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**Information Relating to the Issuance of
Certificates of Obligation**

January 16, 2024

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Certificates of Obligation

- **General Information**
 - Certificates of Obligation (CO's) are one of the few methods cities have to issue debt to fund capital improvements
 - CO's are a debt issued by the City and secured by its authority to levy a property tax.
 - This security of the taxing authority makes CO's a popular investment that is regarded, particularly with the City's current strong credit ratings of AA by Standard & Poor's as relatively "safe" and, as such, normally provide for an attractive, low, tax exempt borrowing rate.



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- Time Frame
 - Generally requires at least 75 days from the Notice of Intention to receiving funds
 - 45 day notice period
 - 2 newspaper publications and postings required
 - 30 days between sale of CO's and receiving funds to allow the City to obtain the approval from the Texas Attorney General for the COs



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- Time Frame – Key Dates (Preliminary)
 - Notice of Intention – January 16
 - First publication – January 24
 - First draft of Preliminary Official Statement – January 24
 - Second publication – January 31
 - Second draft of Preliminary Official Statement – February 7
 - Rating Discussion – February 15
 - Council to approve sale of CO's – March 19
 - Issue Closed and Funds Delivered – April 16

Certificates of Obligation

- The Notice of Intention for tonight is for a maximum amount of \$110 million. This includes approximately \$30 million for general fund projects and approximately \$80 million for utility system projects.
 - The general fund projects are those included in the 2023-24 budget for capital improvements plus the proposed improvements for the golf course and the Meadow Lake project.
 - The utility system projects are those included in the 2023-24 budget for capital improvements.



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- Tax Impact
 - Based on a range of what we believe are conservative assumptions, the CO's may require a tax rate increase of approximately ½ to 1 cent on the I&S rate.
- Utility System Impact
 - The utility system costs have been built into the rates and ongoing rate analysis as established by the Council