

DEBT



City employees in from of the Tin Barn Alley project

DEBT

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DEBT MANAGEMENT POLICY

The City’s goal is to fund capital improvement projects on a “pay as you go” basis wherever possible. For large infrastructure projects and during heavy growth, debt financing is sometimes required. Debt financed projects must meet the City’s financing criteria as included in the Fiscal and Budgetary Policy.

XII. Debt Management

The City of Georgetown recognizes the primary purpose of capital facilities is to provide services to the community. Using debt financing to meet the capital needs of the community must be evaluated according to efficiency and equity.

- *Efficiency must be evaluated to determine the highest rate of return for a given investment of resources.*
- *Equity is resolved by determining who should pay for the cost of capital improvements.*

In meeting the demand for additional services, the City will strive to balance the needs between debt financing and “pay as of you” methods. The City realizes that failure to meet the demands of growth may inhibit its continued economic viability, but also realizes that too much debt may have detrimental effects on the City’s long-term financial condition.

The City will issue debt only for the purpose of acquiring or constructing capital assets for the general benefit of its citizens and to allow it to fulfill its various purposes as a city. Debt financing will be considered for non-continuous capital improvements of which future citizens will be benefited. Financing alternatives will be explored prior to debt issuance.

When the City of Georgetown utilizes long-term financing, it will ensure that the debt is soundly financed by:

- *Conservatively projecting the revenue sources that will be utilized to pay the debt.*
- *Financing the improvement over a period not greater than the useful life of the improvement.*
- *Determining that the cost benefit of the improvement including interest costs is positive.*

The City may utilize the benefits of short-term debt financing to purchasing operating equipment provided the debt doesn’t extend past the useful life of the asset, and the potential impact to the tax rate is within policy guidelines. The I & S (interest and sinking) portion of the tax rate cannot exceed \$0.04 for short-term debt (3-10 years).”

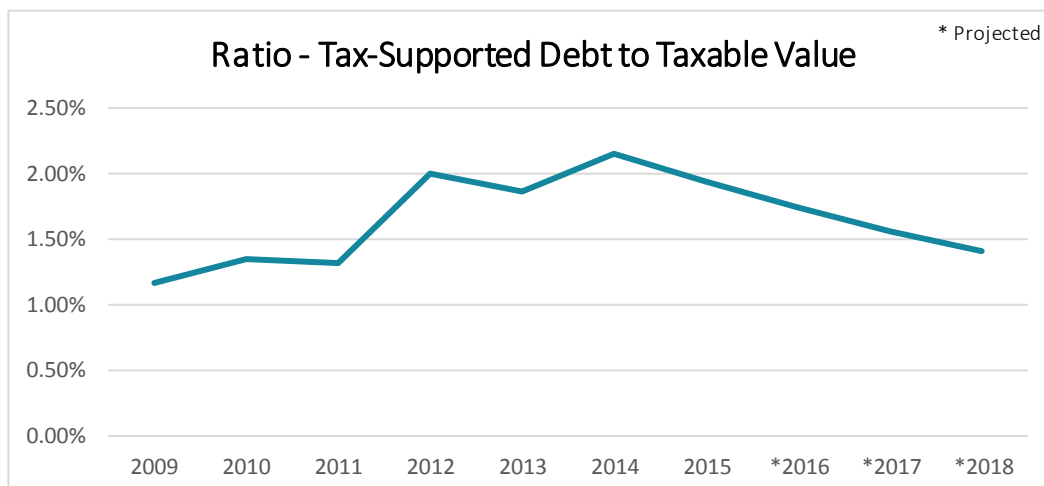
The City’s debt management objective is to maintain level debt service that does not adversely impact tax or utility rates and does not hinder the City’s ability to effectively operate the utility systems, street network, or other facilities. The City’s debt payments must stay within provisions of state law, bond covenants, and council adopted policies. All of these criteria and objectives are met with the debt financing proposed in this budget.

The City of Georgetown’s bonds are rated:

Rating Agency	General Obligation	Date Obtained	Utility Revenue	Date Obtained
Moody's	Aa2	4/23/2010	Aa2	4/23/2010
Standard & Poor's	AA+	10/19/2015	AA	4/21/2014

OUTSTANDING DEBT SUMMARY – BY TYPE AS OF OCTOBER 1, 2015

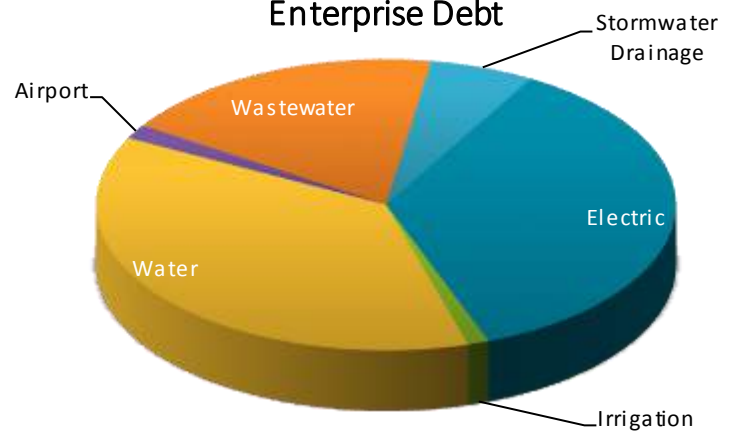
	Debt Outstanding	%	FY2016 Principal & Interest	FY2016 Handling Fees
GENERAL GOVERNMENT DEBT				
General Government Tax Supported Debt				
Certificate of Obligation and General Obligation Bonds:				
Streets and Transportation	23,585,600	21%	1,626,447	4,072
Parks and Recreation Facilities	11,972,846	11%	1,316,149	1,640
Public Safety	37,942,596	34%	2,925,762	2,668
Other City Facilities	30,979,218	28%	4,365,373	4,182
Total Gen. Gov. Tax Supported Debt	104,480,260		10,233,731	12,562
Certificates of Obligation Bonds - Self-Supporting: .				
Rivery TIRZ	6,470,000	8%	265,828	750
Total CO Bonds - Self Supporting	6,470,000		265,828	750
TOTAL GENERAL GOVERNMENT DEBT	110,950,260	94%	10,499,559	13,312
ENTERPRISE DEBT				
Utility Revenue Bonds:				
Electric	30,279,446	36%	3,470,507	3,568
Water Services				
Irrigation	997,720	1%	129,152	118
Water	31,319,097	37%	2,845,078	3,690
Wastewater	15,483,824	18%	1,650,536	1,824
Total Utility Revenue Debt	78,080,087		8,095,273	9,200
Certificates of Obligation Bonds - Self-Supporting ⁽²⁾				
Airport	1,333,595	2%	139,056	140
Stormwater Drainage	4,910,577	6%	595,294	1,117
Total CO Bonds - Self Supporting	6,244,173		734,350	1,257
TOTAL ENTERPRISE DEBT	84,324,260	100%	8,829,623	10,457
TOTAL CITY SUPPORTED DEBT	195,274,520		19,329,182	23,769
CONTRACTUAL OBLIGATIONS ⁽¹⁾				
Brazos River Authority (BRA) Contractual Obligator	33,873,792		1,836,398	
Total Contractual Obligations	33,873,792		1,836,398	
⁽¹⁾ Funds Georgetown's pro-rata share of the Williamson County Raw Water Line.				
⁽²⁾ Does not include CO's issued on behalf of the Georgetown Transportation Enhancement Corporation (GTEC) that are repaid through GTEC sales tax.				



General Government Tax Supported Debt



Enterprise Debt



LEGAL DEBT MARGIN FOR GENERAL OBLIGATIONS

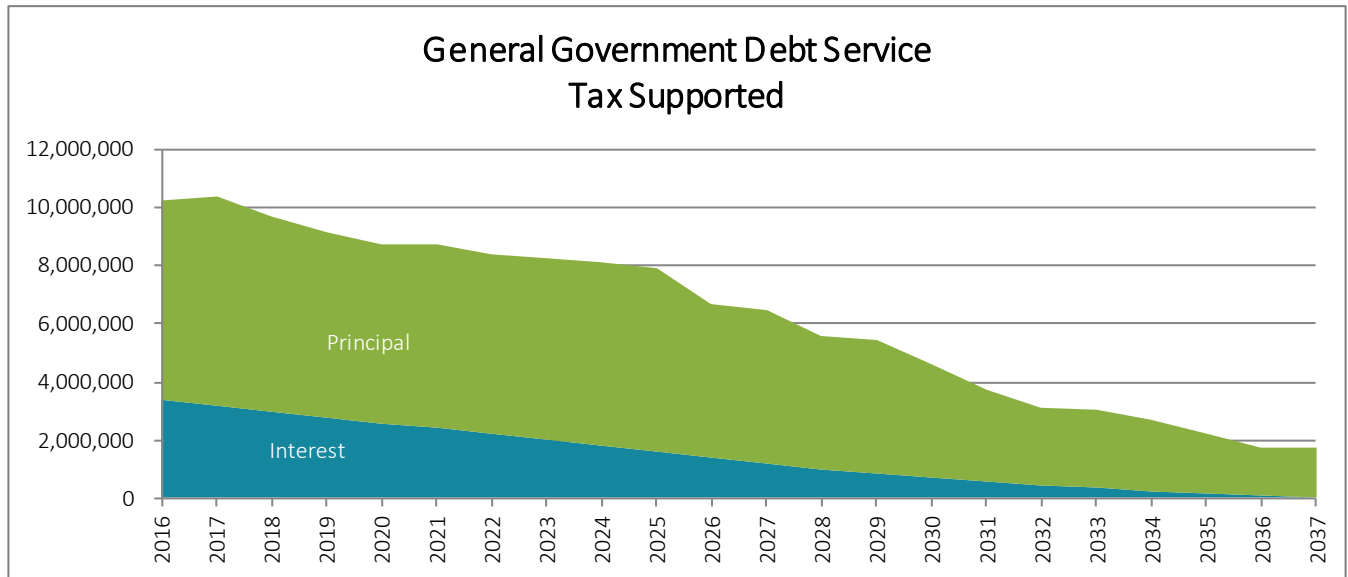
All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal and interest on the Bonds within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits the maximum ad valorem tax rate to \$2.50 per \$100 of assessed valuation (for all City purposes). The Charter of the City adopts the provisions of the constitution without further limitation. Under rules promulgated by the Office of the Attorney General of Texas, such office will not approve tax bonds for the City unless the City can demonstrate its ability to pay debt service requirements on all outstanding City tax bonds, including the issue to be approved, from a tax levy of \$1.50 per \$100 of valuation, based on 90% collection of tax.

Allowable levy per \$100 valuation	<u>\$1.50000</u>
Proposed levy for debt service (included in total adopted rate of \$0.434)	<u>0.22684</u>
Percentage of allowable levy used	<u>15.12%</u>

SUMMARY OF DEBT SERVICE CHARGES TO MATURITY

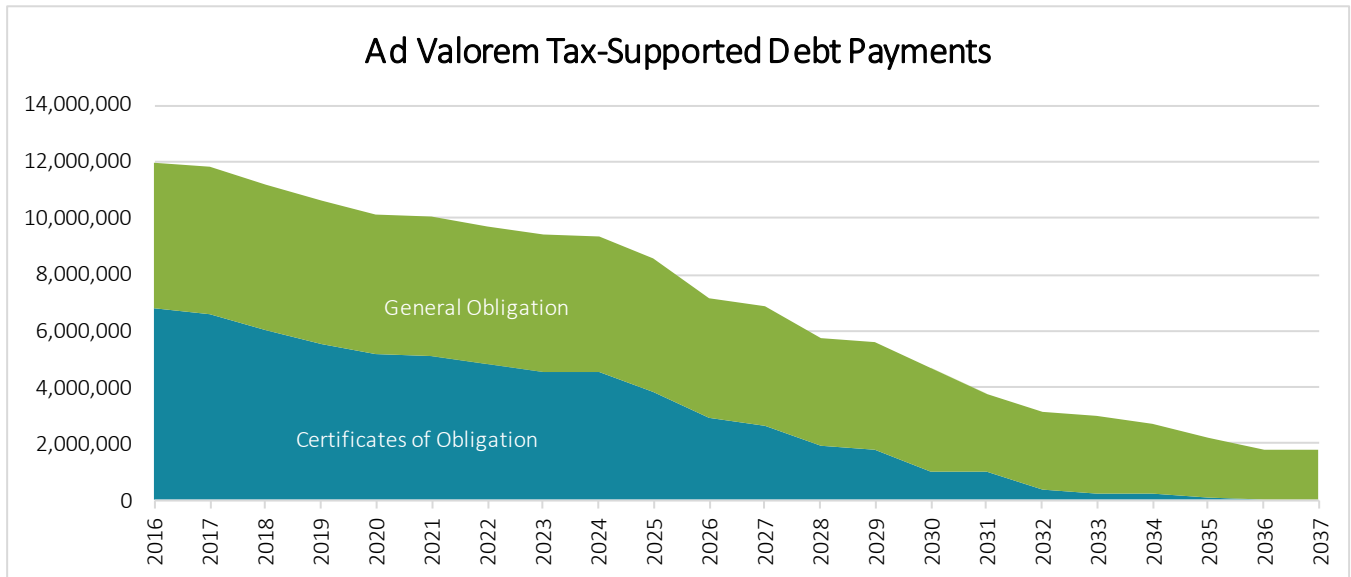
General Obligation Bonds and Certificates of Obligation – TAX SUPPORTED

Year Ending September 30	Outstanding Beginning of Year	Interest	Principal	Total Requirements
2016	104,480,260	3,362,083	6,871,645	10,233,728
2017	97,608,615	3,172,521	7,228,319	10,400,840
2018	90,380,296	2,963,667	6,715,088	9,678,755
2019	83,665,208	2,774,958	6,386,891	9,161,849
2020	77,278,317	2,596,029	6,167,838	8,763,866
2021	71,110,479	2,420,051	6,290,388	8,710,439
2022	64,820,091	2,233,589	6,129,781	8,363,371
2023	58,690,310	2,037,006	6,181,908	8,218,914
2024	52,508,402	1,827,315	6,305,979	8,133,294
2025	46,202,423	1,601,743	6,285,576	7,887,319
2026	39,916,847	1,374,951	5,306,332	6,681,283
2027	34,610,515	1,187,465	5,274,162	6,461,627
2028	29,336,353	1,001,512	4,545,425	5,546,937
2029	24,790,928	845,209	4,609,089	5,454,297
2030	20,181,839	682,481	3,926,063	4,608,544
2031	16,255,776	549,814	3,181,063	3,730,877
2032	13,074,713	442,097	2,636,567	3,078,664
2033	10,438,146	355,714	2,662,072	3,017,786
2034	7,776,074	266,608	2,421,074	2,687,682
2035	5,355,000	183,675	2,005,000	2,188,675
2036	3,350,000	113,913	1,645,000	1,758,913
2037	1,705,000	45,031	1,705,000	1,750,031
		32,037,432	104,480,260	136,517,692



AD VALOREM TAX-SUPPORTED DEBT PAYMENTS

Year Ending September 30	Certificates of Obligation	Less GTEC Portion*	Adjusted Net Certificates of Obligation	Voter Approved General Obligation Debt	Total Requirements
2016	6,772,909	(1,732,562)	5,040,348	5,193,380	10,233,728
2017	6,555,414	(1,445,822)	5,109,592	5,291,248	10,400,840
2018	6,032,823	(1,466,308)	4,566,515	5,112,240	9,678,755
2019	5,561,596	(1,475,042)	4,086,554	5,075,295	9,161,849
2020	5,210,194	(1,390,396)	3,819,798	4,944,068	8,763,866
2021	5,139,429	(1,373,136)	3,766,293	4,944,146	8,710,439
2022	4,797,972	(1,309,552)	3,488,421	4,874,950	8,363,371
2023	4,525,074	(1,204,554)	3,320,520	4,898,394	8,218,914
2024	4,514,474	(1,185,390)	3,329,084	4,804,210	8,133,294
2025	3,830,391	(659,159)	3,171,232	4,716,087	7,887,319
2026	2,899,029	(478,312)	2,420,717	4,260,566	6,681,283
2027	2,638,551	(399,615)	2,238,935	4,222,692	6,461,627
2028	1,940,555	(219,362)	1,721,193	3,825,744	5,546,937
2029	1,801,069	(174,228)	1,626,841	3,827,456	5,454,297
2030	1,035,797	(66,009)	969,788	3,638,756	4,608,544
2031	1,035,893	(64,059)	971,833	2,759,044	3,730,877
2032	382,505	(64,609)	317,896	2,760,769	3,078,664
2033	253,448	-	253,448	2,764,338	3,017,786
2034	259,163	-	259,163	2,428,519	2,687,682
2035	119,169	-	119,169	2,069,506	2,188,675
2036	-	-	-	1,758,913	1,758,913
2037	-	-	-	1,750,031	1,750,031
	65,305,457	(14,708,116)	50,597,341	85,920,351	136,517,692



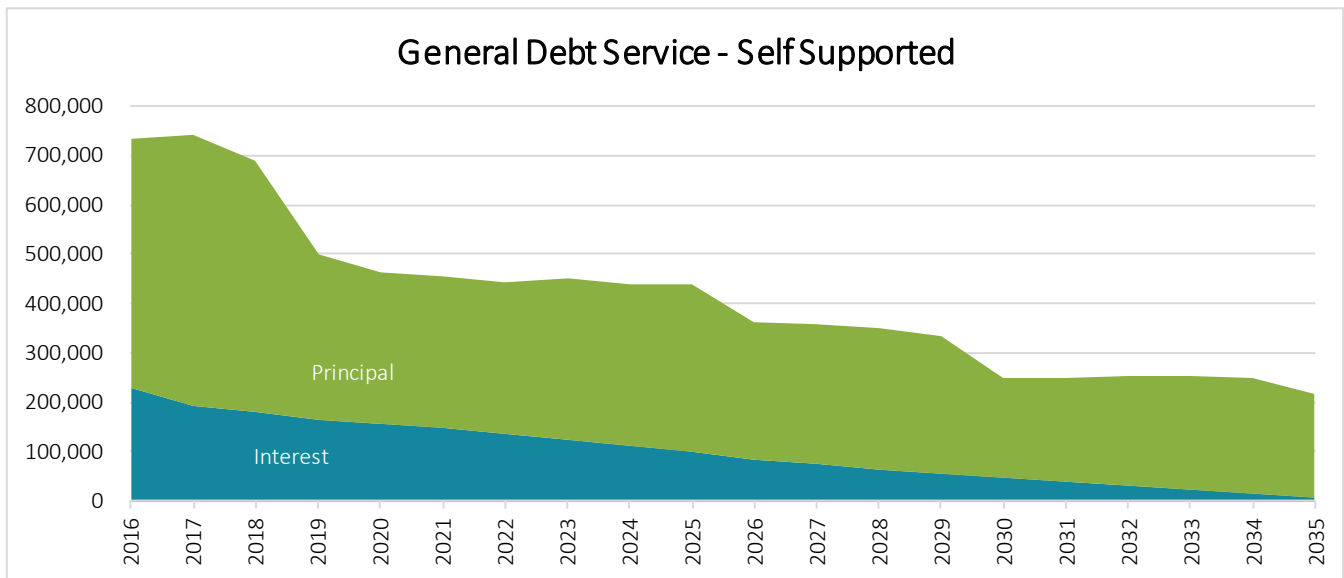
*GTEC Debt is self-supporting Certificates of Obligation (CO Bonds) repaid through dedicated sales tax revenue.

SUMMARY OF DEBT SERVICE CHARGES TO MATURITY

Certificates of Obligation – SELF-SUPPORTING – Enterprise Funds (Airport & Stormwater Drainage)

Debt issued for specific purpose and repaid through dedicated revenues

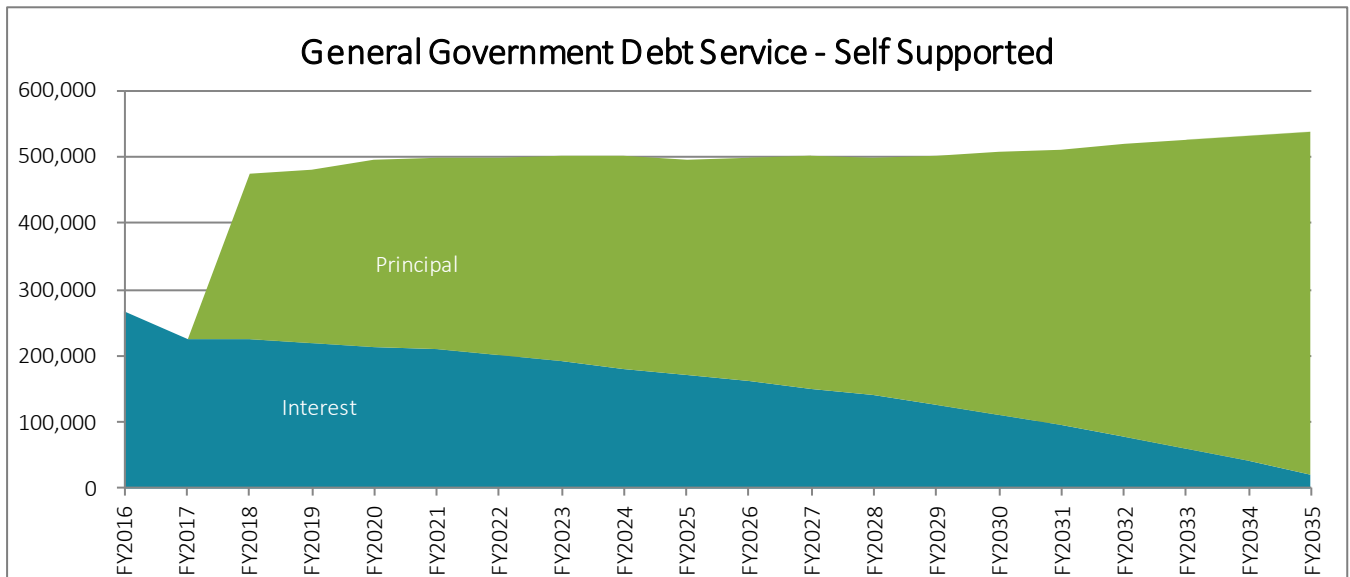
Year Ending September 30	Outstanding Beginning of Year	Interest	Principal	Total Requirements
2016	6,244,171	226,955	507,396	734,351
2017	5,736,775	194,215	546,235	740,450
2018	5,190,540	178,985	509,667	688,651
2019	4,680,873	164,274	335,525	499,799
2020	4,345,348	156,032	307,831	463,864
2021	4,037,516	147,726	309,104	456,830
2022	3,728,413	136,534	305,684	442,217
2023	3,422,729	124,613	324,672	449,285
2024	3,098,057	111,142	328,669	439,812
2025	2,769,388	97,407	339,569	436,976
2026	2,429,819	83,219	278,210	361,429
2027	2,151,609	74,063	284,017	358,080
2028	1,867,592	64,692	283,992	348,685
2029	1,583,600	55,049	277,939	332,988
2030	1,305,661	45,559	203,937	249,496
2031	1,101,724	38,895	208,937	247,832
2032	892,787	31,844	220,933	252,776
2033	671,854	24,111	227,928	252,039
2034	443,926	16,092	233,926	250,018
2035	210,000	7,613	210,000	217,613
		1,979,021	6,244,171	8,223,192



SUMMARY OF DEBT SERVICE CHARGES TO MATURITY

Certificates of Obligation – SELF-SUPPORTING – Tax Increment Reinvestment Zones (TIRZ)

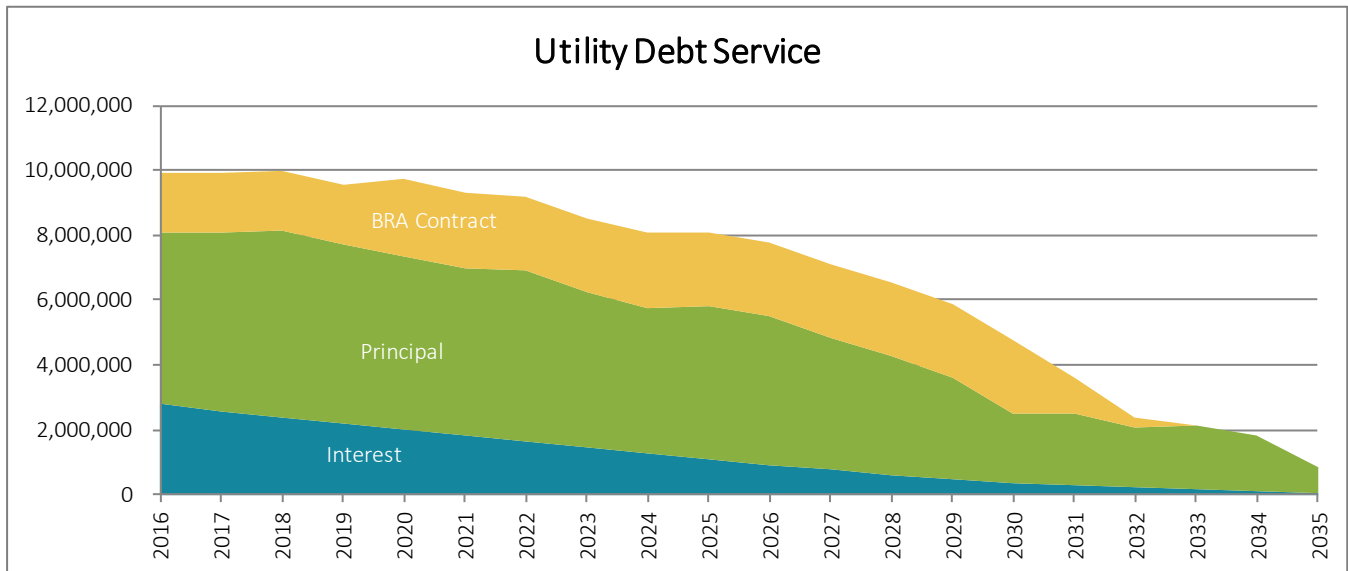
Year Ending September 30	Outstanding Beginning of Year	Interest	Principal	Total Requirements
FY2016	6,470,000	265,828	-	265,828
FY2017	6,470,000	224,643	-	224,643
FY2018	6,470,000	224,643	250,000	474,643
FY2019	6,220,000	219,643	260,000	479,643
FY2020	5,960,000	214,443	280,000	494,443
FY2021	5,680,000	208,843	290,000	498,843
FY2022	5,390,000	202,695	295,000	497,695
FY2023	5,095,000	190,895	310,000	500,895
FY2024	4,785,000	181,595	320,000	501,595
FY2025	4,465,000	171,995	325,000	496,995
FY2026	4,140,000	162,245	335,000	497,245
FY2027	3,805,000	151,525	350,000	501,525
FY2028	3,455,000	139,625	360,000	499,625
FY2029	3,095,000	126,665	375,000	501,665
FY2030	2,720,000	111,665	395,000	506,665
FY2031	2,325,000	95,865	415,000	510,865
FY2032	1,910,000	79,265	440,000	519,265
FY2033	1,470,000	61,005	465,000	526,005
FY2034	1,005,000	41,708	490,000	531,708
FY2035	515,000	21,373	515,000	536,373
Total		3,096,163	6,470,000	9,566,163



UTILITY DEBT

Revenue Bonds issued to finance construction of electric, water, and wastewater improvements, and secured by the net operating revenue of all combined utilities. The allocation of debt principal is based on the use of each bond issue. Each utility pays debt service from operating revenues. The Brazos River Authority Contractual Obligations are the liability of the Water Services Fund.

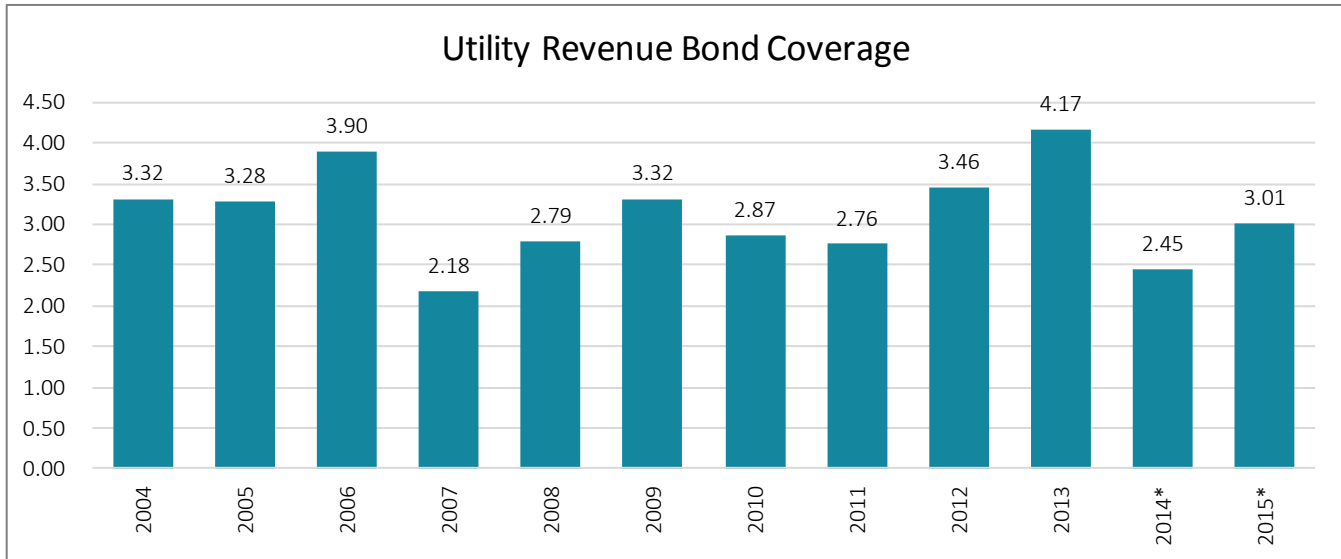
Year Ending September 30	Outstanding Beginning of	Interest	Principal	Total Requirements	BRA Contract
2016	78,080,087	2,778,104	5,317,169	8,095,273	1,836,398
2017	72,762,918	2,531,717	5,565,826	8,097,543	1,835,374
2018	67,197,092	2,369,125	5,790,826	8,159,951	1,834,234
2019	61,406,266	2,192,074	5,532,045	7,724,119	1,818,222
2020	55,874,221	2,004,056	5,337,592	7,341,648	2,371,890
2021	50,536,629	1,816,935	5,180,030	6,996,965	2,277,352
2022	45,356,598	1,632,778	5,273,687	6,906,466	2,273,009
2023	40,082,911	1,449,049	4,801,869	6,250,918	2,276,986
2024	35,281,041	1,268,343	4,507,665	5,776,008	2,271,146
2025	30,773,376	1,096,642	4,688,884	5,785,526	2,278,252
2026	26,084,492	923,331	4,583,212	5,506,543	2,269,972
2027	21,501,280	755,566	4,092,541	4,848,107	2,274,261
2028	17,408,739	612,034	3,673,760	4,285,794	2,274,571
2029	13,734,979	481,892	3,104,979	3,586,871	2,279,158
2030	10,630,000	376,505	2,120,000	2,496,505	2,275,635
2031	8,510,000	308,029	2,200,000	2,508,029	1,119,659
2032	6,310,000	233,256	1,855,000	2,088,256	307,674
2033	4,455,000	169,306	1,930,000	2,099,306	-
2034	2,525,000	96,962	1,730,000	1,826,962	-
2035	795,000	29,750	795,000	824,750	-
		23,125,453	78,080,087	101,205,541	33,873,792



UTILITY REVENUE BOND DEBT COVERAGE

The City has agreed, through its bond ordinances, to maintain a minimum “times coverage” ratio of 1.25. The ordinance allows the City to eliminate its reserve fund requirement with coverage of 1.35 or better. The times ratio is calculated using the net revenue available for debt service from the combined Water, Electric, and Wastewater utilities’ operations divided by the combined debt service requirement of both the Electric and Water Service Funds. The times coverage ratio is also reviewed by bond rating agency analysts when the City receives a rating for a potential utility bond issue.

The following combined times coverage ratios have occurred, based on actual revenues and expenditures, for the fiscal years indicated:



The FY2016 Annual Budget provides the revenue to debt ratios shown below. The City’s Fiscal and Budgetary Policy requires that each utility maintain separate coverage of at least 1.5. The excess coverage provided by each fund is used to pay for related utility system capital improvements and other uses approved by the City Council.

	Water Services Fund	Electric Fund	Total
REVENUE			
All Other Revenue	9,455,733	1,782,350	11,238,083
Interest	119,232	17,425	136,657
System Billings	32,243,822	63,400,000	95,643,822
Total Revenues	41,818,787	65,199,775	107,018,562
EXPENSES			
Departments	27,428,713	49,786,179	77,214,892
Total Expenditures	27,428,713	49,786,179	77,214,892
Net Available for Debt Service	14,390,074	15,413,596	29,803,670
Annual Debt Requirement	4,635,034	3,487,307	8,122,341
Times Coverage Ratio	3.10	4.42	3.67

PROPOSED DEBT ISSUES

Outstanding Debt Summary	Outstanding 9/30/15 Debt Principal	FY2016 Principal Reduction	Estimated FY2016 New Debt	Estimated 9/30/16 Outstanding Debt
TAX SUPPORTED DEBT				
General Debt Service				
General Obligation/Certificates of Obligation	104,480,260	(6,871,645)	27,548,049	125,156,664
SELF SUPPORTED DEBT				
General Debt Service				
Rivery TIRZ	6,470,000	-	-	6,470,000
Electric	-	-	950,000	950,000
Water	-	-	950,000	950,000
Stormwater	4,910,577	(416,752)	250,000	4,743,825
Airport	1,333,596	(90,644)	-	1,242,952
Total General Debt Service	117,194,433	(7,379,041)	29,698,049	139,513,441
Utility Revenue Debt				
Electric	30,279,446	(2,407,500)	1,795,000	29,666,946
Irrigation	997,720	(89,840)	-	907,880
Wastewater	15,483,824	(1,033,745)	5,548,000	19,998,079
Water	31,319,097	(1,786,084)	2,462,000	31,995,013
Total Utility Revenue Debt	78,080,087	(5,317,169)	9,805,000	82,567,918
Issuance Costs			481,000	

GENERAL DEBT: Long-term obligations are proposed to fund capital projects as detailed below:

General Debt	
GO - Roads - Southwest Bypass	20,000,000
GO - Parks projects	4,700,000
CO - Austin Ave Bridges	675,000
CO - Facility/parks projects	1,224,049
CO - Public safety vehicles	949,000
Total Projected General Debt	27,548,049
Self-Supporting Debt	
CO - Electric	950,000
CO - Water	950,000
CO - Stormwater	250,000
Total Self-Supporting Debt	2,150,000
Utility Debt	
Revenue - Electric	1,795,000
Revenue - Water/Wastewater	8,010,000
Total Utility Debt	9,805,000
Issuance Costs	481,000
Total City-wide Debt Issue	39,984,049

AUTHORIZED GENERAL OBLIGATION DEBT

General Obligation Bonds (GO's)

General obligation bonds must be authorized by a vote of the citizens of Georgetown. They are used only to fund capital assets of the general government and are not to be used to fund operating needs of the City. The full faith and credit of the City as well as the City's ad valorem taxing authority back general obligation bonds. Conditions for issuance of the general obligation debt include:

- When the project will have a significant impact on the tax rate;
- When the project may be controversial even through it is routine in nature; or
- When the project falls outside the normal bounds of projects the City has typically done.

General Obligation Debt Authorized by the Voters	2008 Roads	2008 Parks	2015 Roads	Total
Amount Authorized by the Voters	46,000,000	35,500,000	105,000,000	186,500,000
Year & Issue				
2010	1,370,000	-	-	1,370,000
2010A	9,430,000	2,500,000	-	11,930,000
2012	-	-	-	-
2012A	-	-	-	-
2013	-	5,000,000	-	5,000,000
2014	4,800,000	-	-	4,800,000
2015	4,450,000	-	-	4,450,000
Total Issued	20,050,000	7,500,000	-	27,550,000
Authorization Remaining	25,950,000	28,000,000	105,000,000	158,950,000



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