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**Information Relating to the Issuance of
Certificates of Obligation &
Utility System Revenue Bonds**

December 3, 2019

*Presented by
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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 strong credit ratings of AA* by Standard & Poor's and AA by Fitch, as relatively "safe" and, as such, normally provide for an attractive, low, tax exempt borrowing rate.



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Certificates of Obligation

- Time Frame
 - Generally requires at least 76 days from the Notice of Intention to receiving funds
 - 46 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



Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018

Timetable

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| | | |
|-----------------------------|-------|---|
| Friday, December 3, 2019 | | City Council Meeting -Adopt Notice of Intention Resolution and Approve publication of Notice of Intention -Approve a Reimbursement Resolution related to this issuance |
| Wednesday, December 4, 2019 | ..... | Start preparation of Preliminary Official Statement ("POS"), Notice of Sale ("NOS"), and Official Bid Form ("OBF") |
| Sunday, December 8, 2019 | ..... | First publication of the Notice of Intention. |
| Tuesday, December 10, 2019 | ..... | Distribute first draft of POS, NOS, and OBF Distribute documentation to rating agencies. |
| Thursday, December 12, 2019 | ..... | Distribute documentation to rating agencies. |
| Sunday, December 15, 2019 | ..... | Second publication of the Notice of Intention. |
| Monday, December 30, 2019 | ..... | Distribute first drafts of CO documents. Distribute third and final draft of POS, NOS and OBF |
| Monday, January 6, 2020 | | Receive any comments on first drafts of CO documents Receive any comments on final draft of POS, NOS, and OBF |
| Tuesday, January 7, 2020 | ..... | Electronic posting of POS, NOS, and OBF |
| Wednesday, January 15, 2020 | ..... | Receive ratings |
| Tuesday, January 21, 2020 | ..... | City Council Meeting Receive bids for the sale of the COs. Approve CO ordinance |
| Wednesday, January 22, 2020 | ..... | Distribute first draft of Final Official Statement ("FOS"). File executed CO documents with Texas Attorney General |
| Monday, January 27, 2020 | ..... | Comments due on FOS. |
| Tuesday, January 28, 2020 | ..... | FOS to Printer |
| Thursday, February 13, 2020 | ..... | Receive Texas Attorney General Approval |
| Thursday, February 20, 2020 | | Closing |



**Certificates of Obligation
Series 2020 Proposed
\$10,200,000**

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| YEAR 30-Sep | SERIES 2020 | | | | TOTAL | |
|----------------|-----------------------|----------------------|---------------------|---------------------|----------------------|-----------------------|
| | PRINCIPAL DUE 9/1 | INTEREST DUE 3/1 | INTEREST DUE 9/1 | | | |
| 2020 | 6,026,008.75 | 45,000 | 176,508.75 | 221,508.75 | 6,247,517.50 | |
| 2021 | 6,065,698.38 | 125,000 | 176,081.25 | 477,162.50 | 6,542,860.88 | |
| 2022 | 5,785,120.13 | 275,000 | 174,456.25 | 623,912.50 | 6,409,032.63 | |
| 2023 | 5,810,882.38 | 275,000 | 170,187.50 | 615,375.00 | 6,426,257.38 | |
| 2024 | 5,806,819.13 | 200,000 | 165,900.00 | 531,800.00 | 6,338,619.13 | |
| 2025 | 5,734,437.50 | 240,000 | 162,400.00 | 564,800.00 | 6,299,237.50 | |
| 2026 | 5,742,662.50 | 240,000 | 158,200.00 | 556,400.00 | 6,299,062.50 | |
| 2027 | 5,737,575.00 | 250,000 | 154,000.00 | 558,000.00 | 6,295,575.00 | |
| 2028 | 5,737,781.25 | 250,000 | 149,625.00 | 549,250.00 | 6,287,031.25 | |
| 2029 | 5,738,906.25 | 260,000 | 145,250.00 | 550,500.00 | 6,289,406.25 | |
| 2030 | 5,735,918.75 | 275,000 | 140,700.00 | 556,400.00 | 6,292,318.75 | |
| 2031 | 5,726,368.75 | 300,000 | 135,887.50 | 571,775.00 | 6,298,143.75 | |
| 2032 | 5,825,368.75 | 210,000 | 130,637.50 | 471,275.00 | 6,296,643.75 | |
| 2033 | 5,819,093.75 | 225,000 | 126,962.50 | 478,925.00 | 6,298,018.75 | |
| 2034 | 5,810,093.75 | 250,000 | 123,025.00 | 496,050.00 | 6,306,143.75 | |
| 2035 | 5,713,518.75 | 275,000 | 118,650.00 | 512,300.00 | 6,225,818.75 | |
| 2036 | 5,540,712.50 | 275,000 | 113,837.50 | 502,675.00 | 6,043,387.50 | |
| 2037 | 4,925,050.00 | 650,000 | 109,025.00 | 868,050.00 | 5,793,100.00 | |
| 2038 | 1,480,050.00 | 1,580,000 | 97,650.00 | 1,775,300.00 | 3,255,350.00 | |
| 2039 | | 2,000,000 | 70,000.00 | 2,140,000.00 | 2,140,000.00 | |
| 2040 | | 2,000,000 | 35,000.00 | 2,070,000.00 | 2,070,000.00 | |
| | <u>104,762,066.27</u> | <u>10,200,000.00</u> | <u>2,657,475.00</u> | <u>2,833,983.75</u> | <u>15,691,458.75</u> | <u>120,453,525.02</u> |

*The outstanding debt shown does not include the self-supporting debt service attributable to the utility system or the SEDC.

Certificates of Obligation

- Tax Impact
 - Based on a range of assumptions, the CO's may require a tax rate increase of 1 to 1 ½ cents.
 - If interest rates come in on the low end of the range and taxable valuations are on the high end of the range we will be closer to the 1 cent increase or less.
 - If the opposite occurs, we may be closer to the 1 ½ cent increase.

Utility System Revenue Bonds

- Concurrently with the CO's we will be preparing the documentation to issue utility system revenue bonds.
 - The plan is to issue \$3,900,000 to begin the design phase of the waste water treatment project.
 - We expect to sell these at the January 21 Council meeting, same as the CO's.



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**Utility System Revenue Bonds
Series 2020 - Proposed
\$3,900,000**

| FISCAL YEAR 30-Sep | CURRENTLY | PLUS: | | | | | GRAND TOTAL OF ALL DEBT SERVICE | Utility Debt Service as GO Debt | Utility System Revenue Supported Debt |
|-----------------------|---|----------------------|------------------|-----------------------------|---------------------|--------------|--|---------------------------------------|---|
| | OUTSTANDING DEBT SERVICE REQUIREMENTS | PRINCIPAL DUE 2/1 | INTEREST RATE | <u>SERIES 2020 Proposed</u> | | TOTAL | | | |
| | | | | INTEREST DUE 2/1 | INTEREST DUE 8/1 | | | | |
| 2020 | 2,422,693.75 | | | | 78,000.00 | 78,000.00 | 2,500,693.75 | 1,647,268.50 | 4,147,962.25 |
| 2021 | 2,474,193.75 | 250,000 | 4.00% | 78,000.00 | 73,000.00 | 401,000.00 | 2,875,193.75 | 1,657,748.25 | 4,532,942.00 |
| 2022 | 2,492,993.75 | 125,000 | 4.00% | 73,000.00 | 70,500.00 | 268,500.00 | 2,761,493.75 | 1,656,347.00 | 4,417,840.75 |
| 2023 | 2,529,018.75 | 125,000 | 4.00% | 70,500.00 | 68,000.00 | 263,500.00 | 2,792,518.75 | 1,658,457.50 | 4,450,976.25 |
| 2024 | 2,500,468.75 | 250,000 | 4.00% | 68,000.00 | 63,000.00 | 381,000.00 | 2,881,468.75 | 1,516,800.00 | 4,398,268.75 |
| 2025 | 2,720,168.75 | 250,000 | 4.00% | 63,000.00 | 58,000.00 | 371,000.00 | 3,091,168.75 | 1,295,150.00 | 4,386,318.75 |
| 2026 | 2,744,268.75 | 250,000 | 4.00% | 58,000.00 | 53,000.00 | 361,000.00 | 3,105,268.75 | 1,257,650.00 | 4,362,918.75 |
| 2027 | 2,883,893.75 | 250,000 | 4.00% | 53,000.00 | 48,000.00 | 351,000.00 | 3,234,893.75 | 1,105,250.00 | 4,340,143.75 |
| 2028 | 2,874,306.25 | 200,000 | 4.00% | 48,000.00 | 44,000.00 | 292,000.00 | 3,166,306.25 | 1,109,500.00 | 4,275,806.25 |
| 2029 | 2,876,943.75 | 200,000 | 4.00% | 44,000.00 | 40,000.00 | 284,000.00 | 3,160,943.75 | 1,101,500.00 | 4,262,443.75 |
| 2030 | 2,921,993.75 | 200,000 | 4.00% | 40,000.00 | 36,000.00 | 276,000.00 | 3,197,993.75 | 1,047,625.00 | 4,245,618.75 |
| 2031 | 2,981,203.13 | 200,000 | 4.00% | 36,000.00 | 32,000.00 | 268,000.00 | 3,249,203.13 | 989,125.00 | 4,238,328.13 |
| 2032 | 4,045,996.88 | 200,000 | 4.00% | 32,000.00 | 28,000.00 | 260,000.00 | 4,305,996.88 | | 4,305,996.88 |
| 2033 | 4,054,334.38 | 200,000 | 4.00% | 28,000.00 | 24,000.00 | 252,000.00 | 4,306,334.38 | | 4,306,334.38 |
| 2034 | 4,051,153.13 | 200,000 | 4.00% | 24,000.00 | 20,000.00 | 244,000.00 | 4,295,153.13 | | 4,295,153.13 |
| 2035 | 4,055,878.00 | 200,000 | 4.00% | 20,000.00 | 16,000.00 | 236,000.00 | 4,291,878.00 | | 4,291,878.00 |
| 2036 | 4,060,527.50 | 200,000 | 4.00% | 16,000.00 | 12,000.00 | 228,000.00 | 4,288,527.50 | | 4,288,527.50 |
| 2037 | 4,055,398.75 | 200,000 | 4.00% | 12,000.00 | 8,000.00 | 220,000.00 | 4,275,398.75 | | 4,275,398.75 |
| 2038 | 3,440,840.00 | 400,000 | 4.00% | 8,000.00 | - | 408,000.00 | 3,848,840.00 | | 3,848,840.00 |
| | | | | | | - | - | | - |
| | 60,186,275.52 | 3,900,000.00 | | 771,500.00 | 771,500.00 | 5,443,000.00 | 65,629,275.52 | | 81,671,696.77 |