

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:

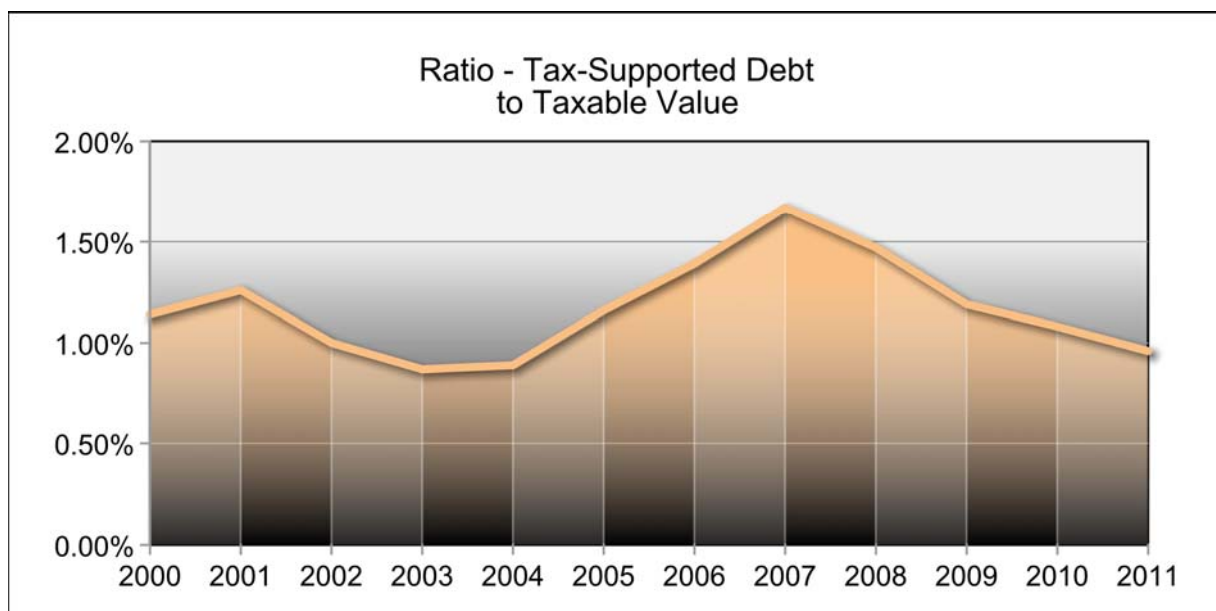
	<u>General Obligation</u>	<u>Utility Revenue</u>
Moody's	A2	A2
Standard & Poor's	AA	AA-

Outstanding Debt Summary - By Type as of October 1, 2008

	Deb Outstanding	%	2008/200 Principal & Interest	2008/200 Handling Fees
GENERAL GOVERNMENT TAX SUPPORTED DEBT:				
Certificate of Obligation and General Obligation Bonds:				
Streets and Transportation	336,245	1%	121,853	1,13
Parks and Recreation Facilities	12,648,550	23	1,092,261	30
Public Safety	4,768,222	9%	929,677	1,74
Other City Facilities	36,540,510	67	3,709,092	6,30
TOTAL TAX SUPPORTED DEBT	54,293,527	100	5,852,88	9,485
ENTERPRISE DEBT:				
Utility Revenue Bonds:				
Electri	24,624,933	40	2,440,541	1,50
Water Services				
Irrigation	1,409,564	2%	118,369	1,00
Water	11,503,761	19	1,595,022	1,00
Wastewater	19,741,742	32	2,100,322	1,00
Total Utility Revenue Debt	57,280,000		6,254,254	4,500
Certificates of Obligation Bonds - Self-Supporting: (2)				
Airpor	1,364,709	2%	209,091	42
Stormwater Drainage	3,115,241	5%	319,995	59
Total CO Bonds - Self Supporting	4,479,950		529,08	1,015
TOTAL ENTERPRISE DEBT	61,759,950	100	6,783,340	5,515
TOTAL CITY SUPPORTED DEBT	116,053,477		12,636,223	15,000
CONTRACTUAL OBLIGATIONS (1):				
Brazos River Authority (BRA) Contractual Obligation	26,536,043		853,324	
Total Contractual Obligations	26,536,04		853,324	

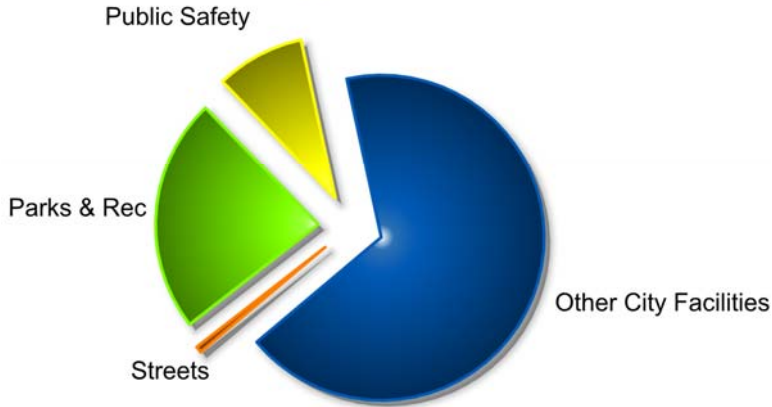
(1) Funds Georgetown's pro-rata share of the Williamson County Raw Water Line.

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

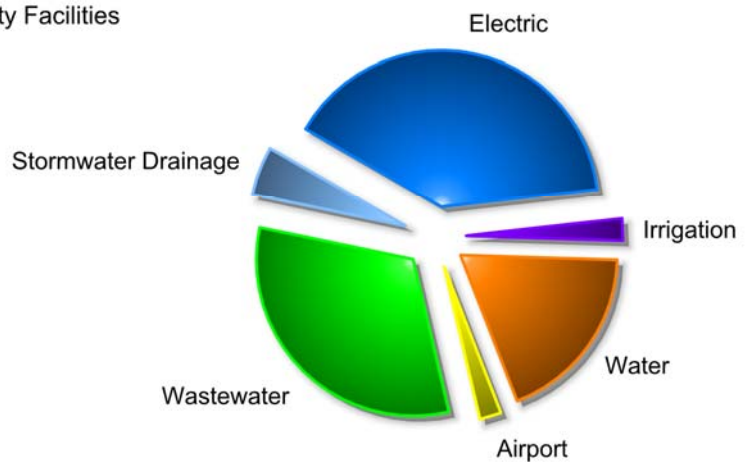


Outstanding Debt by Type

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 \$.35622)	<u>0.15569</u>
Percentage of allowable levy used	<u>10.4%</u>

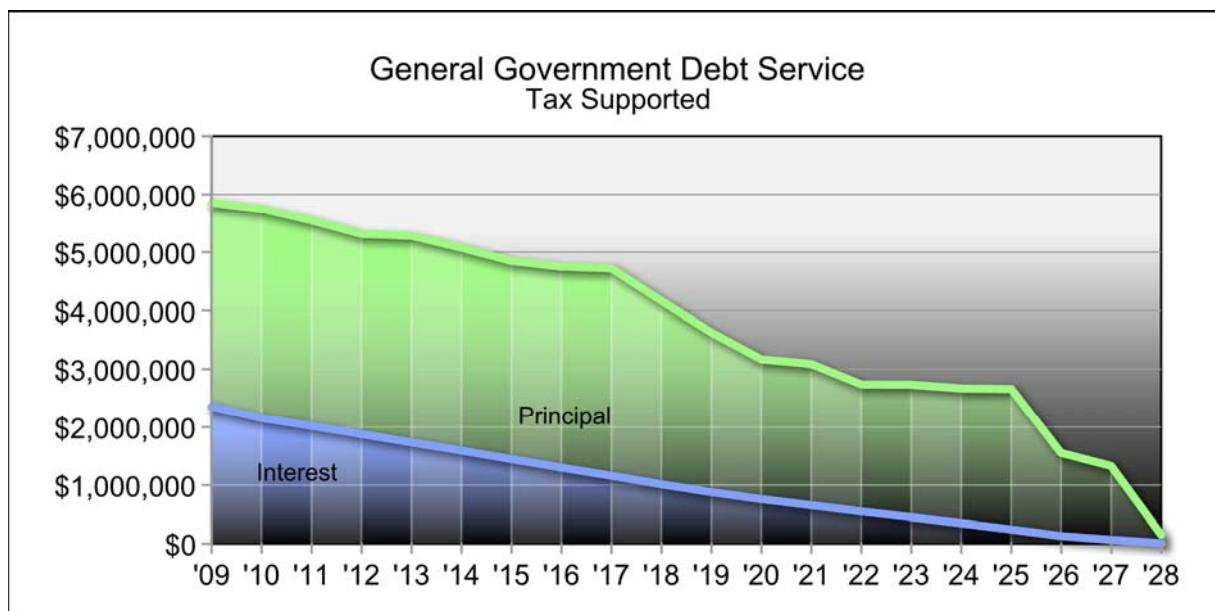
Assuming the maximum tax rate for debt service of \$1.50 on the January 1, 2008, certified assessed valuation of \$4,176,836,943 at 90% collection, tax revenue of \$56,387,298 would be produced. This revenue could service the debt on \$673,849,778 issued as 20-year serial bonds at 5.50% (with level debt service payments).

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
2009	54,293,527	2,350,893	3,501,990	5,852,883
2010	50,791,537	2,152,663	3,593,935	5,746,598
2011	47,197,602	2,017,041	3,529,236	5,546,277
2012	43,668,366	1,874,388	3,437,976	5,312,364
2013	40,230,390	1,731,947	3,549,002	5,280,949
2014	36,681,388	1,589,529	3,484,694	5,074,223
2015	33,196,694	1,443,244	3,403,868	4,847,112
2016	29,792,826	1,296,807	3,452,558	4,749,365
2017	26,340,269	1,157,357	3,563,070	4,720,427
2018	22,777,199	1,010,957	3,154,233	4,165,189
2019	19,622,966	876,511	2,748,215	3,624,726
2020	16,874,751	758,071	2,408,694	3,166,765
2021	14,466,057	653,792	2,432,480	3,086,273
2022	12,033,577	547,470	2,188,251	2,735,721
2023	9,845,326	450,595	2,279,869	2,730,464
2024	7,565,457	346,006	2,319,753	2,665,759
2025	5,245,704	240,760	2,417,011	2,657,771
2026	2,828,693	129,601	1,420,640	1,550,241
2027	1,408,053	64,579	1,262,898	1,327,476
2028	145,155	6,713	145,155	151,869
		20,698,923	54,293,527	74,992,450

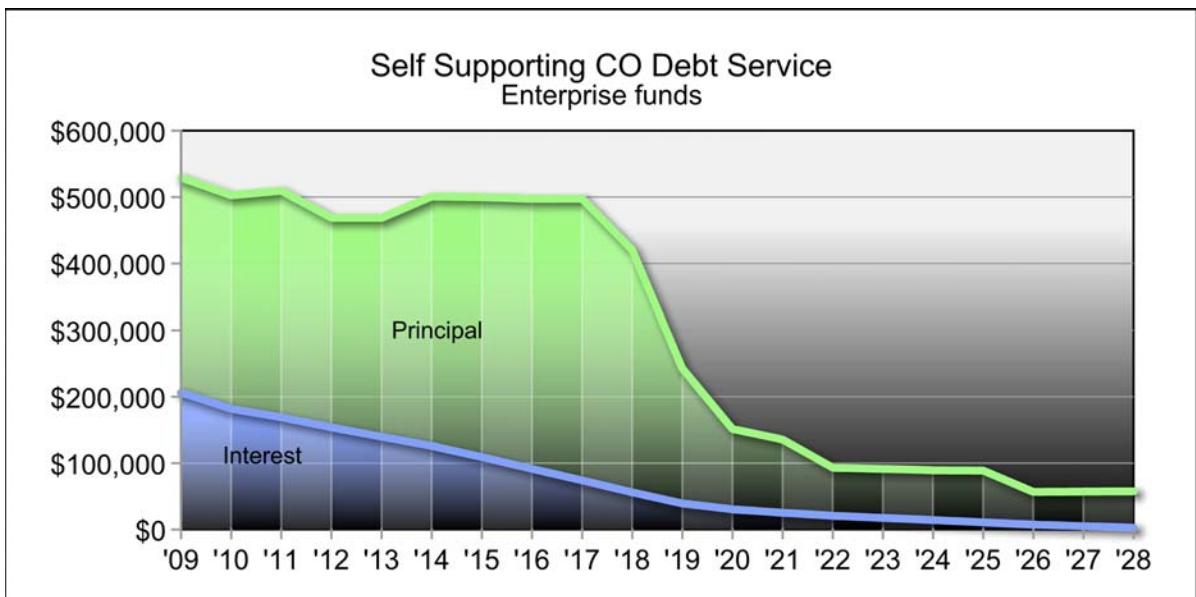


Summary of Debt Service Charges to Maturity

General Obligation Bonds and Certificates of Obligation – SELF SUPPORTING

Debt issued for specific purpose and repaid through dedicated revenues

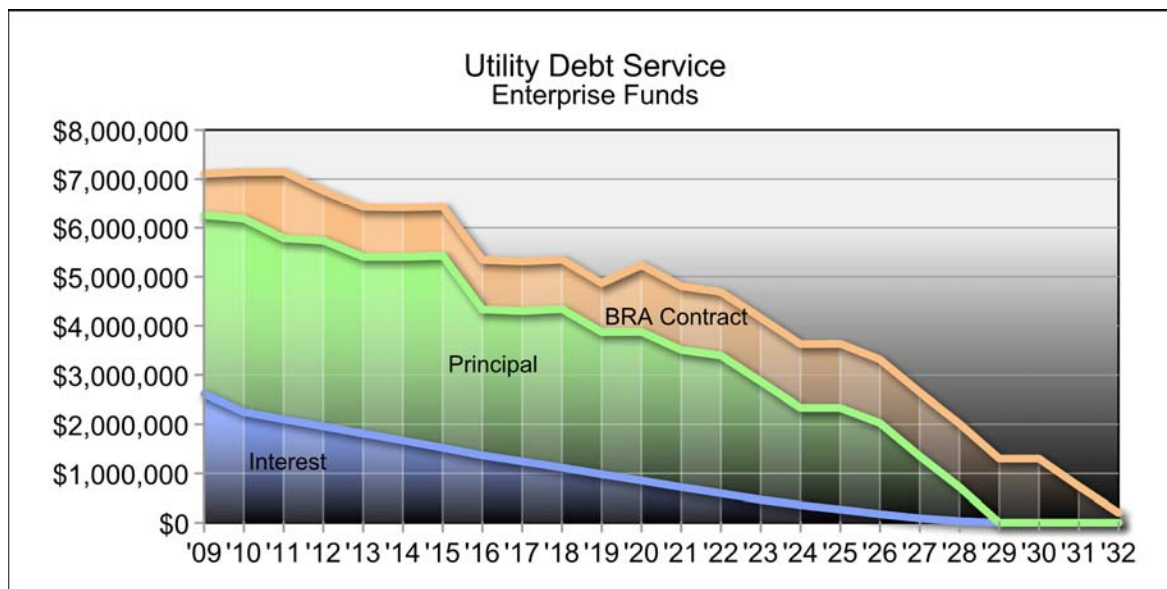
Year Ending September 30	Outstanding Beginning of Year	Interest	Principal	Total Requirements
2009	4,479,950	206,188	322,899	529,086
2010	4,157,051	181,581	321,010	502,591
2011	3,836,041	168,805	340,708	509,513
2012	3,495,333	153,573	314,957	468,530
2013	3,180,375	139,635	328,931	468,566
2014	2,851,444	125,737	375,251	500,987
2015	2,476,194	108,993	390,799	499,791
2016	2,085,395	91,111	406,242	497,353
2017	1,679,153	73,896	423,719	497,615
2018	1,255,434	55,729	364,567	420,296
2019	890,866	38,993	203,574	242,567
2020	687,292	30,222	121,083	151,305
2021	566,210	25,142	110,286	135,429
2022	455,923	20,418	72,505	92,922
2023	383,419	17,276	73,876	91,152
2024	309,543	14,007	75,247	89,253
2025	234,296	10,677	77,989	88,666
2026	156,307	7,168	49,360	56,528
2027	106,947	4,946	52,102	57,049
2028	54,845	2,537	54,845	57,381
		<u>1,476,631</u>	<u>4,479,950</u>	<u>5,956,581</u>



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	BR Contract
2009	57,280,000	2,614,254	3,640,000	6,254,254	853,324
2010	53,640,000	2,245,605	3,935,000	6,180,605	963,297
2011	49,705,000	2,098,087	3,685,000	5,783,087	1,365,598
2012	46,020,000	1,954,893	3,780,000	5,734,893	1,023,396
2013	42,240,000	1,808,465	3,595,000	5,403,465	1,021,945
2014	38,645,000	1,666,882	3,735,000	5,401,882	1,011,637
2015	34,910,000	1,517,718	3,910,000	5,427,718	1,006,612
2016	31,000,000	1,362,533	2,970,000	4,332,533	1,011,637
2017	28,030,000	1,241,658	3,060,000	4,301,658	1,011,368
2018	24,970,000	1,114,298	3,225,000	4,339,298	1,011,096
2019	21,745,000	977,463	2,895,000	3,872,463	995,745
2020	18,850,000	850,816	3,025,000	3,875,816	1,359,667
2021	15,825,000	716,816	2,790,000	3,506,816	1,300,070
2022	13,035,000	592,021	2,800,000	3,392,021	1,295,007
2023	10,235,000	464,306	2,400,000	2,864,306	1,297,077
2024	7,835,000	355,780	1,975,000	2,330,780	1,296,546
2025	5,860,000	266,186	2,065,000	2,331,186	1,300,529
2026	3,795,000	173,093	1,850,000	2,023,093	1,288,528
2027	1,945,000	89,036	1,260,000	1,349,036	1,296,419
2028	685,000	31,681	685,000	716,681	1,293,666
2029					1,299,085
2030					1,297,491
2031					734,477
2032					201,829
		22,141,590	57,280,000	79,421,590	26,536,043

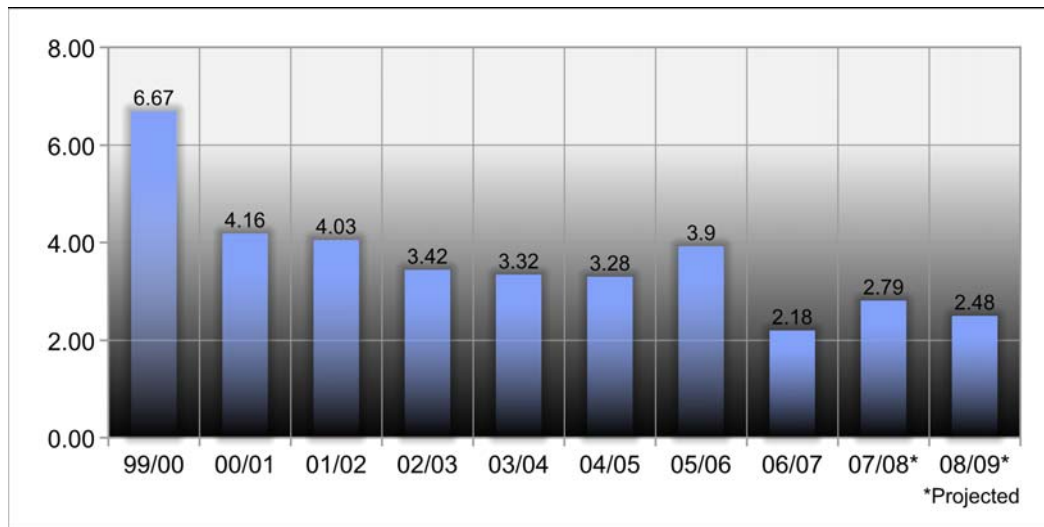


Utility Revenue Bond Debt Coverage

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 2008/09 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.

	Services Fund	Electri Fund	Total
REVENUE:			
All Other	1,951,109	1,825,689	3,776,798
Interest	545,500	125,000	670,500
System	20,332,873	57,776,114	78,108,987
Total Revenues	22,829,482	59,726,803	82,556,285
EXPENSES:			
Departments	16,355,484	50,908,340	67,263,824
Total Expenditures	16,355,484	50,908,340	67,263,824
Net Available for Debt Service	6,473,998	8,818,463	15,292,461
Annual Debt Requirement	3,194,699	2,277,415	5,472,114
Times Coverage Ratio	2.03	3.87	2.79

Proposed Debt Issues:

	Outstanding 9/30/08 Debt Principal	08/09 Principal Reduction	Estimated 2009 New Debt	Estimated 9/30/09 Outstanding Debt
TAX SUPPORTED DEBT:				
<i>General Debt Service:</i>				
General Obligation/Certificates of Obligation	54,293,527	(3,501,990)	12,079,000	62,870,537
SELF SUPPORTED DEBT:				
<i>General Debt Service:</i>				
Stormwater	3,115,241	(172,766)	1,950,000	4,892,475
Airport	1,364,709	(150,133)		1,214,576
Sanitation - transferred to general debt	-	-		-
total GDS:	58,773,477	(3,824,889)	14,029,000	68,977,588
<i>Utility Revenue Debt:</i>				
Electric	24,624,933	(1,342,996)	6,100,000	29,381,937
Irrigation	1,409,564	(51,500)	-	1,358,064
Wastewater	19,741,742	(1,169,862)	4,625,000	23,196,880
Water	11,503,761	(1,075,642)	4,006,000	14,434,119
total Utility Revenue Debt:	57,280,000	(3,640,000)	14,731,000	68,371,000
TOTAL OUTSTANDING DEBT:	116,053,477	(7,464,889)	28,760,000	137,348,588

Utility Revenue Debt:

- ▶ Debt proceeds will be used for system expansion and repaid through continued growth of the City's customer base.

General Debt:

- ▶ Long-term obligations will be issued for \$12.1 million to fund general capital projects as detailed below:
- ▶ An \$81.5 million bond package is being presented to voters in November 2008. If approved, bonds would be issued over a 10-15 year period for approved projects.

(1) General Capital Projects & Equipment Summary:

<i>Police/Municipal Court Facility Purchase & Renovation</i>	10,000,000
<i>Self Contained Breathing Apparatus</i>	400,000
<i>Remodel Fire Station 2</i>	529,000
<i>Land Acquisition</i>	400,000
<i>Future Fire Stations</i>	200,000
	11,529,000
<i>Bond Issue Costs</i>	550,000
<u>General Capital Projects & Equipment Bond Costs</u>	12,079,000