



## Contacts

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**June 6, 2022**

**City of Angleton**

2022 Funding Capacity

# Sales Tax Revenue Bonds Vs. Certificates of Obligation (GO)

## **Sale Tax Revenue Bonds**

- ❑ Pledge of Gross Sales Taxes From ABLC.
- ❑ Coverage of Revenue Over Debt – Minimum 1.25X Better 1.40X .
- ❑ Reserve Fund Equal to Maximum Annual Debt Service.
- ❑ Additional Bonds Test.
- ❑ Credit Factor: Sales Tax is a passive income stream subject to economic swings.
- ❑ Interest Cost: Higher than a similarly rated General Obligation Credit.

## **General Obligation Bonds**

- ❖ Pledge of Ad Valorem Taxes and a User Fee.
- ❖ No Coverage Required. Internal coverage recommended.
- ❖ No Reserve Fund Required.
- ❖ Additional Bonds at discretion of issuer.
- ❖ Credit Factor: Ad Valorem Taxes and user fees can be controlled annually with the setting of the tax rate/fee.
- ❖ Interest Cost: Lowest borrowing cost due to full faith and credit pledge.

## Angleton Better Living Corporation (“ABLC”) - Review

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Receives one half cent of sales tax revenue collected within the City limits of Angleton.

This is a passive tax. ABLC cannot increase the rate that is charged or impact the sale of goods within the City.

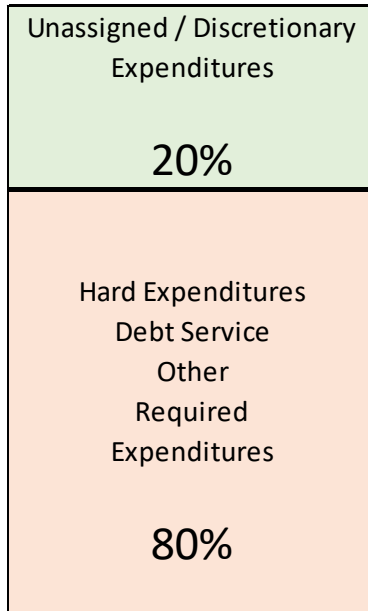
Sales Tax Revenue Bonds are not a realistic option for issuance of debt for ABLC currently.

Debt issued by the City comes with an ad valorem tax pledge. This means lower borrowing cost and no reserve fund requirement. It also means the debt is considered a direct debt of the City from a credit perspective.

### **\*Key Concept\***

Coverage: the amount that receipts of sales taxes exceed “hard costs.” In the case of ABLC, hard costs include bond debt (fixed at issuance) and Operations of the Recreation Center, 30% of salaries for Parks and Recreation plus funding of recreation.

# Concept of Coverage



Revenues	2022
ABLC Sales Tax	\$ 1,982,765
Interest	4,500
Miscellaneous	
<i>Transfer From Fund Balance /Amended</i>	-
Total Revenue	<u>\$ 1,987,265</u>

Expenditures	
ABL Legal Professional	\$ 2,650
Travel & Training	1,000
ABL Contingency	50,000
<i>Park Design Budget Amended</i>	-
Other Park Projects	217,741
Transfer To General Fund	338,301
Transfer To Debt Service Fund	557,069
Transfer To Lakeside Park Capital	820,505
Transfer to Activity Center	
Transfer to Recreation	
	<u>\$ 1,987,266</u>

"Hard Costs"
338,301
557,069
820,505
<u>\$ 1,715,875</u>

(Revenues / Hard Costs)

(\$1,987,266 / \$1,715,875)

Current Coverage of Hard Costs by Revenues	1.16 X
Target Coverage	1.25 X

*To meet 1.25X Coverage, Hard Cost Expenditures must not be more than 80% of Revenues*

# Recent Sales Tax Collections

## Fiscal Collections 9-30-22

Date	Comptroller Payment	City 1%	ABLC 0.50%	Over (Under) Prior Yr. Month
12/31/2021	\$ 423,738.27	\$ 282,492.18	\$ 141,246.09	7.18%
1/31/2022	410,380.64	273,587.09	136,793.55	15.65%
2/28/2022	559,871.23	373,247.49	186,623.74	2.09%
3/31/2022	387,508.43	258,338.95	129,169.48	13.77%
4/30/2022	383,844.57	255,896.38	127,948.19	11.94%
5/31/2022	522,316.58	348,211.05	174,105.53	1.51%
6/30/2022				
7/31/2022				
8/31/2022				
9/30/2022				
10/31/2022				
11/30/2022				
	<u>\$ 2,687,659.72</u>	<u>\$ 1,791,773.15</u>	<u>\$ 895,886.57</u>	

Budgeted Sales Tax Revenue	\$ 1,982,765
Six Months Percent of Budget	50.00%
Percent of Actual YTD	45.18%
Current Potential Shortfall YTD	\$ 95,569

## Fiscal Collections 9-30-21

Date	Comptroller Payment	City 1%	ABLC 0.50%
12/31/2020	\$ 395,348.74	\$ 263,565.83	\$ 131,782.91
1/31/2021	354,845.49	236,563.66	118,281.83
2/28/2021	548,392.34	365,594.89	182,797.45
3/31/2021	340,598.43	227,065.62	113,532.81
4/30/2021	342,899.91	228,599.94	114,299.97
5/31/2021	514,532.66	343,021.77	171,510.89
6/30/2021	430,962.90	287,308.60	143,654.30
7/31/2021	389,114.38	259,409.59	129,704.79
8/31/2021	480,908.02	320,605.35	160,302.67
9/30/2021	398,830.06	265,886.71	132,943.35
10/31/2021	404,326.78	269,551.19	134,775.59
11/30/2021	524,198.03	349,465.35	174,732.68
	<u>\$ 5,124,957.74</u>	<u>\$ 3,416,638.49</u>	<u>\$ 1,708,319.25</u>

# Budget and Actual Performance Will Set the Stage for a Debt Sale

Revenues	2022	2023	
ABLC Sales Tax	\$ 1,982,765	\$ 1,982,765	
Interest	4,500	4,500	
Miscellaneous			
Transfer From Fund Balance	400,000		
Total Revenue	<u>\$ 2,387,265</u>	<u>\$ 1,987,265</u>	
Expenditures			
ABL Legal Professional	\$ 2,650	\$ 2,650	
Travel & Training	1,000	1,000	
ABL Contingency	50,000	314,431	Goal Should be 20% of Sales Tax Revenue = \$396,553.
Park Design	400,000		
Other Park Projects	217,741		
Transfer To General Fund	338,301	275,727	30% of Parks Personnel Costs, subject to increase annually.
Transfer To Debt Service Fund	557,069	536,583	Current CO Debt Payments, Fixed.
Transfer To Lakeside Park Capital	820,505		
Transfer to Activity Center		485,339	Angleton Rec Center, subject to increase annually.
Transfer to Recreation		371,535	Recreation Division, subject to increase annually.
	<u>\$ 2,387,266</u>	<u>\$ 1,987,265</u>	
Current Projected Fund Balance	\$ 744,153	37% \$ 1,058,584	Goal Should be minimum of 25% of Sales Tax Revenue. Also consider a Debt Reserve. Flow all surplus fund balance to the next budget as discretionary spending.

## Possible City CO Sale For ABLC – 4<sup>th</sup> Quarter 2022

Fiscal Year	Existing Debt			New Combination Tax & Revenue CO, Series 2022				Grand Total ABLC
30-Sep	Principal	Interest	Total	Principal	Coupon	Interest	Total	Debt Service
2022	\$ 439,597	\$ 114,847	\$ 554,444					\$ 554,444
2023	430,355	103,604	533,958		4.50%	143,269	\$ 143,269	677,227
2024	335,000	91,223	426,223		4.50%	191,025	191,025	617,248
2025	345,000	80,048	425,048		4.50%	191,025	191,025	616,073
2026	340,000	68,348	408,348		4.50%	191,025	191,025	599,373
2027	200,000	59,548	259,548	\$ 100,000	4.50%	191,025	291,025	550,573
2028	195,000	53,623	248,623	115,000	4.50%	186,525	301,525	550,148
2029	195,000	47,773	242,773	125,000	4.50%	181,350	306,350	549,123
2030	190,000	41,998	231,998	140,000	4.50%	175,725	315,725	547,723
2031	190,000	37,023	227,023	155,000	4.50%	169,425	324,425	551,448
2032	190,000	32,773	222,773	165,000	4.50%	162,450	327,450	550,223
2033	190,000	28,466	218,466	175,000	4.50%	155,025	330,025	548,491
2034	190,000	24,104	214,104	190,000	4.50%	147,150	337,150	551,254
2035	190,000	19,741	209,741	205,000	4.50%	138,600	343,600	553,341
2036	190,000	15,345	205,345	215,000	4.50%	129,375	344,375	549,720
2037	190,000	10,915	200,915	230,000	4.50%	119,700	349,700	550,615
2038	145,000	7,250	152,250	290,000	4.50%	109,350	399,350	551,600
2039	145,000	4,350	149,350	305,000	4.50%	96,300	401,300	550,650
2040	145,000	1,450	146,450	320,000	4.50%	82,575	402,575	549,025
2041				480,000	4.50%	68,175	548,175	548,175
2042				505,000	4.50%	46,575	551,575	551,575
2043				530,000	4.50%	23,850	553,850	553,850
2044	\$ 4,434,952	\$ 842,424	\$ 5,277,376	\$ 4,245,000		\$ 2,899,519	\$ 7,144,519	\$ 12,421,895

Assume a delivery date of 11-15-2022.

Net Proceeds to Construction = \$3,900,230

Area is shaded to designate years that exceed annual target debt level of approximately \$550,000.

## Possible City CO Sale For ABLC – 4<sup>th</sup> Quarter 2023

Fiscal Year	Existing Debt			New Combination Tax & Revenue CO, Series 2023				Grand Total ABLC
30-Sep	Principal	Interest	Total	Principal	Coupon	Interest	Total	Debt Service
2022	\$ 439,597	\$ 114,847	\$ 554,444					\$ 554,444
2023	430,355	103,604	533,958					533,958
2024	335,000	91,223	426,223		5.00%	\$ 186,542	\$ 186,542	612,764
2025	345,000	80,048	425,048		5.00%	203,500	203,500	628,548
2026	340,000	68,348	408,348		5.00%	203,500	203,500	611,848
2027	200,000	59,548	259,548	\$ 85,000	5.00%	203,500	288,500	548,048
2028	195,000	53,623	248,623	105,000	5.00%	199,250	304,250	552,873
2029	195,000	47,773	242,773	115,000	5.00%	194,000	309,000	551,773
2030	190,000	41,998	231,998	130,000	5.00%	188,250	318,250	550,248
2031	190,000	37,023	227,023	140,000	5.00%	181,750	321,750	548,773
2032	190,000	32,773	222,773	155,000	5.00%	174,750	329,750	552,523
2033	190,000	28,466	218,466	165,000	5.00%	167,000	332,000	550,466
2034	190,000	24,104	214,104	180,000	5.00%	158,750	338,750	552,854
2035	190,000	19,741	209,741	190,000	5.00%	149,750	339,750	549,491
2036	190,000	15,345	205,345	205,000	5.00%	140,250	345,250	550,595
2037	190,000	10,915	200,915	220,000	5.00%	130,000	350,000	550,915
2038	145,000	7,250	152,250	275,000	5.00%	119,000	394,000	546,250
2039	145,000	4,350	149,350	295,000	5.00%	105,250	400,250	549,600
2040	145,000	1,450	146,450	315,000	5.00%	90,500	405,500	551,950
2041				475,000	5.00%	74,750	549,750	549,750
2042				500,000	5.00%	51,000	551,000	551,000
2043				520,000	5.00%	26,000	546,000	546,000
2044	\$ 4,434,952	\$ 842,424	\$ 5,277,376	\$ 4,070,000		\$ 2,947,292	\$ 7,017,292	\$ 12,294,668

Assume a delivery date of 9-15-2023.

Net Proceeds to Construction = \$3,900,230



# Disclosure

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