



Legislation Text

File #: 20-908, Version: 1

STRATEGIC PRIORITY: Government Performance and Financial Management
AGENDA DATE: May 27, 2020
COUNCIL DISTRICT(S): N/A
DEPARTMENT: City Controller's Office
EXECUTIVE: Elizabeth Reich

SUBJECT

A resolution authorizing the **(1)** 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 **(2)** the execution of agreements pertaining thereto and resolving other matters related thereto for a nine-month extension from June 30, 2020 to March 31, 2021 - Not to exceed \$830,500 - 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 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.

In 1987, City Council authorized an ordinance establishing a commercial paper program as interim financing for Dallas Water Utilities 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 \$300 million. The current \$300 million program was authorized in June 2014 to be issued as Series E notes.

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. This program was re-authorized in 2004 and supported by lines of credit from Bank of America and JP Morgan Chase Bank N.A. It was extended for three-year periods in 2008 and 2011, until 2014 when it was solely supported by a line of credit from JP Morgan Chase Bank N.A. to September 30, 2017. The credit agreement with JP Morgan Chase Bank N.A. was

extended in 2017 and again in 2019 to June 30, 2020.

This item provides authorization to extend the agreement for nine months with JPMorgan Chase Bank, N.A. with the same fee structure, terms and conditions. The extension of the program is necessary to provide liquidity for the Waterworks and Sewer System Commercial Paper Notes, Series E.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On April 28, 2004, City Council authorized the preparation of plans to increase the maximum principal amount at any one time outstanding of the City of Dallas Waterworks and Sewer System Commercial Paper Notes and to resolve other matters related to the issuance, sale, security and delivery of such short-term obligations by Resolution No. 04-1473.

On August 25, 2004, City Council authorized issuance of \$200,000,000 Series B Commercial Paper Notes by Ordinance No. 25714; and authorized issuance of \$100,000,000 Series C Commercial Paper Notes, including approval of the Credit Agreements with Bank of America N.A by Ordinance No. 25715.

On August 27, 2008, City Council authorized an amendment to Ordinance No. 25714, previously approved on August 25, 2004 to amend the Credit Agreement with Bank of America, N.A. to extend the term of the contract for a three-year period from September 28, 2008 through September 30, 2011 for the City of Dallas, Texas Waterworks and Sewer System Series B short term obligations; and an amendment to Ordinance No. 25715, previously approved on August 25, 2004 to amend the Credit Agreement with Bank of America, N.A. to extend the term of the contract for a three-year period from September 28, 2008 through September 30, 2011 for the City of Dallas, Texas Waterworks and Sewer System Series C short term obligations by Resolution No. 08-2261.

On August 24, 2011, City Council authorized an amendment to Dallas Water Utilities' Ordinance No. 25714, approved on August 25, 2004 and previously amended on August 27, 2008, to amend the Credit Agreement with Bank of America, N.A. to extend the term of the agreement for an additional three-year period from September 28, 2011 through September 30, 2014 and add JPMorgan Chase Bank N.A. to the Credit Agreement for the City of Dallas, Texas Waterworks and Sewer System Series B short-term obligations; and an amendment to Dallas Water Utilities' Ordinance No. 25715, approved on August 25, 2004 and previously amended on August 27, 2008, to amend the Credit Agreement with Bank of America, N.A. to extend the term of the agreement for an additional three-year period from September 28, 2011 through September 30, 2014 and add JPMorgan Chase Bank N.A. to the Credit Agreement for the City of Dallas, Texas Waterworks and Sewer System Series C short-term obligations by Resolution No. 11-2252.

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.

FISCAL INFORMATION

Dallas Water Utilities Fund - \$830,500.00 (subject to annual appropriations), as described in Schedule I

Fund	FY 2020	FY 2021	Future Years
Dallas Water Utilities Fund	\$458,000.00	\$372,500.00	\$0.00

OWNER

JPMorgan Chase Bank, N.A., a wholly owned subsidiary of JPMorgan Chase & Co.

Jamie Dimon, Jr., Chairman of the Board