



Legislation Text

File #: 24-1945, **Version:** 1

STRATEGIC PRIORITY: Government Performance & Financial Management

AGENDA DATE: June 26, 2024

COUNCIL DISTRICT(S): N/A

DEPARTMENT: City Controller's Office

EXECUTIVE: Jack Ireland

SUBJECT

A resolution authorizing the **(1)** execution of the First Amendment to Revolving Credit Agreement with State Street Bank and Trust Company in support of the City of Dallas, Texas Waterworks and Sewer System Commercial Paper Notes, Series G; and **(2)** the execution of any other agreements pertaining thereto, and resolving other matters related thereto, for a three-month extension from July 8, 2024 to October 4, 2024 - Not to exceed \$278,000 - Financing: Dallas Water Utilities Fund (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 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, the 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 Chase Bank N.A. (Sub-Series F-1) and Bank of America, N.A. (Sub-Series F -2); and Series G notes supported by a line of credit from State Street Bank and Trust Company ("State Street").

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.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On June 9, 2021, the City Council approved 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 by Ordinance No. 31886.

The Government Performance and Financial Management Committee will be briefed by memorandum regarding this matter on June 24, 2024.

FISCAL INFORMATION

Fund	FY 2024	FY 2025	Future Years
Dallas Water Utilities Fund	\$278,000.00	\$0.00	\$0.00

OWNER

State Street Bank and Trust Company

Ronald P. O'Hanley, Chairman of the Board