

**No Financial Hardship to the City of Dallas**

16. I am familiar with financial statements of municipal utilities and with offering statements of municipal bond issues. I commonly rely upon this type of financial information in reviewing the financial health of municipalities and municipal utilities. This type of information is widely used by rate consultants such as myself for analyzing a utility's revenue requirements and determining appropriate rates to be charged by the municipal utility.
17. I have reviewed financial documents of the City of Dallas and of Dallas Water Utilities that are publicly available. In particular, I reviewed:
  - a. the Official Statement dated July 9, 2013, for City of Dallas Bonds in the amount of \$237,085,000, comprised of General Obligation Refunding and Improvement Bonds (Series 2013A), and General Obligation Refunding Bonds (Taxable Series 2013B);
  - b. the Official Statement dated August 23, 2013, for City of Dallas Bonds in the amount of \$156,540,000 (Waterworks and Sewer System Revenue Refunding Bonds, Series 2013); and
  - c. the Official Statement dated December 10, 2014, for City of Dallas Bonds in the amount of \$529,365,000 (General Obligation Refunding and Improvement Bonds, Series 2014). Contained within these documents are the City's audited financial statements for 2012 and 2013.
18. My review of the above-described documents indicates that DWU 2013 water and wastewater rates generated \$108,170,000 (after transfer of \$20,568,000 to other departments) to the change in DWU's Fund Net Position. This information is

shown on page 24 of the 2013 audited financial statement. (See Attachment D to my affidavit, on which I have circled the pertinent amount.)

19. Debt service coverage is a measure of the financial strength of a utility. The higher the coverage, the greater the financial strength of the utility. The documents noted above also reveal that DWU's water and wastewater bonds are currently rated AAA by Standard and Poor (the highest rating attainable), and had debt service coverage of 2.81 times its average annual principal and interest requirement, and 1.68 times its maximum annual principal and interest. DWU's Bond Covenants require only 1.25 times coverage of average principal and interest requirements. This information is shown on page 34, Table 14, of the 2013 Refunding Official Statement. (See Attachment E to my affidavit.)
20. These documents also indicate that DWU currently has in excess of \$134,000,000 in unrestricted assets. This information is shown on page 4 of the 2012 Financial Statements contained in the 2013 Official Statement. (See Attachment F to my affidavit.)

#### **Other Considerations**

21. According to the aforementioned DWU TCEQ filing, DWU's lost and unaccounted for water exceeds legislatively-adopted best management practices by 40%. In the 2013 TCEQ filing, DWU reported 2013 losses of 20,011,200,000 gallons (see Attachment B to my affidavit at page 5 of 11, paragraph 3). Based upon the DWU financial information available, I estimate a cost to impound, transmit, treat, and distribute water to be approximately \$2.29 per 1,000 gallons, using the following formula:

2012 Water Revenues  
2013 water sold / (1-Lost and Unaccounted for as a percentage)  
= the unit cost of water produced, or \$2.29 per 1,000 gallons.

When this cost is applied to the 2013 losses reported by DWU, this results in \$45,847,672 (\$2.29 X 20,011,200,000) cost of lost water which must be absorbed by DWU's water customers. If DWU were able to reduce its lost and unaccounted for water to the legislatively-set best management practice level of 10%, it would experience an annual saving of approximately \$14,000,000, which would defray most of the cost increase of the Lake Fork water.

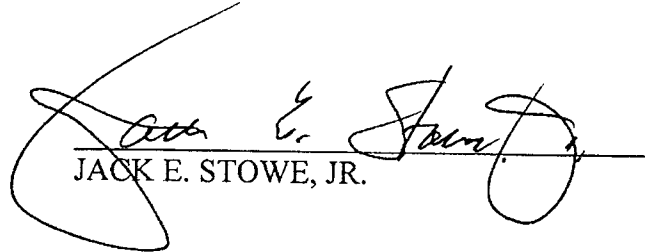
**Impact of Rate on Sabine River Authority**

22. DWU's use of the Lake Fork water in the Trinity River Basin constitutes an interbasin transfer inasmuch as the Lake Fork water originates in the Sabine River Basin. For 40 years the residents of the Sabine River Basin have deferred any compensation for the transfer of this resource to the Trinity River Basin because of the structure of the contract with the City of Dallas recovering only the out-of-pocket costs associated with the Lake Fork Reservoir. According to the Affidavit of Mr. David Montagne, General Manager of SRA, the Upper Basin of the SRA has, and is expected to have, a significant deficiency in sufficient water resources to meet existing and projected demands.
23. As a result, the citizens of the Sabine River Basin will have to spend substantial amounts of capital to address this projected deficiency. The source of funding this water shortfall is unknown at this time, but most likely would be through the inclusion of debt financing costs within SRA's cost of water and the ultimate net

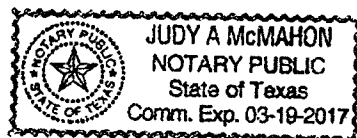
cost will be highly dependent upon DWU paying a reasonable rate for the Sabine River Basin water that is stored in Lake Fork

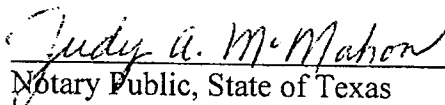
24. As explained by Mr. Montagne in his affidavit, the Authority intends to use the funds generated by the sale of water to Dallas to develop the resources needed to provide water to residents of the Sabine River Basin in years to come.

Further Affiant sayeth naught.

  
JACK E. STOWE, JR.

SUBSCRIBED AND SWORN TO BEFORE ME the undersigned authority by Jack E. Stowe, Jr., on this 31st day of March, 2015.



  
Notary Public, State of Texas

**Jack E. Stowe, Jr.**  
President, Environmental Practice  
[jstowe@newgenstrategies.net](mailto:jstowe@newgenstrategies.net)

Mr. Stowe's Public Sector consulting career began in 1975. His career includes nine years in a "big-eight" public accounting and consulting firm where he held the title of Manager at the time of his resignation. After serving one and one-half years as Chief Financial Officer and Treasurer of an International Real Estate firm, Mr. Stowe founded Aries Resource Management as a consulting group dedicated to serving the Public Sector. In 1986, Aries Resource Management entered into a partnership agreement with Reed Municipal Services, Inc., to form Reed-Stowe & Co. Effective October 2000 the company was renamed Reed, Stowe & Yanke, LLC and in March 2003 was acquired by R. W. Beck, Inc. During his tenure with R.W. Beck, Mr. Stowe served as the Local Practice Leader for the Firm's Utility Services Practice - Gulf Coast Region. Upon expiration of his employment contract with R.W. Beck in March 2008, Mr. Stowe founded J. Stowe & Co. In September 2012, Mr. Stowe became President of the Environmental Practice for NewGen Strategies & Solutions.

## EDUCATION

- Bachelor of Arts in Accounting, North Texas State University

## PROFESSIONAL AFFILIATIONS

- Texas Water Conservation Association (TWCA)
- American Water Works Association (AWWA)

## EXPERIENCE

Mr. Stowe's experience is highlighted by the major roles he has fulfilled in assisting Public Sector entities in achieving major cost savings through contract negotiations for services and implementation of organization and operational enhancements. A brief example of engagements conducted by Mr. Stowe includes:

- Raw water service contract negotiations between the City of Arlington and the Tarrant County Water Improvement District No. 1 (now Tarrant Regional Water District).
- Wastewater service contract negotiations between the Customer Cities and the City of Fort Worth. Representing the twenty-one Customer Cities of Fort Worth a detailed wastewater cost of service study was conducted to provide the foundation for contract renewal negotiations.
- Assisted TWCA-USA, Inc. in the electric load aggregation of 15 TWCA members. This effort has resulted in the release of a Request For Bid on approximately 800,000,000 kWh brought to market.

Mr. Stowe has also participated in negotiations of operation, maintenance and management privatization/outsourcing contracts for the following:

- Red River Redevelopment Authority – water, wastewater, gas, electric, steam and industrial waste treatment
- Southwest Division of United States Navy-privatization of electric, gas, water and wastewater operations

In addition, Mr. Stowe authored the "Market Strategies for Improved Service by Water Utilities Report" on behalf of the Texas Water Development Board. This study analyzes and presents the status of privatization of water utility operations within the State of Texas contrasted against national activity. Also for the Texas Water Development Board, Mr. Stowe authored the study titled "Socioeconomic Impact of Interbasin Transfers in Texas"

This study was undertaken to determine the impact of current legislation on the consideration of interbasin transfers as potential water management strategies by the State's regional water planning groups.

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Mr. Stowe has also been actively involved in water utility system valuation, and has performed such studies for the following entities:

- RCH Water Supply Corporation
- Kelly Air Force Base
- Walker County Water Supply Corporation
- Johnson County Water Supply Corporation
- High Point Water Supply Corporation
- Liberty City Water Supply Corporation
- Royse City, Texas / BHP Water Supply Corporation
- Groundwater Valuation – Oakland County, Michigan, Wood Wind Water System, LLC
- Groundwater Valuation – Oakland County, Michigan, Oakland Explorations Water System, LLC

The results of the above valuations served as the foundation for the sale/transfer of ownership for the utilities identified or the donation of the assets in accordance with Section 170 of the Internal Revenue Service Code of 1986.

The following is sample list of clients for which Mr. Stowe has performed water and/or wastewater cost of service, customer class cost allocation, and/or rate design study, including wholesale, clients:

- |   |                                    |
|---|------------------------------------|
| ▪ Arlington, Texas                                | ▪ Grapevine, Texas                 |
| ▪ Argyle Water Supply Corporation                 | ▪ Hobbs, New Mexico                |
| ▪ Barton Creek Lakeside                           | ▪ Kaufman, Texas                   |
| ▪ Bellaire, Texas                                 | ▪ Kempner Water Supply Corporation |
| ▪ Borger, Texas                                   | ▪ Kilgore, Texas                   |
| ▪ Cameron County Fresh Water Supply District No.1 | ▪ Knollwood, Texas                 |
| ▪ Celina, Texas                                   | ▪ Lewisville, Texas                |
| ▪ Copperas Cove, Texas                            | ▪ Lubbock, Texas                   |
| ▪ Corsicana, Texas                                | ▪ Mesquite, Texas                  |
| ▪ Dallas Water Utilities                          | ▪ Midlothian, Texas                |
| ▪ Denton, Texas                                   | ▪ Montgomery County MUD            |
| ▪ Devers Canal System                             | ▪ North Myrtle Beach, SC           |
| ▪ El Oso Water Supply Corp.                       | ▪ North Richland Hills, Texas      |
| ▪ Farmers Branch, Texas                           | ▪ Paris, Texas                     |
| ▪ Ft. Worth, Texas                                | ▪ Richmond, Virginia               |
| ▪ Georgetown, Texas                               | ▪ Rockett Special Utility District |
| ▪ Gilmer, Texas                                   | ▪ Rowlett, Texas                   |
| ▪ Glenn Heights, Texas                            | ▪ Sachse, Texas                    |
|   | ▪ Sanger, Texas                    |

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|-----------------------------------|-------------------------|
| ▪ Tarrant Regional Water District | ▪ Westminster, Colorado |
| ▪ United Irrigation District      | ▪ Wylie, Texas          |
| ▪ Weatherford, Texas              |                         |

Other services provided by Mr. Stowe are further detailed below:

- Assisted Dallas Water Utilities and Tarrant Regional Water District in examining the financing alternatives, obtaining state funding, and establishing the cost allocation methodology associated with the \$1.9 billion Lake Palestine Pipeline Project. Mr. Stowe also performed a comprehensive examination of the impact of energy costs on the proposed Project alternatives, including developing a forecasting model of electricity costs through 2060.
- Developed an impact fee econometric model used by the Cities of North Richland Hills, Grapevine, Lewisville and Wylie to calculate the maximum allowable fee under S.B. 336. Also responsible for the development and implementation of administrative procedures and systems modifications enabling these Cities to comply with the monitoring requirements of S.B. 336.
- Performed an economic feasibility study for the City of Arlington for alternative wastewater diversion. The study provided a twenty year projected population growth within defined service areas, discharge characteristics, and related capital improvement requirements for each alternative.
- Participated in the acquisition of the Street Lighting System from Texas Electric Service Company by the City of Arlington which was consummated after a six-month study and purchase negotiation. Purchase pay back was achieved within three years with annual operating cost reduction currently accruing at the annual rate of approximately \$700,000 to the City.
- Assisted Dallas Water Utilities, North Texas Municipal Water District, Sabine River Authority of Texas, and Tarrant Regional Water District in assessing the feasibility and economic impact of the Toledo Bend Water Supply Project, which proposes to supply at least 600,000 acre-feet of raw water to the DFW Metroplex.

Mr. Stowe has had extensive consulting experience within the utility industry. His experience encompasses not only utility ratemaking under federal, state and municipal jurisdictions, but also includes significant experience in the following areas:

- Organization and operations for investor owned utilities and municipal utilities;
- Financial projections and operating system requirements;
- Contract Negotiations;
- Breach of Franchise Agreements; and
- Economic Feasibility Studies.

Specifically, Mr. Stowe has conducted and/or supervised analyses of rate base, operating income, rate of return, revenue requirements, fully allocated cost of service and rate design. The results of these studies were generally summarized into expert testimony and presented in rate case proceedings at either the state and/or local jurisdictions. The various jurisdictions Mr. Stowe has performed consulting services in are as follows:

- |   |   |
|---|---|
| ▪ Arizona Corporation Commission        | ▪ New Mexico Public Service Commission      |
| ▪ Federal Energy Regulatory Commission  | ▪ Oklahoma Corporation Commission           |
| ▪ Illinois Commerce Commission          | ▪ Public Utility Commission of Texas        |
| ▪ Kentucky Public Service Commission    | ▪ Railroad Commission of Texas              |
| ▪ Mississippi Public Service Commission | ▪ Texas Commission on Environmental Quality |

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- Utah Public Service Commission

- Wyoming Public Service Commission

Samples of the specific utility companies analyzed by Mr. Stowe are presented below. Many of these Mr. Stowe has investigated on numerous engagements during his career:

- |   |  |
|---|--|
| ▪ ATC Satalco                                     | ▪ Metro-Link Telecom, Inc.                     |
| ▪ AT&T  | ▪ Mississippi Power & Light                    |
| ▪ Arkansas-Oklahoma Gas Corporation               | ▪ Mojave Electric Cooperative                  |
| ▪ Arizona Public Service                          | ▪ Mountain States Bell                         |
| ▪ Central Power & Light (now AEP)                 | ▪ Southern Union Gas Company                   |
| ▪ Canadian River Municipal Water Authority        | ▪ Southwest Electric Service Company (now TXU) |
| ▪ Dallas Water Utilities                          | ▪ Southwestern Bell Telephone                  |
| ▪ Denton County Electric Cooperative (now CoServ) | ▪ Southwestern Public Service Company          |
| ▪ Detroit Edison                                  | ▪ San Miguel Electric Cooperative              |
| ▪ Gulf States Utilities (now Entergy)             | ▪ Texas Electric Service Company (now TXU)     |
| ▪ Houston Lighting & Power (now Reliant)          | ▪ Texas-New Mexico Power Company               |
| ▪ Indianapolis Power & Light                      | ▪ Texas Power & Light (now TXU)                |
| ▪ Kentucky Power & Light                          | ▪ Tucson Gas & Electric                        |
| ▪ Lake Dallas Telephone Company                   | ▪ Utah Power & Light                           |
| ▪ Lower Colorado River Authority                  | ▪ United Telecommunications                    |
| ▪ Lone Star Gas Company (now ATMOS)               | ▪ West Texas Utilities (now AEP)               |
| ▪ Magnolia Gas                                    |  |

### **Publications and Presentations**

"Street Lighting Cost Reduction, a Game Plan for the 80's", Texas Institute of Traffic Engineers

"The Impact of Senate Bill No. 336"

- Research Group of the Texas Association of City Managers
- Central Region of the Texas Association of City Managers
- Gulf Coast Region of the Texas Government Financial Officers Association

Government Finance Officers Association of Texas Newsletter

- "A New Challenge for Municipal Gas Regulation"
- "The Case of the Vanishing Gross Receipts Tax"
- "Impact of Senate Bill 336" (Assessment of Developer Impact Fees)
- "Street Lighting Cost Reduction Through Municipal Ownership"

"Rate Impact of Water Conservation Pricing", Texas Water Conservation Association, 1993

"Alternative Funding for Capital Improvements", Water Environmental Association of Texas, 1994

"Construction Management and Financing Alternatives", Water Environmental Association of Texas, 1994



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"Management Audits", Texas Water Conservation Association - Technical Seminar, 1994

"Ins and Outs of Rate Making", American Association of Water Board Directors, 1995

"Solid Waste Full Cost Accounting", Texas Natural Resource Conservation Commission, 1995

"SBI Deregulation 101",

- Texas Water Conservation Association, 1998
- Texas Rural Water Association, 1999

"The Benefits of Electric Aggregation", Texas Water Conservation Association, 1999

"Water Retail Wholesale Ratemaking", Texas Water Conservation Association – Technical Seminar, 2000

"Electric Deregulation in Texas", Texas Chapter of the Public Works Association, 2000

"Innovative Financing for Water and Wastewater Utilities", Texas Water Law Seminar, February 2002

"Encroachment Issues: Your Service Area is Worth How Much?" Texas Rural Water Association Annual Conference, March 2002

Allocating the Costs of Population Growth in Wholesale Water Contracts, Texas Rural Water Association and Texas Water Conservation Association Water Law Seminar, January 2007



## Texas Commission on Environmental Quality

### UTILITY PROFILE AND WATER CONSERVATION PLAN REQUIREMENTS FOR MUNICIPAL WATER USE BY RETAIL PUBLIC WATER SUPPLIERS

This form is provided to assist retail public water suppliers in water conservation plan development. If you need assistance in completing this form or in developing your plan, please contact the conservation staff of the Resource Protection Team in the Water Availability Division at (512) 239-4691.

Name: City of Dallas Water utilities

Address: 1500 Marilla St., Room 5AS, Dallas, TX 75201

Telephone Number: (214) 2431175 Fax: (214) 6705244

Water Right No.(s): \_\_\_\_\_

Regional Water Planning Group: Region C

Form Completed by: Carole R. Davis

Title: Water Conservation Division Manager

Person responsible for implementing conservation program: Carole R. Davis on behalf of City of Dallas Water Utilities Phone: (214) 2431175

Signature: \_\_\_\_\_ Date:   /  /  

**NOTE: If the plan does not provide information for each requirement, include an explanation of why the requirement is not applicable.**

|                        |
|------------------------|
| <b>UTILITY PROFILE</b> |
|------------------------|

**I. POPULATION AND CUSTOMER DATA***A. Population and Service Area Data*

1. Attach a copy of your service-area map and, if applicable, a copy of your Certificate of Convenience and Necessity (CCN).
2. Service area size (in square miles): 699  
(Please attach a copy of service-area map)
3. Current population of service area: 2,427,010
4. Current population served for:
  - a. Water 2,427,010
  - b. Wastewater 1,276,491

5. Population served for previous five years:
6. Projected population for service area in the following decades:

| <u>Year</u> | <u>Population</u> |
|-------------|-------------------|
| <u>2013</u> | <u>2,427,010</u>  |
| <u>2012</u> | <u>2,410,000</u>  |
| <u>2011</u> | <u>2,396,550</u>  |
| <u>2010</u> | <u>2,509,450</u>  |
| <u>2009</u> | <u>2,487,100</u>  |

| <u>Year</u> | <u>Population</u> |
|-------------|-------------------|
| <u>2020</u> | <u>3,045,462</u>  |
| <u>2030</u> | <u>3,499,893</u>  |
| <u>2040</u> | <u>3,973,258</u>  |
| <u>2050</u> | <u>4,442,825</u>  |
| <u>2060</u> | <u>4,861,194</u>  |

7. List source or method for the calculation of current and projected population size.
  - Current and previous population - NTCOG – North Central Texas Council of Governments
  - Projected Population – 2016 draft Region C Population Projections
  - Note: the Current and Previous Five Years numbers do not include Upper Trinity Regional Water District (UTRWD); whereas, the Projected Population numbers do include UTRWD

**B. Customers Data**

Senate Bill 181 requires that uniform consistent methodologies for calculating water use and conservation be developed and available to retail water providers and certain other water use sectors as a guide for preparation of water use reports, water conservation plans, and reports on water conservation efforts. A water system must provide the most detailed level of customer and water use data available to it, however, any new billing system purchased must be capable of reporting data for each of the sectors listed below. [http://www.tceq.texas.gov/assets/public/permitting/watersupply/water\\_rights/sb181\\_guidance.pdf](http://www.tceq.texas.gov/assets/public/permitting/watersupply/water_rights/sb181_guidance.pdf)

1. Current number of active connections. Check whether multi-family service is counted as ☐ Residential or ☒ Commercial?

| <i>Treated Water Users</i> | <i>Metered</i>       | <i>Non-Metered</i> | <i>Totals</i> |
|----------------------------|----------------------|--------------------|---------------|
| Residential                |                      |                    |               |
| Single-Family              | 248,445              |                    | 248,445       |
| Multi-Family               | 11,500               |                    | 11,500        |
| Commercial                 | 30,362               |                    | 30,362        |
| Industrial/Mining          | 86                   |                    | 86            |
| Institutional              |                      |                    |               |
| Agriculture                |                      |                    |               |
| Other/Wholesale            | 1,209<br>(Municipal) |                    | 1,209         |

2. List the number of new connections per year for most recent three years.

| <i>Year</i>                | <i>2011</i> | <i>2012</i> | <i>2013</i> |
|----------------------------|-------------|-------------|-------------|
| <i>Treated Water Users</i> |             |             |             |
| Residential                |             |             |             |
| Single-Family              | 111         | 509         | 532         |
| Multi-Family               |             |             |             |
| Commercial                 | 0           | 163         | 413         |
| Industrial/Mining          | 1           | 0           | 0           |
| Institutional              |             |             |             |
| Agriculture                |             |             |             |
| Other/Wholesale            | 3           | 34          | 48          |

3. List of annual water use for the five highest volume customers.

|    | <i>Customer</i>   | <i>Use (1,000<br/>gal/year)</i> | <i>Treated or Raw<br/>Water</i> |
|----|-------------------|---------------------------------|---------------------------------|
| 1. | Texas Instruments | 1,933,000                       | Treated                         |
| 2. | UT Southwestern   | 586,000                         | Treated                         |
| 3. | Niagara Bottling  | 327,000                         | Treated                         |
| 4. | Nestle Water      | 260,000                         | Treated                         |
| 5. | Vought Aircraft   | 224,000                         | Treated                         |

## II. WATER USE DATA FOR SERVICE AREA Ask Erica

### A. Water Accounting Data

1. List the amount of water use for the previous five years (in 1,000 gallons). Indicate whether this is ☐ diverted or ☒ treated water.

| <i>Year<br/>Month</i> | 2013       | 2012       | 2011       | 2010       | 2009       |
|-----------------------|------------|------------|------------|------------|------------|
| January               | 5,082,758  | 4,554,793  | 4,824,815  | 3,946,164  | 4,081,784  |
| February              | 4,013,230  | 4,110,826  | 3,753,033  | 3,639,064  | 4,251,163  |
| March                 | 4,334,933  | 4,462,889  | 5,089,431  | 4,694,840  | 5,136,226  |
| April                 | 4,400,027  | 3,732,838  | 5,113,208  | 4,603,155  | 5,157,608  |
| May                   | 5,745,108  | 6,140,341  | 4,929,780  | 4,673,003  | 4,749,781  |
| June                  | 5,331,751  | 6,196,726  | 6,642,327  | 7,102,792  | 6,371,365  |
| July                  | 6,446,383  | 7,370,287  | 7,298,633  | 6,582,287  | 7,577,119  |
| August                | 7,498,577  | 8,113,194  | 10,040,312 | 8,047,553  | 7,628,673  |
| September             | 6,794,831  | 6,549,065  | 8,553,738  | 7,523,327  | 6,650,098  |
| October               | 7,067,603  | 6,945,880  | 6,857,735  | 6,108,072  | 5,762,958  |
| November              | 4,517,115  | 5,431,200  | 5,333,917  | 5,304,345  | 4,061,081  |
| December              | 4,915,347  | 4,982,363  | 4,725,807  | 4,980,798  | 4,680,928  |
| <b>Totals</b>         | 66,167,689 | 68,590,402 | 73,192,736 | 67,205,400 | 66,108,784 |

Describe how the above figures were determine (e.g, from a master meter located at the point of a diversion from the source, or located at a point where raw water enters the treatment plant, or from water sales).

Primary pumpage less net reservoir draw equals daily consumption.

2. Amount of water (in 1,000 gallons) delivered/sold as recorded by the following account types for the past five years.

| <i>Year</i>          | 2013       | 2012       | 2011       | 2010       | 2009       |
|----------------------|------------|------------|------------|------------|------------|
| <i>Account Types</i> |            |            |            |            |            |
| Residential          |            |            |            |            |            |
| Single-Family        | 25,528,479 | 27,758,611 | 30,055,106 | 26,631,280 | 25,530,429 |
| Multi-Family         | 16,521,958 | 17,344,016 | 18,741,451 | 17,461,064 | 18,569,695 |
| Commercial           | 17,473,850 | 17,591,228 | 17,509,170 | 16,590,089 | 16,029,471 |
| Industrial/Mining    | 5,302,885  | 4,611,773  | 5,473,089  | 5,415,149  | 4,763,135  |
| Institutional        |            |            |            |            |            |
| Agriculture          |            |            |            |            |            |
| Other/Wholesale      | 54,452,327 | 55,307,849 | 59,965,290 | 54,742,371 | 56,915,818 |

3. List the previous records for water loss for the past five years (the difference between water diverted or treated and water delivered or sold).

| <i>Year</i> | <i>Amount (gallons)</i> | <i>Percent %</i> |
|-------------|-------------------------|------------------|
| 2013        | 20,011.2                | 14%              |
| 2012        | 22,017.2                | 15%              |
| 2011        | 24,761.1                | 16%              |
| 2010        | 21,740.0                | 15%              |
| 2009        | 21,292.0                | 14%              |

#### *B. Projected Water Demands*

If applicable, attach or cite projected water supply demands from the applicable Regional Water Planning Group for the next ten years using information such as population trends, historical water use, and economic growth in the service area over the next ten years and any additional water supply requirements from such growth.

### III. WATER SUPPLY SYSTEM DATA

#### A. Water Supply Sources

List all current water supply sources and the amounts authorized (in acre feet) with each.

|               | Source  | Amount Authorized<br>(acre-feet/year) | Firm Yield<br>(acre-feet/year) |
|---------------|---|---------------------------------------|--------------------------------|
| Surface Water | Lake Ray Hubbard  | 89,700.0                              | 60,375.8                       |
|               | Lewisville Lake   | 549,976.0                             | 191,768.6                      |
|               | Ray Roberts Lake  | 591,704.0                             |                                |
|               | Elm Fork Run-of-River   | 19,381.4                              |                                |
|               | Grapevine Lake  | 85,000.0                              | 7,280.9                        |
|               | Reuse   | 247,200.0                             | 68,631.5 <sup>a,b</sup>        |
| Groundwater   | NA  | --                                    | --                             |
| Contracts     | Sabine River Authority – Lake Tawakokni                       | 190,480.0                             | 190,480.0                      |
|               | Sabine River Authority – Lake Fork                            | 131,860.0                             | 131,860.0 <sup>b</sup>         |
|               | Upper Neches River Municipal Water Authority – Lake Palestine | 114,337.0                             | 114,337.0 <sup>c</sup>         |
| Other         | NA  | --                                    | --                             |

<sup>a</sup>Yield is based on 2012 annual wastewater discharges. This number will vary annually depending upon discharge.

<sup>b</sup>Not fully connected

<sup>c</sup>Not connected

#### B. Treatment and Distribution System

- Design daily capacity of system (MGD): 900
- Storage capacity (MGD):
  - Elevated 14.5 MG
  - Ground 231 MG
- If surface water, do you recycle filter backwash to the head of the plant?
 

☒ Yes
 ☐ No
 

If yes, approximate amount (MGD): 20

#### IV. WASTEWATER SYSTEM DATA

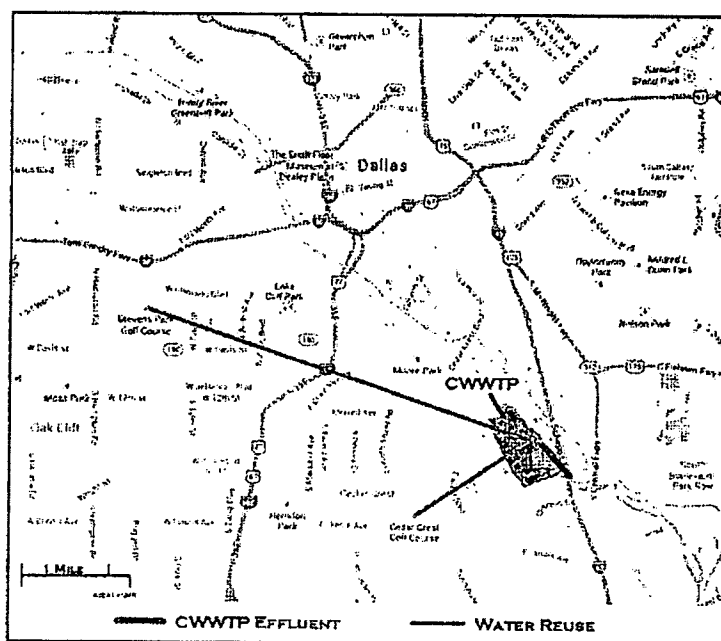
##### A. Wastewater System Data (if applicable)

1. Design capacity of wastewater treatment plant(s) (MGD): 260 MGD with 545 MGD 2-hr Peak
2. Treated effluent is used for ☒ on-site irrigation, ☒ off-site irrigation, for ☒ plant wash-down, and/or for ☒ chlorination/dechlorination.

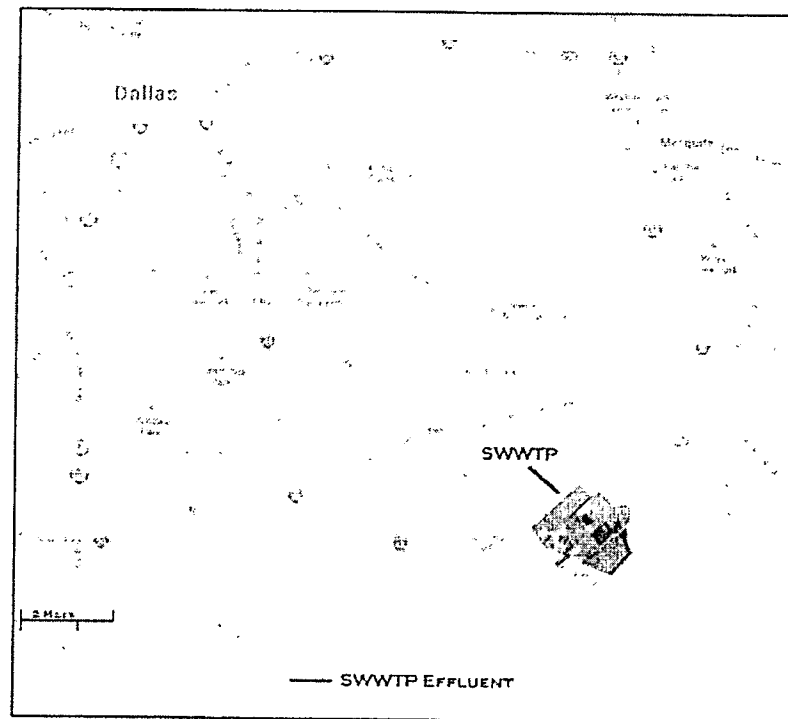
If yes, approximate amount (in gallons per month): 105,000,000

3. Briefly describe the wastewater system(s) of the area serviced by the water utility. Describe how treated wastewater is disposed. Where applicable, identify treatment plant(s) with the TCEQ name and number, the operator, owner, and the receiving stream if wastewater is discharged.

There are (2)-two facilities that are owned and operated by the City of Dallas. The Southside Waste Water Treatment Plant (SWWTP) (TPDES Permit # WQ0010060006) which is a conventional activated sludge plant with a permit of 110 MGD and a 195 MGD 2-hr peak and the Central Wastewater Treatment Plant (CWWTP) (TPDES Permit # WQ0010060001) which is a trickling filter plant in line with a conventional activated sludge plant with a permit of 150 MGD and a 350 MGD 2-hr peak limit. Both facilities are permitted to discharge their total flows into the Upper Trinity River. In addition, the CWWTP has a reuse permit (See maps). All organic solids removed from both facilities are digested then land applied at the SWWTP facility.







**B. Wastewater Data for Service Area (if applicable)**

1. Percent of water service area served by wastewater system: 699 %

2. Monthly volume treated for previous five years (in 1,000 gallons):

| Year      | 2013       | 2012       | 2011       | 2010       | 2009       |
|-----------|------------|------------|------------|------------|------------|
| Month     |            |            |            |            |            |
| January   | 4,582,200  | 5,691,600  | 4,509,100  | 5,314,600  | 4,242,700  |
| February  | 3,874,000  | 4,928,200  | 4,060,900  | 7,110,200  | 3,937,900  |
| March     | 4,048,500  | 6,215,600  | 4,021,400  | 6,187,700  | 4,933,500  |
| April     | 4,733,400  | 4,773,400  | 4,177,500  | 4,795,600  | 4,696,300  |
| May       | 4,699,200  | 4,465,700  | 4,607,400  | 4,468,800  | 5,677,100  |
| June      | 4,612,600  | 4,419,200  | 4,062,700  | 4,270,100  | 5,639,900  |
| July      | 4,521,900  | 4,283,300  | 3,827,400  | 4,570,800  | 4,859,200  |
| August    | 4,475,100  | 4,447,100  | 3,384,700  | 4,297,800  | 4,863,900  |
| September | 4,448,800  | 4,114,000  | 3,657,700  | 5,478,800  | 5,975,900  |
| October   | 4,756,400  | 4,298,300  | 4,250,700  | 4,289,200  | 8,144,800  |
| November  | 4,438,200  | 3,880,700  | 3,811,000  | 4,336,900  | 5,813,800  |
| December  | 4,852,600  | 4,142,500  | 4,706,100  | 4,174,100  | 5,554,700  |
| Totals    | 54,042,900 | 55,659,600 | 49,076,600 | 59,294,600 | 64,339,700 |

Residential and Commercial Water Costs  
Details  
2014

|                   | Residential Water |            |             |                 |               | Commercial Water |              |
|-------------------|-------------------|------------|-------------|-----------------|---------------|------------------|--------------|
| Population Group  | City Population   | Fee For    |             | Total Customers | Average Usage | Fee For          |              |
|                   |                   | 5,000 Gal. | 10,000 Gal. |                 |               | 50,000 Gal.      | 200,000 Gal. |
| MORE THAN 500,000 |                   |            |             |                 |               |                  |              |
| Houston           | 2,195,914         | 25.86      | 48.94       | 471,603         | 5,500         | 204.86           | 788.86       |
| San Antonio       | 1,409,019         | 23.07      | 39.62       | 368,974         | 7,788         | 240.64           | 748.46       |
| Dallas            | 1,257,876         | 17.42      | 36.27       | 329,000         | 8,300         | 186.26           | 681.26       |
| Austin            | 885,400           | 29.35      | 57.10       | 216,366         | 8,000         | 312.50           | 1,142.00     |
| Fort Worth        | 792,727           | 22.16      | 39.80       | 228,374         | 7,436         | 193.23           | 654.47       |
| El Paso           | 674,433           | 14.69      | 25.61       | 217,247         | 9,725         | 170.69           | 741.66       |
| MORE THAN 500,000 | Averages          | 22.11      | 41.22       | 305,261         | 7,792         | 218.03           | 792.45       |
| 350,001 - 500,000 |                   |            |             |                 |               |                  |              |
| Arlington         | 380,084           | 18.84      | 30.24       | 100,697         | 10,000        | 183.40           | 568.80       |
| 350,001 - 500,000 | Averages          | 18.84      | 30.24       | 100,697         | 10,000        | 183.40           | 568.80       |
| 200,001 - 350,000 |                   |            |             |                 |               |                  |              |
| Corpus Christi    | 316,381           | 26.86      | 58.30       | 89,000          | 0             | 338.00           | 677.00       |
| Plano             | 274,409           | 20.58      | 33.18       | 78,726          | 13,540        | 245.42           | 623.42       |
| Laredo            | 248,142           | 13.71      | 22.71       | 67,033          | 10,212        | 176.17           | 630.17       |
| Lubbock           | 239,538           | 39.55      | 65.81       | 80,211          | 7,000         | 311.80           | 1,110.59     |
| Garland           | 234,566           | 33.55      | 55.55       | 67,837          | 8,003         | 244.75           | 910.75       |
| 200,001 - 350,000 | Averages          | 26.85      | 47.11       | 58,761          | 9,689         | 262.83           | 790.39       |
| 100,001 - 200,000 |                   |            |             |                 |               |                  |              |
| Amarillo          | 196,429           | 17.27      | 28.62       | 70,161          | 7,000         | 155.75           | 544.25       |
| Grand Prairie     | 183,372           | 27.97      | 44.72       | 64,154          | 7,000         | 195.94           | 692.44       |
| Pasadena          | 152,735           | 18.75      | 33.00       | 34,900          | 8,000         | 235.09           | 810.09       |
| McKinney          | 149,082           | 28.73      | 45.38       | 46,240          | 7,000         | 217.28           | 716.78       |
| Mesquite          | 143,484           | 28.05      | 51.05       | 39,450          | 8,000         | 235.05           | 925.05       |
| Killeen           | 137,147           | 21.03      | 36.03       | 44,315          | 0             | 170.47           | 638.97       |
| Frisco            | 136,791           | 23.90      | 41.05       | 45,365          | 0             | 238.29           | 737.79       |
| McAllen           | 136,639           | 11.15      | 17.85       | 44,088          | 12,000        | 69.65            | 264.65       |
| Carrollton        | 129,209           | 18.61      | 31.91       | 38,128          | 9,250         | 124.38           | 395.88       |
| Waco              | 128,030           | 27.70      | 40.40       | 41,097          | 7,200         | 248.24           | 650.24       |
| Denton            | 123,099           | 31.95      | 50.45       | 27,486          | 9,202         | 243.85           | 851.35       |
| Abilene           | 120,099           | 24.25      | 40.57       | 39,991          | 7,000         | 215.52           | 730.02       |
| Beaumont          | 118,548           | 28.38      | 48.78       | 43,000          | 6,000         | 218.21           | 830.21       |
| Tyler             | 109,000           | 18.66      | 33.36       | 26,406          | 0             | 127.79           | 415.79       |
| Wichita Falls     | 108,876           | 28.16      | 46.69       | 35,000          | 7,482         | 244.10           | 798.95       |
| Richardson        | 104,475           | 28.15      | 48.30       | 32,175          | 9,933         | 235.47           | 1,062.57     |
| Round Rock        | 103,232           | 31.03      | 42.78       | 31,715          | 8,800         | 209.31           | 581.81       |
| College Station   | 100,257           | 21.49      | 32.79       | 24,558          | 8,000         | 154.55           | 528.05       |
| 100,001 - 200,000 | Averages          | 24.18      | 39.64       | 40,345          | 7,991         | 196.61           | 680.72       |
| 75,001 - 100,000  |                   |            |             |                 |               |                  |              |
| San Angelo        | 97,492            | 34.94      | 59.59       | 34,104          | 8,000         | 235.36           | 833.36       |
| Allen             | 92,020            | 27.48      | 43.38       | 28,735          | 10,300        | 202.68           | 631.88       |
| League City       | 90,983            | 18.93      | 48.43       | 28,645          | 7,000         | 284.43           | 1,169.43     |
| Sugar Land        | 84,511            | 22.18      | 38.83       | 29,283          | 7,043         | 204.04           | 661.54       |
| Bryan             | 76,709            | 22.11      | 35.91       | 22,147          | 8,417         | 140.60           | 497.60       |
| Baytown           | 75,418            | 31.26      | 61.91       | 20,719          | 7,000         | 324.84           | 1,118.34     |

## OFFICIAL STATEMENT

Dated: December 10, 2014

Ratings:  
 Moody's: "Aa1"  
 S&P: "AA+"  
 See "Other Information -  
 Ratings" herein

## NEW ISSUE - Book-Entry-Only

In the opinion of Co-Bond Counsel under existing law, interest on the Bonds will be excludable from gross income for federal income tax, and the Bonds are not "private activity bonds". See "Tax Matters" for a discussion of the opinion of Co-Bond Counsel, including a description of alternative minimum tax consequences for corporations.



City of Dallas

\$529,365,000

CITY OF DALLAS, TEXAS

(Dallas, Denton, Collin and Rockwall Counties)

GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS, SERIES 2014

Dated Date: Date of Delivery

Due: February 15, as shown on Page 2

The City of Dallas, Texas (the "City") is issuing its \$529,365,000 City of Dallas, Texas, General Obligation Refunding and Improvement Bonds, Series 2014 (the "Bonds"). Interest on the Bonds will accrue from the date of their delivery to the Underwriters (the "Dated Date"), will be payable February 15 and August 15 of each year commencing February 15, 2015, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Bonds - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank National Association (see "The Bonds - Paying Agent/Registrar").

The Bonds are direct obligations of the City of Dallas, Texas (the "City"), payable from an ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City. The Bonds are being authorized pursuant to the general laws of the State of Texas, particularly Chapters 1207, 1331, and 1371 of the Texas Government Code, as amended, and an ordinance (the "Bond Ordinance") passed by the City Council of the City which delegates to certain City officials the authority to complete the sale of the Bonds through the execution of a "Pricing Certificate" (the Bond Ordinance and Pricing Certificate are herein referred to together as the "Ordinance") (see "The Bonds - Authority for Issuance").

Proceeds from the sale of the Bonds will be used to provide funds to (i) refund certain outstanding bonds of the City (the "Refunded Bonds") (see Schedule I - "Schedule of Refunded Bonds"); (ii) refund outstanding Commercial Paper Notes (the "Refunded Notes"); (iii) finance certain public improvements, to wit: (a) Trinity River Corridor infrastructure; (b) street and transportation improvements; (c) flood protection and storm drainage facilities; (d) park and recreational facilities; (e) library facilities; (f) cultural arts facilities; (g) City Hall, City Services and City maintenance facilities improvements; (h) land acquisition for the development of low and moderate income, single family homes; (i) economic development programs and infrastructure; (j) public safety facilities; and (iv) pay the cost of issuance of the Bonds.

CUSIP PREFIX: 235219

MATURITY SCHEDULE &amp; 9 DIGIT CUSIP

See Schedule on Page 2

The Bonds are subject to optional redemption as described herein. See "The Bonds - Optional Redemption of the Bonds."

The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinions of the Attorney General of the State of Texas and the approving opinions of Bracewell & Giuliani LLP, Dallas, Texas and West & Associates L.L.P., Dallas, Texas, Co-Bond Counsel for the City (see Appendix C, "Form of Co-Bond Counsel Opinion"). Certain legal matters will be passed upon for the City by Andrews Kurth LLP, Dallas, Texas and Gonzales Saggio & Harlan, Atlanta, Georgia, Co-Disclosure Counsel for the City. Certain legal matters will be passed upon for the Underwriters by their Co-Counsel, Locke Lord LLP, Dallas, Texas and White & Wiggins, LLP, Dallas, Texas.

It is expected that the Bonds will be available for delivery through DTC on or about December 22, 2014.

## WELLS FARGO SECURITIES

## LOOP CAPITAL MARKETS

CITIGROUP

PIPER JAFFRAY &amp; CO.

FROST BANK

RAMIREZ &amp; CO., INC.

## STERN BROTHERS &amp; CO.

GOLDMAN, SACHS &amp; CO.

STIFEL, NICOLAUS &amp; COMPANY, INCORPORATED

**CITY OF DALLAS, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
Year Ended September 30, 2013  
(in thousands)

|   | Business-type Activities<br>Enterprise Funds |                      |                     |                                 |              | Governmental<br>Activities-<br>Internal<br>Service Funds |
|---|--|----------------------|---------------------|---------------------------------|--------------|--|
|   | Dallas<br>Water<br>Utilities                 | Convention<br>Center | Airport<br>Revenues | Nonmajor<br>Enterprise<br>Funds | Total        |  |
| Operating revenues:   |  |                      |                     |                                 |              |  |
| Customer charges  | \$ 551,493                                   | \$ 27,936            | \$ 54,768           | \$ 28,787                       | \$ 662,984   | \$ -   |
| Charges to other City departments                             | -  | -                    | -                   | -                               | -            | 145,051  |
| Service to others   | -  | -                    | -                   | -                               | -            | 88,229   |
| Intergovernmental   | 5  | 4,662                | 530                 | -                               | 5,197        | -  |
| Other   | -  | 104                  | 653                 | 151                             | 908          | 1,886  |
| Total operating revenues                                      | 551,498                                      | 32,702               | 55,951              | 28,938                          | 669,089      | 235,166  |
| Operating expenses:   |  |                      |                     |                                 |              |  |
| Personnel services  | 86,839                                       | 6,492                | 12,405              | 16,111                          | 121,847      | 41,036   |
| Supplies and materials  | 82,874                                       | 3,862                | 5,650               | 483                             | 92,869       | 33,340   |
| Contractual and other services                                | 89,843                                       | 42,496               | 26,436              | 5,566                           | 164,341      | 160,734  |
| Depreciation  | 105,528                                      | 17,165               | 19,803              | 218                             | 142,714      | 4,704  |
| Total operating expenses                                      | 365,084                                      | 70,015               | 64,294              | 22,378                          | 521,771      | 239,814  |
| Operating income (loss)                                       | 186,414                                      | (37,313)             | (8,343)             | 6,560                           | 147,316      | (4,648)  |
| Nonoperating revenues (expenses):                             |  |                      |                     |                                 |              |  |
| Investment income   | 1,127  | 288                  | 433                 | 116                             | 1,964        | 72   |
| Alcohol beverage tax  | -  | 7,648                | -                   | -                               | 7,648        | -  |
| Hotel occupancy tax   | -  | 45,182               | -                   | -                               | 45,182       | -  |
| Passenger facility charges                                    | -  | -                    | 15,785              | -                               | 15,785       | -  |
| Interest on bonds and notes                                   | (71,164)                                     | (17,676)             | (13,222)            | (955)                           | (103,017)    | -  |
| Net gain (loss) on property disposals                         | (610)  | (5,424)              | -                   | -                               | (6,034)      | 717  |
| Total nonoperating revenues (expenses)                        | (70,647)                                     | 30,018               | 2,996               | (839)                           | (38,472)     | 789  |
| Income (loss) before contribution, transfers and special item | 115,767                                      | (7,295)              | (5,347)             | 5,721                           | 108,846      | (3,859)  |
| Capital contributions   | 11,411                                       | -                    | 42,566              | -                               | 53,977       | -  |
| Transfers in  | 1,560  | -                    | -                   | -                               | 1,560        | -  |
| Transfers out   | (20,568)                                     | (1,574)              | (831)               | (65)                            | (23,038)     | (2,852)  |
| Special item: Loss on impairment of airport property          | -  | -                    | (22,056)            | -                               | (22,066)     | -  |
|   | (7,597)                                      | (1,574)              | 19,669              | (65)                            | 10,433       | (2,852)  |
| Change in net position  | 108,170                                      | (8,869)              | 14,322              | 5,656                           | 119,279      | (6,711)  |
| Net position, beginning of year                               | 2,284,830                                    | 285,146              | 538,330             | 15,896                          | 3,124,202    | (13,990)   |
| Net position, end of year                                     | \$ 2,393,000                                 | \$ 276,277           | \$ 552,652          | \$ 21,552                       | \$ 3,243,481 | \$ (20,701)  |

**OFFICIAL STATEMENT**

Dated: August 23, 2013

**NEW ISSUE - BOOK-ENTRY-ONLY****RATINGS:**

Moody's: "Aa1"

S&amp;P: "AAA"

(See "OTHER INFORMATION - Ratings")

In the opinion of McCall, Parkhurst & Horton L.L.P. and Escamilla & Poneck, LLP ("Co-Bond Counsel"), interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

**\$156,540,000****CITY OF DALLAS, TEXAS**

(Dallas, Denton, Collin and Rockwall Counties)

**Waterworks and Sewer System Revenue Refunding Bonds, Series 2013****Dated Date: Date of Delivery****Due: October 1, as shown on the inside cover**

**PAYMENT TERMS** . . . Interest on the \$156,540,000 City of Dallas, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2013 (the "Bonds") will accrue from the Dated Date shown above and will be payable on April 1, 2014, and on each October 1 and April 1 thereafter until maturity or prior redemption. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar for the Bonds is U.S. Bank National Association (see "THE BONDS - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Bonds are issued pursuant to the general laws of the State of Texas, particularly Chapter 1207, Texas Government Code, and an ordinance (the "Ordinance") passed by the City Council of the City of Dallas, Texas (the "City") on August 14, 2013, and are special obligations of the City, payable, both as to principal and interest, solely from and, together with certain outstanding parity bonds, secured by a first lien on and pledge of the Pledged Revenues (defined herein) of the City's Waterworks and Sewer System (the "System"), which include the Net Revenues of the System remaining after deduction of current expenses of operation and maintenance. The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation (see "THE BONDS - Security and Source of Payment"). In the Ordinance, the City Council authorized the Interim City Manager to execute a bond purchase agreement to effect the sale of the Bonds.

**PURPOSE** . . . Proceeds from the sale of the Bonds, together with other available System funds, will be used to refund (1) \$165,000,000 in principal amount of the City's outstanding Commercial Paper Notes (as defined herein), and (2) pay certain costs of issuance of the Bonds.

**LEGALITY** . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters listed on the cover and subject to the approving opinion of the Attorney General of the State of Texas, and the delivery on the date of delivery of the Bonds of the approving legal opinion of Co-Bond Counsel (see Appendix D - "Form of Co-Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their co-counsel, Locke Lord LLP and White & Wiggins, LLP, Dallas, Texas.

**DELIVERY** . . . It is expected that the Bonds will be available for delivery through DTC on or about September 17, 2013.

**MATURITY SCHEDULE**

CUSIP Prefix: 235416

See Inside Cover

**BofA Merrill Lynch**J.P. Morgan  
Raymond JamesMorgan Stanley  
RBC Capital Markets  
Southwest Securities**Cabrera Capital Markets, LLC**M.R. Beal & Company  
Siebert Brandford Shank & Co., L.L.C.

**TABLE 14 -- PROJECTED COVERAGE AND FUND BALANCES**

|   |                  |
|---|------------------|
| Average Annual Principal and Interest Requirements, Fiscal Years 2013-2043  | \$ 106,588,506   |
| Coverage of Average Requirements by Fiscal Year Ended 9-30-12 Net Revenues  | 2.81x            |
| Maximum Principal and Interest Requirements, Fiscal Year 2015               | \$ 178,678,976   |
| Coverage of Maximum Requirements by Fiscal Year Ended 9-30-12 Net Revenues  | 1.68x            |
| Waterworks and Sewer System Revenue Bonds to be Outstanding (as of 9-30-13) | \$ 2,005,048,000 |
| Interest and Sinking Fund (as of 9-30-12)                                   | \$ 130,955,000   |
| Reserve Fund (as of 9-30-12)  | \$ 93,505,000    |

**TABLE 15 -- SUMMARY OF NET REVENUES FOR REVENUE BOND COVERAGE - CASH BASIS (AMOUNTS IN THOUSANDS)<sup>(1)</sup>**

|   | Fiscal Year Ended September 30, |                   |                   |                   |                   |
|---|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| Gross Revenues                                | 2012                            | 2011              | 2010              | 2009              | 2008              |
| Customer Charges                              | \$ 531,949                      | \$ 503,463        | \$ 474,241        | \$ 475,248        | \$ 441,490        |
| Interest Received                             | 3,340                           | 4,577             | 4,271             | 15,481            | 20,934            |
| Other Receipts                                | -                               | -                 | -                 | -                 | -                 |
|   | <u>\$ 535,289</u>               | <u>\$ 508,040</u> | <u>\$ 478,512</u> | <u>\$ 490,729</u> | <u>\$ 462,424</u> |
| Operating Expenditures                        |                                 |                   |                   |                   |                   |
| Personnel Services                            | \$ 71,447                       | \$ 74,285         | \$ 77,542         | \$ 75,027         | \$ 73,212         |
| Supplies and Materials                        | 82,518                          | 82,069            | 78,121            | 81,240            | 82,629            |
| Contractual and Other Services <sup>(2)</sup> | 81,856                          | 72,490            | 84,454            | 89,579            | 50,372            |
|   | <u>\$ 235,821</u>               | <u>\$ 228,844</u> | <u>\$ 240,117</u> | <u>\$ 245,846</u> | <u>\$ 206,213</u> |
| Net Revenues Available for Debt Service       | <u>\$ 299,468</u>               | <u>\$ 279,196</u> | <u>\$ 238,395</u> | <u>\$ 244,883</u> | <u>\$ 256,211</u> |

- (1) The figures shown in this table are presented on a cash basis and were developed in accordance with the provisions contained in the City's Waterworks and Sewer System Revenue Bond Ordinance. Gross Revenues include cash receipts derived from operation and ownership of the System. Operating Expenditures are operating cash disbursements and payments required by certain reservoir and other contracts, included for this purpose under provisions of state law. Operating Expenditures exclude payments for capital purposes and for related debt, and will exclude any future payments to the City in lieu of ad valorem taxes, if made, as permitted by a May 1993 amendment to the City Charter (see "The Water and Wastewater System - Background") and "Water and Wastewater Services Rates".
- (2) Cash payments for contractual services include payments for the Water Transmission Facilities Financing Agreement in the amount of \$3,087. Per Texas Government Code, Section 1502.056(c), "a contract between a municipality and an issuer, as defined by Section 1201.002, under which the municipality obtains from the issuer provides part or all of the facilities or services of a utility system to the municipality may provide that payments made by the municipality from the revenue of the utility system are an operating expense of the municipality's utility system."

**OFFICIAL STATEMENT**

Dated: August 23, 2013

NEW ISSUE - BOOK-ENTRY-ONLY

**RATINGS:**

Moody's: "Aa1"

S&amp;P: "AAA"

(See "OTHER INFORMATION - Ratings")

In the opinion of McCall, Parkhurst & Horton L.L.P. and Escamilla & Poneck, LLP ("Co-Bond Counsel"), interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

**\$156,540,000****CITY OF DALLAS, TEXAS**

(Dallas, Denton, Collin and Rockwall Counties)

**Waterworks and Sewer System Revenue Refunding Bonds, Series 2013**

Dated Date: Date of Delivery

Due: October 1, as shown on the inside cover

**PAYMENT TERMS** . . . Interest on the \$156,540,000 City of Dallas, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2013 (the "Bonds") will accrue from the Dated Date shown above and will be payable on April 1, 2014, and on each October 1 and April 1 thereafter until maturity or prior redemption. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar for the Bonds is U.S. Bank National Association (see "THE BONDS - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Bonds are issued pursuant to the general laws of the State of Texas, particularly Chapter 1207, Texas Government Code, and an ordinance (the "Ordinance") passed by the City Council of the City of Dallas, Texas (the "City") on August 14, 2013, and are special obligations of the City, payable, both as to principal and interest, solely from and, together with certain outstanding parity bonds, secured by a first lien on and pledge of the Pledged Revenues (defined herein) of the City's Waterworks and Sewer System (the "System"), which include the Net Revenues of the System remaining after deduction of current expenses of operation and maintenance. The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation (see "THE BONDS - Security and Source of Payment"). In the Ordinance, the City Council authorized the Interim City Manager to execute a bond purchase agreement to effect the sale of the Bonds.

**PURPOSE** . . . Proceeds from the sale of the Bonds, together with other available System funds, will be used to refund (1) \$165,000,000 in principal amount of the City's outstanding Commercial Paper Notes (as defined herein), and (2) pay certain costs of issuance of the Bonds.

**LEGALITY** . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters listed on the cover and subject to the approving opinion of the Attorney General of the State of Texas, and the delivery on the date of delivery of the Bonds of the approving legal opinion of Co-Bond Counsel (see Appendix D - "Form of Co-Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their co-counsel, Locke Lord LLP and White & Wiggins, LLP, Dallas, Texas.

**DELIVERY** . . . It is expected that the Bonds will be available for delivery through DTC on or about September 17, 2013.

**MATURITY SCHEDULE**

CUSIP Prefix: 235416

See Inside Cover

**BofA Merrill Lynch**J.P. Morgan  
Raymond JamesMorgan Stanley  
RBC Capital Markets  
Southwest Securities**Cabrera Capital Markets, LLC**M.R. Beal & Company  
Siebert Brandford Shank & Co., L.L.C.

City of Dallas, Texas  
Dallas Water Utilities  
(An Enterprise Fund of the City of Dallas)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
September 30, 2012

**OVERVIEW OF THE FINANCIAL STATEMENTS - Continued**

These statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Position presents information on all of the DWU assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as net position. The DWU follows the utility method for reporting Statement of Net Position information. Under this method, capital assets appear first, followed by current assets, other noncurrent assets and deferred outflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the DWU is improving or deteriorating. Other non-financial factors should also be taken into consideration, such as changes in the DWU customer base and the condition of the DWU infrastructure (i.e., water and wastewater lines, mains, etc.), to assess the overall health or financial condition of the DWU.

The Statement of Revenues, Expenses and Changes in Fund Net Position presents information showing how the DWU net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., revenues earned but unbilled and earned but unused compensated absences).

The Statement of Cash Flows reflects changes to the beginning cash and cash equivalent balance. Cash flows are categorized into operating, non-capital financing, capital and related financing, and investing activities.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found immediately following the financial statements.

**FINANCIAL ANALYSIS**

Current assets decreased by \$30 million from \$431 million to \$401 million, primarily from an increased use of cash for capital projects, and non-current assets increased \$118 million, primarily as a result of DWU entering in to the TRWD financing agreement referred to on page 2. Current liabilities decreased 6% from the previous fiscal year, primarily from the decrease in commercial paper outstanding. In September 2012, DWU issued Water and Sewer System Revenue Refunding Bonds Series 2012 to refund certain outstanding obligations and \$168 million in outstanding commercial paper.

Capital assets, net of depreciation, increased \$176 million, mainly due to new project awards for water and wastewater treatment plant expansion and improvement.

Unrestricted net position is a measure of a fund's liquidity. As of September 30, 2012, unrestricted net position was \$134 million. This represents 52% of the total operating expenses, excluding depreciation expense.