

DEBT SERVICE

GENERAL OBLIGATION DEBT

Introduction

The General Obligation Debt Service Fund provides for the payment of principal and interest on the City's outstanding general obligation bonds, certificates of obligation and equipment acquisition notes. Debt financing is used to pay for large capital projects. By using debt, the project costs are allocated over the life of the asset. Capital projects may include improvements to and/or construction of the City's street system; parks and recreational facilities; libraries; police and fire protection facilities; flood protection and storm drainage system. The Financial Management Performance Criteria (FMPC) addresses debt management, and among other requirements restricts the maturities and the amounts of and purposes for which bonded debt may be issued.

The primary source of revenue for the debt service fund is the ad valorem property tax. The adopted ad valorem tax rate of 74.79¢ per \$100 assessed value is split into two rates. Approximately one-third (25.61¢) of the tax revenue is used to pay principal and interest on the City's outstanding general obligation debt. The remaining two-thirds (49.18¢) of the revenue generated by the tax rate is used to pay for operating and maintenance costs incurred in the General Fund.

Due to the level principal structure of individual bond sales, the interest payments of the existing general obligation debt decline annually. This type of repayment schedule creates more capacity to issue new debt within the existing debt service tax rate than a level payment schedule.

Credit Rating

The City of Dallas' general obligation debt currently holds AA+/Aa1 ratings from Standard & Poor's and Moody's Investors Service, respectively. These exceptionally high ratings reflect the sound management of the City of Dallas' financial resources and allow the City of Dallas to issue relatively low cost debt.

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Legal Debt Margin

The City of Dallas Charter (Chapter XXI, Section 3) limits the maximum bonded indebtedness, payable from taxation, to 10% of assessed property value. However, the City's Financial Management Performance Criteria (FMPC) limits the net general obligation debt to 4% of the true market valuation of the taxable property of Dallas. Existing debt plus the planned issuance of \$378.5 million would constitute 2.5% of the assessed value of \$87.26 billion and 2.1% of the market value of taxable property of \$101.83 billion. Thus, the City would continue to comply with both requirements as of 9/30/2010.

Assessed Value	\$87,264,095,461
10% Legal Debt Margin	\$8,726,409,546
Projected GO Debt 9/30/10 ¹	\$2,181,254,913
GO Debt as a percent of Assessed Property Value	2.5%
Market Value of Taxable Property	\$101,828,697,925
4% FMPC Limit	\$4,073,147,917
Projected GO Debt 9/30/10 ¹	\$2,181,254,913
GO Debt as a percent of Market Value	2.1%

¹ \$27,215,000 of the 2008 (Series 618) Certificates of Obligation for the Convention Center Hotel are scheduled to be partially redeemed on October 5, 2009.

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FY2009-10 Debt Service Budget

The FY2009-10 budget includes principal and interest payments on \$1.97 billion of existing general obligation debt.¹ This amount includes \$344.1 million of outstanding pension obligation bonds. New debt to be issued includes \$354.78 million in general obligation bonds, \$23.75 million in equipment acquisition notes and \$2 million in certificates of obligation. Principal and interest expense for existing and new debt are \$196.9 million and \$86.1 million, respectively, and are summarized in the table below.

	Principal	Interest	Total
Existing General Obligation Debt	\$177,130,000	\$74,760,234	\$251,890,234
Existing Pension Obligation Debt	\$18,875,000	\$10,874,562	\$29,749,562
\$354.78m General Obligation Bonds ²	-	-	\$0
\$23.75m Equipment Acquisition Notes	\$855,000	\$475,100	\$1,330,100
\$2m Certificates of Obligation	-	-	\$0
Total Debt Service	\$196,860,000	\$86,109,896	\$282,969,896

Selected Financial Management Performance Criteria - Debt Management

These key criteria, established to ensure sound management of the City's financial resources, are listed below to detail the effects of the issuance of new debt.

Criteria	09/30/08 Actual	09/30/09 Estimate	09/30/10 Adopted ¹
Total direct plus overlapping debt not to exceed 8% of the market value of taxable property	4.0 % In compliance	3.7 % In compliance	4.1 % In compliance
Weighted average general obligation bond maturities (exclusive of pension obligation bonds) not to exceed 10 years	7.7 years In compliance	7.6 years In compliance	7.7 years In compliance
Certificate of obligation debt not to exceed 15% of total authorized and issued general obligation debt	1.6 % In compliance	1.4 % In compliance	0.9 % In compliance
Per capita general obligation debt not to exceed 10% of latest authoritative computation of per capita annual income	3.7 % In compliance	3.6 % In compliance	4.0 % In compliance

¹ The 2008 (Series 618) Certificates of Obligation for the Convention Center Hotel are scheduled to be partially redeemed on October 5, 2009 and have been deducted from the current outstanding debt balance.

² Assumes first principal and interest payment February 2011.

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Statement of General Obligation Bonded Indebtedness As of 09/30/2009

Series Number	Issue Name	Issue Date	Term Years	Coupon Rate(s)	Outstanding Principal ¹
560	General Obligation Improvement Bonds	11/01/1996	19	4.0%-6.0%	\$ 6,840,000
574	General Obligation Improvement Bonds	11/01/1999	19	5.1%-5.5%	3,465,000
578	General Obligation Improvement Bonds	11/01/2000	19	5.0%-5.8%	10,840,000
583	General Obligation Improvement Bonds	11/01/2001	19	4.0%-5.0%	34,020,000
589	General Obligation Refunding Bonds	01/15/2003	8	2.5%-5.0%	3,850,000
592	General Obligation Refunding Bonds	10/29/2003	10	4.0%-5.0%	28,175,000
593	General Obligation Improvement Bonds	11/01/2003	19	3.5%-4.5%	127,745,000
597	General Obligation Improvement Bonds	11/01/2004	19	4.0%-5.0%	128,340,000
604	General Obligation Refunding Bonds	04/13/2005	15	5.0%	156,850,000
606	General Obligation Improvement Bonds	11/01/2005	19	3.3%-5.0%	151,415,000
611	General Obligation Improvement Bonds	11/01/2006	19	4.5%-5.0%	198,475,000
614	General Obligation Improvement Bonds	06/01/2007	20	5.0%-5.1%	117,695,000
615	General Obligation Refunding and Improvement Bonds	11/15/2007	19	4.0%-5.0%	334,260,000
620	General Obligation Improvement Bonds	11/01/2008	19	4.5%-5.1%	209,815,000
Total General Obligation Bonds					<u>\$ 1,511,785,000</u>
608	Equipment Acquisition Notes	11/01/2005	5	3.5%-4.0%	\$ 8,360,000
612	Equipment Acquisition Notes	11/01/2006	5	3.8%-4.0%	5,910,000
616	Equipment Acquisition Notes	11/15/2007	5	3.5%-4.0%	22,400,000
621	Equipment Acquisition Notes	11/01/2008	5	4.7%-4.9%	32,840,000
Total Equipment Acquisition Notes					<u>\$ 69,510,000</u>
580	Certificates of Obligation	11/01/2000	10	4.8%	\$ 2,525,000
591	Certificates of Obligation	05/01/2003	10	2.0%-3.3%	14,400,000
599	Certificates of Obligation	11/01/2004	10	3.0%-3.6%	3,205,000
605	Certificates of Obligation (Taxable)	04/13/2005	5	4.0%-4.5%	1,500,000
607	Certificates of Obligation	11/01/2005	10	3.8%-4.1%	4,080,000
617	Certificates of Obligation	11/15/2007	10	3.5%-4.0%	4,885,000
618	Certificates of Obligation	05/15/2008	10	2.0%-5.0%	39,470,000
622	Certificates of Obligation	11/01/2008	10	3.5%-5.0%	5,400,000
Total Certificates of Obligation					<u>\$ 75,465,000</u>
Total General Obligation Bonds, Equipment Acquisition Notes, and Certificates of Obligation					<u>\$ 1,656,760,000</u>
600	Pension Obligation Bonds (Current Interest Bonds - Taxable)	01/19/2005	30	3.2%-5.0%	\$ 143,720,000
601	Pension Obligation Bonds (Capital Appreciation Bonds - Taxable)	01/19/2005	30	4.1%-5.5%	125,389,913
602	Pension Obligation Bonds (Step-up Coupon Bonds - Taxable)	01/19/2005	19	5.5%-8.0%	75,000,000
Total Pension Obligation Bonds					<u>\$ 344,109,913</u>
Total General Obligation Debt					<u>\$ 2,000,869,913</u>

¹ The FY 2008-09 Estimate and FY 2009-10 Adopted Debt Service Budget reflect the partial redemption of the 2008 (Series 618) Certificates of Obligation. \$27,215,000 will be called on 10/05/2009. (This partial redemption is not reflected in the above schedule)

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General Obligation Debt Service Requirements
As of 09/30/2009

Fiscal Year	Outstanding Debt (w/o POB)			Outstanding Pension Obligation Bond Debt			Total Outstanding ¹
	Principal	Interest	Total	Principal	Interest	Total	
2010	149,915,000	76,255,684	226,170,684	18,875,000	10,874,562	29,749,562	255,920,246
2011	136,935,000	69,399,146	206,334,146	11,097,826	19,311,023	30,408,849	236,742,996
2012	133,505,000	62,950,689	196,455,689	10,419,750	20,689,099	31,108,849	227,564,538
2013	124,910,000	56,669,250	181,579,250	9,707,602	22,148,747	31,856,349	213,435,600
2014	107,990,000	50,886,144	158,876,144	12,616,830	20,023,720	32,640,550	191,516,694
2015	102,290,000	45,839,848	148,129,848	8,636,841	24,855,408	33,492,249	181,622,097
2016	98,865,000	41,028,199	139,893,199	8,050,977	26,357,522	34,408,499	174,301,698
2017	95,425,000	36,354,825	131,779,825	8,214,089	27,166,370	35,380,459	167,160,284
2018	118,750,000	31,139,663	149,889,663	8,933,560	27,471,259	36,404,819	186,294,482
2019	83,745,000	26,171,650	109,916,650	8,635,322	28,821,172	37,456,494	147,373,144
2020	80,215,000	22,171,619	102,386,619	8,261,699	30,388,970	38,650,669	141,037,288
2021	75,195,000	18,407,369	93,602,369	28,800,000	10,930,587	39,730,587	133,332,956
2022	71,795,000	14,902,869	86,697,869	31,545,000	9,398,428	40,943,428	127,641,297
2023	71,785,000	11,532,857	83,317,857	35,350,000	7,183,500	42,533,500	125,851,357
2024	62,665,000	8,358,657	71,023,657	39,650,000	4,183,500	43,833,500	114,857,157
2025	54,110,000	5,569,688	59,679,688	8,036,834	36,784,235	44,821,069	104,500,757
2026	44,650,000	3,202,751	47,852,751	8,040,114	38,163,093	46,203,207	94,055,958
2027	32,975,000	1,348,328	34,323,328	8,037,694	39,593,689	47,631,383	81,954,711
2028	11,040,000	280,594	11,320,594	8,034,062	41,073,353	49,107,415	60,428,009
2029	-	-	-	8,038,642	42,583,831	50,622,473	50,622,473
2030	-	-	-	8,040,730	44,141,866	52,182,596	52,182,596
2031	-	-	-	8,035,840	45,728,242	53,764,082	53,764,082
2032	-	-	-	8,038,960	47,358,879	55,397,839	55,397,839
2033	-	-	-	8,037,046	49,022,603	57,059,649	57,059,649
2034	-	-	-	8,039,198	50,731,091	58,770,289	58,770,289
2035	-	-	-	14,936,297	45,590,144	60,526,441	60,526,441
	<u>\$1,656,760,000</u>	<u>\$582,469,830</u>	<u>\$2,239,229,830</u>	<u>\$ 344,109,913</u>	<u>\$ 770,574,893</u>	<u>\$ 1,114,684,806</u>	<u>\$3,353,914,636</u>

¹ The FY 2008-09 Estimate and FY 2009-10 Adopted Debt Service Budget reflect the partial redemption of the 2008 (Series 618) Certificates of Obligation. \$27,215,000 will be called on 10/05/2009. (This partial redemption is not reflected in the above schedule)

DEBT SERVICE

Statement of Revenues and Expenditures *General Obligation Debt*

	FY 2007-08 Actual	FY 2008-09 Budget	FY 2008-09 Estimate	FY 2009-10 Adopted ²
Beginning Cash Balance	\$ 2,785,920	\$ 6,385,169	\$ 3,657,420	\$ 30,457,875
<u>Revenues</u>				
Ad Valorem Taxes	188,668,299	200,490,225	198,052,975	218,270,048
Department Pension Bond Assessment ¹	11,072,140	11,628,380	13,678,529	13,300,000
Interest/Transfers/Other	24,670,392	30,230,333	65,186,150	30,015,753
Total	224,410,831	242,348,938	276,917,654	261,585,801
Total Available Resources	\$ 227,196,751	\$ 248,734,107	\$ 280,575,074	\$ 292,043,676
<u>Expenses</u>				
Principal Payments	134,134,125	145,768,772	146,402,696	196,860,000
Interest Payments	85,219,102	95,332,898	97,682,770	86,109,896
Other Expenses	4,206,665	5,103,842	6,031,733	6,193,449
Total	223,559,892	246,205,512	250,117,199	289,163,345
Ending Cash Balance	\$ 3,657,420	\$ 2,528,595	\$ 30,457,875	\$ 2,880,331

¹ Only those Departments which are not part of the General Fund pay a separate pension bond debt service assessment.

² The 2008 (Series 618) Certificates of Obligation for the Convention Center Hotel are scheduled to be partially redeemed on October 5, 2009.

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AVIATION

Introduction

The Aviation Debt Service Fund provides for the payment of principal and interest on the Department of Aviation's outstanding revenue bonded indebtedness. In April 2001, the Department of Aviation issued \$59.39 million in Series 2001 Airport System Revenue Bonds for construction of an additional parking facility at Dallas Love Field. Construction of the new garage began in August of 2001 and was completed in April of 2003. Revenues from Aviation operations and interest earned on the cash balance in the debt service fund are pledged for repayment of the debt. Revenues are transferred from the Aviation operating fund to the debt service fund to meet annual principal and interest obligations.

Credit Rating

The Department of Aviation currently holds BBB+/Baa2 underlying ratings from Standard & Poor's and Moody's Investors Service, respectively. The bonds are rated A/Baa1 based on the bond insurance policy that AMBAC Assurance Corporation is providing.

FY2009-10 Debt Service Budget

The FY2009-10 budget includes payments of \$6.77 million in principal repayments and \$0.7 million in interest payments.

Statement of Revenue Bonded Indebtedness, as of 09/30/09

<u>Series Number</u>	<u>Issue Name</u>	<u>Date of Issue</u>	<u>Term Years</u>	<u>Coupon Rate</u>	<u>Outstanding Principal</u>
581	Airport System Revenue Bonds	04/01/01	10	5.0%	\$ 13,820,000
Total Aviation Department Outstanding Debt					\$ 13,820,000

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Aviation Debt Service Requirements As of 09/30/2009

Fiscal Year	Outstanding Debt		
	Principal	Interest	Total
2010	6,765,000	691,000	7,456,000
2011	7,055,000	352,750	7,407,750
	\$ 13,820,000	\$ 1,043,750	\$ 14,863,750

DEBT SERVICE

Statement of Debt Service Revenues and Expenditures *Aviation*

	FY 2007-08 Actual	FY 2008-09 Budget	FY 2008-09 Estimate	FY 2009-10 Adopted
Beginning Cash Balance	\$ 4,295,668	\$ 4,481,392	\$ 4,471,679	\$ 4,581,872
<u>Revenues</u>				
Transfers	7,539,252	7,483,375	7,483,375	7,388,000
Interest/Other	204,510	198,673	137,568	105,342
Total	7,743,762	7,682,048	7,620,943	7,493,342
Total Available Resources	\$ 12,039,429	\$ 12,163,440	\$ 12,092,622	\$ 12,075,214
<u>Expenses</u>				
Principal Payments	6,240,000	6,495,000	6,495,000	6,765,000
Interest Payments	1,327,750	1,015,750	1,015,750	691,000
Total	7,567,750	7,510,750	7,510,750	7,456,000
Ending Cash Balance	\$ 4,471,679	\$ 4,652,690	\$ 4,581,872	\$ 4,619,214

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CONVENTION CENTER

Introduction

The Convention Center Debt Service Fund provides for the payment of principal and interest on the Convention Center's outstanding revenue bonded indebtedness. In February 2009, the Convention Center Complex issued \$324.94 million in revenue bonds. This issue included the refunding of all of the Convention Center's \$261.36 million outstanding debt and \$63.58 million of new money. The new money issuance will be used for planned improvements to the Dallas Convention Center.

7% Hotel Occupancy Tax, a non-operating revenue of the Convention Center Complex, and interest earned on cash balances in the bond reserve fund transferred to debt service funds are pledged for repayment of the debt. Additionally, the City has covenanted to provide for the payment of operating and maintenance expenses of the Convention Center Complex, should a shortfall in Convention Center revenues occur.

Credit Rating

The Convention Center Complex currently holds A/A1 underlying ratings from Standard & Poor's and Moody's Investors Service, respectively. The bonds are rated AAA/Aa2 based on the bond insurance policy that Assured Guaranty Insurance Corporation is providing.

FY2009-10 Debt Service Budget

The FY2009-10 budget includes payments on existing debt of \$0.84 million in principal repayments and \$16.56 million in interest payments.

Statement of Revenue Bonded Indebtedness, as of 09/30/09

Series Number	Issue Name	Date of Issue	Term Years	Coupon Rate(s)	Outstanding Principal
623	Civic Center Convention Complex, Revenue Refunding Bonds	02/15/2009	30	3.0%-5.25%	324,940,000
Total Convention Center Outstanding Debt					\$324,940,000

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Convention Center Debt Service Requirements As of 09/30/2009

Fiscal Year	Outstanding Debt		
	Principal	Interest	Total
2010	840,000	16,564,163	17,404,163
2011	1,730,000	16,538,963	18,268,963
2012	2,205,000	16,487,063	18,692,063
2013	2,775,000	16,420,913	19,195,913
2014	3,675,000	16,282,163	19,957,163
2015	4,640,000	16,098,413	20,738,413
2016	5,740,000	15,866,413	21,595,413
2017	6,945,000	15,579,413	22,524,413
2018	8,250,000	15,232,163	23,482,163
2019	8,665,000	14,819,663	23,484,663
2020	9,095,000	14,386,413	23,481,413
2021	9,550,000	13,931,663	23,481,663
2022	10,030,000	13,454,163	23,484,163
2023	10,530,000	12,952,663	23,482,663
2024	11,055,000	12,426,163	23,481,163
2025	11,610,000	11,873,413	23,483,413
2026	12,190,000	11,292,913	23,482,913
2027	12,800,000	10,683,413	23,483,413
2028	13,440,000	10,043,413	23,483,413
2029	14,110,000	9,371,413	23,481,413
2030	14,815,000	8,665,913	23,480,913
2031	15,595,000	7,888,125	23,483,125
2032	16,415,000	7,069,388	23,484,388
2033	17,275,000	6,207,600	23,482,600
2034	18,180,000	5,300,663	23,480,663
2035	19,135,000	4,346,213	23,481,213
2036	20,140,000	3,341,625	23,481,625
2037	21,200,000	2,284,275	23,484,275
2038	22,310,000	1,171,275	23,481,275
	\$324,940,000	\$326,580,025	\$651,520,025

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Statement of Debt Service Revenues and Expenditures
Convention Center

	<u>FY 2007-08</u> Actual	<u>FY 2008-09</u> Budget	<u>FY 2008-09</u> Estimate	<u>FY 2009-10</u> Adopted
Beginning Cash Balance	\$ 5,811,157	\$ 3,693,990	\$ 4,925,086	\$ 2,973,358
<u>Revenues</u>				
Transfers	23,695,640	23,488,470	12,936,385	17,404,163
Interest/Other	462,757	499,705	332,195	134,751
Total	24,158,397	23,988,175	13,268,580	17,538,914
Total Available Resources	\$ 29,969,554	\$ 27,682,165	\$ 18,193,666	\$ 20,512,272
<u>Expenses</u>				
Principal Payments	11,835,000	12,460,000	-	840,000
Interest Payments	13,209,468	12,588,130	15,220,308 ¹	16,564,163
Total	25,044,468	25,048,130	15,220,308	17,404,163
Ending Cash Balance	\$ 4,925,086	\$ 2,634,035	\$ 2,973,358	\$ 3,108,109

¹ FY 2008-09 estimate of Expenses incorporates the Convention Center Refunding and Improvements Bonds, Series 2009, effective as of February 1, 2009. Principal payment is not due until FY 2009-10.

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SPORTS ARENA

Introduction

On January 17, 1998, the Dallas voters approved a proposition authorizing the City to impose an additional 2% Hotel Occupancy Tax and a 5% Motor Vehicle Rental Tax to be used solely to pay for a new sports arena. On June 24, 1998, \$140.38 million of revenue bonds were issued to fund the City's \$125 million contribution to build the new arena. Of the \$140.38 million issued, \$104.81 million of the bonds are tax-exempt and the other \$35.57 million of the bonds are taxable. The debt service fund provides for the payment of principal and interest on both series of bonds.

Credit Rating

These bonds currently hold underlying ratings of A/Baa1 from Standard & Poor's and Moody's Investors Service, respectively. The bonds are insured by Ambac Assurance Corporation. The insurer's ratings are currently Baa1/A. The bonds rating reflect the assessment of the likelihood of repayment of principal and interest by the issuer.

FY2009-10 Debt Service Budget

The FY2009-10 budget includes payments on existing debt of \$0.89 million in principal repayments and \$2.78 million in interest payments. These payments are funded with transfers of the 2% Hotel Occupancy Tax, the 5% Motor Vehicle Rental Tax, and interest earnings on the cash balance. Tax revenues in excess of the required debt service payments are retained in the Surplus Debt Redemption Fund until required for the payment of debt service. The Statement of Expenditures and Revenues shown on the next page reflects both of the Sports Arena Debt Service Funds and the Sports Arena Surplus Debt Redemption Fund. There are no plans to issue additional debt in FY2009-10. The bonds became callable on August 15, 2008. To date, \$74.35 million of tax-exempt bonds have been redeemed early. The cost effectiveness of early redemption of bonds will be analyzed as funds become available.

Statement of Revenue Bonded Indebtedness as of 09/30/09

Series Number	Issue Name	Date of Issue	Term Years	Coupon Rate(s)	Outstanding Principal
568	Special Tax Revenue Bonds (Tax Exempt)	06/15/98	30	4.2%-5.4%	4,370,000
569	Special Tax and Lease Revenue Bonds (Taxable)	06/15/98	30	6.0%-6.7%	29,035,000
Total Sports Arena Revenue Bonds					\$33,405,000

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Sports Arena Debt Service Requirements As of 09/30/2009

Fiscal Year	Outstanding Debt		
	Principal	Interest	Total
2010	885,000	2,132,712	3,017,713
2011	945,000	2,073,860	3,018,860
2012	1,005,000	2,011,018	3,016,018
2013	1,075,000	1,944,186	3,019,186
2014	1,145,000	1,872,698	3,017,698
2015	1,220,000	1,796,556	3,016,556
2016	1,300,000	1,715,426	3,015,426
2017	1,385,000	1,629,300	3,014,300
2018	1,480,000	1,537,544	3,017,544
2019	1,575,000	1,439,494	3,014,494
2020	1,680,000	1,335,150	3,015,150
2021	1,795,000	1,223,850	3,018,850
2022	1,910,000	1,104,932	3,014,931
2023	2,040,000	978,394	3,018,394
2024	2,175,000	843,244	3,018,244
2025	2,315,000	699,150	3,014,150
2026	2,470,000	545,782	3,015,781
2027	7,005,000	382,144	7,387,144
	\$33,405,000	\$25,265,434	\$58,670,434

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Statement of Debt Service Revenues and Expenditures *Sports Arena*

	FY 2007-08 <u>Actual</u>	FY 2008-09 <u>Budget</u>	FY 2008-09 <u>Estimate</u>	FY 2009-10 <u>Adopted</u>
Beginning Cash Balance	\$ 54,133,181	\$ 66,334,515	\$ 62,317,210	\$ 4,825,165
<u>Revenues</u>				
2% Hotel Occupancy Tax	10,803,940	11,123,813	9,734,717	9,771,743
5% Motor Vehicle Rental Tax	4,340,037	4,294,413	4,312,612	4,326,325
Interest/Transfers/Other	2,355,609	2,355,550	8,712,755 ¹	230,602
Total	17,499,587	17,773,776	22,760,084	14,328,669
 Total Available Resources	 \$ 71,632,767	 \$ 84,108,291	 \$ 85,077,294	 \$ 19,153,834
<u>Expenses</u>				
Principal Payments	3,185,000	3,360,000	75,180,000	885,000
Interest Payments	6,130,557	5,955,389	4,395,304	2,132,712
Other Payments	-	-	676,825	-
Total	9,315,557	9,315,389	80,252,129	3,017,712
 Ending Cash Balance	 \$ 62,317,210	 \$ 74,792,902	 \$ 4,825,165	 \$ 16,136,122

¹Includes transfers from reserve funds.

DEBT SERVICE

WATER UTILITIES

Introduction

The debt service component of the Operating Budget for Dallas Water Utilities (DWU) provides for payment of principal and interest on DWU's indebtedness. The budget for these payments is prescribed by the following standards:

- ◆ The Dallas City Charter provides in Chapter XI, Section 14 that all water and wastewater costs (including debt requirements) shall be paid for from customer service revenues.
- ◆ Revenue bond ordinances provide that customer service revenues solely secure water and wastewater bonds.
- ◆ Financial criteria for DWU provide for financing of capital improvements (effectively defined as capital projects with useful lives of 20 years or longer) either from debt or directly from revenues, to maintain system equity levels.

In addition to revenue bonds, debt sources include tax-exempt commercial paper notes (CP), which are utilized for interim financing of capital construction projects. On at least a bi-annual basis, commercial paper is refinanced and retired with revenue bonds. This process lowers overall interest costs and provides greater financing flexibility. Debt sources also include certain contractual obligations whereby DWU reimburses other agencies for debt incurred to construct joint-use facilities. Under these contractual agreements DWU makes payments in proportion to its allocated share of the joint use facilities.

Credit Ratings

The City of Dallas Waterworks and Sewer System Revenue Bonds are judged to be of high quality by all standards. These credit ratings reflect the sound management of DWU financial resources and allow issuance of bonds with relatively low interest costs. The City of Dallas Waterworks and Sewer System Commercial Paper Notes hold similarly high credit ratings. Current ratings of the City's debt instruments are shown in the table below.

<u>Credit Rating Service</u>	<u>Revenue Bonds</u>	<u>Commercial Paper Notes</u>
Moody's Investors Service	Aa2	P-1
Standard & Poor's	AAA	A-1+

DEBT SERVICE

Revenue Bond and Commercial Paper Note Coverage

The following are established standards for DWU net revenue in relation to future debt service payments.

- ◆ Revenue bond ordinances require net revenues equal to at least 1.25 times bond principal and interest requirements of the future year when those requirements are highest.
- ◆ DWU financial criteria state that net revenues should be 1.5 times maximum annual bond requirements at the end of each fiscal year.
- ◆ Commercial Paper coverage requirements state that net revenues should be 1.10 times the maximum annual principal and interest payments required on all debt outstanding in the future year when those requirements are highest.

For fiscal year 2008, coverage at September 30, 2008 is summarized in the table below.

Debt Service Coverage Requirements FY 2007-08 (000 omitted)

Coverage Net Revenue (CNR) = \$256,211

<u>Authority</u>	<u>Ratio</u>	<u>Requirement</u>	<u>Denominator \$</u>	<u>Actual</u>
Bond Ordinance	CNR/Max YR	1.25	168,821	1.52
DWU Criteria	CNR/Max YR	1.50	168,821	1.52
DWU Criteria	CNR/Max CP	1.10	173,195	1.48
Rating Agencies	CNR/AVG	N/A	86,381	2.97

Max Yr = Maximum amount of debt service required in a single fiscal year for Principal and Interest payments on Outstanding Revenue Bond indebtedness.

Max CP = Maximum amount of debt service required in a single fiscal year for Principal and Interest payments on all Outstanding Debt.

DEBT SERVICE

FY 2009-10 Debt Service Budget

The FY 2009-10 budget provides principal and interest on existing debt of \$95.33 million and \$75.94 million, respectively. Commercial paper issues in FY 2009-10 are forecast at \$216 million with an estimated interest cost and fees of \$7.8 million, which is paid from the Water Utilities Operating Fund.

Water Utilities Financial Criteria for Debt Management

Financial criteria have been established to ensure sound management of DWU's financial resources. Financial criteria that apply to DWU indebtedness are listed below. Compliance with each of the criteria is projected for FY 2009-10 unless otherwise noted (in italics).

- (1) Current revenues will be sufficient to support current expenditures including debt service and other obligations of the system.
- (2) Long-term debt will be used only for capital expansion, replacement and improvement of plant, not for current expenses.
- (3) Short-term debt, including tax-exempt commercial paper, will be used as authorized for interim financing of projects that will result in capital improvements.
- (4) Capital projects financed through the issuance of debt will be financed for a period not to exceed the expected useful lives of the projects.
- (5) An equity target will be maintained for each fiscal year-end of at least 20% of the total capital structure, excluding current liabilities. *Adopted budget maintains a 20% equity for fiscal year-end.*
- (6) Net revenues available for debt service should be at least 1.5 times the maximum annual principal and interest requirements of relevant outstanding revenue bonds at the end of the same fiscal year, and at least 1.3 times maximum-year requirements at all times, measured during a fiscal year using the previous year net revenues available for debt service.
- (7) Capital financing will be provided through revenue bonds, current revenues, contributed capital, and short-term debt.
- (8) Revenue bonds will be issued with serial maturities not to exceed thirty (30) years.
- (9) Debt refinancing will only be considered when the overall net present value savings is at least 3% of the principal amount to be refunded.
- (10) Fully funded debt service reserves shall be maintained. A surety bond (or other type of credit facility such as a letter of credit) may be used in lieu of funding the reserve if the former is economically advantageous.

DEBT SERVICE

Statement of Dallas Water Utilities Indebtedness As of 09/30/09

Series Number	Issue Name	Coupon Rate(s)	Date of Issue	Term Years	Outstanding Principal
<u>Revenue Bonds</u>					
550	Refunding & Improvement	4.0%	09/01/93	20	4,715,000
570	Refunding ¹	4.3-5.0%	09/01/98	31	88,930,000
573	Refunding & Improvement	4.8-5.5%	09/01/99	20	2,785,000
576	Refunding & Improvement	5.3-5.8%	09/01/00	20	6,785,000
582	Refunding & Improvement	5.0-5.3%	09/01/01	20	10,910,000
586	Refunding	3.0-5.5%	02/01/02	20	5,975,000
587	Refunding	3.0-5.0%	09/01/02	8	45,000,000
590	Refunding & Improvement	3.0-5.4%	01/01/03	20	117,360,000
B595	Refunding & Improvement	3.5-5.0%	09/01/03	20	133,100,000
603	Refunding	5.0%	02/01/05	20	104,690,000
610	Refunding & Improvement	4.3-5.5%	04/01/06	30	237,805,000
613	Refunding & Improvement	4.0-5.0%	03/15/07	30	672,465,000
619	Refunding	4.0-5.0%	05/15/08	30	155,150,000
624	Improvement ²	0.423-2.877%	03/30/09	20	15,100,000
625	Improvement ²	1.303-2.877%	03/30/09	16	8,280,000
626	Improvement ²	0.148-3.018%	03/30/09	17	94,723,000
Total Dallas Water Utilities Revenue Bonds					<u>\$ 1,703,773,000</u>
<u>Commercial Paper Notes (projected) – Outstanding or Uses Authorized</u>					<u>\$ 192,000,000</u>
<u>Equipment Notes</u>					<u>\$ 445,000</u>

¹ Longer term authorized to prepay previous 50 year contractual obligation

² Texas Water Board Development Bonds

DEBT SERVICE

Dallas Water Utilities Debt Service Requirements As of 09/30/2009

Fiscal Year	Outstanding Debt		
	Principal	Interest	Total
2010	95,330,000	75,940,385	171,270,385
2011	78,085,000	71,703,151	149,788,151
2012	79,460,000	67,828,333	147,288,333
2013	91,980,000	63,809,723	155,789,723
2014	88,985,000	59,697,585	148,382,585
2015	84,995,000	55,721,061	140,716,061
2016	83,445,000	51,826,678	135,271,678
2017	81,350,000	48,072,327	129,422,327
2018	75,205,000	44,516,574	119,721,574
2019	79,905,000	41,014,144	120,919,144
2020	83,595,000	37,352,972	120,947,972
2021	82,255,000	33,687,222	115,942,222
2022	80,140,000	30,089,650	110,229,650
2023	73,990,000	26,702,531	100,692,531
2024	62,515,000	23,705,259	86,220,259
2025	52,825,000	21,139,267	73,964,267
2026	40,770,000	19,072,982	59,842,982
2027	42,580,000	17,240,813	59,820,813
2028	44,490,000	15,309,839	59,799,839
2029	46,513,000	13,284,237	59,797,237
2030	40,180,000	11,298,769	51,478,769
2031	27,145,000	9,700,222	36,845,222
2032	28,480,000	8,367,019	36,847,019
2033	29,880,000	6,968,019	36,848,019
2034	31,350,000	5,495,006	36,845,006
2035	32,905,000	3,944,053	36,849,053
2036	34,535,000	2,316,028	36,851,028
2037	21,065,000	986,644	22,051,644
2038	9,820,000	245,500	10,065,500
	<u>\$1,703,773,000</u>	<u>\$867,035,994</u>	<u>\$2,570,808,994</u>

DEBT SERVICE

Statement of Debt Service Revenues and Expenditures *Dallas Water Utilities*

	<u>FY 2007-08</u> <u>Actual</u>	<u>FY 2008-09</u> <u>Budget</u>	<u>FY 2008-09</u> <u>Estimate</u>	<u>FY 2009-10</u> <u>Adopted</u>
Beginning Cash Balance	\$ 121,553,925	\$ 129,215,424	\$ 129,215,424	\$ 130,381,841
<u>Revenues</u>				
Operating Fund Transfers	165,923,248	168,449,778	168,449,778	159,001,884
General Fund	257,213	252,888	252,888	246,838
Sanitation	325,940	320,459	320,459	312,792
Storm Water Utility Transfers	970,062	964,744	964,744	956,763
Total	167,476,463	169,987,869	169,987,869	160,518,277
 Total Available Resources	 \$ 289,030,388	 \$ 299,203,293	 \$ 299,203,293	 \$ 290,900,118
<u>Expenses</u>				
Principal Payments	83,265,000	91,215,000	91,215,000	95,330,000
Interest Payments	76,549,964	77,606,452	77,606,452	75,940,385
Total	159,814,964	168,821,452	168,821,452	171,270,385
 Ending Cash Balance	 \$ 129,215,424	 \$ 130,381,841	 \$ 130,381,841	 \$ 119,629,733

Note: Commercial paper costs, debt fees, and smaller debt expenses are paid directly from Water Utilities Operating Funds. These payments are to bond holders and reservoir debt holders and do not include any additional fees or commercial paper interest.

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