

Debt



Debt Table of Contents

Debt Management & Policy.....	263
Outstanding Debt Summary.....	264
General Debt Service	
Outstanding Debt By Type	265
Legal Debt Margin for General Obligation.....	265
Principal & Interest Requirements -Tax-Supported.....	266
Principal & Interest Requirements - Self-Supporting.....	267
Utility Debt Service	
Principal & Interest Requirements.....	268
Utility Revenue Bond Debt Coverage.....	269
Proposed Debt Issues.....	270
Authorized General Obligation Debt.....	271

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.

"X. 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)."

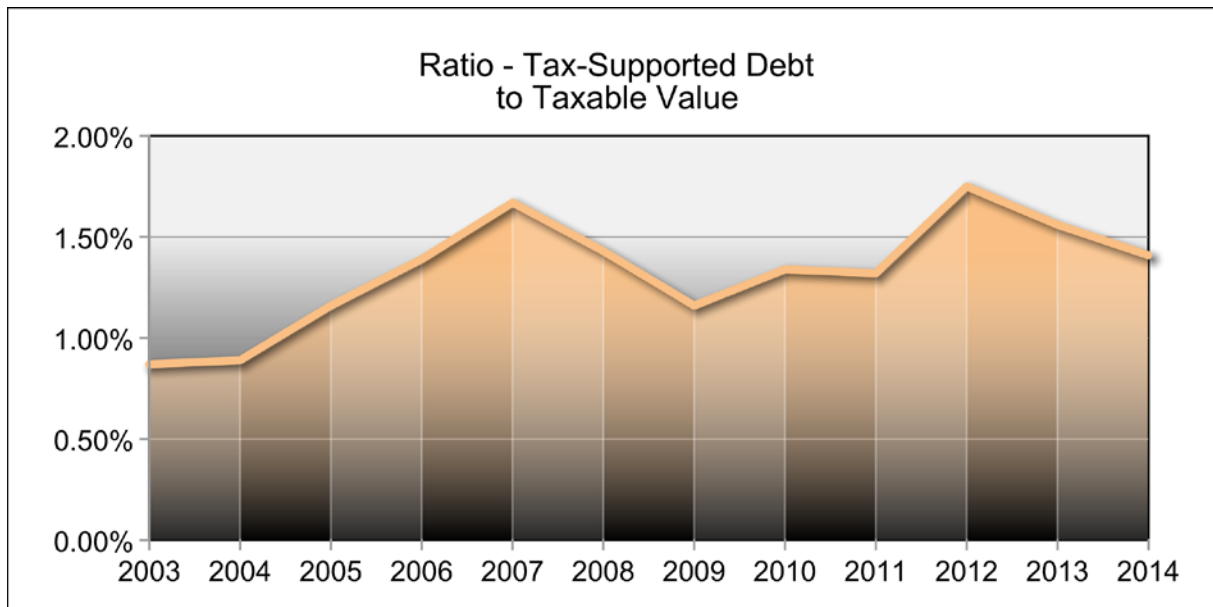
The City's debt management objective is to maintain level debt service that does not adversely impact tax or utility rates and does not hinder the City's ability to effectively operate the utility systems, street network, or other facilities. The City's debt payments must stay within provisions of state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

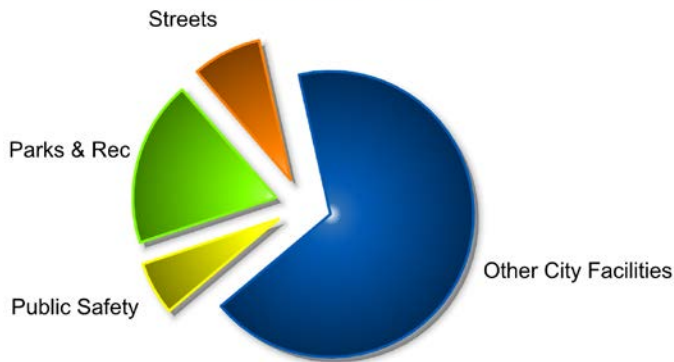
	General Obligation	Date Obtained	Utility Revenue	Date Obtained
Moody's	AA2	4/23/2010	AA2	4/23/2010
Standard & Poor's	AA+	4/29/2009	AA-	4/29/2009
Fitch	AA+	4/30/2010	AA-	4/30/2010

Outstanding Debt Summary - By Type as of October 1, 2011

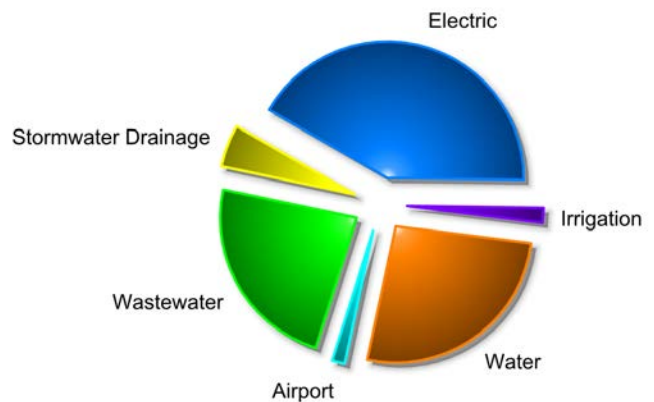
	Debt <u>Outstanding</u>	%	2011/2012 <u>Principal & Interest</u>	2011/2012 <u>Handling Fees</u>
GENERAL GOVERNMENT TAX SUPPORTED DEBT:				
Certificate of Obligation and General Obligation Bonds:				
Streets and Transportation	15,254,708	20%	872,332	3,440
Parks and Recreation Facilities	12,634,433	17%	1,124,377	300
Public Safety Facilities	10,647,103	14%	972,102	2,023
Other City Facilities	36,138,616	48%	4,208,273	7,868
TOTAL TAX SUPPORTED DEBT	74,674,860	100%	7,177,084	13,631
ENTERPRISE DEBT:				
Utility Revenue Bonds:				
Electric	29,028,648	42%	3,117,397	3,242
Water Services				
Irrigation	1,230,545	2%	118,248	143
Water	18,265,459	27%	2,047,145	2,453
Wastewater	16,015,348	23%	1,942,440	2,394
Total Utility Revenue Debt	64,540,000		7,225,230	8,232
Certificates of Obligation Bonds - Self-Supporting: (2)				
Airport	985,263	1%	162,138	148
Stormwater Drainage	3,400,799	5%	396,956	1,028
Total CO Bonds - Self Supporting	4,386,062		559,094	1,176
TOTAL ENTERPRISE DEBT	68,926,062	100%	7,784,324	9,408
TOTAL CITY SUPPORTED DEBT	143,600,922		14,961,408	23,039
CONTRACTUAL OBLIGATIONS (1):				
Brazos River Authority (BRA) Contractual Obligation	23,353,825		1,023,396	
Total Contractual Obligations	23,353,825		1,023,396	
<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.

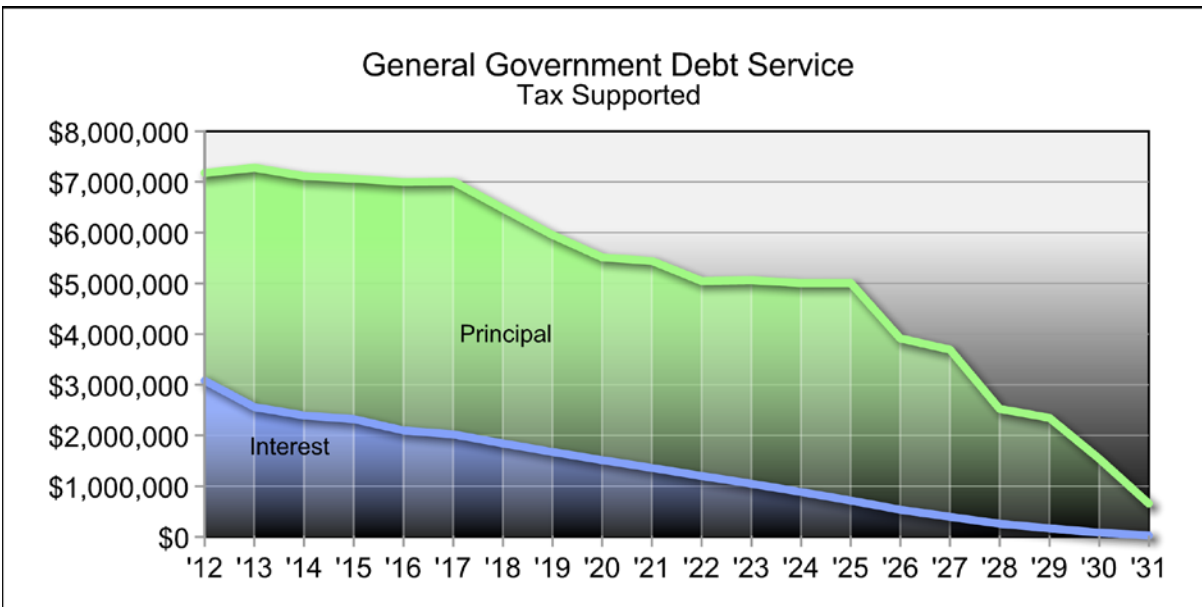
Allowable levy per \$100 valuation	<u>\$1.50000</u>
Proposed levy for debt service (included in total adopted rate of \$0.3875)	<u>0.1646</u>
Percentage of allowable levy used	<u>10.97%</u>

Summary of Debt Service Charges to Maturity

General Obligation Bonds and Certificates of Obligation – TAX SUPPORTED

Debt funded by dedicated portion of local ad valorem tax

Year Ending September 30	Outstanding Beginning of Year	Interest	Principal	Total Requirements
2012	74,674,860	3,078,822	4,098,261	7,177,084
2013	70,576,599	2,556,039	4,722,271	7,278,310
2014	65,854,328	2,390,917	4,721,997	7,112,913
2015	61,132,331	2,318,647	4,744,501	7,063,148
2016	56,387,830	2,095,764	4,904,766	7,000,531
2017	51,483,064	2,018,822	4,991,768	7,010,590
2018	46,491,296	1,840,536	4,637,029	6,477,565
2019	41,854,267	1,671,091	4,280,556	5,951,646
2020	37,573,711	1,509,795	4,001,677	5,511,472
2021	33,572,034	1,357,727	4,081,106	5,438,832
2022	29,490,928	1,197,380	3,848,161	5,045,541
2023	25,642,768	1,045,529	4,015,421	5,060,950
2024	21,627,347	883,128	4,120,947	5,004,076
2025	17,506,399	713,544	4,294,490	5,008,034
2026	13,211,910	532,161	3,378,761	3,910,922
2027	9,833,149	392,403	3,297,303	3,689,706
2028	6,535,846	255,377	2,265,845	2,521,222
2029	4,270,000	165,823	2,180,000	2,345,823
2030	2,090,000	79,300	1,460,000	1,539,300
2031	630,000	25,200	630,000	655,200
		26,128,005	74,674,860	100,802,865

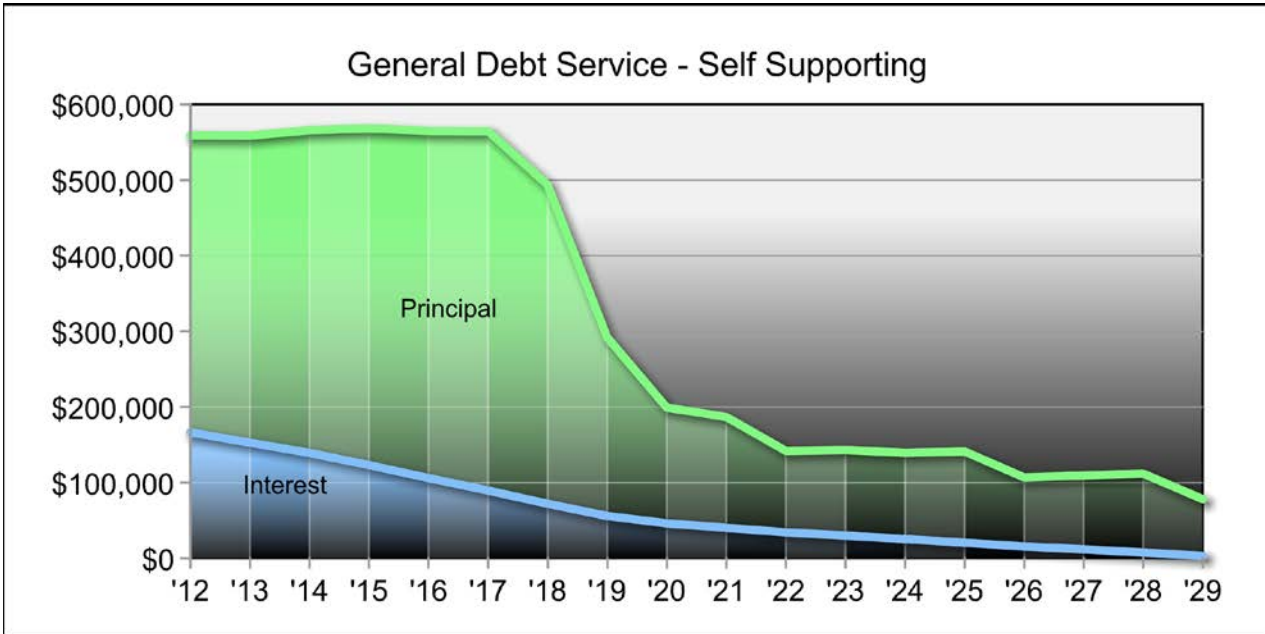


Summary of Debt Service Charges to Maturity

General Obligation Bonds and Certificates of Obligation – SELF SUPPORTING

Debt issued for specific purpose and repaid through dedicated revenues

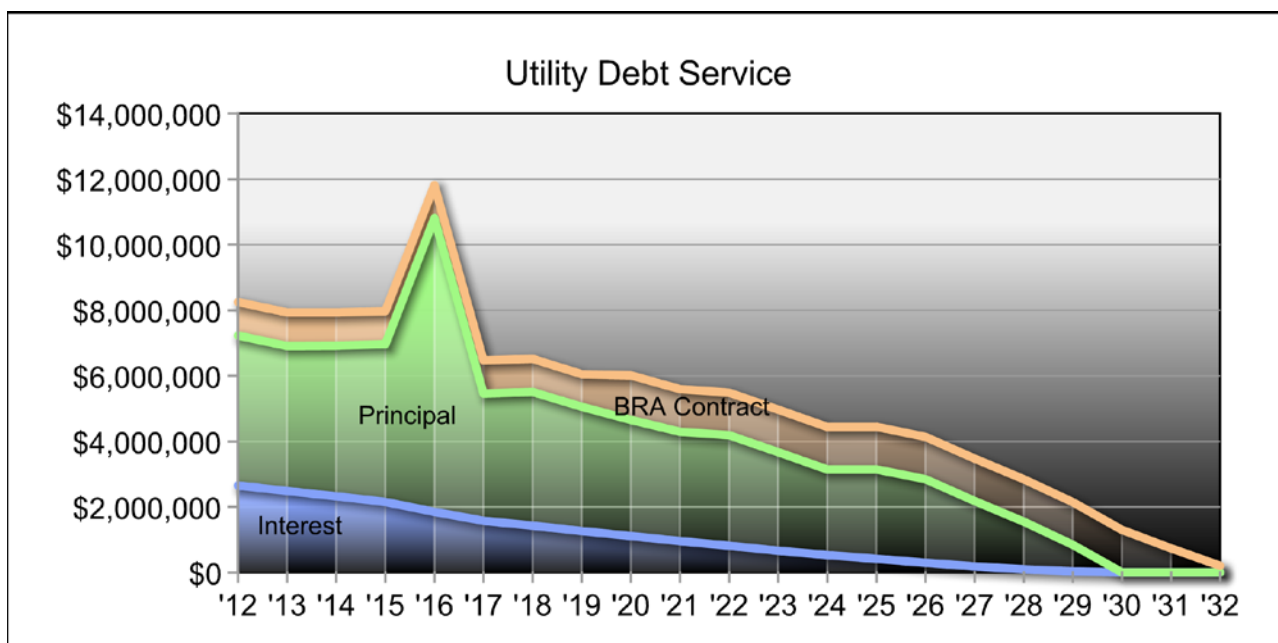
Year Ending September 30	Outstanding Beginning of Year	Interest	Principal	Total Requirements
2012	4,386,062	166,366	392,728	559,094
2013	3,993,335	152,673	405,940	558,613
2014	3,587,394	139,081	426,836	565,917
2015	3,160,558	123,118	445,166	568,284
2016	2,715,392	105,950	459,034	564,983
2017	2,256,358	89,472	475,021	564,493
2018	1,781,337	71,878	421,771	493,649
2019	1,359,567	55,742	236,233	291,975
2020	1,123,333	46,115	153,100	199,214
2021	970,233	40,029	146,661	186,690
2022	823,572	34,199	107,595	141,793
2023	715,978	29,868	113,324	143,192
2024	602,654	25,278	114,053	139,330
2025	488,601	20,536	120,510	141,046
2026	368,091	15,503	91,239	106,742
2027	276,852	11,689	97,697	109,386
2028	179,155	7,573	104,155	111,728
2029	75,000	3,113	75,000	78,113
		1,138,182	4,386,062	5,524,244



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
2012	64,540,000	2,650,230	4,575,000	7,225,230 (1)(2)	1,023,396
2013	59,965,000	2,483,628	4,425,000	6,908,628	1,021,945
2014	55,540,000	2,320,245	4,600,000	6,920,245	1,011,637
2015	50,940,000	2,147,493	4,815,000	6,962,493	1,006,612
2016	46,125,000	1,843,933	8,965,000	10,808,933	1,011,637
2017	37,160,000	1,575,145	3,880,000	5,455,145	1,011,368
2018	33,280,000	1,424,110	4,080,000	5,504,110	1,011,096
2019	29,200,000	1,262,010	3,790,000	5,052,010	995,745
2020	25,410,000	1,107,371	3,545,000	4,652,371	1,359,667
2021	21,865,000	955,691	3,335,000	4,290,691	1,300,070
2022	18,530,000	811,821	3,375,000	4,186,821	1,295,007
2023	15,155,000	661,106	3,005,000	3,666,106	1,297,077
2024	12,150,000	528,380	2,610,000	3,138,380	1,296,546
2025	9,540,000	413,386	2,730,000	3,143,386	1,300,529
2026	6,810,000	293,693	2,550,000	2,843,693	1,288,528
2027	4,260,000	181,636	1,995,000	2,176,636	1,296,419
2028	2,265,000	94,881	1,455,000	1,549,881	1,293,666
2029	810,000	32,400	810,000	842,400	1,299,085
2030					1,297,491
2031					734,477
2032					201,829
		20,787,159	64,540,000	85,327,159	23,353,825

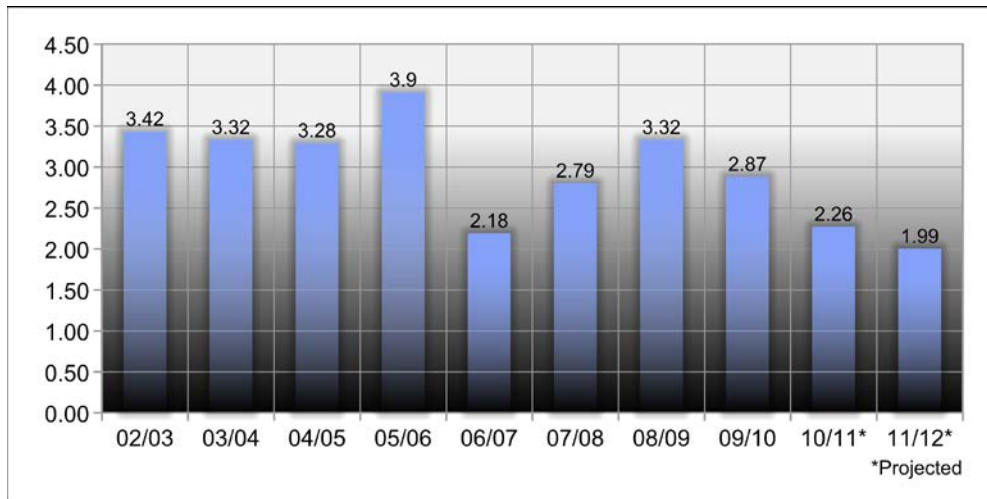


Utility Revenue Bond Debt Coverage

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 2011/12 Proposed Operating Plan 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	1,929,930	1,798,584	3,728,514
Interest	104,100	50,000	154,100
System Billings	22,873,227	61,527,544	84,400,771
Total Revenues	24,907,257	63,376,128	88,283,385
EXPENSES:			
Departments	18,137,275	55,587,723	73,724,998
Total Expenditures	18,137,275	55,587,723	73,724,998
Net Available for Debt Service	6,769,982	7,788,405	14,558,387
Annual Debt Requirement	4,207,633	3,117,398	7,325,031
Times Coverage Ratio	1.61	2.50	1.99

Proposed Debt Issues:

	Outstanding 9/30/11 Debt Principal	11/12 Principal Reduction	Estimated 2012 New Debt	Estimated 9/30/12 Outstanding Debt
TAX SUPPORTED DEBT:				
<i>General Debt Service:</i>				
General Obligation/Certificates of Obligation	74,674,860	(4,098,261)	3,970,000	74,546,599
SELF SUPPORTED DEBT:				
<i>General Debt Service:</i>				
Stormwater	3,400,799	(272,508)	-	3,128,291
Airport	985,263	(120,220)	-	865,043
total GDS:	79,060,922	(4,490,989)	3,970,000	78,539,933
<i>Utility Revenue Debt:</i>				
Electric	29,028,648	(1,902,313)	-	27,126,335
Irrigation	1,230,546	(67,379)	-	1,163,167
Wastewater	16,015,347	(1,276,223)	-	14,739,124
Water	18,265,459	(1,329,085)	2,200,000	19,136,374
total Utility Revenue Debt:	64,540,000	(4,575,000)	2,200,000	62,165,000
TOTAL OUTSTANDING DEBT:	143,600,922	(9,065,989)	6,170,000	140,704,933

General Debt:

- ▶ Long-term obligations will be issued for \$3.97 million to fund general capital projects and \$2.2 million to fund utility capital projects as detailed below:

General Debt:	
CO - equipment & public safety vehicles	1,380,000
GO - Public Safety Facility	2,590,000
Total Projected General Debt	3,970,000
Utility Debt:	
Revenue - Water Projects	2,200,000
Total Projected Utility Debt	2,200,000
TOTAL CITY-WIDE DEBT ISSUE	6,170,000

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 Issued				
2009	1,175,000	2,500,000		3,675,000
2010	10,800,000			10,800,000
Total Issued	11,975,000	2,500,000	0	14,475,000
Authorization Remaining	34,025,000	33,000,000	29,500,000	96,525,000



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