

CITY OF HEWITT, TEXAS

Proposed Certificate of Obligation Issuance and Tax Rate Management Discussion

May 2, 2022

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HEWITT TEXAS

City of Hewitt Outstanding Debt

General Fund Debt Obligations								
Fiscal Year Ending 9/30	CO S-2010	CO S-2012	CO S-2013	GO Ref S-2013	CO's S-2014	CO's S-2016B	CO's S-2017	Total Debt Service
2022	\$ 187,750	\$ 187,670	\$ 233,230	\$ 308,609	\$ 491,525	\$ 225,875	\$ 374,013	\$ 2,008,671
2023	183,750	190,537	234,855	311,751	489,213	226,225	372,113	2,008,443
2024	184,750	194,814	231,355	311,465	490,963	226,425	380,063	2,019,834
2025	294,500	197,036	232,155	-	491,613	226,475	375,063	1,816,841
2026	293,500	195,357	232,805	-	491,113	221,375	374,863	1,809,012
2027	292,000	197,007	233,305	-	490,313	226,275	379,263	1,818,162
2028	295,000	198,516	233,655	-	489,213	222,675	378,063	1,817,121
2029	292,250	199,455	233,055	-	491,863	224,075	291,463	1,732,160
2030	294,000	202,124	232,280	-	488,038	225,375	290,013	1,731,829
2031	-	202,237	231,330	-	488,863	221,575	293,413	1,437,417
2032	-	205,954	235,205	-	488,113	221,825	291,513	1,442,609
2033	-	-	233,730	-	486,800	221,950	294,463	1,236,943
2034	-	-	232,080	-	488,800	221,950	292,113	1,234,943
2035	-	-	235,499	-	-	221,825	294,613	751,936
2036	-	-	233,580	-	-	226,050	291,813	751,443
2037	-	-	236,020	-	-	-	293,200	529,220
2038	-	-	233,100	-	-	-	294,263	527,363
Total	\$ 2,317,500	\$ 2,170,706	\$ 3,967,239	\$ 931,825	\$ 6,366,425	\$ 3,359,950	\$ 5,560,300	\$ 24,673,945

The above series of debt were issued for general fund improvements (streets, parks, etc.) and repaid from ad valorem tax levy (I&S portion of the tax rate).

City of Hewitt Outstanding Debt

Utility System Supported Debt Obligations						
Fiscal Year Ending 9/30	CO S-2010	CO S-2012	GO Ref S-2013	GO Ref S-2015	CO S-2016	New Total Debt Service
2022	\$ 354,650	\$ 309,768	\$ 273,672	\$ 606,200	\$ 425,288	\$ 1,969,577
2023	354,250	314,501	276,459	603,750	428,763	1,977,722
2024	353,850	321,561	276,205	606,000	426,263	1,983,879
2025	573,350	325,227	-	607,800	423,638	1,930,014
2026	571,850	322,456	-	609,150	425,888	1,929,343
2027	569,850	325,180	-	612,700	423,688	1,931,418
2028	562,350	327,671	-	615,550	425,969	1,931,540
2029	559,600	329,221	-	617,700	427,175	1,933,696
2030	561,350	333,626	-	617,825	427,688	1,940,488
2031	557,350	333,813	-	627,200	427,038	1,945,400
2032	554,663	339,946	-	624,000	426,088	1,944,696
2033	1,211,538	-	-	-	424,369	1,635,906
2034	1,212,888	-	-	-	427,338	1,640,225
2035	1,217,213	-	-	-	423,838	1,641,050
2036	1,219,288	-	-	-	-	1,219,288
2037	1,224,113	-	-	-	-	1,224,113
Total	\$ 11,658,150	\$ 3,582,969	\$ 826,335	\$ 6,747,875	\$ 5,963,025	\$ 28,778,355

The above series of debt were issued for utility system improvements and repaid from revenues of the City's utility system.

City of Hewitt Tax Rate

5-Year Taxable Assessed Value and Tax Rate History										
Tax Year	FYE	TAV	YOY % Change	Total Rate	M&O Rate	M&O Levy	I&S Rate	I&S Levy		
2017	2018	\$ 842,794,668	--	\$ 0.5397	\$ 0.3236	\$ 2,727,284	\$ 0.2161	\$ 1,821,279		
2018	2019	936,761,456	11.15%	0.5397	0.3074	2,879,605	0.2323	2,176,097		
2019	2020	1,008,342,875	7.64%	0.5397	0.3166	3,192,414	0.2231	2,249,613		
2020	2021	1,028,217,419	1.97%	0.5478	0.3279	3,371,175	0.2200	2,261,790		
2021	2022	1,131,121,660	10.01%	0.5401	0.3471	3,926,157	0.1930	2,183,065		

Senate Bill 2 limits the City’s ability to increase its M&O levy by more than 3.5% of the prior year’s levy unless the City has a population of 30,000 or less in which case it may increase its No-New-Revenue M&O Rate that when applied to the City’s TAV will impose an amount of taxes equal to \$500,000 and the City’s current debt rate.

Last year, the City adopted the de minimis rate which allowed the City to increase the M&O rate while lowering its overall rate by virtue of a decreased I&S rate.

Certified values will not be released until late July 2022 and the following analysis assumes a 7.93% increase in taxable assessed value for the City in the coming year.

City of Hewitt Tax Rate – De Minimus Rate

De Minimus Rate with No New Debt			
	Rate	Levy	\$ Change in Revenue from Prior Year
M&O	\$ 0.346050	\$ 4,224,663.03	\$ 298,489.91
I&S	0.182514	2,228,171.00	45,113.00
Total	\$ 0.528564	\$ 6,452,834.03	\$ 343,602.91

If the City adopts the de minimus rate and does not issue debt the Total Tax Rate will decrease to \$0.5285/\$100 next year from \$0.5401/\$100.

OR

De Minimus Rate with \$5MM New Debt			
	Rate	Levy	\$ Change in Revenue from Prior Year
M&O	\$ 0.346050	\$ 4,224,663.03	\$ 298,489.91
I&S	0.209727	2,560,396.00	377,338.00
Total	\$ 0.555777	\$ 6,785,059.03	\$ 675,827.91

If the City adopts the de minimus rate and issued up to \$5,000,000 in COs, it would increase the total tax rate to \$0.5557/\$100 next year from \$0.5401/\$100.

City of Hewitt Tax Rate – Maintain the Prior Year’s Rate

Alternatively, the City can choose to keep the Total Tax Rate at \$0.5401/\$100 from the prior year by decreasing the M&O rate and increasing the I&S rate by virtue of issuing debt.

<u>Maintain Total Tax Rate with \$5MM New Debt</u>			
	<u>Rate</u>	<u>Levy</u>	<u>\$ Change in Revenue from Prior Year</u>
M&O	\$ 0.330377	\$ 4,033,322.20	\$ 107,149.08
I&S	<u>0.209727</u>	<u>2,560,396.00</u>	<u>377,338.00</u>
Total	\$ 0.540104	\$ 6,593,718.20	\$ 484,487.08

In this scenario the City still raises \$107,149 in additional M&O revenues compared to last year and generates additional I&S revenues sufficient to repay \$5,000,000 in Certificates of Obligation to be issued this summer prior to the adoption of the tax rate.

City of Hewitt Tax Rate – Maintain the Prior Year’s Rate

FYE (9/30)	Taxable Assessed Valuation ⁽¹⁾	Net Debt Service ⁽²⁾	Required I&S Tax Rate ⁽³⁾	\$5MM CO's, Series 2022 ⁽⁴⁾			New Net Total Debt Service	Required I&S Tax Rate ⁽³⁾
				Principal	Interest	Total		
2022	\$ 1,131,121,660	\$ 2,183,058	\$ 0.1930				\$ 2,183,058	\$ 0.1930
2023	1,220,824,246	2,228,171	0.1825	\$ 135,000	\$ 197,300	\$ 332,300	2,560,471	0.2097
2024	1,257,448,973	2,382,987	0.1895	65,000	193,300	258,300	2,641,287	0.2101
2025	1,295,172,442	2,104,892	0.1625	185,000	188,300	373,300	2,478,192	0.1913
2026	1,295,172,442	2,097,236	0.1619	195,000	180,700	375,700	2,472,936	0.1909
2027	1,295,172,442	2,115,045	0.1633	200,000	172,800	372,800	2,487,845	0.1921
2028	1,295,172,442	2,114,004	0.1632	210,000	164,600	374,600	2,488,604	0.1921
2029	1,295,172,442	2,029,043	0.1567	220,000	156,000	376,000	2,405,043	0.1857
2030	1,295,172,442	2,028,712	0.1566	225,000	147,100	372,100	2,400,812	0.1854
2031	1,295,172,442	1,734,300	0.1339	235,000	137,900	372,900	2,107,200	0.1627
2032	1,295,172,442	1,739,492	0.1343	245,000	128,300	373,300	2,112,792	0.1631
2033	1,295,172,442	1,533,826	0.1184	255,000	118,300	373,300	1,907,126	0.1472
2034	1,295,172,442	1,531,826	0.1183	265,000	107,900	372,900	1,904,726	0.1471
2035	1,295,172,442	1,048,819	0.0810	275,000	97,100	372,100	1,420,919	0.1097
2036	1,295,172,442	1,048,326	0.0809	290,000	85,800	375,800	1,424,126	0.1100
2037	1,295,172,442	826,103	0.0638	300,000	74,000	374,000	1,200,103	0.0927
2038	1,295,172,442	824,246	0.0636	315,000	61,700	376,700	1,200,946	0.0927
2039	1,295,172,442	-	-	325,000	48,900	373,900	373,900	0.0289
2040	1,295,172,442	-	-	340,000	35,600	375,600	375,600	0.0290
2041	1,295,172,442	-	-	355,000	21,700	376,700	376,700	0.0291
2042	1,295,172,442	-	-	365,000	7,300	372,300	372,300	0.0287
Total		\$ 29,570,084		\$ 5,000,000	\$ 2,324,600	\$ 7,324,600	\$ 36,894,684	

⁽¹⁾ Tax Year 2021 (Fiscal Year 2022) Certified Taxable Assessed Value ("TAV") per McLennan CAD. Assumes annual growth rate 7.93% for 2022, 3% for 2 years and 0% thereafter.

⁽²⁾ Includes other financings outside of City's debt (i.e. lease purchases).

⁽³⁾ Tax collections assumed to be 100% as required by McLennan Co CAD in 2022 and beyond.

⁽⁴⁾ Preliminary, subject to change. Interest calculated at 4.00% for illustrative purposes only.

Certificates of Obligation Issuance Timeline

Date	Action Item
May 2nd	Council workshop to discuss tax rate and potential new debt considerations in preparation for the upcoming year's budget
June 6th	Council authorizes Notice of Intention Resolution to issue Certificates of Obligation (CO's)
Week of July 25th	Certified Values received from McLennan CAD
August 1st	City Council takes record vote on proposed tax rate and 2023 budget and sets public hearings for each
August 8th	Receive competitive bids on COs at 11AM City Council meeting to review bids and authorize sale of COs at 6PM
August 15th	City Council adopts the M&O and I&S tax rates for the coming year and adopts the 2023 budget
September 7th	COs Closing; Funds delivered to the City