

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 spreading the cost of the project 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; and the flood protection and storm drainage system. The Financial Management Performance Criteria (FMPC) address debt management, and among other requirements, necessitate voter approval prior to issuance of general obligation bonds and restrict the maturities, 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 71.97¢ per \$100 assessed value is split into two rates. Approximately one-fourth (17.14¢) of the tax revenue is used to pay principal and interest on the City's outstanding general obligation debt. The remaining three-fourths (54.83¢) 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 principal and interest payments of the existing general obligation debt decline annually (see page F-4.) This repayment schedule creates more growth in the capacity to issue new debt within the existing debt service tax rate than a level payment schedule would. Additionally, with the growth in the tax base in recent years and prevailing low interest rates, the debt service tax rate has been reduced as a percentage of the overall tax rate without compromising the size of the bond sales. With the passage of the May 2003 bond election, a modest increase in the tax rate may be necessary in future fiscal years based on conservative tax base growth projections.

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.

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) further limits the net general obligation debt to 4% of the true market valuation of the taxable property of Dallas. Existing debt plus new debt of \$201.8 million would constitute 1.3% of the taxable value of \$67.6 billion. Thus, the City would continue to be in compliance with this criterion as of 9/30/2005.

Certified Assessed Value	\$67,579,877,637
10% Legal Debt Margin	\$6,757,987,764
4% FMPC Limit	\$2,703,195,105
Projected Net GO Debt 9/30/05	\$880,852,660
Net GO Debt as percent of Certified Assessed Value	1.3%

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FY 2004-05 Debt Service Budget

The FY 2004-05 budget includes principal and interest payments on \$834.3 million of existing debt. New debt to be issued includes \$172.3 million in general obligation bonds, \$6.0 million in certificates of obligation, and \$23.5 million in equipment acquisition notes. Principal and interest expenses for existing debt and new debt are \$104.3 million and \$43.8 million, respectively, and are summarized in the table below.

	Principal	Interest	Total
Existing Debt	\$99,090,000	\$35,940,268	\$135,030,268
\$172.3m General Obligation Bonds	\$0	\$7,137,541	\$7,137,541
\$6.0m Certificates of Obligation	\$520,000	\$180,038	\$700,038
\$23.5m Equipment Acquisition Notes	\$4,705,000	\$566,158	\$5,271,158
Total	\$104,315,000	\$43,824,005	\$148,139,005

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	09/30/03 Actual	09/30/04 Estimate	09/30/05 Adopted ¹
Total direct plus overlapping debt not to exceed 8% of the market value of taxable property	2.8% In compliance	3.0% In compliance	3.1% In compliance
Weighted average general obligation bond maturities (exclusive of pension obligation bonds) not to exceed 10 years	6.5 years In compliance	6.8 years In compliance	6.9 years In compliance
Certificate of obligation debt not to exceed 15% of total authorized and issued general obligation debt	8.3% In compliance	6.2% In compliance	5.3% In compliance
Per capita general obligation debt not to exceed 10% of latest authoritative computation of per capita annual income	1.6% In compliance	1.9% In compliance	2.1% In compliance

¹9/30/05 Adopted includes the issuance of \$201.8 million of new debt.

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Statement of General Obligation Bonded Indebtedness As of 09/30/2004

Series Number	Issue Name	Issue Date	Term Years	Interest Rate(s)	Outstanding Principal
556	General Obligation Various Purpose	11/01/1995	20	5.0%	2,750,000
560	General Obligation Various Purpose	11/01/1996	19	4.0%-6.0%	20,520,000
563	General Obligation Various Purpose	11/01/1997	19	4.3%-5.5%	25,905,000
571	General Obligation Refunding and Improvement	11/01/1998	20	4.0%-5.0%	195,400,000
574	General Obligation Various Purpose	11/01/1999	19	5.1%-5.5%	52,000,000
578	General Obligation Various Purpose	11/01/2000	19	5.0%-5.8%	86,705,000
583	General Obligation Various Purpose	11/01/2001	19	4.0%-5.0%	57,845,000
589	General Obligation Refunding	01/15/2003	8	2.5%-5.0%	68,565,000
592	General Obligation Refunding	10/29/2003	10	4.0%-5.0%	56,015,000
593	General Obligation Various Purpose	11/01/2003	19	3.5%-4.5%	173,370,000
Total General Obligation Bonds					\$739,075,000
579	Equipment Acquisition Notes	11/01/2000	5	5.3%	6,040,000
584	Equipment Acquisition Notes	11/01/2001	5	2.8%-3.0%	13,125,000
588	Equipment Acquisition Notes	11/01/2002	5	2.0%-2.3%	6,715,000
594	Equipment Acquisition Notes	11/01/2003	5	2.0%-2.5%	17,395,000
Total Equipment Acquisition Notes					\$43,275,000
558	Certificates of Obligation	11/01/1995	10	4.7%	180,000
565	Certificates of Obligation	11/01/1997	10	4.4%-4.5%	1,930,000
580	Certificates of Obligation	11/01/2000	10	4.8%	14,090,000
585	Certificates of Obligation (Taxable)	11/01/2001	5	3.6%-4.5%	3,330,000
591	Certificates of Obligation	05/01/2003	10	2.0%-3.3%	32,400,000
Total Certificates of Obligation					\$51,930,000
Total General Obligation Bonds, Equipment Acquisition Notes, and Certificates of Obligation					\$834,280,000

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General Obligation Debt Service Requirements As of 09/30/2004

Fiscal Year	Outstanding Debt		
	Principal	Interest	Total
2005	99,090,000	35,940,268	135,030,268
2006	90,985,000	31,933,163	122,918,163
2007	71,735,000	28,416,404	100,151,404
2008	64,765,000	25,445,811	90,210,811
2009	60,420,000	22,595,588	83,015,588
2010	57,470,000	19,849,979	77,319,979
2011	51,400,000	17,240,829	68,640,829
2012	50,850,000	14,853,909	65,703,909
2013	49,660,000	12,542,532	62,202,532
2014	40,880,000	10,407,669	51,287,669
2015	35,835,000	8,574,126	44,409,126
2016	33,640,000	6,913,901	40,553,901
2017	30,205,000	5,370,672	35,575,672
2018	27,230,000	3,967,019	31,197,019
2019	21,405,000	2,780,931	24,185,931
2020	17,940,000	1,822,144	19,762,144
2021	12,525,000	1,102,838	13,627,838
2022	9,125,000	615,713	9,740,713
2023	9,120,000	205,200	9,325,200
	\$834,280,000	\$250,578,696	\$1,084,858,696

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Statement of Revenues and Expenditures *General Obligation Debt*

	<u>FY 2002-03</u> Actual	<u>FY 2003-04</u> Budget	<u>FY 2003-04</u> Estimate	<u>FY 2004-05</u> Adopted
Beginning Cash Balance	\$ 1,639,757	\$ 852,963	\$ 586,666	\$ 6,430,242
<u>Revenues</u>				
Ad Valorem Taxes	123,433,951	115,681,244	115,832,285	115,351,586
Interest/Transfers/Other	5,730,827	17,436,911	17,651,058	29,105,854 ¹
Total	129,164,778	133,118,155	133,483,343	144,457,440
Total Available Resources	\$ 130,804,535	\$ 133,971,118	\$ 134,070,009	\$ 150,887,682
<u>Expenses</u>				
Principal Payments	80,837,827	83,452,721	82,747,721	104,315,000
Interest Payments	44,390,739	42,450,508	43,409,052	43,824,005
Other Expenses	4,989,303	1,754,946	1,482,994	1,146,177
Total	130,217,869	127,658,175	127,639,767	149,285,182
Ending Cash Balance	\$ 586,666	\$ 6,312,943	\$ 6,430,242	\$ 1,602,500

¹ The FY2004-05 General Obligation Debt Service Budget recognizes \$12.0 million in surplus proceeds from the 2003 Certificates of Obligation issuance that will be used to pay associated debt costs in the next three fiscal years (\$4.4 million in FY2004-05, \$3.8 million in FY2005-06, and \$3.8 million in FY2006-07.) A \$7.6 million interim-financing transfer from the Hensley Field Fund is included in the FY2004-05 General Obligation Debt Service Budget, in order to recognize the project savings in FY2004-05 and to comply with the tax laws. The Hensley Field Fund will be repaid \$3.8 million, with interest, by the General Fund in FY2005-06 and FY2006-07.

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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 \$59.385 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. Operating 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 A-/Baa2 underlying ratings from Standard & Poor's and Moody's Investors Service, respectively. The bonds are rated AAA/Aaa based on the bond insurance policy that AMBAC Assurance Corporation is providing.

FY 2004-05 Debt Service Budget

The FY 2004-05 budget includes payments of \$5.4 million in principal repayments and \$2.2 million in interest payments. There are no plans to issue debt in the upcoming fiscal year.

Statement of Revenue Bonded Indebtedness, as of 09/30/04

Series Number	Issue Name	Date of Issue	Term Years	Interest Rate	Outstanding Principal
581	Airport System Revenue Bonds	04/01/01	10	5.0%	\$43,880,000
Total Aviation Department Outstanding Debt					\$43,880,000

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Aviation Debt Service Requirements As of 09/30/2004

Fiscal Year	Outstanding Debt		
	Principal	Interest	Total
2005	5,555,000	2,194,000	7,749,000
2006	5,770,000	1,916,250	7,686,250
2007	6,000,000	1,627,750	7,627,750
2008	6,240,000	1,327,750	7,567,750
2009	6,495,000	1,015,750	7,510,750
2010	6,765,000	691,000	7,456,000
2011	7,055,000	352,750	7,407,750
	\$ 43,880,000	\$ 9,125,250	\$ 53,005,250

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Statement of Debt Service Revenues and Expenditures *Aviation*

	<u>FY 2002-03</u> <u>Actual</u>	<u>FY 2003-04</u> <u>Budget</u>	<u>FY 2003-04</u> <u>Estimate</u>	<u>FY 2004-05</u> <u>Adopted</u>
Beginning Cash Balance	\$ 4,150,515	\$ 4,168,948	\$ 4,183,875	\$ 4,018,136
<u>Revenues</u>				
Transfers	7,845,500	7,780,250	7,588,943	7,530,000
Interest/Other	67,360	114,148	56,818	56,377
Total	7,912,860	7,894,398	7,645,761	7,586,377
Total Available Resources	\$ 12,063,375	\$ 12,063,346	\$ 11,829,636	\$ 11,604,513
<u>Expenses</u>				
Principal Payments	5,160,000	5,350,000	5,350,000	5,555,000
Interest Payments	2,719,500	2,461,500	2,461,500	2,194,000
Total	7,879,500	7,811,500	7,811,500	7,749,000
Ending Cash Balance	\$ 4,183,875	\$ 4,251,846	\$ 4,018,136	\$ 3,855,513

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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 April 1998, the Convention Center Complex issued \$326.23 million in revenue bonds. This issue included the refunding of all of the Convention Center's \$236.60 million outstanding debt and a new money issuance of \$110.76 million. The new money issuance of \$110.76 million was invested to generate total funding for the \$125 million expansion and renovation of the complex which was put into service in 2002.

The 7% Hotel Occupancy Tax, operating revenues of the Convention Center Complex, and interest earned on cash balances in the bond reserve and 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. Revenue from the Convention Center operating fund is transferred to the debt service fund to meet annual principal and interest payments.

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/ Aaa based on the bond insurance policy that MBIA Insurance Corporation is providing.

FY 2004-05 Debt Service Budget

The FY 2004-05 budget includes payments on existing debt of \$8.8 million in principal repayments and \$14.9 million in interest payments. There are no plans to issue debt in the upcoming fiscal year.

Statement of Revenue Bonded Indebtedness, as of 09/30/04

Series Number	Issue Name	Date of Issue	Term Years	Interest Rate	Outstanding Principal
567	Civic Center Convention Complex, Revenue Refunding Bonds	04/01/98	30	4.6%-6.0%	298,620,000
Total Convention Center Outstanding Debt					\$298,620,000

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Convention Center Debt Service Requirements As of 09/30/2004

Fiscal Year	Outstanding Debt		
	Principal	Interest	Total
2005	8,805,000	14,889,092	23,694,092
2006	10,685,000	14,360,792	25,045,792
2007	11,245,000	13,799,830	25,044,830
2008	11,835,000	13,209,467	25,044,467
2009	12,460,000	12,588,130	25,048,130
2010	12,065,000	12,014,970	24,079,970
2011	12,635,000	11,447,915	24,082,915
2012	13,240,000	10,841,435	24,081,435
2013	13,890,000	10,192,675	24,082,675
2014	14,585,000	9,498,175	24,083,175
2015	15,315,000	8,768,925	24,083,925
2016	16,080,000	8,003,175	24,083,175
2017	16,885,000	7,199,175	24,084,175
2018	17,725,000	6,354,925	24,079,925
2019	18,615,000	5,468,675	24,083,675
2020	19,520,000	4,561,194	24,081,194
2021	20,470,000	3,609,594	24,079,594
2022	6,470,000	2,611,681	9,081,681
2023	6,785,000	2,296,269	9,081,269
2024	7,115,000	1,965,500	9,080,500
2025	7,470,000	1,609,750	9,079,750
2026	7,845,000	1,236,250	9,081,250
2027	8,235,000	844,000	9,079,000
2028	8,645,000	432,250	9,077,250
	<u>\$298,620,000</u>	<u>177,803,844</u>	<u>\$476,423,844</u>

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Statement of Debt Service Revenues and Expenditures *Convention Center*

	FY 2002-03	FY 2003-04	FY 2003-04	FY 2004-05
	<u>Actual</u>	<u>Budget</u>	<u>Estimate</u>	<u>Adopted</u>
Beginning Cash Balance	\$ 4,095,566	\$ 4,232,352	\$ 4,040,275	\$ 4,129,716
<u>Revenues</u>				
Transfers	21,325,202	22,733,615	22,585,934	23,609,955
Interest/Other	<u>156,750</u>	<u>160,000</u>	<u>120,000</u>	<u>140,000</u>
Total	21,481,952	22,893,615	22,705,934	23,749,955
 Total Available Resources	 \$ 25,577,518	 \$ 27,125,967	 \$ 26,746,209	 \$ 27,879,671
<u>Expenses</u>				
Principal Payments	5,915,000	7,290,000	7,290,000	8,805,000
Interest Payments	<u>15,622,243</u>	<u>15,326,493</u>	<u>15,326,493</u>	<u>14,889,092</u>
Total	21,537,243	22,616,493	22,616,493	23,694,092
 Ending Cash Balance	 <u>\$ 4,040,275</u>	 <u>\$ 4,509,474</u>	 <u>\$ 4,129,716</u>	 <u>\$ 4,185,579</u>

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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 AAA/Aaa/AAA ratings from Standard & Poor's, Moody's Investors Service and Fitch IBCA, respectively. These ratings reflect the assessment of the likelihood of repayment of principal and interest based on the bond insurance policy that Ambac Assurance Corporation is providing.

FY 2004-05 Debt Service Budget

The FY 2004-05 budget includes scheduled debt service payments of \$9.3 million. Of this total, \$2.7 million and \$6.6 million are for principal payments and interest payments, respectively. 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 page F-14 reflects both of the Sports Arena Debt Service Funds and the Sports Arena Surplus Debt Redemption Fund.

Statement of Revenue Bonded Indebtedness as of 09/30/04

Series Number	Issue Name	Date of Issue	Term Years	Interest Rate	Outstanding Principal
568	Special Tax Revenue Bonds	06/15/98	30	4.2%-5.4%	87,660,000
569	Special Tax and Lease Revenue Bonds	06/15/98	30	6.0%-6.7%	32,725,000
Total Sports Arena Revenue Bonds					\$120,385,000

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Sports Arena Debt Service Requirements As of 09/30/2004

Fiscal Year	Outstanding Debt		
	Principal	Interest	Total
2005	2,725,000	6,590,454	9,315,454
2006	2,870,000	6,447,326	9,317,326
2007	3,020,000	6,296,237	9,316,237
2008	3,185,000	6,130,557	9,315,557
2009	3,360,000	5,955,389	9,315,389
2010	3,550,000	5,767,369	9,317,369
2011	3,750,000	5,568,604	9,318,604
2012	3,960,000	5,358,499	9,318,499
2013	4,180,000	5,136,529	9,316,529
2014	4,415,000	4,902,029	9,317,029
2015	4,665,000	4,650,124	9,315,124
2016	4,935,000	4,383,825	9,318,825
2017	5,210,000	4,106,863	9,316,863
2018	5,495,000	3,823,856	9,318,856
2019	5,795,000	3,525,056	9,320,056
2020	6,110,000	3,209,713	9,319,713
2021	6,440,000	2,876,913	9,316,913
2022	6,790,000	2,525,744	9,315,744
2023	7,160,000	2,155,206	9,315,206
2024	7,555,000	1,764,056	9,319,056
2025	7,965,000	1,350,963	9,315,963
2026	8,400,000	915,094	9,315,094
2027	8,850,000	469,781	9,319,781
	<u>\$ 120,385,000</u>	<u>\$ 93,910,187</u>	<u>\$ 214,295,187</u>

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Statement of Debt Service Revenues and Expenditures *Sports Arena*

	FY 2002-03 Actual	FY 2003-04 Budget	FY 2003-04 Estimate	FY 2004-05 Adopted
Beginning Cash Balance	\$ 12,343,354	\$ 17,547,822	\$ 14,983,662	\$ 31,119,616
<u>Revenues</u>				
2% Hotel Occupancy Tax	8,127,894	8,603,427	8,489,141	9,175,000
5% Motor Vehicle Rental Tax	3,331,160	3,350,175	3,278,496	3,250,000
Interest/Transfers/Other	498,750	620,000	13,685,677 ¹	650,000
Total	11,957,804	12,573,602	25,453,314	13,075,000
 Total Available Resources	 \$ 24,301,158	 \$ 30,121,424	 \$ 40,436,975	 \$ 44,194,616
<u>Expenses</u>				
Principal	2,490,000	2,605,000	2,605,000	2,725,000
Interest	6,827,496	6,712,359	6,712,359	6,590,454
Total	9,317,496	9,317,359	9,317,359	9,315,454
 Ending Cash Balance	 \$ 14,983,662	 \$ 20,804,065	 \$ 31,119,616	 \$ 34,879,162

¹ FY2004-05 Estimated Transfers include the transfer of \$13.1 million in interest earnings on the original bond proceeds to the debt service and surplus debt redemption funds.

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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 an 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	Aa2	P-1
Standard & Poor's	AA+	A-1+

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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 2003 coverage at September 30, 2003 is summarized in the table below.

Debt Service Coverage Requirements FY 2003

Coverage Net Revenue (CNR) = \$ 141, 930 (000 omitted)

<u>Authority</u>	<u>Ratio</u>	<u>Requirement</u>	<u>Denominator \$</u>	<u>Actual</u>
Bond Ordinance	CNR/Max YR	1.25	109,817	1.29
DWU Criteria	CNR/Max YR	1.50	109,817	1.29
DWU Criteria	CNR/Max CP	1.10	118,651	1.23
Rating Agencies	CNR/AVG	N/A	60,695	2.34

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.

FY 2004-05 Debt Service Budget

The FY 2004-05 budget provides principal and interest of \$74 million and \$64 million, respectively. New debt to be issued includes \$165 million in revenue bonds to refinance and retire \$165 million in commercial paper. The 2004 bond issue is projected to require \$13 million in interest payments for FY 2004-05. Commercial paper issues in FY 2004-05 are forecast at \$189 million with an estimated interest cost of \$3 million, which is paid from the Water Utilities Operating Fund.

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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 2004-05.

- (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.
- (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 twenty (20) 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 Indebtedness As of 09/30/04

Series Number	Issue Name	Date of Issue	Term Years	Interest Rate(s)	Outstanding Principal
<u>Water Works and Sewer System Revenue Bonds</u>					
550	Refunding & Improvement	09/01/93	20	4.0%	4,715,000
562	Refunding & Improvement	09/01/97	20	5.0%	2,210,000
570	Refunding *	09/01/98	31	4.3-5.0%	305,660,000
573	Refunding & Improvement	09/01/99	20	4.8-5.5%	52,940,000
576	Refunding & Improvement	09/01/00	20	5.3-5.8 %	67,500,000
582	Refunding & Improvement	09/01/01	20	5.0-5.3%	115,915,000
586	Refunding	02/01/02	20	3.0-5.5%	33,550,000
587	Refunding	09/01/02	8	3.0-5.0%	155,850,000
590	Refunding & Improvement	01/01/03	20	3.0-5.4%	298,350,000
595	Refunding & Improvement	09/01/03	20	3.5-5.0%	164,000,000
Total Dallas Water Utilities Revenue Bonds					<u><u>\$ 1,200,690,000</u></u>
*Longer term authorized to prepay previous 50 year contractual obligation					
<u>Other Long Term Indebtedness</u>					
Contractual obligation to Sabine River Authority - SRA revenue bonds - for water rights in Lake Fork					<u>7,230,000</u>
Total Other Long Term Indebtedness					<u><u>\$ 7,230,000</u></u>
<u>Commercial Paper Notes (projected)</u>					<u><u>\$ 165,000,000</u></u>
<u>Equipment Notes (projected)</u>					<u><u>\$ 11,000,000</u></u>

DEBT SERVICE

Dallas Water Utilities Debt Service Requirements As of 09/30/2004

Fiscal Year	Outstanding Debt		Total
	Principal	Interest	
2005	65,550,000	57,670,111	123,220,111
2006	67,985,000	54,802,001	122,787,001
2007	68,885,000	51,665,310	120,550,310
2008	71,835,000	48,319,816	120,154,816
2009	74,880,000	44,774,741	119,654,741
2010	78,615,000	41,005,038	119,620,038
2011	69,695,000	37,301,204	106,996,204
2012	59,345,000	34,040,994	93,385,994
2013	63,500,000	30,912,341	94,412,341
2014	58,930,000	27,893,891	86,823,891
2015	53,845,000	25,096,484	78,941,484
2016	51,225,000	22,369,472	73,594,472
2017	50,995,000	19,774,044	70,769,044
2018	43,740,000	17,246,975	60,986,975
2019	47,180,000	14,940,353	62,120,353
2020	49,645,000	12,458,925	62,103,925
2021	47,080,000	9,988,456	57,068,456
2022	43,315,000	7,733,175	51,048,175
2023	35,695,000	5,785,725	41,480,725
2024	22,625,000	4,356,919	26,981,919
2025	11,190,000	3,526,500	14,716,500
2026	11,750,000	2,953,000	14,703,000
2027	12,340,000	2,350,750	14,690,750
2028	12,955,000	1,718,375	14,673,375
2029	13,605,000	1,054,375	14,659,375
2030	14,285,000	357,125	14,642,125
	\$ 1,200,690,000	\$ 580,096,102	\$ 1,780,786,102

DEBT SERVICE

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

	<u>FY 2002-03</u> <u>Actual</u>	<u>FY 2003-04</u> <u>Budget</u>	<u>FY 2003-04</u> <u>Estimate</u>	<u>FY 2004-05</u> <u>Adopted</u>
Beginning Cash Balance	\$ 80,350,036	\$ 90,384,597	\$ 90,384,597	\$ 98,755,281
<u>Revenues</u>				
Operating Fund Transfers*	132,422,617	128,769,554	130,993,394	137,633,356
Storm Water Utility Transfers	<u>565,335</u>	<u>563,342</u>	<u>563,342</u>	<u>562,937</u>
Total	132,987,952	129,332,896	131,556,736	138,196,293
Total Available Resources	\$ 213,337,988	\$ 219,717,493	\$ 221,941,333	\$ 236,951,574
<u>Expenses</u>				
Principal Payments**	76,465,000	62,405,000	62,405,000	72,780,000
Interest Payments	<u>46,488,391</u>	<u>60,781,052</u>	<u>60,781,052</u>	<u>57,871,560</u>
Total	122,953,391	123,186,052	123,186,052	130,651,560
Ending Cash Balance	<u>\$ 90,384,597</u>	<u>\$ 96,531,441</u>	<u>\$ 98,755,281</u>	<u>\$ 106,300,014</u>

*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. They do not include any additional fees or commercial paper interest.

Note: This schedule reflects the accrual basis of accounting.