



Legislation Text

File #: 20-1989, **Version:** 1

STRATEGIC PRIORITY: Government Performance and Financial Management

AGENDA DATE: October 28, 2020

COUNCIL DISTRICT(S): N/A

DEPARTMENT: City Controller's Office

EXECUTIVE: Elizabeth Reich

SUBJECT

Authorize amendments to Ordinance No. 30674 to: **(1)** extend the City of Dallas, Texas General Obligation Commercial Paper Notes Series A, and Series B short term obligations in an aggregate principal amount not to exceed \$350,000,000; **(2)** authorize such short term obligations to be issued, sold, and delivered in the form of commercial paper notes; making certain covenants and agreements in connection therewith; resolving other matters related to the issuance, sale, security, and delivery of such short term obligations, including; **(3)** authorizing a twelve-month \$350,000,000 Credit Agreement with J.P. Morgan Chase Bank, N.A.; **(4)** the continued use of U.S. Bank National Association as the Issuing and Paying Agent under existing agreements; **(5)** the continued use of Jefferies LLC as the dealer under existing Dealer Agreement; and **(6)** 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 - Total program costs not to exceed \$2,647,750 - Financing: Current Funds (\$447,750.00 upfront closing costs plus annual fees of \$2,200,000 for a one-year total cost of \$2,647,750) (subject to annual appropriations)

BACKGROUND

In 2010 and again in 2017, City Council approved an ordinance establishing a \$350 million General Obligation (GO) Commercial Paper (CP) Program as interim financing for the City's capital improvements. Contracts are awarded using commercial paper as a funding source. Notes are issued to pay project costs as invoices are received. Notes are typically sold at lower interest rates than longer-term bonds. The notes are periodically refinanced with longer-term bonds.

Commercial paper issuance is supported by lines of credit from highly rated banks. The current program is supported by a \$350 million credit agreement from JPMorgan Chase Bank, N.A. These lines of credit assure investors that the commercial paper notes will be paid in the event that a note cannot be sold to another investor at maturity. The rating agencies rate commercial paper programs based on the rating of the banks providing the credit lines, although the credit rating and outlook of the commercial paper issuer affects the marketability of the notes as well as the rating of the credit bank.

JPMorgan Chase Bank, N.A., has offered to continue providing the credit line supporting the City's \$350 million GO CP notes at an amended annual fee of 0.60 percent from 0.45 percent for one year to November 26, 2021, including the current feature allowing JPMorgan Chase Bank, N.A. to directly purchase notes at a fixed margin above an adjusted index. Guaranteed note placement provides stability to the Commercial Paper Program and to the financing of the Capital Improvement Program in a market that has not been consistently stable. The amended offer waives the requirement of a minimum amount of outstanding notes at 1 percent of the total credit line as part of the direct purchase feature, a cost-savings to the program fees.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On November 10, 2010, City Council authorized an ordinance authorizing the issuance of City of Dallas, Texas General Obligation Commercial Paper Notes Series 2010A, Series 2010B, and Series 2010C short term obligations in an aggregate principal amount not to exceed \$350,000,000; authorizing such short term obligations to be issued, sold, and delivered in the form of commercial paper notes; making certain covenants and agreements in connection therewith; establish the tenor of the program to be for the issuance of the remaining 2006 Bond Program and the 1998 Bond Program, which is estimated to be within a three-year period; resolving other matters related to the issuance, sale, security and delivery of such short term obligations, including: a thirty-six-month Credit Agreement with J.P. Morgan Chase Bank, N.A., U.S. Bank National Association, and Wells Fargo Bank, N.A.; the appointment of U.S. Bank National Association as the Issuing and Paying Agent and authorizing the execution of the Issuing and Paying Agent Agreement, and the appointment of Jefferies & Company, Inc. as the dealer and authorizing the execution of a 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 File No. 10-2863; Ordinance No. 28060.

On June 12, 2013, City Council authorized amendments to Ordinance No. 28060 to: extend the City of Dallas, Texas General Obligation Commercial Paper Notes Series 2010A, and Series 2010C short term obligations in an aggregate principal amount; authorize such short term obligations to be issued, sold, and delivered in the form of commercial paper notes; making certain covenants and agreements in connection therewith; establish the tenor of the program for the issuance of the remaining 2012 Bond Program, 2006 Bond Program and 1998 Bond Program, which is estimated to be within a three year period; resolving other matters related to the issuance, sale, security and delivery of such short term obligations, including; authorizing a thirty-six-month Credit Agreement with J.P. Morgan Chase Bank, N.A., and Wells Fargo Bank, N.A.; the continued use of U.S. Bank National Association as the Issuing and Paying Agent under existing agreements; the continued use of Jefferies LLC as the dealer under existing Dealer Agreement; and 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 File No. 13-0941; Ordinance No. 29022.

The Budget, Finance, and Audit Committee was briefed on February 16, 2016.

The Government Performance and Financial Management Committee was briefed on October 16, 2017.

On October 25, 2017, City Council authorized an ordinance authorizing the issuance of City of Dallas, Texas, General Obligation Commercial Paper Notes, Series A and Series B, in an aggregate principal amount not to exceed \$350,000,000 for the purpose of funding certain authorized purposes; approving and authorizing certain officers and employees to act on behalf of the City in the selling and delivery of such notes; making certain covenants, agreements, and resolving other matters incident and related to the issuance, sale, delivery, and security of the notes, including the approval of an Issuing and Paying Agency Agreement, Credit Agreements, Offering Memorandum, and Dealer Agreement; and providing for an effective date by File No. 17-1647; Ordinance No. 30674.

FISCAL INFORMATION

| Fund | FY 2021 | FY 2022 | Future Years |
|---------------|----------------|--------------|--------------|
| Current Funds | \$2,097,750.00 | \$550,000.00 | \$00.00 |