



Legislation Text

File #: 20-808, **Version:** 2

STRATEGIC PRIORITY: Government Performance and Financial Management

AGENDA DATE: May 13, 2020

COUNCIL DISTRICT(S): N/A

DEPARTMENT: City Controller's Office

EXECUTIVE: Elizabeth Reich

SUBJECT

Authorize the preparation of plans for an issuance of Waterworks and Sewer System Revenue Refunding Bonds, Series 2020C and Taxable Series 2020D in an amount not to exceed \$726,000,000 - Financing: This action has no cost consideration to the City (see Fiscal Information for potential future costs)

BACKGROUND

This proposed revenue bond sale is for the following purposes: (1) refunding and retirement of commercial paper notes issued for interim financing of improvements to the City's water and wastewater system; and (2) refund outstanding Series 2009B, Series 2009C, Series 2010, Series 2011, Series 2012A, and Series 2013 obligations (the "Refundable Bonds").

Issuance of revenue bonds for refunding and retirement of approximately \$260,000,000 in commercial paper notes is in accordance with the capital program for water and wastewater improvements and is within the Fiscal Year 2019-20 operating and capital budgets for the Water Utilities Department.

Approximately \$424,153,000 in principal amount of currently outstanding Dallas Water Utilities bonds will be eligible to be refunded with proceeds from the issue. The City's co-financial advisors, Hilltop Securities and Estrada Hinojosa, recommend refunding of certain maturities in Series 2009B, Series 2009C, Series 2010, Series 2011, Series 2012A, and Series 2013. Based on recent market conditions, the refunding is expected to result in cash savings of approximately \$67.74 million and a net present value savings of approximately \$43.97 million, which is approximately 10.37 percent of the par amount of the Refundable Bonds. Actual savings will depend on market conditions at the time of the sale.

If interest rate conditions result in a significant deterioration in the current projected savings, the City may elect, as little as one day prior to the sale date, to cancel this portion of the sale, or reduce the size of this portion of the sale.

On December 6, 2019, the City released a Request for Qualifications for debt underwriting firms. In response, the City received 32 proposals. The proposals were evaluated by a committee consisting of members from multiple departments, including Aviation, Water, and the Offices of the City Controller and Budget. After review of the proposals, the committee determined all 32 proposers were qualified. On January 29, 2020, the Office of Procurement Services notified these firms that as qualified firms, they are now members of a pool who are eligible to submit proposals on future debt issuances from the City.

On April 13, 2020, the City issued a Request for Proposals for Waterworks & Sewer Financing Debt Underwriting from the pool of qualified firms and received 30 proposals in response. To accommodate this transaction, the City's co-financial advisors, Hilltop Securities, recommend a syndicate of eight (8) underwriting firms; comprised of five (5) non-M/WBE firms and three (3) M/WBE firms, to achieve the goal of 36.3% M/WBE participation. Following committee review, the City plans to use an underwriting syndicate team comprised of J.P. Morgan Securities LLC, Wells Fargo Securities, BofA Securities, Inc., Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, Ramirez & Company, Inc., Loop Capital Markets, and Siebert Williams Shank & Co., LLC. J.P. Morgan Securities LLC will be the Book Running Senior Manager, and Ramirez & Company, Inc. will be the Co-Senior Manager.

ESTIMATED SCHEDULE OF PROJECT

Authorized preparation for Issuance of Bonds	May 2020
Approval of parameters ordinance	May 2020
Pricing	June 2020
Delivery of Proceeds	July 2020

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

City Council will be briefed by memorandum regarding this matter on May 8,2020.

FISCAL INFORMATION

This action has no cost consideration to the City. Payment for cost of issuance is not made unless the bonds are issued. City Council approval of the ordinance authorizing the sale of bonds is scheduled for May 27, 2020. The anticipated cost of issuance is \$1,441,666 from Water Utilities Current Funds.

M/WBE INFORMATION

Attachment I provides an estimate of bond issuance costs for the proposed bonds and the M/WBE participation.