

Debt



Debt Table of Contents

Debt Management & Policy	275
Outstanding Debt Summary	276
General Debt Service	
Outstanding Debt By Type	277
Legal Debt Margin for General Obligation	277
Principal & Interest Requirements -Tax-Supported.....	278
Principal & Interest Requirements - Self-Supporting.....	280
Utility Debt Service	
Principal & Interest Requirements.....	281
Utility Revenue Bond Debt Coverage.....	282
Proposed Debt Issues	283
Authorized General Obligation Debt.....	284

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 can not exceed \$0.04 for short-term debt (3-10 years)."

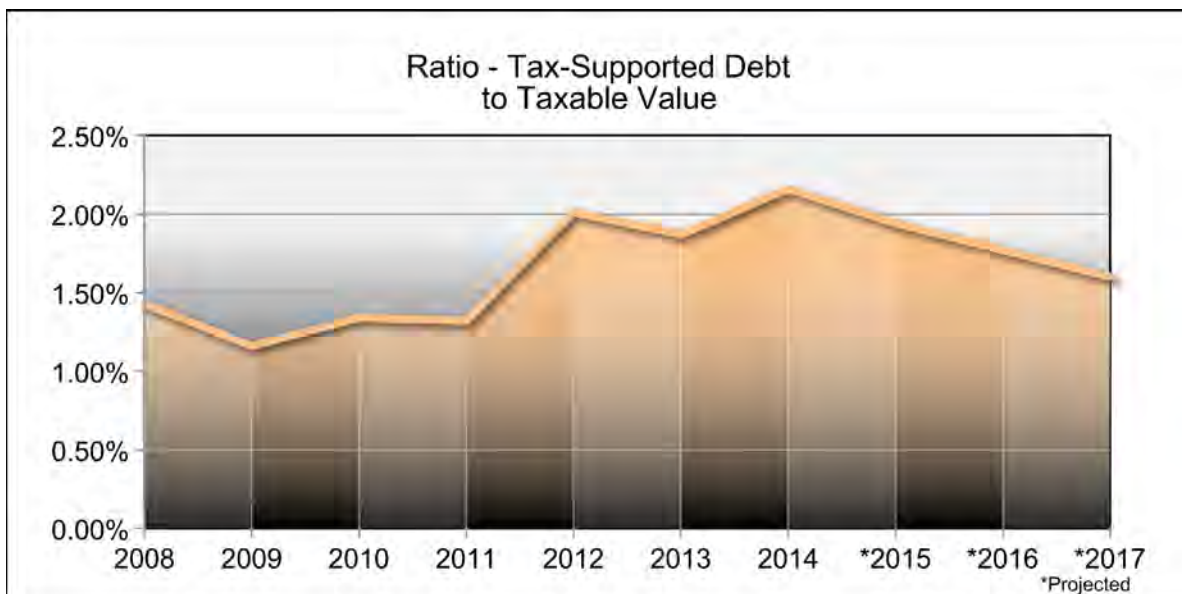
The City's debt management objective is to maintain level debt service that does not adversely impact tax or utility rates and does not hinder the City's ability to effectively operate the utility systems, street network, or other facilities. The City's debt payments must stay within provisions of state 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:

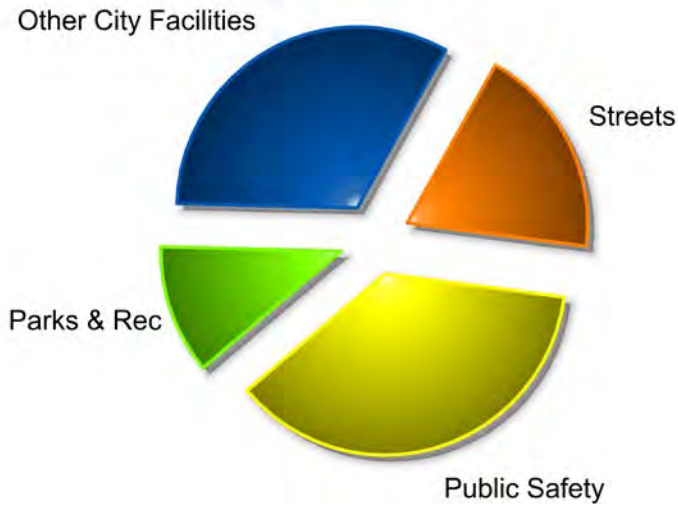
	General Obligation	<i>Date Obtained</i>	Utility Revenue	<i>Date Obtained</i>
Moody's	Aa2	4/23/2010	Aa2	4/23/2010
Standard & Poor's	AA+	4/29/2009	AA	4/21/2014

Outstanding Debt Summary - By Type as of October 1, 2014

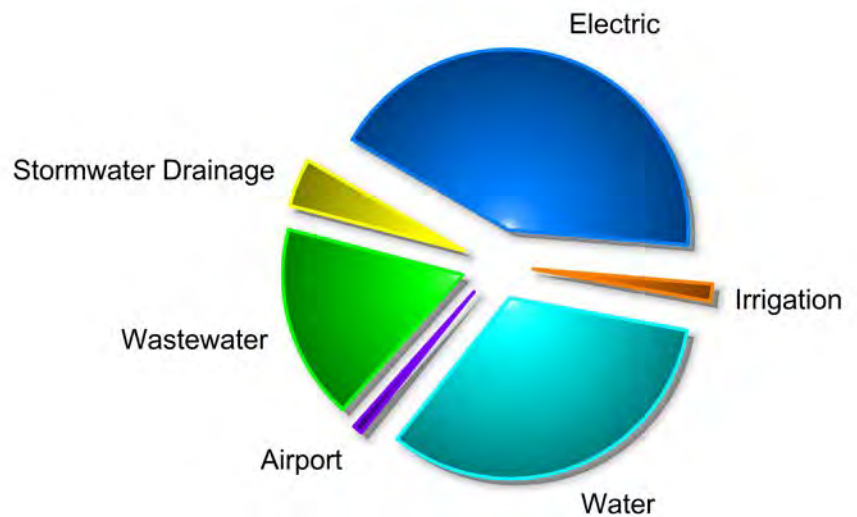
	Debt <u>Outstanding</u>	%	2014/2015 <u>Principal & Interest</u>	2014/2015 <u>Handling Fees</u>
GENERAL GOVERNMENT TAX SUPPORTED DEBT:				
Certificate of Obligation and General Obligation Bonds:				
Streets and Transportation	19,481,450	19%	1,137,232	2,335
Parks and Recreation Facilities	11,857,022	12%	1,258,334	1,450
Public Safety	37,979,240	37%	2,753,655	2,153
Other City Facilities	33,738,590	33%	4,414,479	4,497
TOTAL TAX SUPPORTED DEBT	103,056,303	100%	9,563,699	10,435
ENTERPRISE DEBT:				
Utility Revenue Bonds:				
Electric	30,160,530	43%	3,573,771	2,992
Water Services				
Irrigation	1,084,880	2%	129,233	108
Water	23,077,210	33%	2,505,463	2,289
Wastewater	12,215,731	17%	1,805,120	1,212
Total Utility Revenue Debt	66,538,351		8,013,587	6,600
Certificates of Obligation Bonds - Self-Supporting: (2)				
Airport	603,846	1%	165,223	88
Stormwater Drainage	3,012,205	4%	429,344	670
Total CO Bonds - Self Supporting	3,616,051		594,566	758
TOTAL ENTERPRISE DEBT	70,154,402	100%	8,608,153	7,358
TOTAL CITY SUPPORTED DEBT	173,210,705		18,171,853	17,792
CONTRACTUAL OBLIGATIONS (1):				
Brazos River Authority (BRA) Contractual Obligation	23,708,328		1,061,110	
Total Contractual Obligations	23,708,328		1,061,110	
<i>(1) Funds Georgetown's pro-rata share of the Williamson County Raw Water Line.</i>				
<i>(2) Does not include CO's issued on behalf of the Georgetown Transportation Enhancement Corporation (GTEC) that are repaid through GTEC sales tax.</i>				



General Government Tax Supported Debt



Enterprise Debt



Legal Debt Margin for General Obligations:

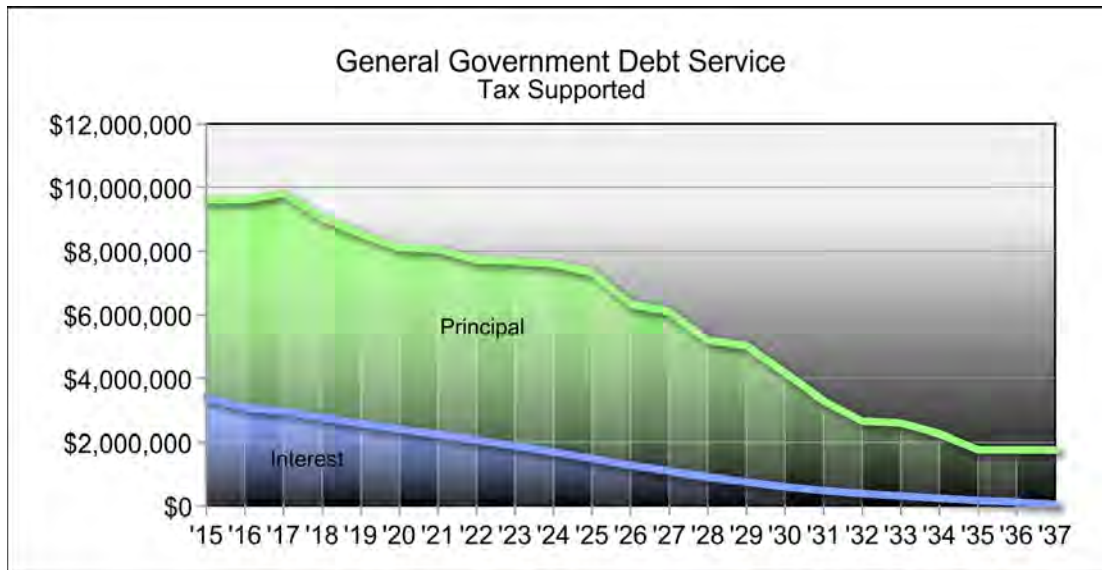
All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal and interest on the Bonds within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits the maximum ad valorem tax rate to \$2.50 per \$100 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 of 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>0.22662</u>
Percentage of allowable levy used	<u>15.11%</u>

Summary of Debt Service Charges to Maturity

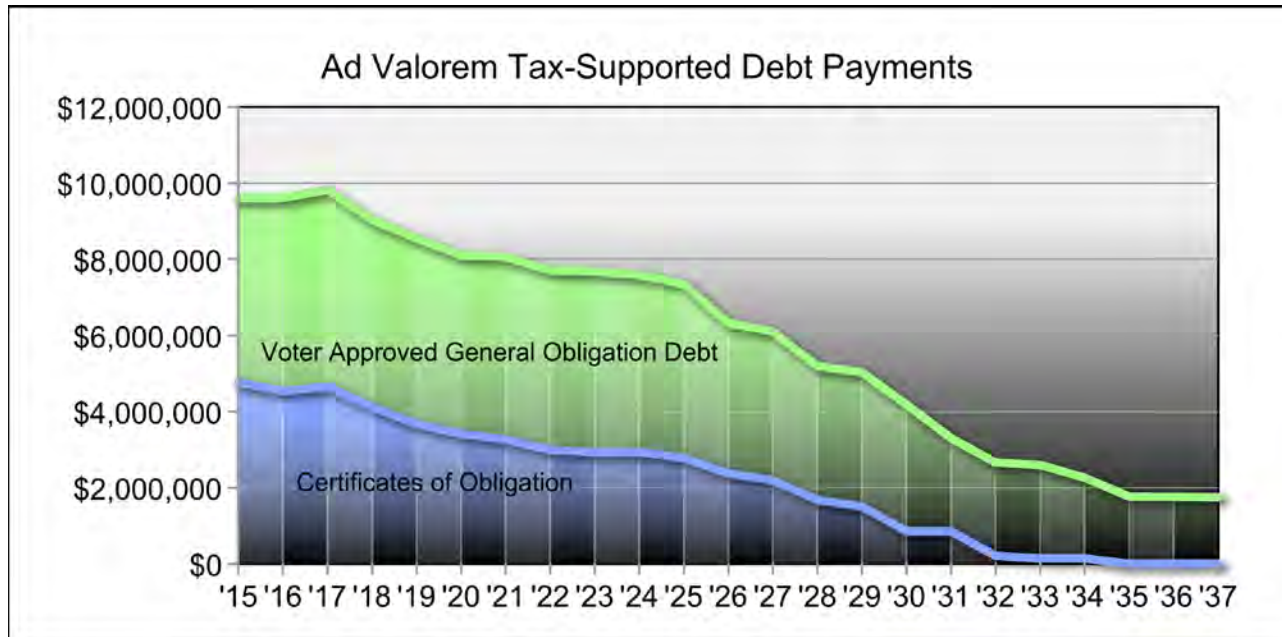
General Obligation Bonds and Certificates of Obligation – TAX SUPPORTED

Year Ending September 30	Outstanding Beginning of Year	Interest	Principal	Total Requirements
2015	103,056,309	3,415,929	6,194,650	9,610,579
2016	96,861,659	3,076,688	6,537,815	9,614,503
2017	90,323,844	2,978,685	6,843,910	9,822,595
2018	83,479,934	2,768,385	6,267,766	9,036,151
2019	77,212,168	2,584,002	5,962,751	8,546,753
2020	71,249,417	2,406,402	5,693,609	8,100,012
2021	65,555,807	2,244,583	5,813,706	8,058,289
2022	59,742,101	2,070,903	5,637,108	7,708,011
2023	54,104,993	1,890,373	5,783,971	7,674,344
2024	48,321,022	1,693,840	5,894,136	7,587,976
2025	42,426,886	1,482,060	5,859,564	7,341,624
2026	36,567,322	1,267,156	5,056,578	6,323,734
2027	31,510,744	1,084,856	5,016,594	6,101,451
2028	26,494,150	903,993	4,288,222	5,192,215
2029	22,205,928	753,165	4,274,089	5,027,254
2030	17,931,839	601,206	3,581,063	4,182,269
2031	14,350,776	480,064	2,821,063	3,301,127
2032	11,529,713	384,497	2,271,567	2,656,064
2033	9,258,146	310,889	2,287,072	2,597,961
2034	6,971,074	235,251	2,026,074	2,261,325
2035	4,945,000	167,706	1,595,000	1,762,706
2036	3,350,000	113,913	1,645,000	1,758,913
2037	1,705,000	45,031	1,705,000	1,750,031
		32,959,579	103,056,309	136,015,888



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
2015	6,492,912	(1,732,572)	4,760,340	4,850,238	9,610,579
2016	6,225,208	(1,686,759)	4,538,450	5,076,053	9,614,503
2017	6,050,002	(1,397,506)	4,652,495	5,170,099	9,822,595
2018	5,610,722	(1,491,564)	4,119,157	4,916,993	9,036,151
2019	5,132,877	(1,467,449)	3,665,428	4,881,325	8,546,753
2020	4,851,773	(1,441,217)	3,410,556	4,689,456	8,100,012
2021	4,692,582	(1,428,569)	3,264,013	4,794,276	8,058,289
2022	4,353,047	(1,366,796)	2,986,251	4,721,760	7,708,011
2023	4,189,638	(1,262,313)	2,927,325	4,747,019	7,674,344
2024	4,175,717	(1,242,275)	2,933,441	4,654,535	7,587,976
2025	3,494,196	(715,658)	2,778,538	4,563,087	7,341,624
2026	2,805,903	(434,434)	2,371,469	3,952,266	6,323,734
2027	2,544,814	(354,355)	2,190,459	3,910,992	6,101,451
2028	1,850,361	(174,090)	1,676,271	3,515,944	5,192,215
2029	1,681,481	(174,228)	1,507,254	3,520,000	5,027,254
2030	919,179	(66,009)	853,169	3,329,100	4,182,269
2031	917,362	(64,059)	853,302	2,447,825	3,301,127
2032	267,349	(64,609)	202,739	2,453,325	2,656,064
2033	141,792	-	141,792	2,456,169	2,597,961
2034	141,007	-	141,007	2,120,319	2,261,325
2035	-	-	-	1,762,706	1,762,706
2036	-	-	-	1,758,913	1,758,913
2037	-	-	-	1,750,031	1,750,031
	66,537,920	(16,564,462)	49,973,457	86,042,431	136,015,888



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

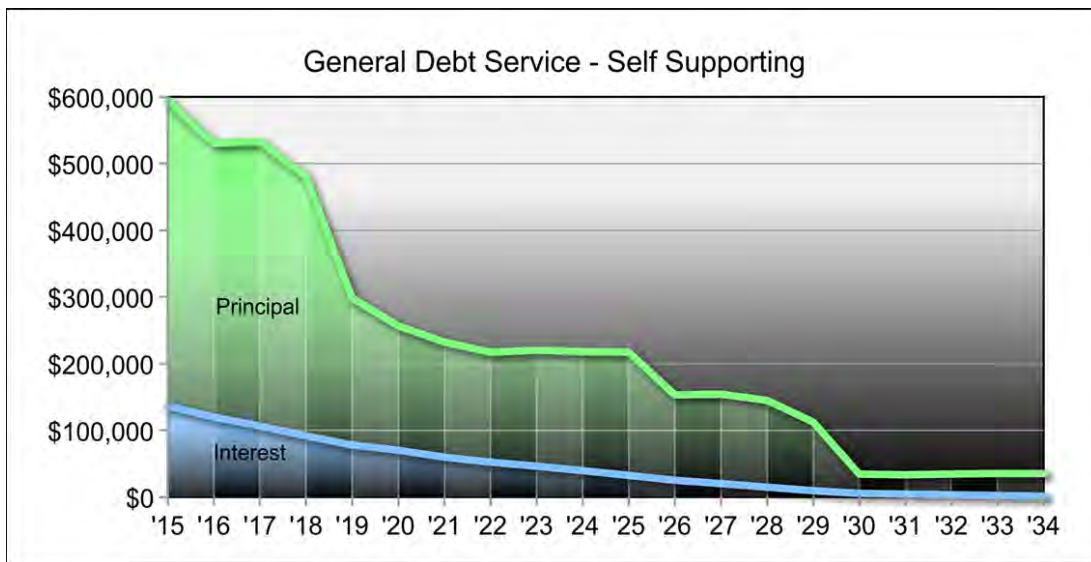
Summary of Debt Service Charges to Maturity

Certificates of Obligation – SELF SUPPORTING – Enterprise Funds

(Airport & Stormwater Drainage)

Debt issued for specific purpose and repaid through dedicated revenues

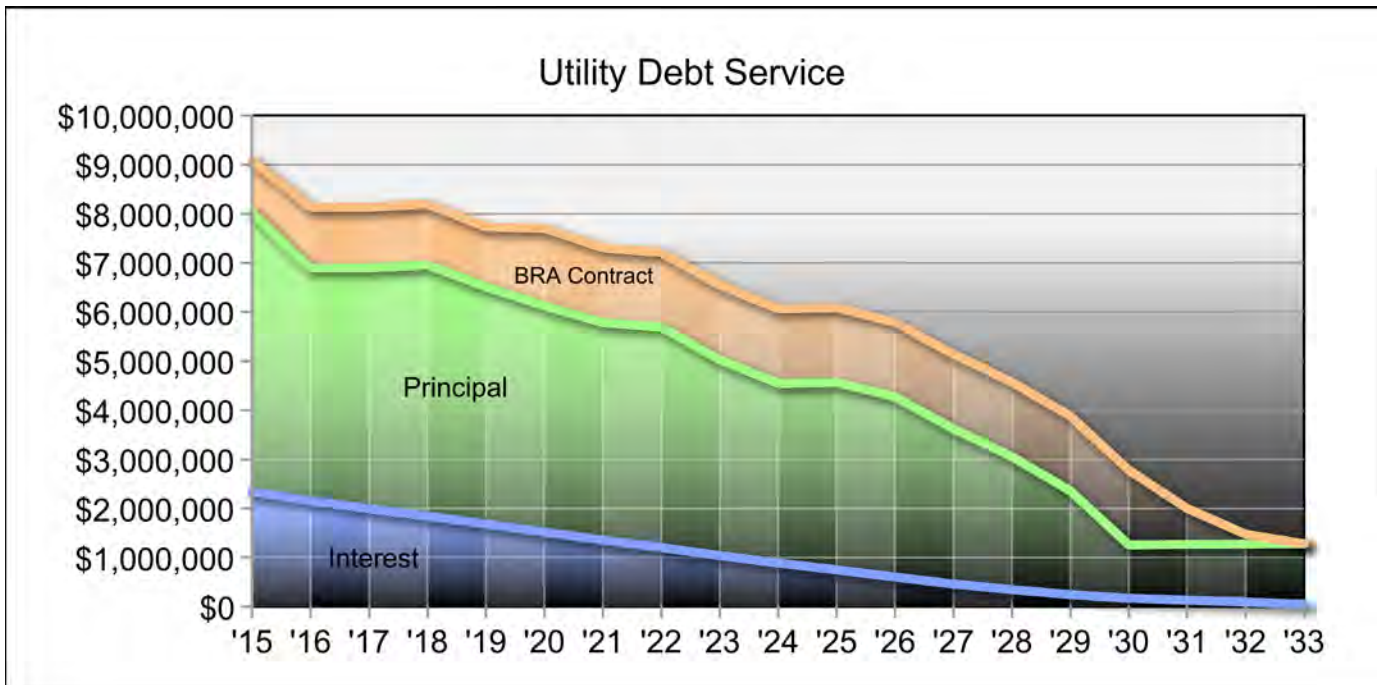
Year Ending September 30	Outstanding Beginning of Year	Interest	Principal	Total Requirements
2015	3,616,051	136,349	458,216	594,566
2016	3,157,835	119,854	410,899	530,753
2017	2,746,935	106,306	426,608	532,914
2018	2,320,327	91,704	388,050	479,754
2019	1,932,278	78,011	220,409	298,419
2020	1,711,869	70,182	186,466	256,648
2021	1,525,403	59,842	172,443	232,284
2022	1,352,961	52,252	164,836	217,088
2023	1,188,124	46,239	173,908	220,147
2024	1,014,216	39,493	178,577	218,070
2025	835,640	32,445	184,757	217,202
2026	650,882	25,122	127,991	153,113
2027	522,891	20,078	134,194	154,271
2028	388,698	14,752	130,098	144,850
2029	258,600	9,480	102,939	112,419
2030	155,661	5,459	28,937	34,396
2031	126,724	4,483	28,937	33,420
2032	97,787	3,506	30,933	34,439
2033	66,854	2,423	32,928	35,352
2034	33,926	1,230	33,926	35,156
		919,209	3,616,051	4,535,261



Summary of Utility Debt Service Charges to Maturity

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 Year	Interest	Principal	Total Requirements	BRA Contract
2015	665,338,351	2,340,323	5,673,264	8,013,587	1,061,110
2016	659,665,087	2,148,830	4,747,169	6,895,999	1,237,584
2017	654,917,918	1,989,981	4,905,826	6,895,807	1,237,500
2018	650,012,092	1,842,089	5,115,826	6,957,915	1,237,499
2019	644,896,266	1,681,688	4,827,045	6,508,733	1,219,092
2020	640,069,221	1,516,069	4,607,592	6,123,662	1,583,349
2021	635,461,629	1,354,998	4,425,030	5,780,029	1,524,296
2022	631,036,598	1,200,942	4,488,687	5,689,629	1,518,758
2023	626,547,911	1,038,912	3,986,869	5,025,782	1,520,636
2024	622,561,041	886,881	3,657,665	4,544,546	1,519,178
2025	618,903,376	748,281	3,813,884	4,562,165	1,524,631
2026	615,089,492	600,294	3,673,212	4,273,507	1,511,318
2027	611,416,280	459,829	3,157,541	3,617,370	1,520,159
2028	608,258,739	344,348	2,708,760	3,053,108	1,517,615
2029	605,549,979	242,006	2,114,979	2,356,985	1,522,931
2030	603,435,000	167,794	1,090,000	1,257,794	1,521,024
2031	602,345,000	130,869	1,135,000	1,265,869	730,823
2032	601,210,000	92,100	1,180,000	1,272,100	200,825
2033	600,030,000	47,175	1,230,000	1,277,175	-
		18,833,409	66,538,351	85,371,760	23,708,328

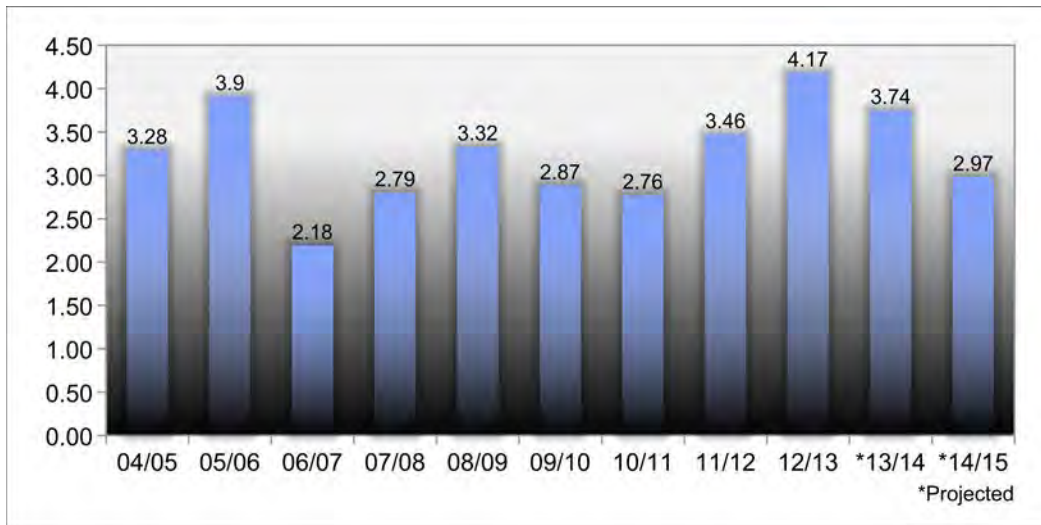


Utility Revenue Bond Debt Coverage

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:

UTILITY REVENUE BOND COVERAGE



The 2014/15 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	4,385,108	4,395,917	8,781,025
Interest	67,600	26,000	93,600
System Billings	25,098,634	62,318,107	87,416,741
Total Revenues	29,551,342	66,740,024	96,291,366
EXPENSES:			
Departments	19,477,049	52,361,263	71,838,312
Total Expenditures	19,477,049	52,361,263	71,838,312
Net Available for Debt Service	10,074,293	14,378,761	24,453,054
Annual Debt Requirement	4,562,116	3,659,699	8,221,815
Times Coverage Ratio	2.21	3.93	2.97

Proposed Debt Issues:

	Outstanding 9/30/14 Debt Principal	14/15 Principal Reduction	Estimated 2015 New Debt	Estimated 9/30/15 Outstanding Debt
TAX SUPPORTED DEBT:				
<i>General Debt Service:</i>				
General Obligation/Certificates of Obligation	103,056,302	(6,194,650)	7,985,000	104,846,652
SELF SUPPORTED DEBT:				
<i>General Debt Service:</i>				
Fire-based Paramedic Program	-	-	400,000	400,000
Conservation	-	-	750,000	750,000
Stormwater	3,012,205	(318,493)	2,215,000	4,908,712
Airport	603,846	(139,724)	-	464,122
total GDS:	106,672,353	(6,652,867)	11,350,000	111,369,486
<i>Utility Revenue Debt:</i>				
Electric	30,160,531	(2,526,270)	5,723,000	33,357,261
Irrigation	1,084,880	(87,160)	-	997,720
Wastewater	12,215,731	(1,334,213)	7,990,000	18,871,518
Water	23,077,210	(1,725,621)	-	21,351,589
total Utility Revenue Debt:	66,538,352	(5,673,264)	13,713,000	74,578,088
Issuance Costs:			376,000	
TOTAL OUTSTANDING DEBT:	173,210,705	(12,326,131)	25,439,000	185,947,574

General Debt:

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

General Debt:	
GO - 1460 Widening, final payment	4,371,000
CO - Downtown projects	694,000
CO - Parks projects	1,150,000
CO - Airport	870,000
CO - Equipment & public safety vehicles	900,000
Total Projected General Debt	7,985,000
Self Supporting Debt:	
CO - TRV's - Fire-based Paramedic Program	400,000
CO - Stormwater	2,215,000
CO - Westside Service Center - Conservation	750,000
Total Projected Self Supporting Debt	3,365,000
Utility Debt:	
Revenue - Electric	5,723,000
Revenue - Water/Wastewater	7,990,000
Total Projected Utility Debt	13,713,000
Issuance Costs	376,000
TOTAL CITY-WIDE DEBT ISSUE	25,439,000

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 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	Roads	Parks	Public Safety Facility	Total
Year Authorized by the Voters				
2008	\$ 46,000,000	\$ 35,500,000	\$ -	\$ 81,500,000
2011	-	-	29,500,000	29,500,000
Total Authorized	46,000,000	35,500,000	29,500,000	111,000,000
Year & Issue				
2010	1,370,000	-	-	1,370,000
2010A	9,430,000	2,500,000	-	11,930,000
2012	-	-	12,500,000	12,500,000
2012A	-	-	12,500,000	12,500,000
2013	-	5,000,000	4,500,000	9,500,000
2014	4,800,000	-	-	4,800,000
Total Issued	15,600,000	7,500,000	29,500,000	52,600,000
Authorization Remaining	\$ 30,400,000	\$ 28,000,000	\$ -	\$ 58,400,000