Financial Review
City of Breckenridge

Risk Score: 2B

Audit Reviewed: FY 2020

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	County: -1.08%	State: 1.49%
Top 10 Customers % of Total Revenue	20.32%	10-15%
Median Household Income as % of State	74%	100%
Days of Cash on Hand (3-year Average)	23 days	30-149 days
Net Fixed Assets/ Annual Depreciation	27 years	12-24 years
Debt Service Coverage Ratio	2.45x	1.1x
Debt-to-Operating Revenues	0.00	4.00-5.99x
Net Direct Debt to Total Assessed Valuation	7.53%	2.00-4.99%
Unemployment Rate (November 2021)	{County}: 4.1%	State: 4.5%
Working Capital Ratio	2.23	> 1.0

Key Risk Score Strengths

- The pledged revenues of an ad valorem tax and surplus utility system revenues provide a high debt service coverage ratio.
- The City supports the majority of its outstanding debt with ad valorem tax, leading to a net direct debt to total assessed valuation slightly above the benchmark. However, the City does not have debt on the revenue side. This indicates that the City has flexibility for self-supporting revenue debt.
- A low unemployment rate and a historically high tax collection rate indicate a strong socioeconomic base to support the proposed obligation.

Key Risk Score Concerns

- Over the last ten years, there has been a slight population decline at an average annual rate of 1.08 percent. However, the active connections over that same period has remained relatively stable with a slightly upward trend.
- Of the top ten customers, a Texas Department of Criminal Justice prison facility accounts for approximately 11 percent of the City's utility revenues. A stress test excluding those revenues revealed that the City would still exceed 2.27 times coverage for the life of the financing.

PLEDGE

Legal Pledge Name	Tax and Surplus Waterworks and Sewer Systems Revenues
Type of Pledge	☐ Tax ☐ Revenue ☒ Tax & Revenue ☐ Contract ☐ Other
Revenue Pledge Level	☐ First ☐ Second ☒ Third ☐ N/A

RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Rates	Projected Rates	Current Household Cost Factor	Projected Household Cost Factor
WATER	6,660	$34.80	$34.80	2.16	2.16
WASTEWATER	4,889	$26.85	$26.85		

TAXES

	2021 Tax Year Rate	Max Projected Tax Rate (Year 2021)	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	$0.8384	$0.8384	$2.50	96%	$189,045,621
Interest & Sinking	$0.2839	$0.2839			
Total Tax Rate	$1.1223	$1.1223			

<u>Cost Savings</u>

Based on a 30-year maturity schedule and current interest rates, the City could save approximately $526,505 over the life of the regular loan and $595,157 over the life of the 0% interest loan. The City is also saving $1,227,420 in principal forgiveness.