

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.

"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:

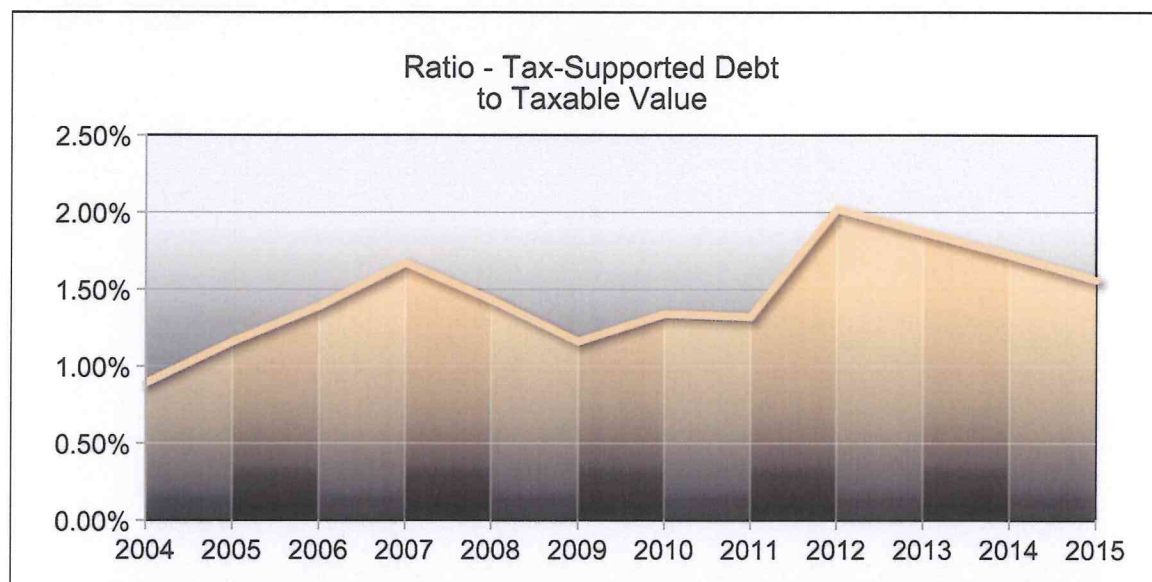
	General Obligation	Date Obtained	Utility Revenue	Date Obtained
Moody's	AA2	4/23/2010	AA2	4/23/2010
Standard & Poor's	AA+	4/29/2009	AA-	4/29/2009
Fitch	AA+	4/30/2010	AA-	4/30/2010

Outstanding Debt Summary - By Type as of October 1, 2012

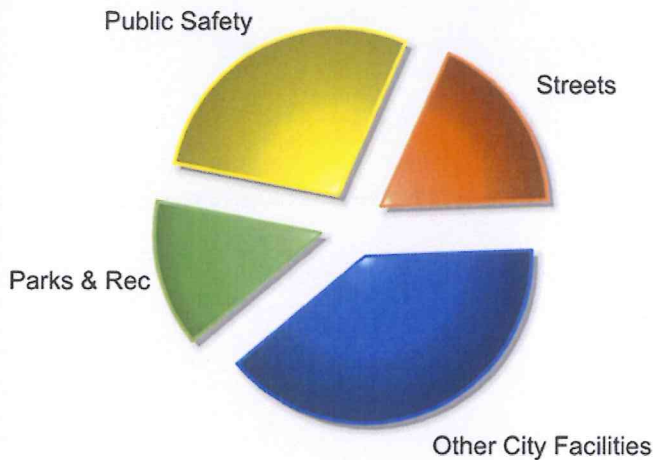
	Debt <u>Outstanding</u>	%	2012/2013 <u>Principal & Interest</u>	2012/2013 <u>Handling Fees</u>
GENERAL GOVERNMENT TAX SUPPORTED DEBT:				
Certificate of Obligation and General Obligation Bonds:				
Streets and Transportation	15,068,858	18%	917,753	1,859
Parks and Recreation Facilities	12,056,750	14%	1,103,622	105
Public Safety Facilities	24,225,910	29%	1,701,042	1,467
Other City Facilities	33,540,603	40%	4,039,700	4,682
TOTAL TAX SUPPORTED DEBT	84,892,121	100%	7,762,117	8,113
ENTERPRISE DEBT:				
Utility Revenue Bonds:				
Electric	26,582,814	42%	3,187,254	3,242
Water Services				
Irrigation	1,281,540	2%	145,402	143
Water	16,385,760	26%	1,765,429	2,454
Wastewater	14,799,890	23%	1,900,353	2,394
Total Utility Revenue Debt	59,050,004		6,998,438	8,233
Certificates of Obligation Bonds - Self-Supporting: (2)				
Airport	865,043	1%	162,397	136
Stormwater Drainage	3,128,292	5%	396,216	564
Total CO Bonds - Self Supporting	3,993,335		558,613	700
TOTAL ENTERPRISE DEBT	63,043,339	100%	7,557,051	8,933
TOTAL CITY SUPPORTED DEBT	147,935,460		15,319,168	17,046
CONTRACTUAL OBLIGATIONS (1):				
Brazos River Authority (BRA) Contractual Obligation	22,330,429		1,021,945	
Total Contractual Obligations	22,330,429		1,021,945	

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

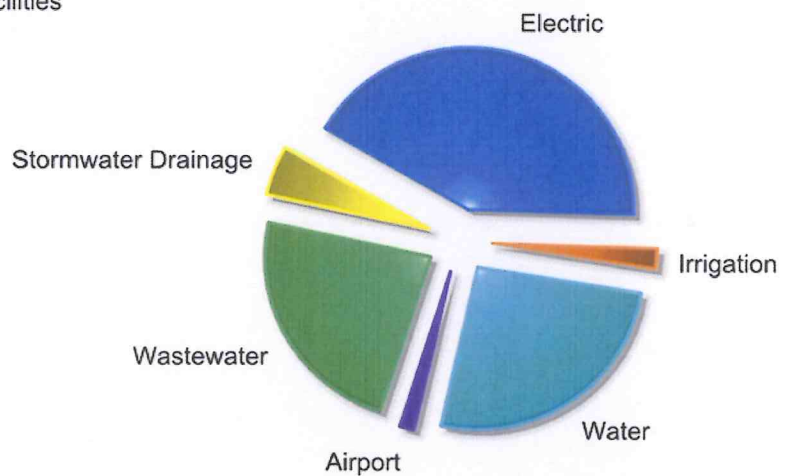
(2) Does not include CO's issued on behalf of the Georgetown Transportation Enhancement Corporation (GTEC) that are repaid through GTEC sales tax.



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.

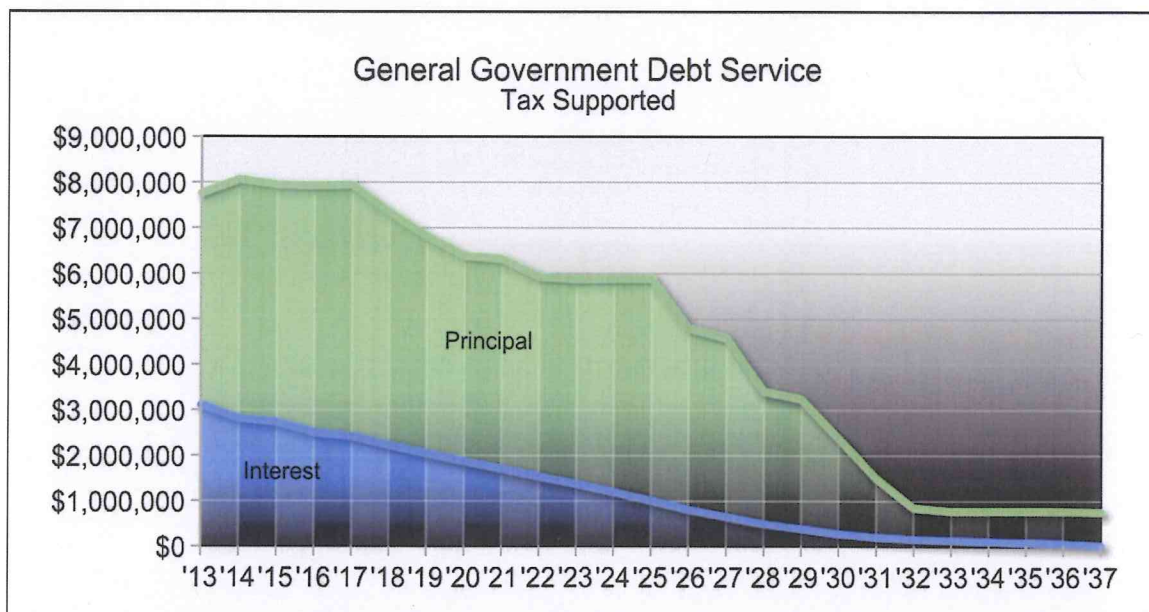
Allowable levy per \$100 valuation	<u>\$1.50000</u>
Proposed levy for debt service (included in total adopted rate of \$0.41)	<u>0.173631</u>
Percentage of allowable levy used	<u>11.58%</u>

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
2013	84,892,121	3,105,837	4,656,311	7,762,147
2014	80,235,811	2,812,934	5,255,921	8,068,855
2015	74,979,890	2,731,262	5,222,482	7,953,744
2016	69,757,408	2,501,624	5,427,574	7,929,198
2017	64,329,833	2,416,027	5,535,211	7,951,238
2018	58,794,622	2,224,271	5,118,461	7,342,732
2019	53,676,161	2,042,431	4,780,207	6,822,638
2020	48,895,954	1,866,963	4,516,359	6,383,322
2021	44,379,595	1,704,706	4,615,215	6,319,921
2022	39,764,380	1,532,434	4,395,405	5,927,839
2023	35,368,975	1,366,329	4,508,100	5,874,430
2024	30,860,875	1,189,439	4,698,227	5,887,666
2025	26,162,647	1,002,113	4,887,978	5,890,091
2026	21,274,669	802,491	3,991,561	4,794,052
2027	17,283,109	644,349	3,934,415	4,578,764
2028	13,348,693	488,209	2,919,165	3,407,374
2029	10,429,528	378,926	2,857,028	3,235,954
2030	7,572,500	270,472	2,110,000	2,380,472
2031	5,462,500	195,247	1,300,000	1,495,247
2032	4,162,500	147,509	692,500	840,009
2033	3,470,000	124,138	650,000	774,138
2034	2,820,000	101,388	670,000	771,388
2035	2,150,000	77,938	695,000	772,938
2036	1,455,000	52,744	715,000	767,744
2037	740,000	13,413	740,000	753,413
		29,793,191	84,892,121	114,685,312

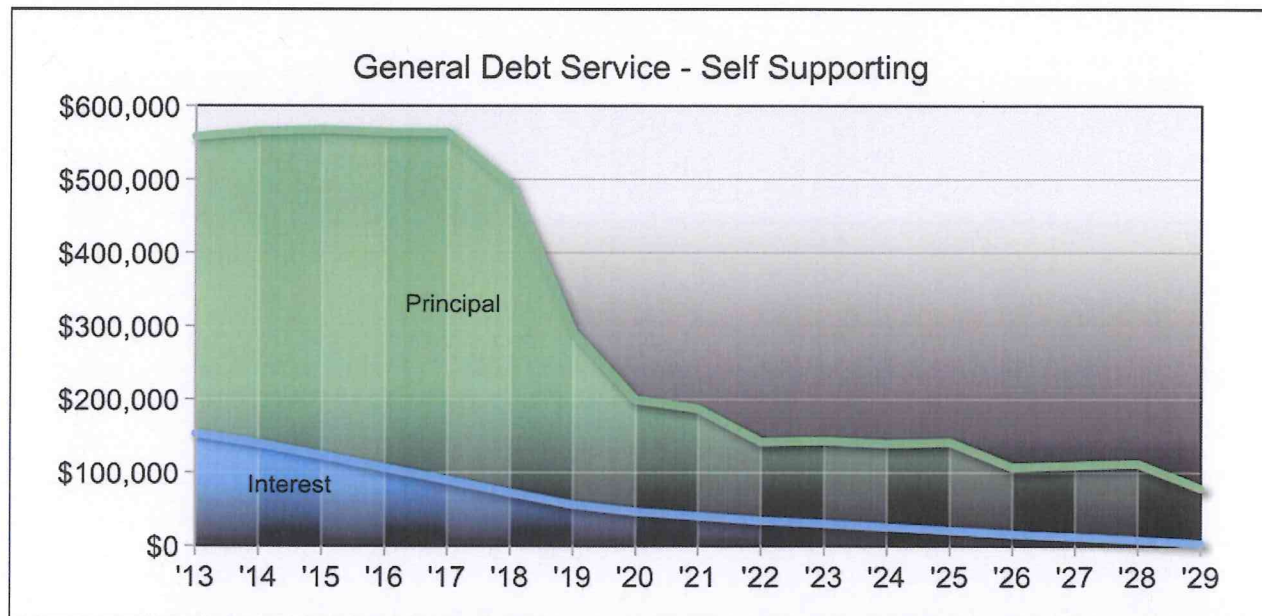


Summary of Debt Service Charges to Maturity

General Obligation Bonds and Certificates of Obligation – SELF SUPPORTING

Debt issued for specific purpose and repaid through dedicated revenues

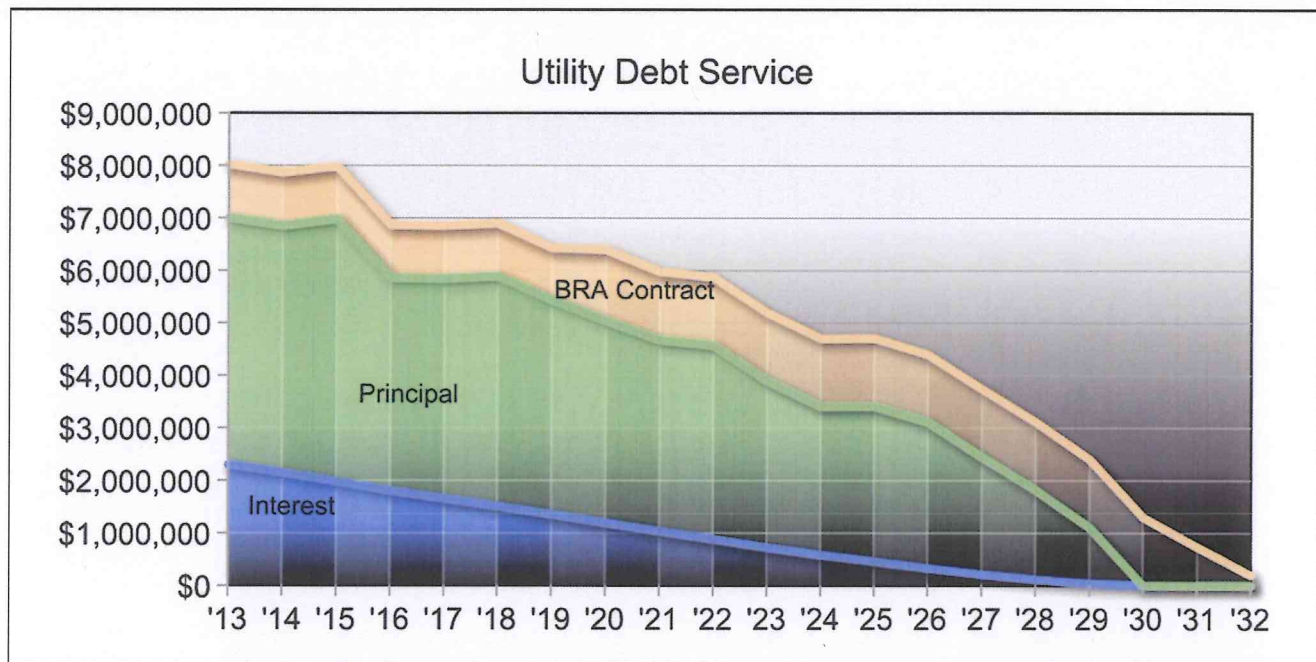
Year Ending September 30	Outstanding Beginning of Year	Interest	Principal	Total Requirements
2013	3,993,335	152,673	405,940	558,613
2014	3,587,394	139,081	426,837	565,918
2015	3,160,557	123,118	445,166	568,284
2016	2,715,391	105,950	459,034	564,983
2017	2,256,357	89,472	475,021	564,493
2018	1,781,336	71,878	421,771	493,649
2019	1,359,566	55,742	236,233	291,975
2020	1,123,332	46,115	153,100	199,214
2021	970,232	40,029	146,661	186,690
2022	823,571	34,199	107,595	141,793
2023	715,977	29,868	113,324	143,192
2024	602,653	25,278	114,053	139,330
2025	488,600	20,536	120,510	141,046
2026	368,090	15,503	91,239	106,742
2027	276,851	11,689	97,697	109,386
2028	179,154	7,573	104,155	111,728
2029	75,000	3,113	75,000	78,113
		971,816	3,993,335	4,965,151



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
2013	59,050,004	2,298,656	4,699,783	6,998,438	1,021,945
2014	54,350,221	2,146,378	4,701,870	6,848,248	1,011,637
2015	49,648,352	1,975,303	5,003,264	6,978,567	1,006,612
2016	44,645,088	1,797,210	4,057,169	5,854,379	1,011,637
2017	40,587,919	1,650,911	4,190,826	5,841,737	1,011,368
2018	36,397,093	1,504,549	4,380,826	5,885,375	1,011,096
2019	32,016,267	1,348,733	4,082,045	5,430,778	995,745
2020	27,934,222	1,186,927	3,847,593	5,034,519	1,359,667
2021	24,086,629	1,028,768	3,645,031	4,673,799	1,300,070
2022	20,441,599	875,612	3,693,688	4,569,299	1,295,007
2023	16,747,911	715,662	3,176,870	3,892,532	1,297,077
2024	13,571,042	576,375	2,827,665	3,404,040	1,296,546
2025	10,743,377	452,675	2,953,884	3,406,559	1,300,529
2026	7,789,492	324,026	2,783,213	3,107,238	1,288,528
2027	5,006,280	204,973	2,237,541	2,442,514	1,296,419
2028	2,768,739	110,942	1,703,760	1,814,702	1,293,666
2029	1,064,979	40,687	1,064,979	1,105,666	1,299,085
2030					1,297,491
2031					734,477
2032					201,829
		18,238,386	59,050,004	77,288,389	22,330,429





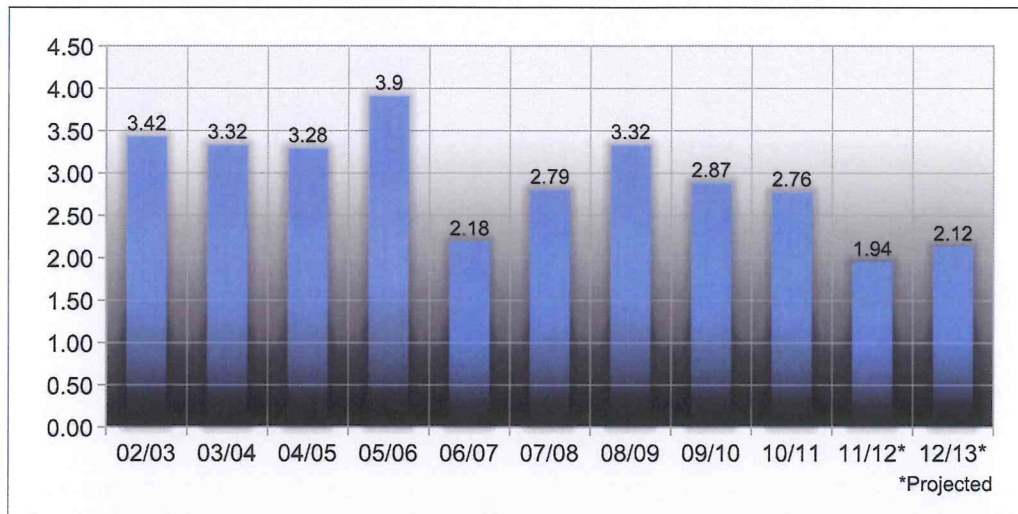
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Utility Revenue Bond Debt Coverage

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 2012/13 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	2,122,308	2,090,793	4,213,101
Interest	32,600	70,000	102,600
System Billings	23,412,312	57,777,014	81,189,326
Total Revenues	25,567,220	59,937,807	85,505,027
EXPENSES:			
Departments	19,000,194	51,651,542	70,651,736
Total Expenditures	19,000,194	51,651,542	70,651,736
Net Available for Debt Service	6,567,026	8,286,265	14,853,291
Annual Debt Requirement	3,830,985	3,187,255	7,018,240
Times Coverage Ratio	1.71	2.60	2.12

Proposed Debt Issues:

	Outstanding 9/30/12 Debt Principal	12/13 Principal Reduction	Estimated 2013 New Debt	Estimated 9/30/13 Outstanding Debt
TAX SUPPORTED DEBT:				
General Debt Service:				
General Obligation/Certificates of Obligation	84,892,121	(4,656,311)	15,532,560	95,768,370
SELF SUPPORTED DEBT:				
General Debt Service:				
Stormwater	3,128,292	(280,163)	-	2,848,129
Airport	865,043	(125,778)	-	739,265
total GDS:	88,885,456	(5,062,252)	15,532,560	99,355,764
Utility Revenue Debt:				
Electric	26,582,814	(2,141,899)	-	24,440,915
Irrigation	1,281,540	(96,767)	-	1,184,773
Wastewater	14,799,890	(1,296,377)	-	13,503,513
Water	16,385,760	(1,164,740)	-	15,221,020
total Utility Revenue Debt:	59,050,004	(4,699,783)	-	54,350,221
TOTAL OUTSTANDING DEBT:	147,935,460	(9,762,035)	15,532,560	153,705,985

General Debt:

- ▶ Long-term obligations will be issued for \$15.53 million to fund general capital projects as detailed below:

General Debt:	
CO - equipment & public safety vehicles	1,243,000
CO - Facility, downtown and park improvements	985,000
GO - Westside Park land purchase	500,000
GO - Public Safety Facility	12,500,000
Total Projected General Debt	15,228,000
Issuance Costs	304,560
TOTAL CITY-WIDE DEBT ISSUE	15,532,560

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 Issued				
2009	1,175,000	2,500,000		3,675,000
2010	10,800,000			10,800,000
2012			12,500,000	12,500,000
Proposed November 2012		500,000	12,500,000	13,000,000
Total Issued	11,975,000	3,000,000	25,000,000	39,975,000
Authorization Remaining	34,025,000	32,500,000	4,500,000	71,025,000