

City of Rollingwood, Texas

Capital Improvement Plan: Roads & Drainage

Overview of Financing Instruments and Estimate of Cost to Taxpayer



US Capital Advisors

Council Budget Workshop

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City of Rollingwood, Texas
Capital Improvement Project
 Estimated Tax Rate Analysis and Cost to Taxpayer



City of Rollingwood 2017 AV ^(a)	\$ 889,001,364
Assumed Tax Collection Rate	99.0%
1¢ Tax at 99.0% Collection Produces	\$ 88,011
Illustrative Borrowing Amount	\$ 1,000,000

Financing Term (Years)	7	10	15	20
Estimated Interest Rate ^(b)	2.15%	2.25%	2.50%	2.70%
Estimated Annual Debt Service Payment	\$ 155,404	\$ 112,788	\$ 80,766	\$ 65,365
Approximate Debt Tax Rate	\$ 0.0177	\$ 0.0128	\$ 0.0092	\$ 0.0074

Taxable Value of Home	Cost to Homeowner			
\$ 500,000	Annually	\$ 88.29	\$ 64.08	\$ 45.88
	Monthly	\$ 7.36	\$ 5.34	\$ 3.82
\$ 750,000	Annually	\$ 132.43	\$ 96.11	\$ 68.83
	Monthly	\$ 11.04	\$ 8.01	\$ 5.74
\$ 1,000,000	Annually	\$ 176.57	\$ 128.15	\$ 91.77
	Monthly	\$ 14.71	\$ 10.68	\$ 7.65
\$ 1,250,000	Annually	\$ 220.72	\$ 160.19	\$ 114.71
	Monthly	\$ 18.39	\$ 13.35	\$ 9.56
\$ 2,000,000	Annually	\$ 353.15	\$ 256.30	\$ 183.54
	Monthly	\$ 29.43	\$ 21.36	\$ 15.29

Estimated Number Utility Connections: 500	Average Additional Monthly Revenues Required Per Connection To Support Annual Debt Service Payment			
	\$ 25.90	\$ 18.80	\$ 13.46	\$ 10.89

(a) Source: Travis County Appraisal District

(b) Interest rates estimated and shown for illustrative purposes only.



City of Rollingwood, Texas
Capital Improvement Project - Roads and Drainage
Summary of Selected Debt Instruments - Tax Backed Debt



Note: All three instruments below have similar market acceptance and should be expected to receive equivalent interest rates assuming similar terms.

General Obligation Bonds ("GO Bonds")

Maximum Term	40 Years (<i>but improvements should be financed for no longer than useful life</i>)
Timeline	Must be approved at voter election. Election must be called and notice provided to County Clerk within window of 60 - 78 days prior to election. Election results are final and incontestable 30 days after canvassing of results. Elections are held on uniform election days in May or November. Debt issuance requires approximately 75 - 90 days to closing.
Pledge	Requires ad valorem tax pledge but may be paid from any lawful source.
Pro's	Voter approval.
Con's	Relatively long issuance timeline. Timing driven by election cycle.

Certificates of Obligation ("CO's")

Maximum Term	40 Years (<i>but improvements should be financed for no longer than useful life</i>)
Timeline	Requires a petition/referendum period where City must publish a Notice of Intent ("NOI") in local paper for two consecutive weeks. CO's can be sold no sooner than 30 days after first publication date. During this period, citizens have opportunity to submit valid petition to put CO's to a vote. Debt issuance requires approximately 75 - 90 days.
Pledge	Requires ad valorem tax pledge but may be paid from any lawful source.
Pro's	Shorter timeline compared with GO Bonds. Financing not bound by election cycle.
Con's	If citizens compile valid petition, CO's must be voted. If CO's are defeated in election, the City cannot issue CO's for the same project for 3 years.

Tax Notes

Maximum Term	7 years. Final payment may not exceed 7 years from the date of Texas Attorney General approval.
Timeline	Relatively quick to issue depending on if sold as a direct placement versus public sale, whether a rating is pursued, etc. Debt issuance requires approximately 45 - 90 days.
Pledge	Requires ad valorem tax pledge but may be paid from any lawful source.
Pro's	Quick process, no election or notification process required.
Con's	Short term requires larger payment to amortize debt.



City of Rollingwood, Texas

Allocation of Existing Debt - Tax Supported vs. Self Supported



Outstanding Debt ^(a)

GO Bond Issue:	Purpose:	% Tax Supported	% Self Supported	S&P Rating ^(b)
Series 2012A (Taxable)	Wastewater	0.0%	100.0%	'AA'/stable
Series 2012B	Wastewater	0.0%	100.0%	'AA'/stable
Series 2014	Water/Streets	68.5%	31.5%	'AA'/stable

	Tax Supported Debt			Self Supported Debt						
FYE 9/30	GO Bonds		Total Tax Supported	GO Bonds		GO Bonds		GO Bonds		Total Self Supported
	Series 2014 (68.5%)			Series 2012A (Taxable)		Series 2012B		Series 2014 (31.5%)		
	Principal	Interest		Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$ 71,925	\$ 61,924	\$ 133,849	\$ 265,000	\$ 52,770	\$ -	\$ 347,200	\$ 33,075	\$ 28,476	\$ 726,521
2018	75,350	59,766	135,116	270,000	44,820	-	347,200	34,650	27,484	724,154
2019	78,775	57,506	136,281	280,000	36,720	-	347,200	36,225	26,444	726,589
2020	82,200	54,355	136,555	290,000	28,320	-	347,200	37,800	24,995	728,315
2021	85,625	51,067	136,692	295,000	22,520	-	347,200	39,375	23,483	727,578
2022	89,050	47,642	136,692	300,000	15,735	-	347,200	40,950	21,908	725,793
2023	92,475	44,080	136,555	305,000	8,235	-	347,200	42,525	20,270	723,230
2024	95,900	40,381	136,281	-	-	305,000	347,200	44,100	18,569	714,869
2025	99,325	37,504	136,829	-	-	315,000	338,050	45,675	17,246	715,971
2026	102,750	34,524	137,274	-	-	320,000	328,600	47,250	15,876	711,726
2027	102,750	31,442	134,192	-	-	330,000	319,000	47,250	14,459	710,709
2028	106,175	28,359	134,534	-	-	340,000	309,100	48,825	13,041	710,966
2029	109,600	25,174	134,774	-	-	355,000	298,900	50,400	11,576	715,876
2030	113,025	21,338	134,363	-	-	365,000	288,250	51,975	9,812	715,037
2031	116,450	17,382	133,832	-	-	375,000	277,300	53,550	7,993	713,843
2032	123,300	13,306	136,606	-	-	390,000	266,050	56,700	6,119	718,869
2033	126,725	8,991	135,716	-	-	400,000	254,350	58,275	4,134	716,759
2034	130,150	4,555	134,705	-	-	415,000	240,350	59,850	2,095	717,295
2035	-	-	-	-	-	430,000	225,825	-	-	655,825
2036	-	-	-	-	-	445,000	210,775	-	-	655,775
2037	-	-	-	-	-	465,000	195,200	-	-	660,200
2038	-	-	-	-	-	485,000	176,600	-	-	661,600
2039	-	-	-	-	-	505,000	157,200	-	-	662,200
2040	-	-	-	-	-	525,000	137,000	-	-	662,000
2041	-	-	-	-	-	545,000	116,000	-	-	661,000
2042	-	-	-	-	-	565,000	94,200	-	-	659,200
2043	-	-	-	-	-	575,000	71,600	-	-	646,600
2044	-	-	-	-	-	595,000	48,600	-	-	643,600
2045	-	-	-	-	-	620,000	24,800	-	-	644,800
	\$ 1,801,550	\$ 639,293	\$ 2,440,843	\$ 2,005,000	\$ 209,120	\$ 9,665,000	\$ 7,155,350	\$ 828,450	\$ 293,982	\$ 20,156,902

(a) Source: City of Rollingwood Annual Financial Report FY 2016

(b) Rating as of 2/26/2015



City of Rollingwood, Texas

Historical Growth in Assessed Valuation



FYE 9/30		Assessed Valuation	Percent Change	Tax Year
2003	\$	254,179,713		2002
2004		275,829,760	8.5%	2003
2005		299,379,941	8.5%	2004
2006		352,898,765	17.9%	2005
2007		401,824,937	13.9%	2006
2008		439,607,271	9.4%	2007
2009		464,988,665	5.8%	2008
2010		445,584,355	-4.2%	2009
2011		454,434,368	2.0%	2010
2012		471,698,556	3.8%	2011
2013		511,062,167	8.3%	2012
2014		591,350,230	15.7%	2013
2015		672,606,719	13.7%	2014
2016		810,350,340	20.5%	2015
2017		889,001,364	9.7%	2016

10 Year Average Growth Rate: **8.5%**

5 Year Average Growth Rate: **13.6%**

Source: Travis County Appraisal District and Municipal Advisory Council of Texas. Values may differ from other sources due to supplemental rolls.



U.S. Capital Advisors

City of Rollingwood, Texas

Historical Performance of General Fund ^(a)



	Fiscal Years Ending September 30,				
	2016	2015	2014	2013	2012
Revenues	\$ 1,784,741	\$ 1,757,155	\$ 1,602,768	\$ 1,488,159	\$ 1,451,472
Expenditures	1,882,452	2,899,657	2,002,736	1,350,794	1,403,406
Net Income	(97,711)	(1,142,502)	(399,968)	137,365	48,066
Other Sources (Uses)	(31,430)	88,310	2,041,295	96,939	124,326
Net Change in Fund Balance	(129,141)	(1,054,192)	1,641,327	234,304	172,392
Beginning Fund Balance ^(b)	1,182,533	2,195,294	553,967	348,036	175,644
Ending Fund Balance	<u>\$ 1,053,392</u>	<u>\$ 1,141,102</u>	<u>\$ 2,195,294</u>	<u>\$ 582,340</u>	<u>\$ 348,036</u>

(a) Source: City of Rollingwood Annual Financial Report FY 2016

(b) Restatement of Beginning Fund Balance



City of Rollingwood, Texas

Analysis of Potential Credit Factors



	Fiscal Years Ending September 30, ^(b)				
	2016	2015	2014	2013	2012
General fund bal vs. expenditures	56.0%	39.4%	31.5%	43.1%	24.4%
General fund net result	-5.2%	-39.4%	-20.0%	10.2%	3.4%
Governmental funds net result	22.8%	-23.1%	-14.5%	17.6%	9.6%
Available cash vs. expenditures	51.9%	37.4%	31.5%	43.1%	24.3%
Available cash vs. annual debt service	767.7%	777.0%	167.0%	202.6%	N/A
Debt service vs. expenditures	6.8%	4.8%	18.9%	21.2%	0.0%
Net direct debt vs. total revenues	72.3%	79.9%	113.4%	0.0%	0.0%
Total governmental cash	\$1,216,546	\$946,445	\$2,702,417	\$690,671	\$434,823
Assessed Valuation	\$810,350,340	\$672,606,719	\$591,350,230	\$511,062,167	\$471,698,556
Population	1,543	1,523	1,508	1,500	1,461
AV per capita	\$525,178	\$441,633	\$392,142	\$340,708	\$322,860

(a) Intended for information purposes only; not an indication of actual credit rating. Source: S&P Global Ratings Credit Scenario Builder

(b) Source: City of Rollingwood Annual Financial Reports.



RatingsDirect®

Summary:

Rollingwood, Texas; General Obligation

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Rollingwood, Texas; General Obligation

Credit Profile

Rollingwood GO

Long Term Rating

AA/Stable

Outlook Revised

Rationale

Standard & Poor's Ratings Services revised its outlook to stable from positive and affirmed its 'AA' long-term rating on Rollingwood, Texas' general obligation (GO) bonds.

The revised outlook reflects our view that while the city's audited (2013) and estimated unassigned (2014) fund balance exceeds \$500,000, it remains nominally low and could decline below \$500,000 should unexpected expenditures occur this year or in future years.

A limited ad valorem property tax on all taxable property in the city secures the city's GO debt. The rating reflects our view of the city's:

- Very strong economy, with access to the broad and diverse Austin-Round Rock metropolitan statistical area (MSA);
- Adequate management, with "standard" financial policies and practices;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2013 of 43% of operating expenditures;
- Strong budgetary performance, with operating results that we expect will deteriorate in the near term relative to fiscal 2013 results, which were positive in the general fund and positive at the total governmental fund level;
- Very strong liquidity, with total government available cash of 109.6% of total governmental fund expenditures and 4.1x governmental debt service and access to external liquidity we consider strong;
- Very weak debt and contingent liability position, with debt service carrying charges of 26.8% and net direct debt that is 510.3% of total governmental fund revenue; and
- Strong institutional framework score.

Very strong economy

We consider Rollingwood's economy to be very strong. Rollingwood, with an estimated population of 1,453, is located in Travis County in the Austin-Round Rock MSA, which we consider to be broad and diverse. The city has a projected per capita effective buying income of 262% of the U.S. level, which we view as extremely high and a positive credit factor. Overall, the city's market value grew by 15.7% over the past year to \$591.4 million, equaling per capita market value of \$406,986 in 2015. The county unemployment rate was 5.1% in 2013.

Management noted continued retail and commercial growth, which has led to continued assessed valuation (AV) growth. Additionally, residential appreciation driven in part by reconstruction and a strong housing market in the MSA has bolstered the city's AV. Management indicated AV is likely to exceed \$700 million within the next two years.

Adequate management

We view the city's management conditions as adequate, with "standard" financial policies and practices under our Financial Management Assessment methodology, indicating the finance department maintains adequate policies in some, but not all, key areas. Rollingwood's general fund reserve policy is to maintain at least 25% of operations in reserve. City officials look back at three years of data in budgeting for revenue and expenditures, and budget amendments are performed as needed and require city council approval. The city also maintains an informal long-term capital improvement plan. It lacks policies in debt management and long-term financial planning.

Very strong budgetary flexibility

Rollingwood's budgetary flexibility is very strong, in our view, with an available fund balance in 2013 of 43% of operating expenditures, or \$582,000.

Unaudited results for fiscal 2014 reflect a nominal decline available reserves to \$534,000 or roughly 30% of expenditures. While we anticipate available reserves to remain at very strong levels and within the city's policy, they are nominally low and close to our \$500,000 negative adjustment level.

Strong budgetary performance

Rollingwood's budgetary performance is strong in our opinion, with positive results in the general fund of 17%, and positive results across all governmental funds of 24.8% of in fiscal 2013. Our assessment accounts for the fact that we expect budgetary results to deteriorate somewhat from 2013 results in the near term with unaudited results for fiscal 2014 at break-even. While the city's fiscal 2015 budget is balanced, given the city's growing economic base, we anticipate performance to remain strong in subsequent fiscal years.

Very strong liquidity

In our opinion, Rollingwood's liquidity is very strong, with total government available cash at 109.6% of total governmental fund expenditures and 4.1x governmental debt service in 2013. In our view, the city has strong access to external liquidity if necessary. Management indicated total government cash should remain stable through fiscal 2015.

Very weak debt and contingent liability profile

In our view, Rollingwood's debt and contingent liability profile is very weak. Total governmental fund debt service is 26.8% of total governmental fund expenditures, and net direct debt is 510.3% of total governmental fund revenue. Rollingwood's pension contributions are budgeted to total 2.5% of estimated total governmental fund expenditures in 2015. The city made its full annual required pension contribution in 2013 (audited).

Strong institutional framework

The Institutional Framework score for Texas municipalities (other than counties) is strong

Outlook

The stable outlook reflects our view that the city's economic metrics will remain very strong to help sustain a strong budgetary performance. We expect the city will sustain very strong reserves although the nominal amount is low at around \$500,000. Should reserves far exceed \$500,000 for several years, we could raise the rating. Conversely, while unlikely, a sharp drop in reserves coinciding with budgetary weakness could lead to a lower rating in the next two

years.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Financial Management Assessment, June 27, 2006

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

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