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May 3, 2022

Capital Financing Discussion

Considerations When Issuing Debt

- Allows city to begin construction/renovation projects now
- Future beneficiaries pay their “fair share” for public improvements/services
- Does not deplete fund balance
 - Allows a city access to another revenue stream, the Interest & Sinking Fund tax rate
- Helps minimize impact on property tax rates
- Finance projects over their useful lives with a variety of repayment options
- Tax-exempt feature provides low cost, long-term financing
- Taxes levied to repay debt are not subject to rollback; more flexibility for large-scale projects
 - House Bill 2 (HB2): Ad valorem taxation - cities, counties, other

Certificates of Obligation

- Texas statute allows for the issuance of certificates of obligation (CO's)
- Council approval of a Notice of Intent
 - Maximum amount of CO's to be issued
 - General listing of projects
 - Date in which Council will meet to consider the sale of the CO's
- Proceeds can only be spent on projects or types of projects listed in the Notice of Intent
- Publication of the Notice of Intent for two consecutive weeks
- CO's may be sold 46 days after first publication
- Council approval of final sale
 - All terms, payments, etc. are known upon final pricing
- Closing and delivery of construction funds to the City within 30 days of the sale

Sample Certificates of Obligation Timing

Date	Day	Action
May 3	Tuesday	Discussion of Capital Financing
May 9	Monday	Council passage of Notice of Intent ("NOI")
May 18	Wednesday	First Publication of NOI in Paper
May 25	Wednesday	Second Publication of NOI in Paper
July 11	Monday	Certificates of Obligation Sale
August 11	Thursday	Closing and Delivery of Funds to the City

Sample Tax Rate Impact Analysis
