPMorgan Chase; and the appointment of Dealer JPMorgan Securities and authorizing the execution of a Commercial Paper Dealer Agreement; approving the payment of issuance costs in connection with the issuance of the short term obligations; approving the use of an Offering Memorandum in connection with the sale of the short term obligations; and providing an effective date by Resolution No. 14-0987; Ordinance No. 29377.

On September 13, 2017, City Council authorized the execution of the First Amendment to Revolving Credit Agreement; execution of the First Amendment to Fee Letter Agreement with JPMorgan Chase Bank, National Association in support of the City of Dallas, Texas Waterworks and Sewer System Commercial Paper Notes, Series E; and the execution of agreements pertaining thereto and resolving other matters related thereto by Resolution No. 17-1402.

On September 11, 2019, City Council authorized the execution of the Second Amendment to Revolving Credit Agreement; execution of the Second Amendment to Fee Letter Agreement with JPMorgan Chase Bank, National Association in support of the City of Dallas, Texas Waterworks and Sewer System Commercial Paper Notes, Series E; and execution of agreements pertaining thereto and resolving other matters related thereto by Resolution No. 19-1409.

On May 27, 2020, City Council authorized the execution of the Third Amendment to Revolving Credit Agreement with JPMorgan Chase, National Association; in support of the City of Dallas, Texas Waterworks and Sewer System Commercial Paper Notes, Series E; and the execution of agreements pertaining thereto and resolving other matters related thereto by Resolution No. 20-0805.

On February 24, 2021, City Council authorized the execution of the Fourth Amendment to Revolving Credit Agreement with JPMorgan Chase Bank, National Association in support of the City of Dallas, Texas Waterworks and Sewer System Commercial Paper Notes, Series E; and the execution of agreements pertaining thereto and resolving other matters related thereto by Resolution No. 21-0359.

The Government Performance and Financial Performance Committee was briefed regarding this matter on May 24, 2021.

**FISCAL INFORMATION**

Fund	FY 2021	FY 2022	Future Years
Dallas Water Utilities Fund	\$487,300.00	\$843,670.00	\$1,687,340.00

Costs for the \$300,000,000 program are not to exceed \$3,018,310 (fees will be paid quarterly throughout the three-year contract period).

**M/WBE INFORMATION**

In accordance with the City’s Business Inclusion and Development Policy adopted on September 23, 2020, by Resolution No. 20-1430, as amended, the M/WBE participation on this contract is as follows:

Contract Amount	Procurement Category	M/WBE Goal	M/WBE %	M/WBE \$
\$3,018,310.00	Other Services	N/A	N/A	N/A
<ul style="list-style-type: none"> <li>• The Business Inclusion and Development Policy does not apply to Other Service contracts.</li> <li>• BofA Securities, Inc. - Local; Workforce - 0.20% Local • State Street Bank and Trust Company - Non-Local; Workforce - 0.00% Local</li> </ul>				

**PROCUREMENT INFORMATION**

Method of Evaluation for Award Type:

Request for Competitive Sealed Proposal	<ul style="list-style-type: none"> <li>• Utilized for high technology procurements, insurance procurements, and other goods and services</li> <li>• Recommended offeror whose proposal is most advantageous to the City, considering the relative importance of price, and other evaluation factors stated in the specifications</li> <li>• Always involves a team evaluation • Allows for negotiation on contract terms, including price</li> </ul>
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The Office of Procurement Services received the following proposals from solicitation number BKZ21-00015605. We opened them on March 12, 2021. These service provider agreements are being awarded to the most advantageous proposers.

\*Denotes successful proposer for Series G

<b><u>Proposers</u></b>	<b><u>Address</u></b>	<b><u>Score</u></b>
<b><u>Commercial Paper Dealers</u></b>		
J.P. Morgan Securities LLC	383 Madison Avenue, Floor 3 New York, NY 10179	99.25%
BofA Securities, Inc.	One Bryant Park New York, NY 10036	94.76%

Morgan Stanley	1585 Broadway, 24th Floor New York, NY 10036	81.73%
Jefferies LLC	520 Madison Avenue New York, NY 10022	77.49%
Loop Capital Markets LLC	2911 Turtle Creek Boulevard Suite 300 Dallas, TX 75219	72.27%
RBC Capital Markets, LLC	200 Vesey Street, 9th Floor New York, NY 10281	71.70%
PNC Capital Markets LLC	300 Fifth Avenue Pittsburg, PA 15222	60.28%
TD Securities (USA) LLC	1 Vanderbilt Avenue New York, NY 10017	55.06%

Commercial Paper Liquidity Provider

*State Street Bank and Trust Company	One Lincoln Street Boston, MA 02111	91.20%
Bank of American, N.A.	One Bryant Park New York, NY 10036	85.42%
JP Morgan Chase Bank	383 Madison Avenue, Floor 3 New York, NY 10179	80.10%
TD Bank, N.A.	1701 Route 70 East Suite 200 Cherry Hill, NJ 08034	79.00%
U.S. BANK, N.A.	1095 Avenue of the Americas New York, NY 10036	69.68%
Royal Bank of Canada (RBC)	200 Vesey Street, 9th Floor New York, NY 10281	66.25%
PNC Bank, N.A.	200 Crescent Court Suite 400 Dallas, TX 75201	59.00%

**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**

Ronald P. O'Hanley, Chairman of the Board