

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 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:

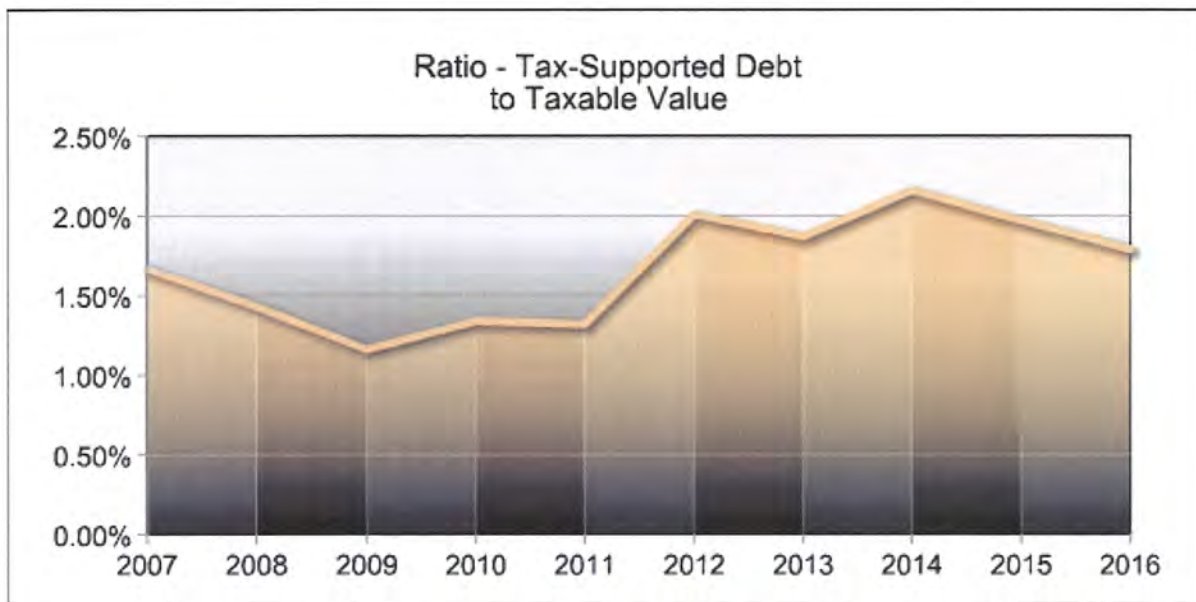
	General Obligation	Date Obtained	Utility Revenue	Date Obtained
Moody's	AA2	4/23/2010	AA2	4/23/2010
Standard & Poor's	AA+	4/29/2009	AA-	4/29/2009
Fitch	AA+	4/30/2010	AA-	4/30/2010

Outstanding Debt Summary - By Type as of October 1, 2013

	Debt Outstanding	%	2013/2014 Principal & Interest	2013/2014 Handling Fees
GENERAL GOVERNMENT TAX SUPPORTED DEBT:				
Certificate of Obligation and General Obligation Bonds:				
Streets and Transportation	15,298,057	15%	844,219	1,830
Parks and Recreation Facilities	16,268,654	16%	1,416,497	1,050
Public Safety	40,245,855	39%	2,790,170	2,152
Other City Facilities	30,524,793	30%	4,267,953	4,115
TOTAL TAX SUPPORTED DEBT	102,337,359	100%	9,318,838	9,147
ENTERPRISE DEBT:				
Utility Revenue Bonds:				
Electric	26,473,415	43%	3,147,941	2,991
Water Services				
Irrigation	1,184,772	2%	145,456	134
Water	17,253,521	28%	1,900,084	1,949
Wastewater	13,503,513	22%	1,900,328	1,526
Total Utility Revenue Debt	58,415,221		7,093,809	6,600
Certificates of Obligation Bonds - Self-Supporting: (2)				
Airport	741,968	1%	168,814	87
Stormwater Drainage	2,849,705	5%	399,701	561
Total CO Bonds - Self Supporting	3,591,673		568,515	648
TOTAL ENTERPRISE DEBT	62,006,894	100%	7,662,324	7,248
TOTAL CITY SUPPORTED DEBT	164,344,253		16,981,162	16,395
CONTRACTUAL OBLIGATIONS (1):				
Brazos River Authority (BRA) Contractual Obligation	24,775,810		1,067,482	
Total Contractual Obligations	24,775,810		1,067,482	

(1) Funds Georgetown's pro-rata share of the Williamson County Raw Water Line.

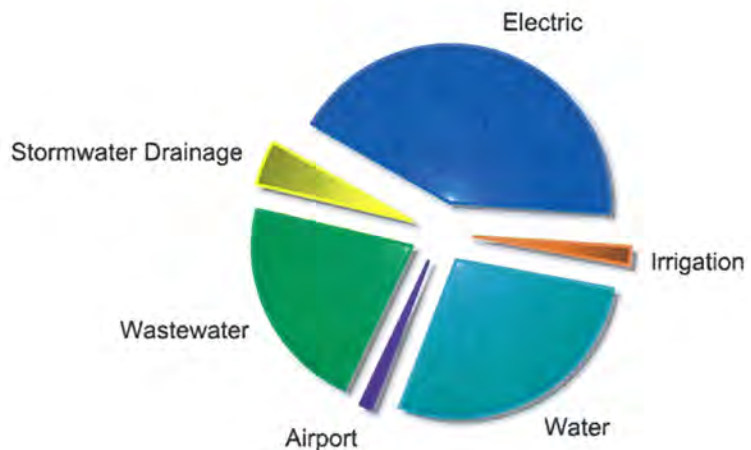
(2) Does not include CO's issued on behalf of the Georgetown Transportation Enhancement Corporation (GTEC) that are repaid through GTEC sales tax.



General Government Tax Supported Debt



Enterprise Debt



Legal Debt Margin for General Obligations:

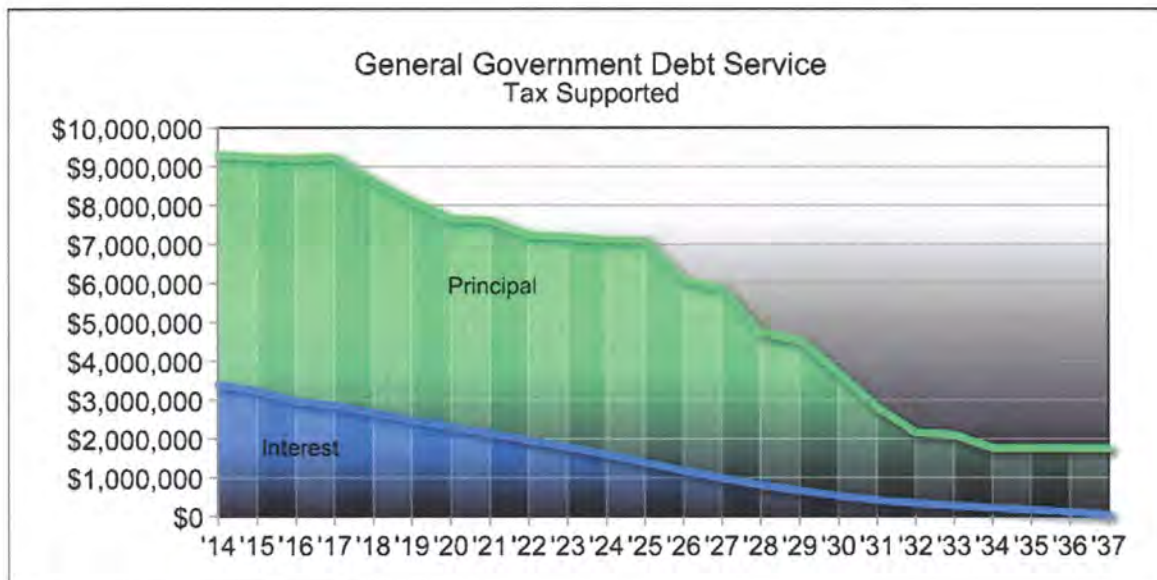
All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal and interest on the Bonds within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits the maximum ad valorem tax rate to \$2.50 per \$100 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 \$0.41)	<u>0.22353</u>
Percentage of allowable levy used	<u>14.90%</u>

Summary of Debt Service Charges to Maturity

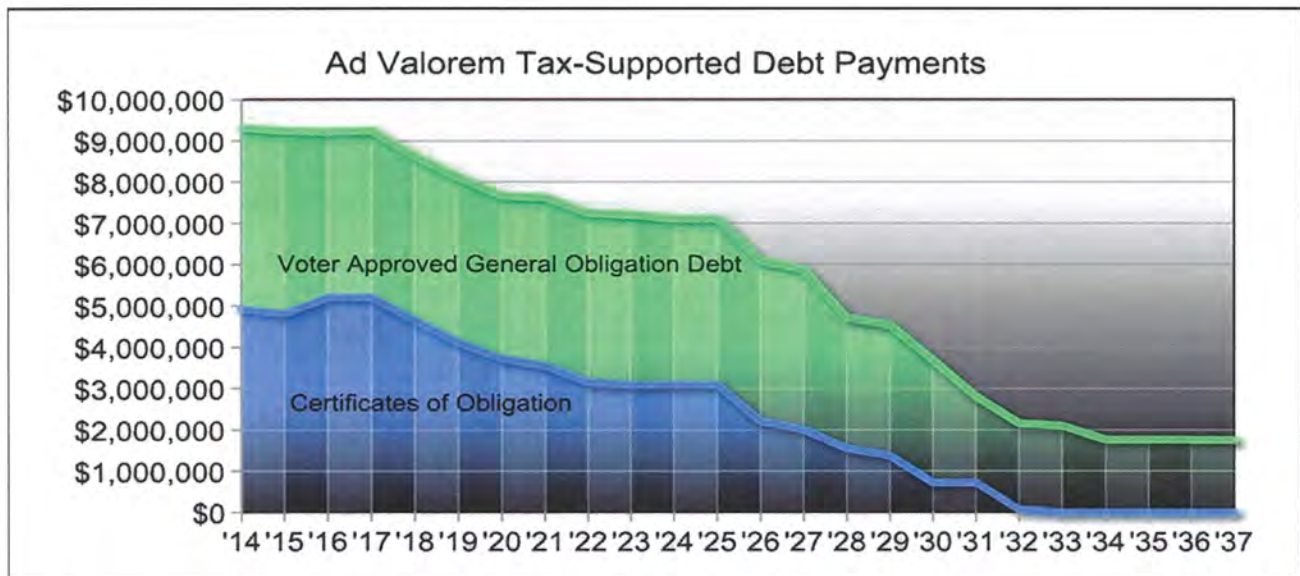
General Obligation Bonds and Certificates of Obligation – TAX SUPPORTED

Year Ending September 30	Outstanding Beginning of Year	Interest	Principal	Total Requirements
2014	102,337,359	3,393,158	5,925,679	9,318,838
2015	96,411,679	3,238,572	6,015,078	9,253,650
2016	90,396,601	2,955,455	6,269,230	9,224,685
2017	84,127,371	2,863,852	6,391,305	9,255,157
2018	77,736,066	2,667,369	5,961,916	8,629,285
2019	71,774,150	2,481,328	5,641,649	8,122,977
2020	66,132,502	2,302,146	5,372,526	7,674,672
2021	60,759,976	2,137,450	5,495,325	7,632,775
2022	55,264,651	1,958,303	5,292,430	7,250,733
2023	49,972,221	1,786,362	5,427,657	7,214,019
2024	44,544,564	1,596,077	5,522,231	7,118,308
2025	39,022,332	1,390,790	5,727,663	7,118,453
2026	33,294,669	1,172,431	4,921,561	6,093,992
2027	28,373,109	986,389	4,894,415	5,880,804
2028	23,478,693	801,449	3,909,165	4,710,614
2029	19,569,528	662,466	3,877,028	4,539,494
2030	15,692,500	523,412	3,170,000	3,693,412
2031	12,522,500	415,922	2,395,000	2,810,922
2032	10,127,500	334,734	1,822,500	2,157,234
2033	8,305,000	276,844	1,820,000	2,096,844
2034	6,485,000	217,719	1,540,000	1,757,719
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
		34,488,877	102,337,359	136,826,236



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
2014	6,770,654	(1,842,560)	4,928,094	4,390,743	9,318,838
2015	6,562,673	(1,751,647)	4,811,027	4,442,624	9,253,650
2016	6,912,503	(1,706,326)	5,206,176	4,018,509	9,224,685
2017	6,805,138	(1,589,069)	5,216,068	4,039,089	9,255,157
2018	6,132,374	(1,485,805)	4,646,570	3,982,716	8,629,285
2019	5,605,276	(1,490,066)	4,115,210	4,007,768	8,122,977
2020	5,176,822	(1,463,176)	3,713,646	3,961,026	7,674,672
2021	4,993,651	(1,451,436)	3,542,215	4,090,560	7,632,775
2022	4,600,515	(1,449,698)	3,150,818	4,099,915	7,250,733
2023	4,431,660	(1,347,371)	3,084,289	4,129,730	7,214,019
2024	4,420,135	(1,327,957)	3,092,178	4,026,130	7,118,308
2025	3,637,851	(549,256)	3,088,596	4,029,858	7,118,453
2026	2,476,444	(268,450)	2,207,994	3,885,998	6,093,992
2027	2,173,458	(176,177)	1,997,281	3,883,523	5,880,804
2028	1,717,514	(174,090)	1,543,424	3,167,190	4,710,614
2029	1,543,882	(174,228)	1,369,654	3,169,840	4,539,494
2030	781,219	(66,009)	715,209	2,978,203	3,693,412
2031	783,319	(64,059)	719,259	2,091,663	2,810,922
2032	129,219	(64,609)	64,609	2,092,625	2,157,234
2033	0	0	0	2,096,844	2,096,844
2034	0	0	0	1,757,719	1,757,719
2035	0	0	0	1,762,706	1,762,706
2036	0	0	0	1,758,913	1,758,913
2037	0	0	0	1,750,031	1,750,031
	75,654,307	(18,441,989)	57,212,318	79,613,918	136,826,236



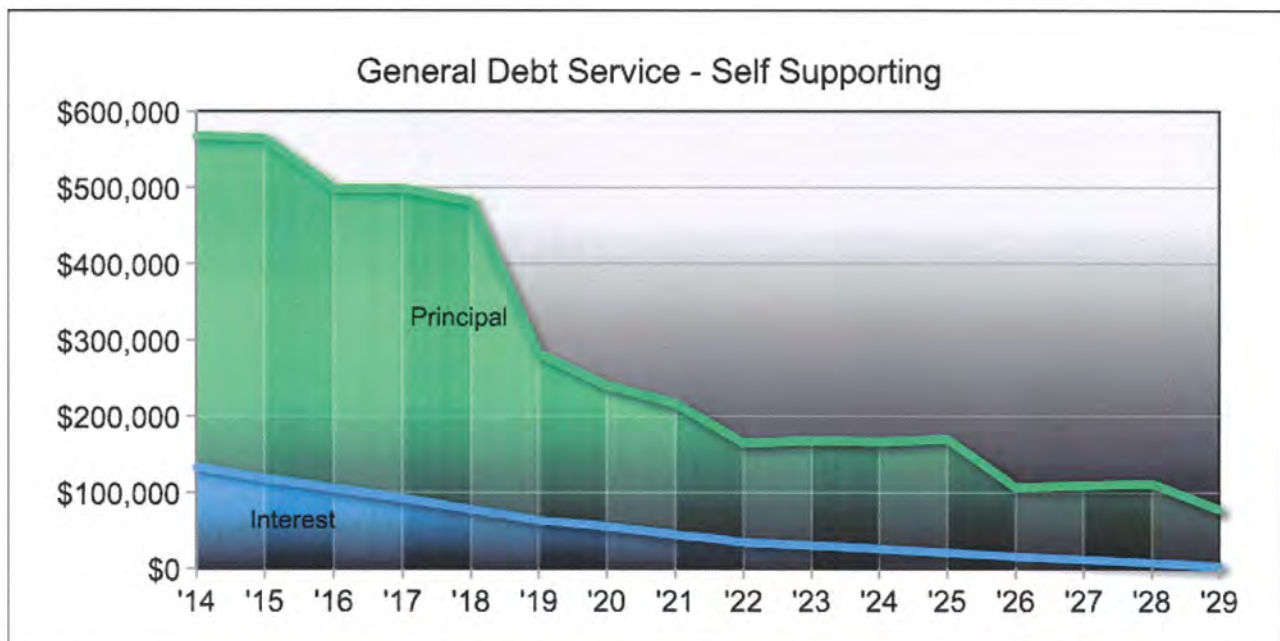
Summary of Debt Service Charges to Maturity

Certificates of Obligation – SELF SUPPORTING

(Airport & Stormwater Drainage)

Debt issued for specific purpose and repaid through dedicated revenues

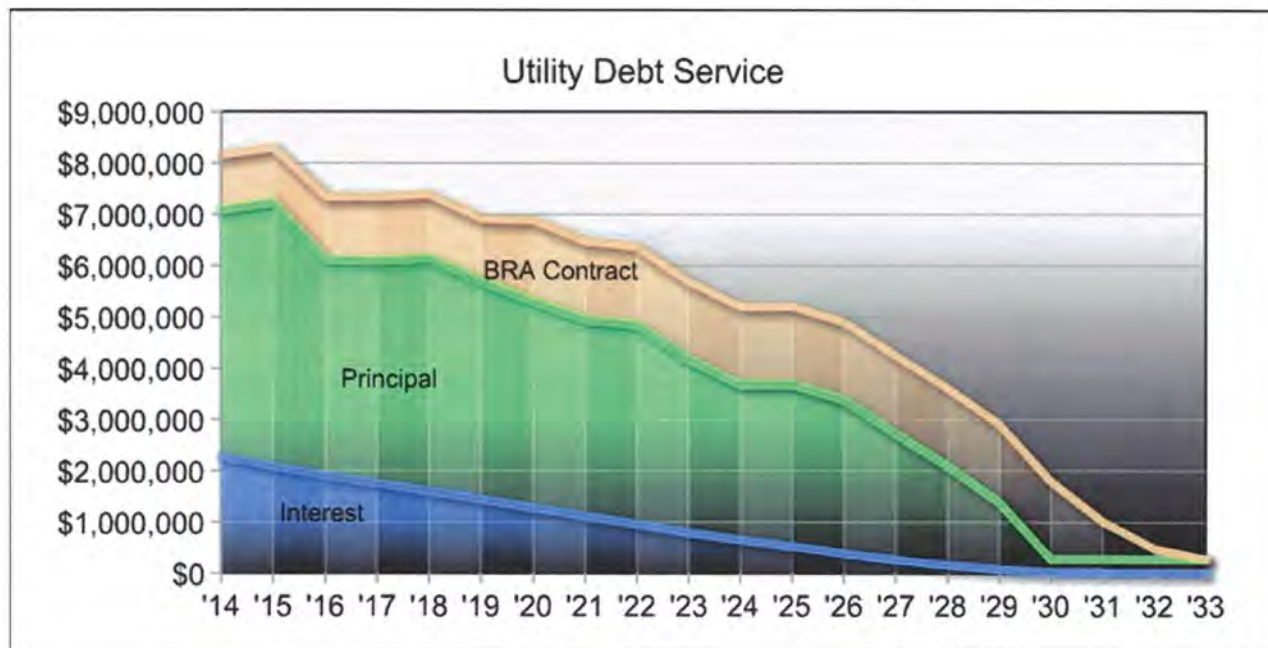
Year Ending September 30	Outstanding Beginning of Year	Interest	Principal	Total Requirements
2014	3,591,673	133,436	435,078	568,515
2015	3,156,595	118,224	447,578	565,802
2016	2,709,017	105,443	394,274	499,717
2017	2,314,743	92,123	407,079	499,201
2018	1,907,664	77,838	404,455	482,293
2019	1,503,209	63,131	218,966	282,097
2020	1,284,242	54,965	185,295	240,260
2021	1,098,947	44,231	172,407	216,638
2022	926,540	34,543	130,294	164,836
2023	796,246	30,319	137,774	168,093
2024	658,472	25,636	140,785	166,420
2025	517,688	20,748	149,597	170,345
2026	368,091	15,503	91,239	106,742
2027	276,851	11,689	97,697	109,386
2028	179,155	7,573	104,155	111,728
2029	75,000	3,113	75,000	78,113
		838,514	3,591,673	4,430,188



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
2014	58,415,221	2,276,939	4,816,870	7,093,809	1,067,482
2015	53,598,352	2,077,684	5,158,264	7,235,948	1,061,110
2016	48,440,088	1,896,491	4,217,169	6,113,660	1,237,584
2017	44,222,919	1,746,992	4,355,826	6,102,818	1,237,500
2018	39,867,093	1,597,330	4,550,826	6,148,156	1,237,499
2019	35,316,267	1,438,114	4,257,045	5,695,159	1,219,092
2020	31,059,222	1,272,808	4,027,593	5,300,401	1,583,349
2021	27,031,629	1,111,050	3,835,031	4,946,080	1,524,296
2022	23,196,599	954,093	3,888,688	4,842,781	1,518,758
2023	19,307,911	790,244	3,376,870	4,167,113	1,520,636
2024	15,931,042	646,956	3,032,665	3,679,621	1,519,178
2025	12,898,377	518,644	3,163,884	3,682,528	1,524,631
2026	9,734,493	383,694	3,003,213	3,386,907	1,511,318
2027	6,731,280	258,042	2,462,541	2,720,583	1,520,159
2028	4,268,739	157,261	1,933,760	2,091,021	1,517,615
2029	2,334,979	80,106	1,304,979	1,385,085	1,522,931
2030	1,030,000	32,219	245,000	277,219	1,521,024
2031	785,000	24,869	255,000	279,869	730,823
2032	530,000	16,900	260,000	276,900	200,825
2033	270,000	8,775	270,000	278,775	
		17,289,209	58,415,221	75,704,430	24,775,810

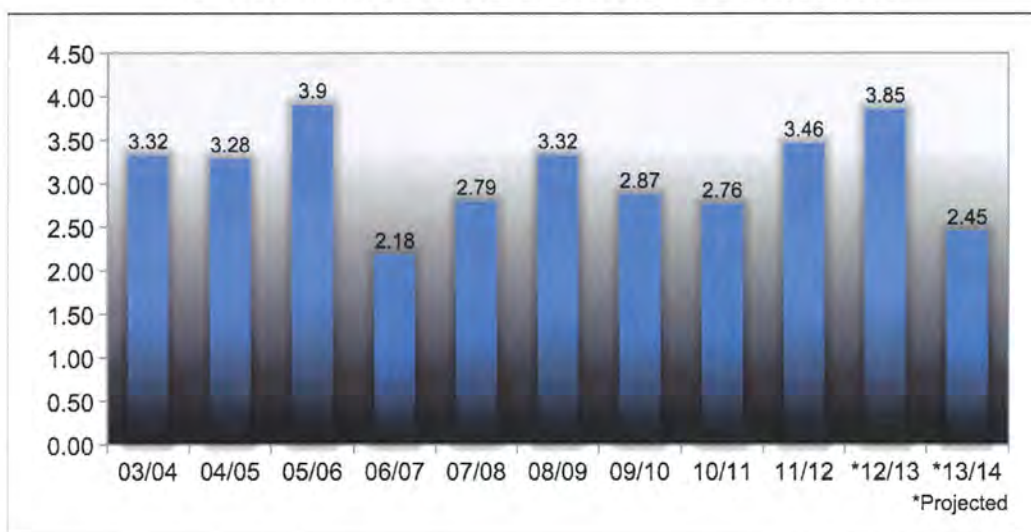


Utility Revenue Bond Debt Coverage

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 the utilities. The times coverage ratio is also reviewed by bond rating agency analysts when the City receives a rating for a potential 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 2013/14 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, including both the Airport and Stormwater Drainage. 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	2,430,971	2,435,000	4,865,971
Interest	82,600	60,000	142,600
System Billings	24,698,634	57,762,023	82,460,657
Total Revenues	27,212,205	60,257,023	87,469,228
EXPENSES:			
Departments	18,615,330	50,921,813	69,537,143
Total Expenditures	18,615,330	50,921,813	69,537,143
Net Available for Debt Service	8,596,875	9,335,210	17,932,085
Annual Debt Requirement	4,086,869	3,225,041	7,311,910
Times Coverage Ratio	2.10	2.89	2.45

Proposed Debt Issues:

	Outstanding 9/30/13 Debt Principal	13/14 Principal Reduction	Estimated 2014 New Debt	Estimated 9/30/14 Outstanding Debt
TAX SUPPORTED DEBT:				
<i>General Debt Service:</i>				
General Obligation/Certificates of Obligation	102,337,359	(5,925,679)	3,352,000	99,763,680
SELF SUPPORTED DEBT:				
<i>General Debt Service:</i>				
Stormwater	2,849,705	(297,127)	459,000	3,011,578
Airport	741,968	(137,951)	-	604,017
total GDS:	105,929,032	(6,360,757)	3,811,000	103,379,275
<i>Utility Revenue Debt:</i>				
Electric	26,473,415	(2,099,971)	3,840,300	28,213,744
Irrigation	1,184,772	(99,892)	-	1,084,880
Wastewater	13,503,513	(1,344,032)	6,946,200	19,105,681
Water	17,253,521	(1,272,975)	-	15,980,546
total Utility Revenue Debt:	58,415,221	(4,816,870)	10,786,500	64,384,851
TOTAL OUTSTANDING DEBT:	164,344,253	(11,177,627)	14,597,500	167,764,126

General Debt:

- Long-term obligations will be issued for \$14.89 million to fund general capital projects as detailed below:

General Debt:	
CO - Equipment & public safety vehicles	1,436,000
CO - Facility, downtown and park improvements	1,916,000
Total Projected General Debt	3,352,000
Self Supporting Debt:	
CO - Stormwater	459,000
Total Projected Self Supporting Debt	459,000
Utility Debt:	
Revenue - Electric	3,840,300
Revenue - Water/Wastewater	6,946,200
Total Projected Utility Debt	10,786,500
Issuance Costs	287,640
TOTAL CITY-WIDE DEBT ISSUE	14,885,140

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 though 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
Total Issued	10,800,000	7,500,000	29,500,000	47,800,000
Authorization Remaining	35,200,000	28,000,000	-	63,200,000