



# City of Rollingwood, Texas

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## Financing and Tax Rate Analysis Presentation

### Issuance of Tax Notes for Municipal Improvements

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## Summary of Tax Notes as a Debt Instrument

- State law established provision for ‘Anticipation Notes’, a.k.a. Tax Notes, in 1993 (Chapter 1431, Texas Government Code)
- May be secured by an ad valorem tax pledge, revenue pledge, or both
- Maximum maturity: cannot exceed seven (7) years from the date debt is approved by Attorney General of Texas
  - Can be shorter than seven years, but not longer
- No election, voter approval, nor publication is required
- For county governments, the county auditor must recommend the issuance of tax notes; however, this restriction is not imposed on cities
- Tax Notes may be used to fund:
  - Construction of a public works project
  - Purchase of supplies, materials, equipment, land, rights-of-way, etc.
  - Costs of professional services
  - Operating or current expenses
  - Cash flow deficit

## Financing Strategies

### Direct Placement:

- Debt is purchased by sophisticated investor, typically banks and other financial institutions
- Investor pledges not to resell debt
- Competitive bids are solicited from numerous institutions nationwide as well as local banks
- Ideal for smaller funding amounts with maturities 15 years or less
  - Efficiency of financing costs: lower financing costs versus Public Market Sale
- Abridged offering documents, no formal rating process, relatively quick financing timeline of 45-60 days

### Public Market Sale:

- Debt is sold on competitive or negotiated basis and is purchased by underwriter for the purposes of resale
- Requires bond rating
- Maturity structure typically 30 years or less
  - State law prohibits debt issued over 40 years
  - Greater financing costs versus Direct Placement
- Financing timeline 60-90 days



## Financing Analysis General Improvements - Tax Notes, Series 2017 \$2,000,000 Project Cost

### Calculation Assumptions: <sup>(a)</sup>

2017 AV <sup>(a)</sup>	\$ 810,836,769
Assumed Growth	2.0%
2016 Tax Rates	
M&O	\$ 0.1105
I&S	0.0897
<b>Total</b>	<b>\$ 0.2002</b>
Collection Rate	99.0%

### Debt Assumptions:

Competitive Sale	
Project Funds:	\$ 2,000,000
Par Amount:	\$ 1,955,000
Dated Date:	9/1/2017
Delivery Date:	9/1/2017
First Interest:	2/1/2018
First Principal:	8/1/2018
Last Payment:	8/1/2024



FYE 9/30	Tax Year	Assessed Valuation <sup>(a)</sup>	Growth Rate <sup>(b)</sup>	Expected Assessed Valuation	Proposed Debt Service Tax Notes, Series 2017				Required Tax Rate
					Principal	Rate <sup>(c)</sup>	Interest	Total	
2017	2016	\$ 810,836,769		\$ 810,836,769	\$ -		\$ -	\$ -	\$ -
2018	2017	810,836,769	2.0%	827,053,504	260,000	3.000%	53,763	313,763	0.0383
2019	2018	827,053,504	2.0%	843,594,574	260,000	3.000%	50,850	310,850	0.0372
2020	2019	843,594,574	2.0%	860,466,466	270,000	3.000%	43,050	313,050	0.0367
2021	2020	860,466,466	2.0%	877,675,795	280,000	3.000%	34,950	314,950	0.0362
2022	2021	877,675,795	2.0%	895,229,311	285,000	3.000%	26,550	311,550	0.0352
2023	2022	895,229,311	2.0%	913,133,897	295,000	3.000%	18,000	313,000	0.0346
2024	2023	913,133,897	2.0%	931,396,575	305,000	3.000%	9,150	314,150	0.0341
<b>Total</b>					<b>\$ 1,955,000</b>		<b>\$ 236,313</b>	<b>\$ 2,191,313</b>	

(a) Source: Municipal Advisory Council of Texas. Average historical growth rate of City's AV approx. 10% annually from 2007 - 2016.

(b) Assessed valuation growth after 2017 calculated at approximate inflation rate of 2% per year.

(c) Market rates as of 6/8/17.



<b>Borrowing Capacity - \$120 Annual Assessment</b>			
Number of Parcels		600	
Annual Assessment Per Parcel		\$	120
Annual Revenue From Assessments		\$	72,000
<b>Repayment (Years)</b>	<b>Rate</b>	<b>Par Amount</b>	
7	1.50%	\$	475,071
10	2.15%		641,700
15	2.75%		875,282
20	3.25%		1,046,833

<b>Debt Service Tax Rate Analysis Grid</b>							
2016 Assessed Valuation		\$ 810,836,769					
Assumed Tax Collection Rate		99.00%					
<b>Repayment (Years)</b>	<b>Rate</b>	<b>\$1,000,000</b>		<b>\$2,000,000</b>		<b>\$3,000,000</b>	
		<b>Debt Service</b>	<b>Debt Rate</b>	<b>Debt Service</b>	<b>Debt Rate</b>	<b>Debt Service</b>	<b>Debt Rate</b>
7	1.75%	\$ 153,031	\$ 0.0191	\$ 306,061	\$ 0.0381	\$ 459,092	\$ 0.0572
10	2.00%	111,327	0.0139	222,653	0.0277	333,980	0.0416
15	2.25%	79,289	0.0099	158,577	0.0198	237,866	0.0296
20	2.50%	64,147	0.0080	128,294	0.0160	192,441	0.0240