



**Funding Sources for
Major Equipment and Capital Improvements
March 12, 2019**

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Debt Issuance

Tax Rate Limitations on Debt

- Maximum tax rate for the City of Boerne is \$2.50 per \$100 valuation for operations and debt service* (City's current rate is \$0.472)
- The Attorney General will permit the use of \$1.50 out of the \$2.50 for the payment of debt service assuming 90% collections, which can be increased if supported by average collection over a three-year period. (City's current rate is \$0.1069)

* Article XI, Section 5 of the Texas Constitution



Debt Issuance

Types of Debt Issuance

- **Limited Tax General Obligation Bonds**
 - Requires an election and voter approval
 - Must show it can be paid from proceeds of a maximum \$1.50 tax rate at 90% collections (subject to adjustment described on prior slide)
 - Requires several council meetings and an extended timeline
 - May or November general election date
 - Can be used for:
 - Street & Drainage improvements
 - City Infrastructure such as Parks, Library, Police Station, and
 - Other legal public purposes
 - Potentially Economic Development



Debt Issuance

- **Time Frame – General Obligation Bonds**
 - May or November election dates
 - Election must be called at least 78 days, but not more than 90 days, before Election day
 - 30 day contest period after canvassing returns
 - Could have proceeds from bond sale within 60-75 days after election



Debt Issuance

- **Certificates of Obligation**

- Must show it can be paid from proceeds of a maximum \$1.50 tax rate at 90% collections (subject to adjustment)
- Requires at least 2 council meetings, shorter timeframe than voted bonds
- No election required, however
- Does require a Notice of Intention be published once a week for two consecutive weeks with the first publication at least 30 days prior to approval of ordinance authorizing issuance of the CO's
 - Citizens could present a valid petition with signatures of 5% of qualified voters from the last election
 - A successful valid petition could force the city to call an election for the debt

Debt Issuance

- **Certificates of Obligation – continued**
 - Can issue “CO’s” for similar purposes as GO Bonds including:
 - Acquire or construct a building
 - Acquire, construct, and equip a jail
 - Construct and repair roads and bridges
 - Economic Development cannot be primary purpose of Project



Debt Issuance

- **Time Frame – Certificates of Obligation**
 - Generally requires at least 60 days from NOI to receiving funds
 - 30 day minimum notice period
 - 2 newspaper publications and postings required
 - 30 days between sale of CO's and receiving funds



Debt Issuance

- **Tax Notes**

- Must show it can be paid from proceeds of a maximum \$1.50 I&S tax rate at 90% collections (subject to adjustment)
- Requires at least 1 council meeting, shortest time frame for debt issuance
- No election required
- Maximum maturity length limited to 7 years from issuance
- Can be used for any legal purpose
 - Less than 1 year maturity for non-capital (i.e. operating) expenditures
 - Cannot be used for any project where primary purpose is economic development



Debt Issuance

- **Time Frame –Tax Notes**
 - As stated earlier, tax notes provide the shortest timeframe to issue debt and receive the funding
 - Requires one council meeting
 - Could have proceeds from sale of tax notes within 45-60 days



Debt Issuance

- **Utility System Revenue Bonds**
 - Because the City owns and operates its own utility system, consisting of electric, water, sewer, and gas utilities it is able to issue utility system revenue bonds (“USRB”)
 - These bonds are secured by the revenue of the combined utility system

Debt Issuance

- **Utility System Revenue Bonds - continued**
 - Must meet certain Covenants to issue USRB's including:
 - Net Revenues of the system shall have been not less than 1.40x of the average annual debt service requirement, after giving effect to the additional bonds
 - And, 1.10x the maximum annual debt service requirement, after giving effect to the additional bonds
 - Maintain a Reserve Fund equal to 1.25x the average annual debt service requirement
 - Rate covenant – maintain rates and charges sufficient to produce net revenues equal to at least 1.20x the average annual debt service requirement on the outstanding bonds.



Debt Issuance

- **Time Frame - Utility System Revenue Bonds**
 - From time of identifying the need for USRB's, the proceeds can generally be in hand between 60 to 90 days
 - Requires at least one council meeting
 - Does not require an election

Municipal Lease

- **Option for short term financing**
 - City uses lease/purchase option for equipment/software
 - Smooths cash flow needs over 3 to 5 years
 - Lease must have “non-appropriations clause”
 - Enables City to terminate the lease agreement at the end of the current appropriation period without further obligation or penalty
 - Equipment/software will belong to the City at the end of the lease
 - Minimal cost to initiate
 - City staff and Financial Advisor analyze overall cost of Tax Notes vs. Municipal Lease
 - Rates and cost of issuance



Debt Review & Analysis for Refunding

- The following pages will provide a review of the City's outstanding debt for opportunities to refund, or refinance, any of the debt for debt service savings
- Provide a current scenario of such a refunding opportunity



Debt Review & Analysis for Refunding

Currently Outstanding Issues

- GO Refunding Bonds, Ser 2011 – Balance \$2,720,000
 - Refunded GO Bonds, Ser 2002; and Tax Notes, Ser 2007
 - Original Purpose: Street improvements/extensions, purchase firetruck, purchase city campus land
- GO Refunding Bonds, Ser 2014 – Balance \$8,525,000
 - Refunded a portion of GO Bonds, Ser 2007
 - Original Purpose: Quality of Life Bonds – Public Safety Center and Park land
- GO Refunding Bonds, Ser 2016 – Balance \$16,385,000
 - Refunded USRB, Ser 2006; GO Bonds, Ser 2007; USRB, Ser 2009; GO Bonds, Ser 2009
 - Original Purpose: Quality of Life Bonds – Fire Station expansion, library, trails and sidewalks/ USRB – expansion of natural gas utility and electric utility, land and mains for new wastewater treatment plant and recycling center



Debt Review & Analysis for Refunding

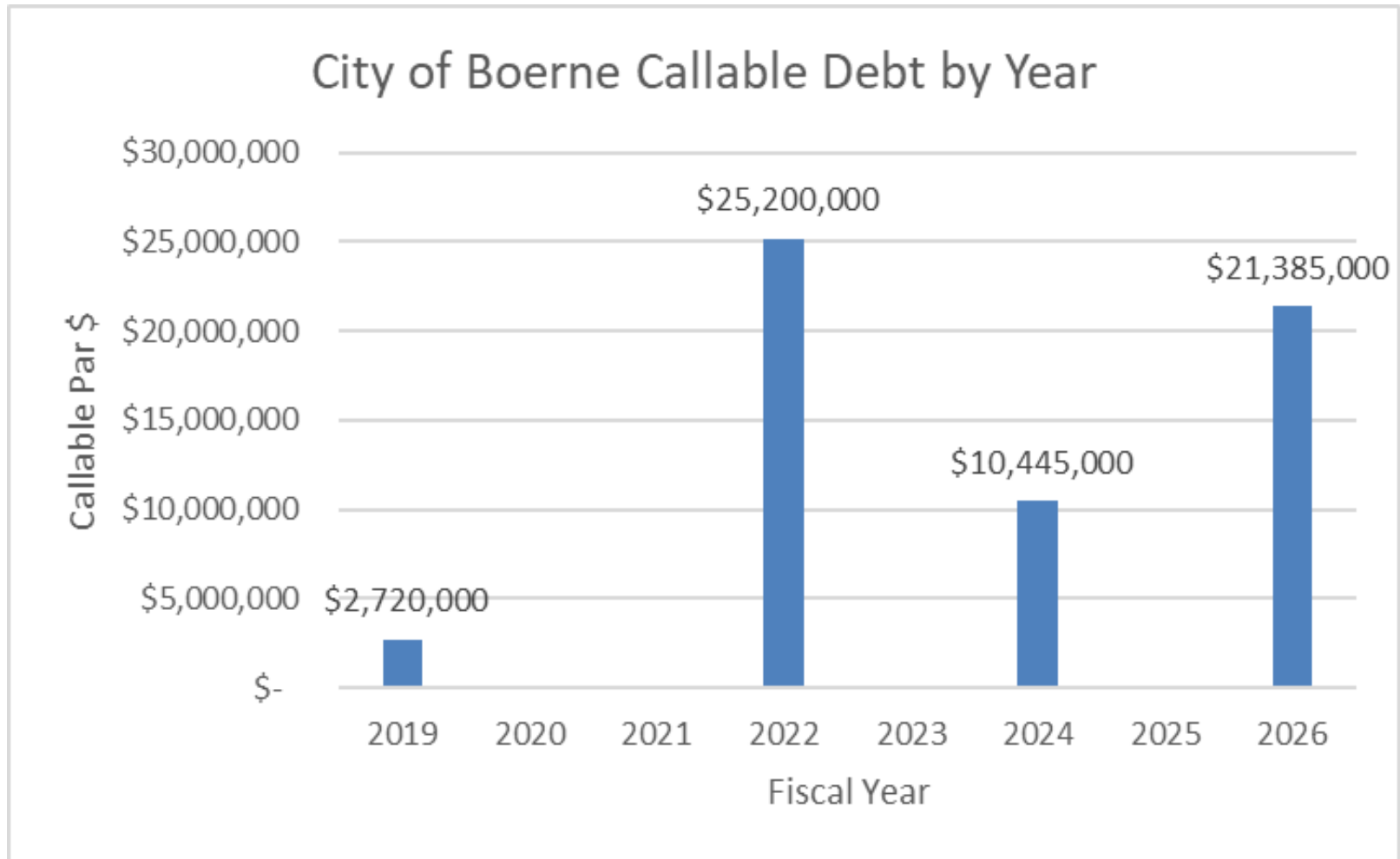
Currently Outstanding Issues

- Tax Notes, Ser 2017 – Balance \$20,675,000
 - Original Purpose: city hall construction and roadway improvements
- GO Refunding Bonds, Ser 2017 – Balance \$26,185,000
 - Refunded USRB, Ser 2010
 - Original Purpose: Construct WWTRC and build wastewater and reuse water infrastructure



**City of Boerne, Texas General Obligation Debt
Debt Analysis
February 22, 2019**

Issue	Mtys Outstanding	Call Feature	Callable Par	Coupon Range	Refund for Savings? 2/22/2019
General Obligation Refunding Bonds, Series 2011	3/1/2019-3/1/2027	3/1/2019	2,720,000	2.00%-4.00%	Yes
Tax Notes, Series 2012	3/1/2019-3/1/2019	None	-	0.65%-1.10%	No
General Obligation Refunding Bonds, Series 2014	3/1/2019-2/1/2031	3/1/2022	6,820,000	2.00%-4.00%	No
General Obligation Refunding Bonds, Series 2016	3/1/2019-3/1/2034	3/1/2024	10,445,000	2.00%-5.00%	No
Tax Notes Series 2017	3/1/2019-3/1/2024	3/1/2022	18,380,000	2.00%-3.00%	No
General Obligation Refunding Bonds, Series 2017	3/1/2020-3/1/2040	3/1/2026	21,385,000	3.50%-5.00%	No





Summary Of Bonds Refunded

Issue	Maturity	Type	of Bond	Coupon	Maturity Value	Call Date	Call Price
Dated 11/01/2011 Delivered 12/15/2011							
Series 2011	03/01/2020	Serial	Coupon	3.000%	535,000	04/01/2019	100.000%
Series 2011	03/01/2021	Serial	Coupon	3.000%	555,000	04/01/2019	100.000%
Series 2011	03/01/2022	Serial	Coupon	3.000%	250,000	04/01/2019	100.000%
Series 2011	03/01/2023	Serial	Coupon	3.000%	255,000	04/01/2019	100.000%
Series 2011	03/01/2024	Serial	Coupon	4.000%	265,000	04/01/2019	100.000%
Series 2011	03/01/2025	Serial	Coupon	4.000%	275,000	04/01/2019	100.000%
Series 2011	03/01/2026	Serial	Coupon	4.000%	290,000	04/01/2019	100.000%
Series 2011	03/01/2027	Serial	Coupon	4.000%	295,000	04/01/2019	100.000%
Subtotal	-			-	\$2,720,000	-	-
Total	-			-	\$2,720,000	-	-

The Bonds Eligible for Refunding consist of the 2011 General Obligation Refunding Bonds. The maturities eligible are 2020 through 2027 at Par with a total refundable amount of \$2,720,000



CITY OF BOERNE, TEXAS

GENERAL OBLIGATION REFUNDING BONDS

SERIES 2019 - PROPOSED

FISCAL YEAR	CURRENTLY OUTSTANDING DEBT SERVICE REQUIREMENTS	LESS REFUNDED DEBT SERVICE	PLUS: The Bonds					GRAND TOTAL OF ALL DEBT SERVICE	
			PRINCIPAL DUE 9/1	INTEREST RATE	INTEREST DUE 3/1	INTEREST DUE 9/1	TOTAL		
30-Sep									
2019	3,197,081.25	46,425.00	-			25,500.00	25,500.00	3,176,156.25	(39,075.00)
2020	3,058,393.75	619,825.00	545,000.00	2.25%	30,600.00	24,468.75	600,068.75	3,038,637.50	19,756.25
2021	3,058,493.75	623,475.00	565,000.00	2.25%	24,468.75	18,112.50	607,581.25	3,042,600.00	15,893.75
2022	3,060,643.75	306,400.00	255,000.00	2.25%	18,112.50	15,243.75	288,356.25	3,042,600.00	18,043.75
2023	11,252,493.75	303,825.00	260,000.00	2.25%	15,243.75	12,318.75	287,562.50	11,236,231.25	16,262.50
2024	11,293,943.75	304,700.00	265,000.00	2.25%	12,318.75	9,337.50	286,656.25	11,275,900.00	18,043.75
2025	1,898,218.75	303,900.00	270,000.00	2.25%	9,337.50	6,300.00	285,637.50	1,879,956.25	18,262.50
2026	1,900,093.75	307,600.00	280,000.00	2.25%	6,300.00	3,150.00	289,450.00	1,881,943.75	18,150.00
2027	1,889,793.75	300,900.00	280,000.00	2.25%	3,150.00		283,150.00	1,872,043.75	17,750.00
2028	1,593,468.75				-	-	-	1,593,468.75	0.00
2029	1,592,093.75				-	-	-	1,592,093.75	0.00
2030	1,597,618.75				-	-	-	1,597,618.75	0.00
2031	1,585,771.88				-	-	-	1,585,771.88	0.00
2032	990,500.00							990,500.00	0.00
2033	938,400.00							938,400.00	0.00
	<u>48,907,009.38</u>	<u>3,117,050.00</u>	<u>2,720,000</u>		<u>119,531.25</u>	<u>114,431.25</u>	<u>2,953,962.50</u>	<u>48,743,921.88</u>	<u>103,087.50</u>

City I&S Contribution	\$60,000.00
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Net Present Value Savings is	\$88,310.29	or 3.247% of the refunded bonds
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General Obligation Refunding Bonds, Series 2011	
Delivered:	April 1, 2019
Par Amount of Refunding Bonds:	\$2,720,000
Par Amount of Refunded Bonds:	\$2,720,000
NPV Savings:	\$88,310.29
% Savings of Refunded Bonds:	3.247%
Average Annual Savings:	\$17,770.31
Average Coupon of Refunded Bonds:	3.689%
True Interest Cost (TIC):	2.250%
Rates as of:	February 20, 2019



Agenda Consideration

Tonight you are considering the approval, authorization and issuance of General Obligation Refunding Bonds for the purpose of achieving debt service savings. This authorization will delegate the approval of the final terms of the refunding to the Mayor, City Manager, and Finance Director subject to the following parameters:

- Principal amount of Refunding issue not to exceed \$2,720,000
- Maximum maturity will be March 1, 2027
- The true interest cost on the issue will not exceed 4%
- The savings will be a minimum of 2.50% net present value savings



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