

City of Rollingwood, Texas

Drainage Improvement Project Presentation on Tax Notes

\$2,000,000 Project Cost

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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



Proposed Financing Strategy Drainage Improvement Project - Tax Notes, Series 2016 \$2,000,000 Project Cost

Calculation Assumptions: ^(a)

2015 AV ^(a)	\$ 676,157,932
Assumed Growth	2.0%
2015 Tax Rates	
M&O	\$ 0.1138
I&S	0.0883
Total	\$ 0.2021
Collection Rate	99.0%
Est. # Parcels	600

Debt Assumptions:

Direct Placement	
Par Amount:	\$ 2,066,000
Dated Date:	7/1/2016
Delivery Date:	7/1/2016
First Interest:	2/1/2017
First Principal:	2/1/2017
Last Payment:	2/1/2023



Possible Funding Sources

FYE 9/30	Tax Year	Assessed Valuation ^(a)	Expected Growth From Endeavor ^(b)	Growth Rate ^(c)	Expected Assessed Valuation	Proposed Debt Service Tax Notes, Series 2016			Required Tax Rate	OR	Monthly Parcel Assessment
						Principal	Rate ^(d)	Interest			
2016	2015	\$ 676,157,932	\$ -	0.0%	\$ 676,157,932	\$ -		\$ -	\$ -	\$ -	
2017	2016	676,157,932	60,000,000	2.0%	750,881,091	277,000	1.750%	36,744	313,744	0.0422	43.58
2018	2017	750,881,091	30,000,000	2.0%	796,498,712	285,000	1.750%	28,814	313,814	0.0398	43.59
2019	2018	796,498,712		2.0%	812,428,687	290,000	1.750%	23,783	313,783	0.0390	43.58
2020	2019	812,428,687		2.0%	828,677,260	296,000	1.750%	18,655	314,655	0.0384	43.70
2021	2020	828,677,260		2.0%	845,250,806	301,000	1.750%	13,431	314,431	0.0376	43.67
2022	2021	845,250,806		2.0%	862,155,822	306,000	1.750%	8,120	314,120	0.0368	43.63
2023	2022	862,155,822		2.0%	879,398,938	311,000	1.750%	2,721	313,721	0.0360	43.57
Total						\$ 2,066,000		\$ 132,268	\$ 2,198,268		

(a) Source: Municipal Advisory Council of Texas. Average historical growth rate of City's AV approx. 9% annually from 2006 - 2015.

(b) Source: City of Rollingwood. Assumes 200,000 sq ft in 2016 and an additional 100,000 sq ft in 2017 at \$300 per sq ft.

(c) Assessed valuation growth calculated at approximate inflation rate of 2% per year. Tax years 2016 & 2017 include additional growth from Endeavor.

(d) Direct placement rate indication as of 4/6/2016. Rates are based of current market and subject to change.