

**City of Dallas**

**Capital Project Selection and Funding  
Preparation for 2017 Bond Program**

**ACEC – DALLAS  
June 27, 2016**

# Outline

This presentation covers the following:

- Types of Capital Bond Programs
- How G. O. bond programs are developed
- Financing a G.O. Bond Program
- Pay – as – you – go
- What's next for the coming 2017 Bond Program

# Two Types of Bond Programs?

## ENTERPRISE CAPITAL PROJECTS

- Sells bonds to fund projects
- Repays bonds with revenues from service
- Projects applicable to or delivered by:
  - Water Utilities
  - Aviation Dept.
  - Convention

## GENERAL OBLIGATION CAPITAL PROJECTS

- Sells bonds to fund projects
- Repays bonds with property taxes
- Projects are delivered by:
  - Public Works
  - Trinity Watershed Management
  - Parks and Recreation

# What is a G.O. Bond?, What is Debt Service?

- General Obligation Bonds (GO) are backed by the City's taxing powers
- Investors buy the bonds and the City uses those proceeds to fund capital improvements
- Investors receive interest on their investments from debt service payments made by the City usually over the course of 20 years
- The debt service payments are most commonly funded by property taxes, hence the name "general obligation bonds"
- Used to fund capital projects with useful lives of at least 20 years or the life of the bonds
- Approved by citizens through bond election for specific propositions and funding requests

# General Obligation Capital Projects

The City purchases, installs and or constructs infrastructure lasting 20 years or more, such as:

- Street & thoroughfare improvements
- Park & recreation facilities
- Flood protection & storm drainage improvements
- Public health and safety facilities
- Library facilities
- Cultural arts facilities
- Infrastructure to support economic development
- Other city facilities

# Bond Programs Project Costs

1. Cost estimates for each project are established at the beginning of the bond program and include an administrative cost, inflation cost and a small public art component.
2. The annual inflation rate is added to the cost of each project to the expected mid-point of expected construction
3. Projects completed in the first half of the bond program are expected to achieve a savings that is used to fund the expected shortfalls from the second half of the bond program

# Recent History of Bond Programs

<b>Year</b>	<b>Program Size (\$)</b>
2012	642,000,000
2006	1,353,520,000
2005 (Homeless Assistance Center)	23,800,000
2003	579,000,000
1998 (Includes Trinity River Corridor Project)	543,500,000*

# Needs Inventory

The City has maintained an inventory of Capital Needs/Wants since 1995 that is commonly referred to as the Needs Inventory

Individual projects are scored using technical criteria where appropriate and ranked by project type

These criteria were generally developed in 2000/2001 with some refinements since then

The criteria were shared with the Council and modified accordingly

Staff recommends that Council reviews the criteria as part of the 2017 bond program development

As of November 2013, the complete Needs Inventory totaled approx. **\$9.6 Billion**



# Needs Inventory

How Projects Get included in the Needs inventory

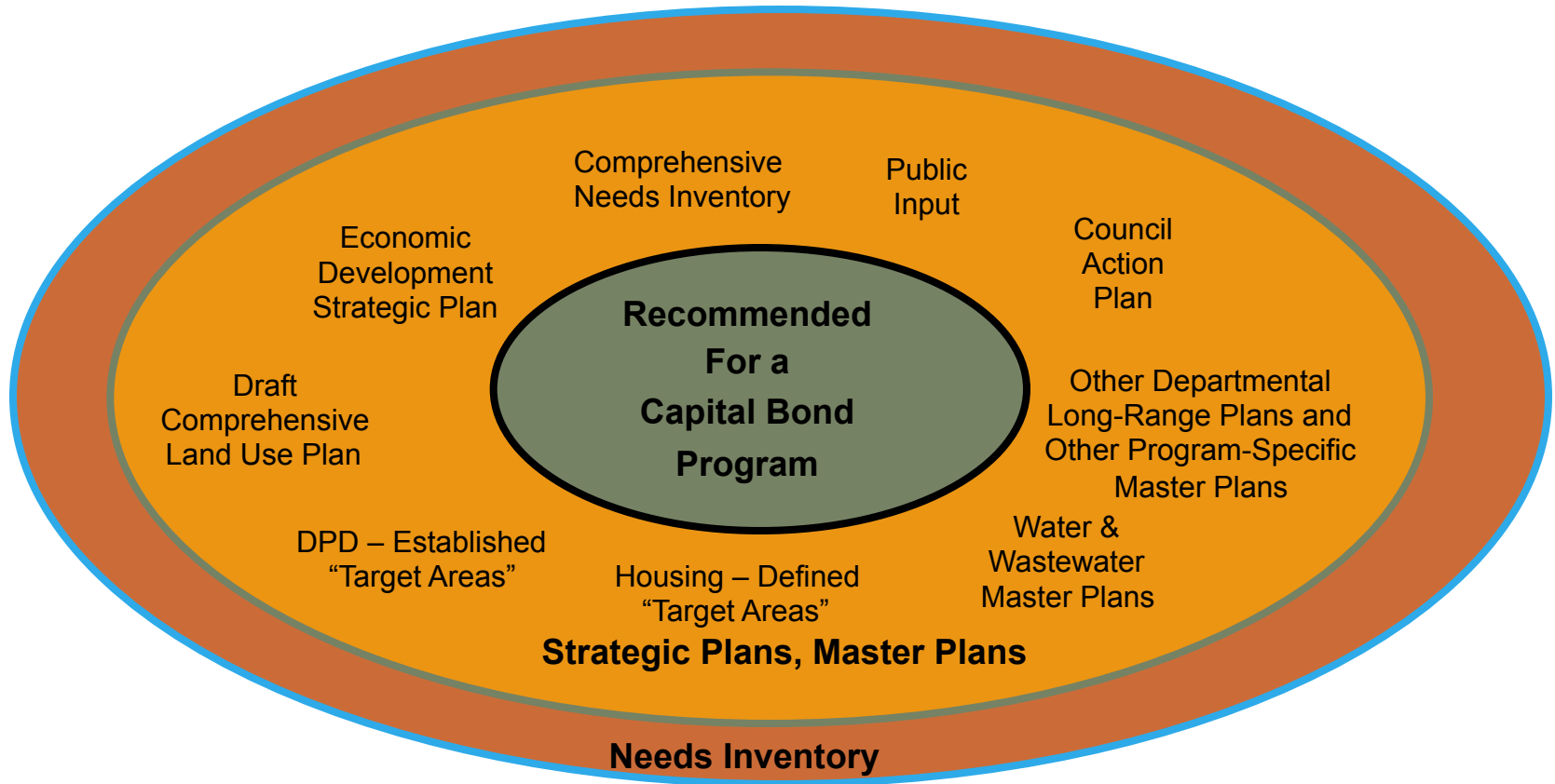
Potential projects come from many sources:

- 311 service requests
- Recommendations from a master plan
- Council input
- Other governmental entities
- Developers/homeowner associations/business groups etc.

Each suggestion or problem is:

- Investigated by a staff engineer or architect
- If a capital project is appropriate to solve the problem, a cost estimate is prepared
- The project is ranked and prioritized
- If a capital project is not appropriate, the citizen or requestor is notified as to whether the problem can be addressed through City Maintenance departments or by other means

# What is the process for developing the Needs Inventory?

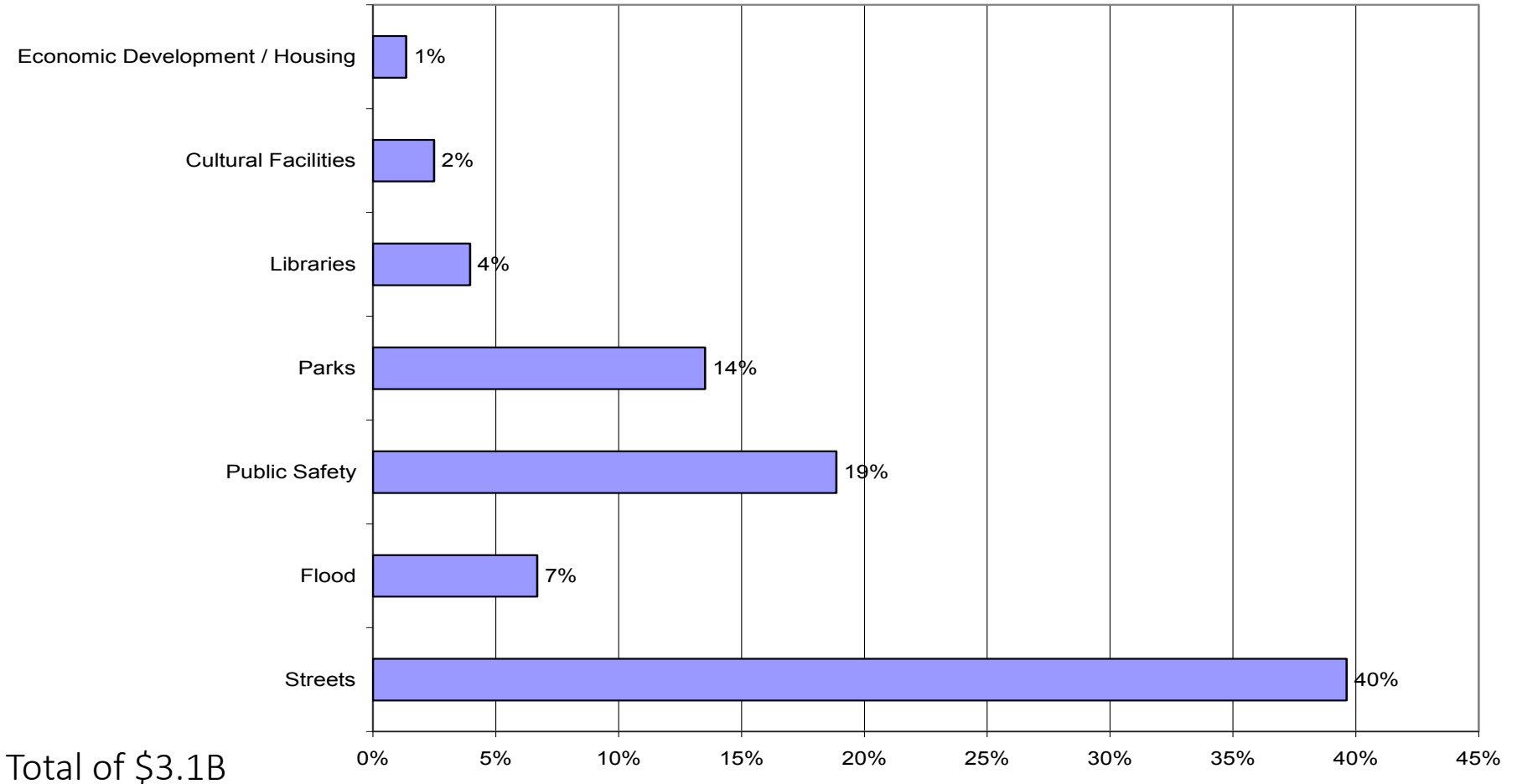


In summary, the strategic approach being used **begins with the over \$9.6B Needs Inventory** which includes ranking and prioritization using technical criteria, then **overlays geographic areas of opportunity** derived from strategic plans, OED/Housing/DPD target areas, public input, the council action plan, and others to result in enhanced rankings and prioritization of project t

# Inventory as of January 2015

<b>Proposition</b>	<b>Needs Inventory 2006</b>	<b>2006 BP Investment</b>	<b>2012 BP Investment</b>	<b>Current Needs Inventory</b>
Street and Transportation	\$3,171,795,000	\$390,420,000	\$260,625,000	\$4,419,903,000
Flood Protection & Storm Drainage	\$820,416,000	\$334,315,000	\$326,375,000	\$1,178,805,000
Park & Recreation	\$2,054,955,000	\$343,230,000	0	\$2,969,106,000
Library Facilities	\$136,724,000	\$46,200,000	0	\$90,477,000
Cultural Facilities	\$193,849,000	\$60,855,000	0	\$186,114,000
City Facilities	\$116,432,000	\$34,750,000	0	\$366,707,000
Courts Facilities	\$7,945,000	\$7,945,000	0	\$6,000,000
Public Safety Facilities Fire	\$178,243,000	\$56,720,000	0	\$164,696,000
Public Safety Facilities Police	\$101,444,000	\$6,905,000	0	\$183,090,000
Communication Facilities (radio network)*	Not included	Not included	Not included	\$81,500,000
<b>Total</b>	<b>\$6,781,803,000</b>	<b>\$1,281,340,000</b>	<b>\$587,000,000</b>	<b>\$9,646,398,000</b>

# Historical Investments from 2012, 2006, 2003 & 1998 Bond Programs



How much can the City afford?

# Determining Financial Capacity

Planning for next bond program includes review of financial capacity to determine amount of debt that City can afford to issue

Financial capacity determined by following major factors:

- Ad valorem tax rate
- Projected property tax base value
- Amount of debt previously issued and/or authorized
- Overall debt structure including use of commercial paper

# Determining Financial Capacity

Ad valorem tax is primary source of revenue used to pay GO debt including both principal and interest

Current tax rate is \$0.7970 per \$100 valuation

- \$0.2324 (29%) is allocated for debt service and \$0.5646 (71%) is allocated for operating and maintenance expenses in the General Fund

Value of property tax base has direct impact on property tax revenue

- Property values grew 7.71% for FY16; this is the first year above the previous peak in FY09 (tax year 2008)

Office of Financial Services and Economic Development forecast future tax base growth used in determining financial capacity

- Assumptions used in future projections effect estimate debt capacity; forecast grows more conservative in out-years
- Current growth assumptions: FY17-7.50%, FYs 18-27-2.84% (25-year avg)

# Determining Financial Capacity

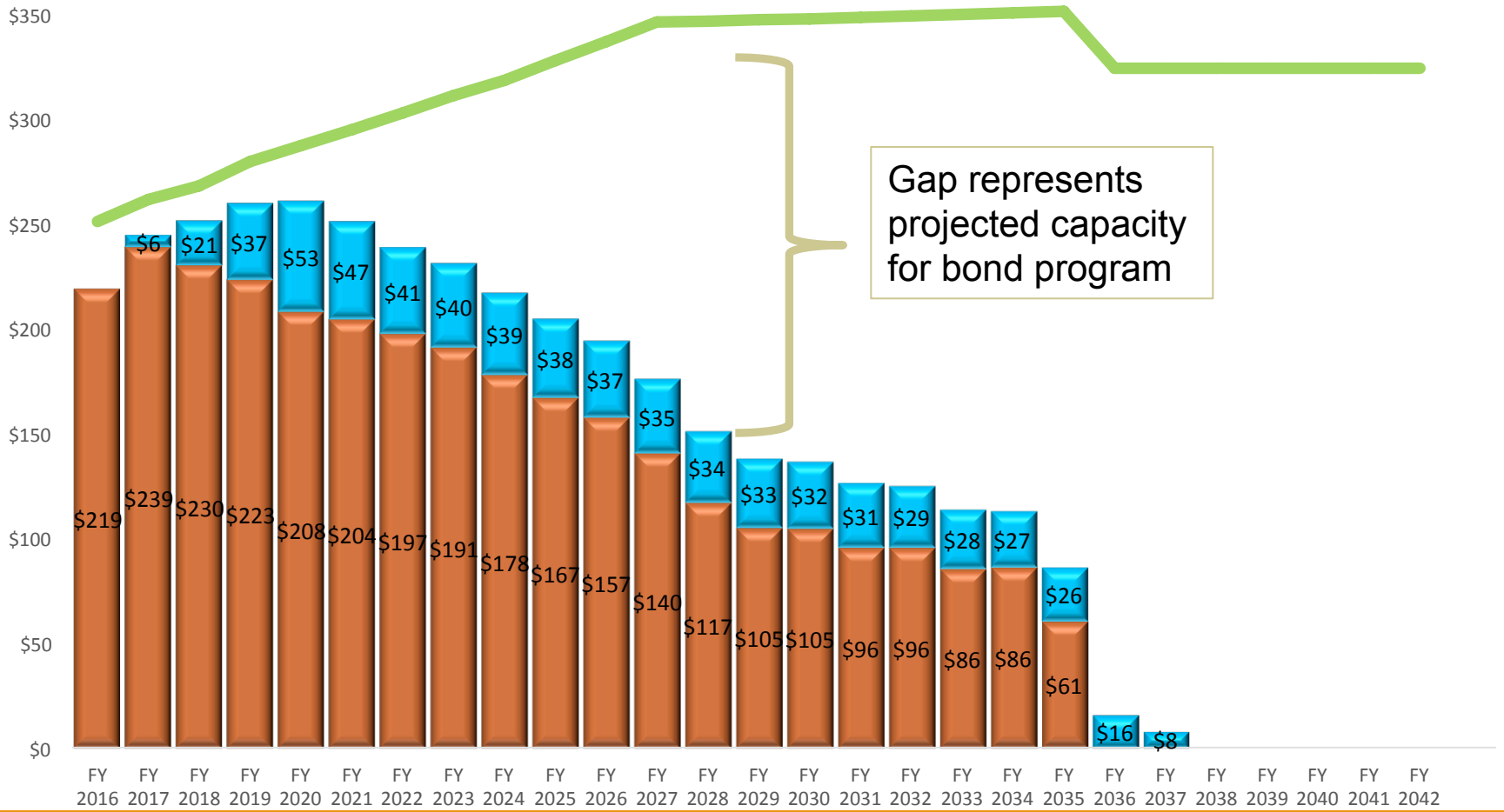
Fiscal Year	General Fund Tax Rate	Debt Service Tax Rate	Total Tax Rate	Tax Base Value	% Change in Tax Base from PY
2001-02	\$0.4780	\$0.1895	\$0.6675	\$65,218,425,933	8.37%
2002-03	0.5111	0.1887	0.6998	66,483,637,119	1.94%
2003-04	0.5243	0.1755	0.6998	66,501,655,057	0.03%
2004-05	0.5483	0.1714	0.7197	67,579,877,637	1.62%
2005-06	0.5445	0.1972	0.7417	70,843,801,880	4.83%
2006-07	0.5448	0.1844	0.7292	76,792,536,880	8.40%
2007-08	0.5196	0.2283	0.7479	84,526,933,754	10.07%
2008-09	0.5230	0.2249	0.7479	90,477,932,550	7.04%
2009-10	0.4918	0.2561	0.7479	87,264,095,461	-3.55%
2010-11	0.5324	0.2646	0.7970	83,425,479,138	-4.40%
2011-12	0.5379	0.2591	0.7970	81,993,746,356	-1.72%
2012-13	0.5439	0.2531	0.7970	83,681,721,883	2.06%
2013-14	0.5601	0.2369	0.7970	87,251,522,141	4.27%
2014-15	0.5646	0.2324	0.7970	100,318,936,973	7.71%
2015-16*	0.5646	0.2324	0.7970	107,842,857,246	7.70%
2016-17*	0.5646	0.2324	0.7970	110,905,594,392	2.84%
2017-18*	0.5646	0.2324	0.7970	114,055,313,272	2.84%
2018-19*	0.5646	0.2324	0.7970	117,294,484,169	2.84%

\*Forecasted growth



# Debt Service Future Projections

(\$ in millions)

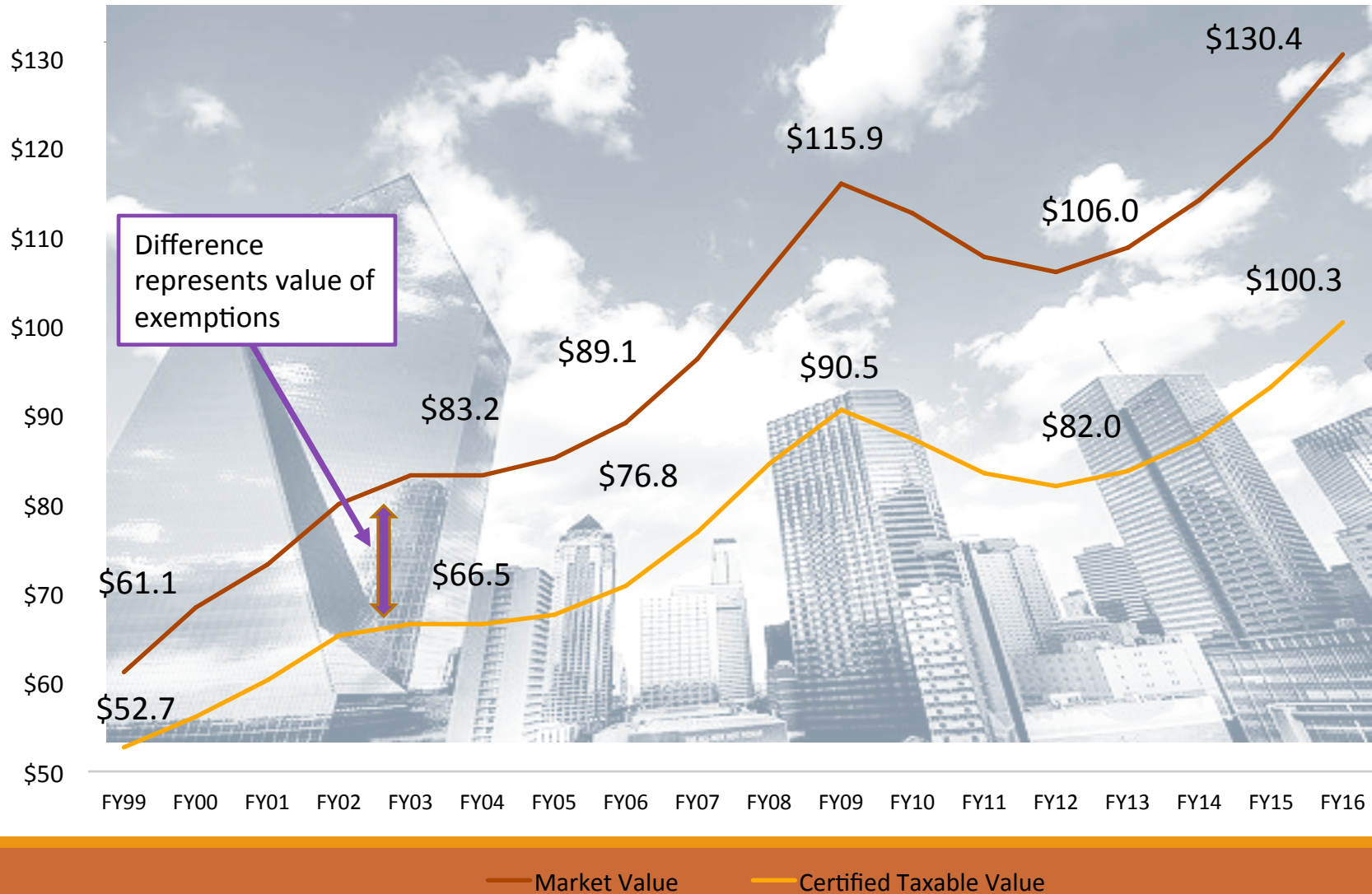


Existing Bond Debt Service

Projected Authorized Unissued Bond Debt Service

Revenues

# Property Values (\$ in billions)



# Comparative City Analysis

Comparing cities is not an apples-to-apples comparison

Each city has different property values (average residential), different exemptions, and different tax rates

Unlike Dallas some cities have had opportunity to expand tax base through annexation

Additionally, each city uses variety of different sources beyond property tax to fund their operations, such as:

- Austin has an electric utility and transportation user fee that partially supports their General Fund
- San Antonio has an electric/gas utility that partially supports their General Fund
- Use of local sales tax options may support public transportation (i.e. DART) or may be used for other city purposes as is case in Fort Worth and San Antonio

Different cities, such as suburban areas, may not offer quantity or variety of services and facilities that a large city offers

Age of each city and its infrastructure also varies

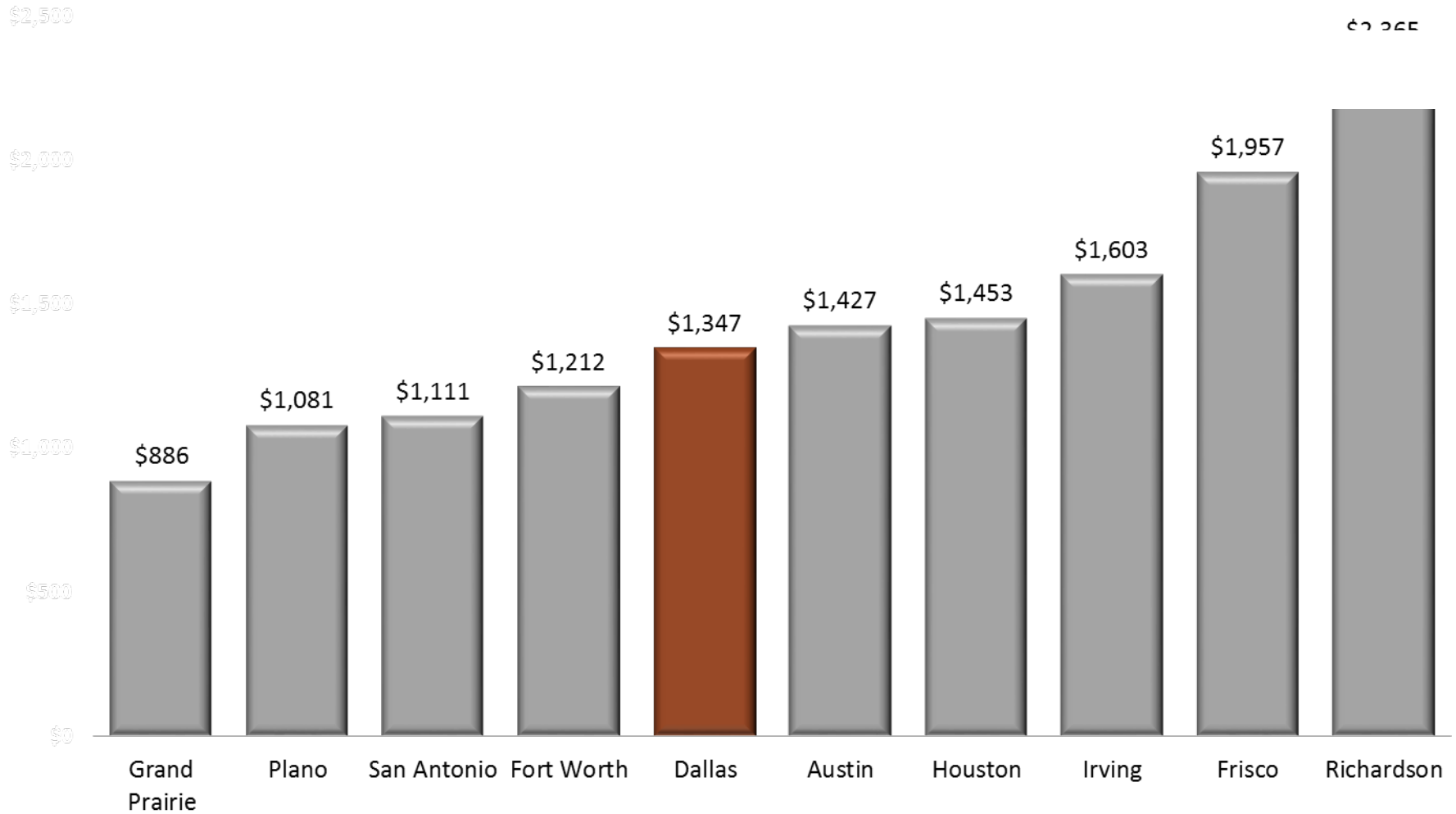
# Comparative City Data - Property Tax Rate Split

Comparative City Data - Property Tax Rate Split (FY16)			
City	General Fund	Debt Service	Total Tax Rate
Comparative Set			
Dallas, TX	\$0.5646 (70.8%)	\$0.2324 (29.2%)	\$0.7970
Austin, TX	\$0.3527 (76.9%)	\$0.1062 (23.1%)	\$0.4589
Fort Worth, TX	\$0.6759 (79.1%)	\$0.1791 (20.9%)	\$0.8550
Houston, TX	\$0.4422 (73.6%)	\$0.1589 (26.4%)	\$0.6011
San Antonio, TX	\$0.3468 (62.1%)	\$0.2115 (38.9%)	\$0.5583
Area Suburbs			
Frisco, TX	\$0.2971 (64.6%)	\$0.1629 (35.4%)	\$0.4600
Grand Prairie, TX	\$0.4849 (72.3%)	\$0.1851 (27.7%)	\$0.6699
Irving, TX	\$0.4560 (78.3%)	\$0.1291 (21.7%)	\$0.5941
Plano, TX	\$0.3438 (70.4%)	\$0.1448 (29.6%)	\$0.4886
Richardson, TX	\$0.3803 (59.9%)	\$0.2549 (40.1%)	\$0.6352

# Comparative City Data

Comparative City Data - GO Debt Per Capita (9/30/15)			
City	GO Debt Outstanding	Population (US Census Est)	Debt Per Capita
Comparative Set			
Dallas, TX	\$1.725 B	1,281,031	\$1,347
Austin, TX	\$1.303 B	912,798	\$1,427
Fort Worth, TX	\$985 M	812,553	\$1,212
Houston, TX	\$3.256 B	2,240,796	\$1,453
San Antonio, TX	\$1.596 B	1,436,723	\$1,111
Area Suburbs			
Frisco, TX	\$284 M	145,038	\$1,957
Grand Prairie, TX	\$162 M	182,610	\$886
Irving, TX	\$373 M	232,413	\$1,603
Plano, TX	\$300 M	277,910	\$1,081
Richardson, TX	\$257 M	108,609	\$2,365

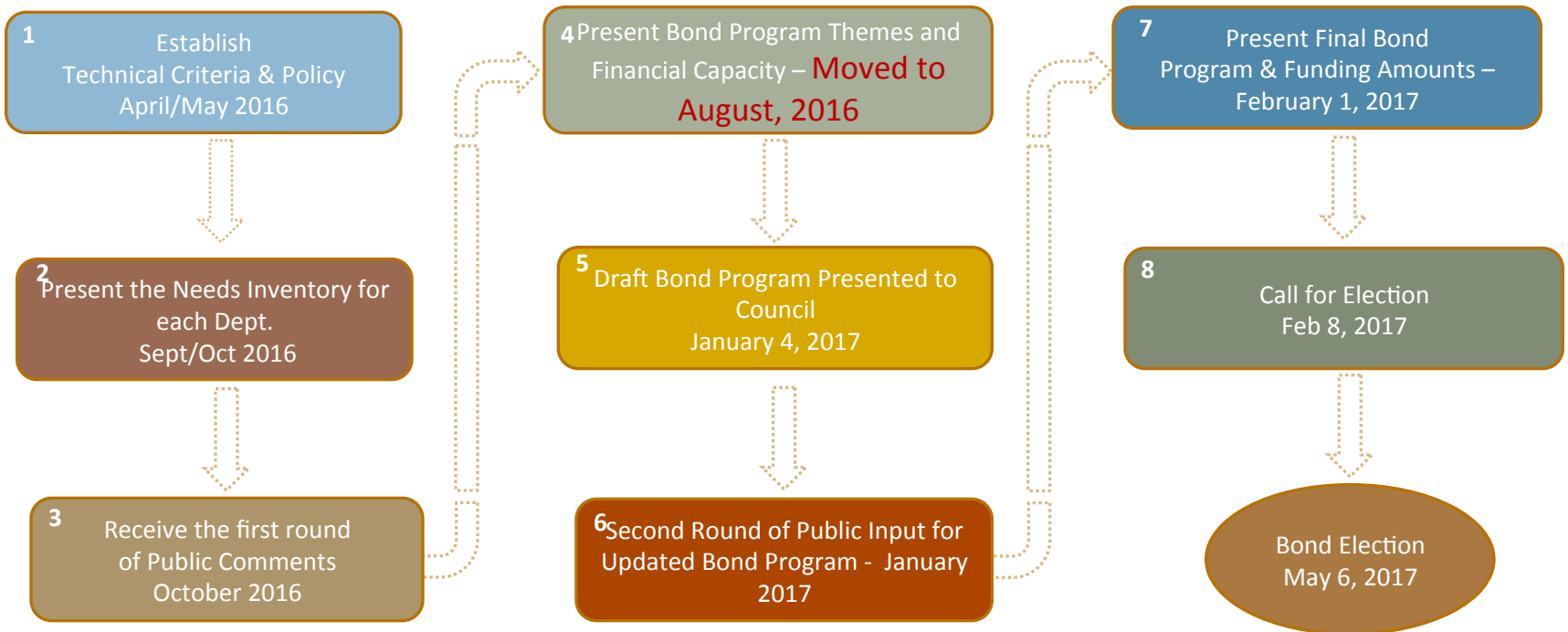
# Comparative City Data- GO Debt per Capita



# PAY – AS – YOU – GO (PAYG)

- In consideration for the 2017 BP, Council has tasked staff to present options for using PAYG for financing some or all of the next bond program
- PAYG substitutes long term financing (G.O. bonds) by using available cash to pay for capital projects
- PAYG reduces the City's future debt service, currently 29% of the property tax is allocated to debt service
- Being limited to cash to finance capital projects limits the number of capital projects that can be considered, designed and constructed
- Dallas County uses PAYG to finance their capital projects and currently has no debt service associated from G.O. funding of street construction projects

# Major Milestones with Dates for a May 2017 Bond Program





# QUESTIONS AND COMMENTS