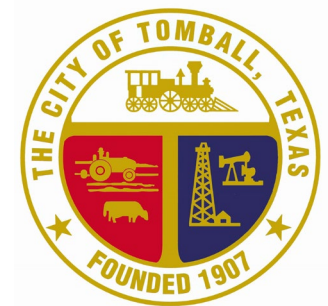


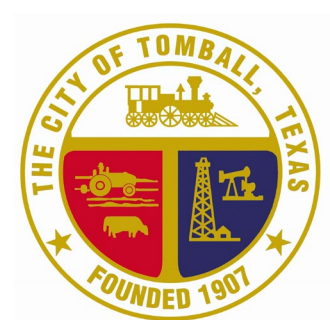
Debt Forecast & Utility Rate Impacts

City Council Meeting
February 19, 2024



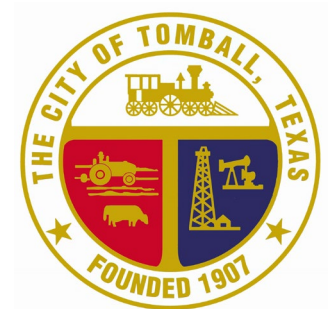
Outline

- Review of CIP
- Tax Rate Impact Scenarios
- Baseline Forecast
- Utility Scenario I
- Utility Scenario II
- Other Options



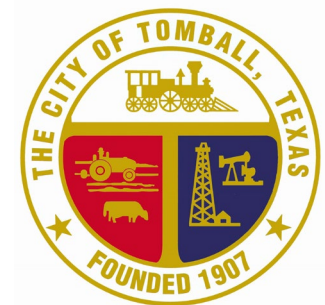
Capital Improvement Program – Recap

- Identified need of ~\$368 million; \$172M in 5-year CIP
- Critical needs take priority over other projects
- Funding:
 - Projects funded through a variety of sources: cash on hand, impact fees, general revenues, grants, contributions, and debt
 - Rolling debt program and need to issue new debt each year over the next few years
 - Potential impacts to tax and rate payers



5-Year Capital Improvement Program

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
|------------------|---------------------|---------------------|---------------------|---------------------|--------------------|
| Police | \$150,000 | - | - | - | - |
| Parks | \$1,794,795 | \$650,000 | - | - | - |
| Streets | \$4,695,100 | \$4,650,000 | \$2,500,000 | - | - |
| Water | \$12,745,100 | \$17,725,000 | \$12,472,000 | \$293,000 | \$1,380,000 |
| Wastewater | \$32,155,776 | \$21,692,000 | \$33,273,081 | \$16,636,000 | \$8,008,000 |
| Combined Utility | \$692,000 | - | - | - | - |
| Gas | \$820,000 | - | - | - | - |
| Facilities | TBD | | | | |
| TOTAL | \$53,052,771 | \$44,717,000 | \$48,245,081 | \$16,929,000 | \$9,388,000 |



High Priority Projects & New Debt

CO Issuance Schedule

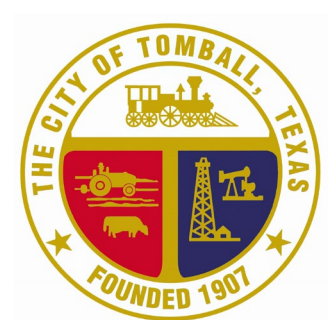
| | | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|-------------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Projects | Total Cost | 2022 COs | 2023 CO | 2024 CO | 2025 CO | 2026 CO |
| Streets | | | | | | |
| North Sycamore St. Parking | \$1,500,000 | | \$1,500,000 | | | |
| Water | | | | | | |
| Pine Street EST Rehabilitation | \$849,000 | \$849,000 | | | | |
| East Water Plant | \$19,541,000 | \$3,106,000 | | \$9,861,000 | \$6,574,000 | |
| Baker Drive Water Plant | \$10,179,000 | \$5,541,276 | \$4,637,724 | | | |
| Telge Easement Acquisition | \$1,500,000 | \$1,500,000 | | | | |
| Wastewater | | | | | | |
| FM 2920 Lift Station Consolidation* | \$15,394,100 | \$9,009,100 | \$4,885,000 | | | |
| South WWTP Expansion* | \$70,434,457 | | \$16,977,276 | \$20,139,000 | \$20,788,081 | \$11,965,100 |
| Planned CO Issuance | | \$20,005,376 | \$28,000,000 | \$30,000,000 | \$30,000,000 | \$30,000,000 |
| Assigned to Projects | | \$20,005,376 | \$28,000,000 | \$30,000,000 | \$27,362,081 | \$11,965,100 |

*Additional funding from another source



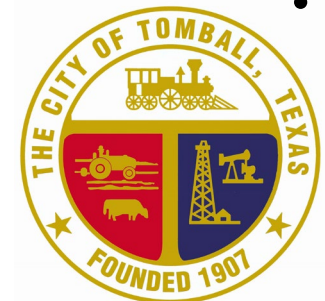
Ways to Mitigate Tax Rate Impacts

- Impact Fees fund Impact Fee eligible projects or contribute to debt service
- Utility rate increases to fund utility system projects
- Contributions from other sources
 - Grants
 - TEDC
- Consider General Obligation bond election for non-critical projects
 - Some facilities may require GO bonds



Tax Rate Impact Scenarios

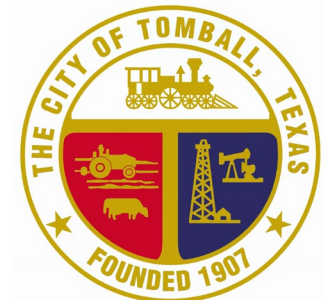
- Staff looked at 3 scenarios:
 - Baseline scenario: assumes all future debt is tax-supported debt.
 - Scenario I: Assumes Enterprise Fund supports 100% of utility debt issued in FY 2025, starting with 2023 CO issuance.
 - Scenario II: Assumes Enterprise Fund supports 50% of utility debt issued in FY 2025, starting with 2023 CO issuance.
- For all scenarios:
 - 6% taxable value growth
 - 30-year debt
 - Level debt service
 - ~4.5% interest rate
 - M&O set at voter approval rate
 - No additional contributions from other sources other than Enterprise Fund
 - **Only debt issued for priority water/wastewater projects is included**



Baseline Scenario

| | FY 2023-2024 | FY 2024-2025 | FY 2025-2026 | FY 2026-2027 | FY 2027-2028 |
|---|--------------------|--------------------|--------------------|---------------------|---------------------|
| Tax Supported Debt Service Payment | 4,957,595 | 6,425,969 | 8,206,090 | 10,016,836 | 11,602,732 |
| Utility Supported Debt Service Payment | 0 | 0 | 0 | 0 | 0 |
| Total Debt Service Payment | \$4,957,595 | \$6,425,969 | \$8,206,090 | \$10,016,836 | \$11,602,732 |
| Projected M&O Tax Rate | 0.186777 | 0.182372 | 0.178071 | 0.173871 | 0.169770 |
| Projected I&S Tax Rate | 0.106544 | 0.166853 | 0.206915 | 0.242732 | 0.268282 |
| Projected Total Tax Rate | 0.293321 | 0.349225 | 0.384986 | 0.416603 | 0.438052 |
| Average COT Tax Bill (\$300,000 value) | \$880 | \$1,048 | \$1,155 | \$1,250 | \$1,314 |
| Projected Utility Rate Increase (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Average COT W/WW Utility Bill (10,000 gal)* | | | | | |
| Monthly | \$106 | \$106 | \$106 | \$106 | \$106 |
| Yearly | \$1,270 | \$1,270 | \$1,270 | \$1,270 | \$1,270 |
| Total Tax Bill + W/WW Utility Bill | \$2,150 | \$2,318 | \$2,425 | \$2,520 | \$2,584 |

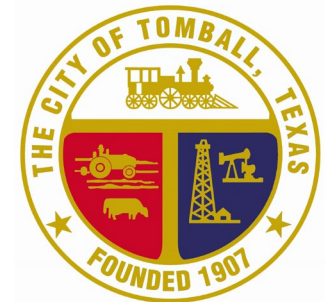
*Includes projected NHCRA fee; does not include solid waste service or gas service charges



Scenario I

| | FY 2023-2024 | FY 2024-2025 | FY 2025-2026 | FY 2026-2027 | FY 2027-2028 |
|---|--------------------|--------------------|--------------------|---------------------|---------------------|
| Tax Supported Debt Service Payment | 4,957,595 | 4,215,696 | 4,155,964 | 4,123,189 | 4,091,748 |
| Utility Supported Debt Service Payment | 0 | 2,210,273 | 4,050,126 | 5,893,646 | 7,510,984 |
| Total Debt Service Payment | \$4,957,595 | \$6,425,969 | \$8,206,090 | \$10,016,836 | \$11,602,732 |
| Projected M&O Tax Rate | 0.186777 | 0.182372 | 0.178071 | 0.173871 | 0.169770 |
| Projected I&S Tax Rate | 0.106544 | 0.101655 | 0.094208 | 0.088006 | 0.082257 |
| Projected Total Tax Rate | 0.293321 | 0.284026 | 0.272278 | 0.261877 | 0.252028 |
| Average COT Tax Bill (\$300,000 value) | \$880 | \$852 | \$817 | \$786 | \$756 |
| Projected Utility Rate Increase (%) | 0.00% | 12.30% | 12.50% | 13.30% | 11.20% |
| Average COT W/WW Utility Bill (10,000 gal) | | | | | |
| Monthly | \$106 | \$119 | \$134 | \$152 | \$168 |
| Yearly | \$1,270 | \$1,427 | \$1,605 | \$1,818 | \$2,021 |
| Total Tax Bill + W/WW Utility Bill | \$2,150 | \$2,279 | \$2,421 | \$2,604 | \$2,777 |

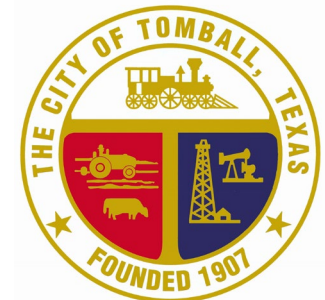
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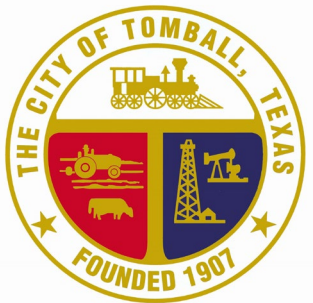
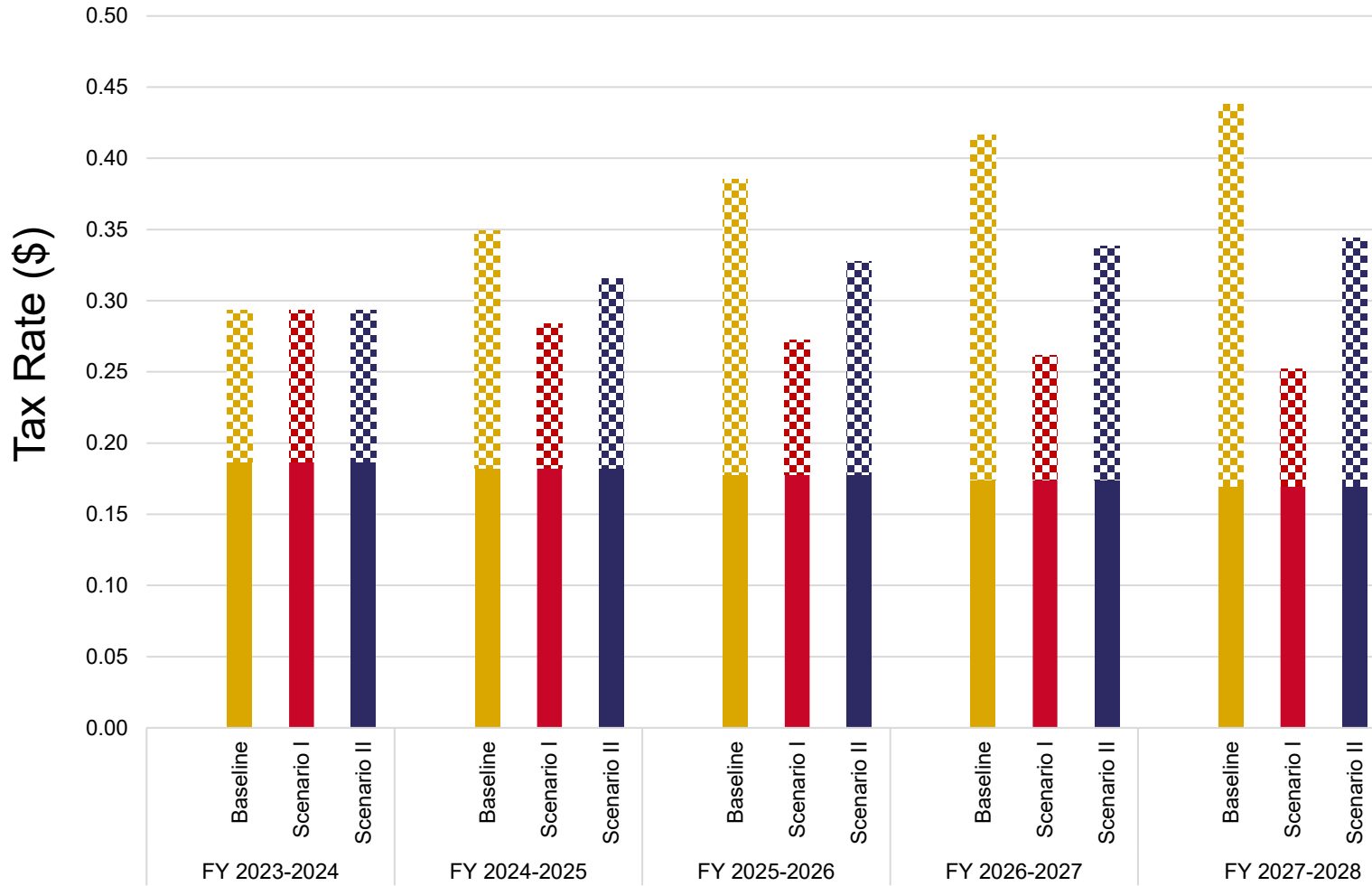
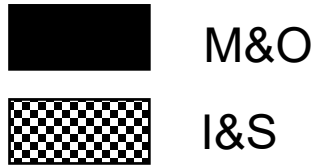
Scenario II

| | FY 2023-2024 | FY 2024-2025 | FY 2025-2026 | FY 2026-2027 | FY 2027-2028 |
|---|--------------------|--------------------|--------------------|---------------------|---------------------|
| Tax Supported Debt Service Payment | 4,957,595 | 5,277,381 | 6,137,629 | 7,026,565 | 7,803,775 |
| Utility Supported Debt Service Payment | 0 | 1,148,588 | 2,068,461 | 2,990,271 | 3,798,957 |
| Total Debt Service Payment | \$4,957,595 | \$6,425,969 | \$8,206,090 | \$10,016,836 | \$11,602,732 |
| Projected M&O Tax Rate | 0.186777 | 0.182372 | 0.178071 | 0.173871 | 0.169770 |
| Projected I&S Tax Rate | 0.106544 | 0.132972 | 0.149354 | 0.164229 | 0.174193 |
| Projected Total Tax Rate | 0.293321 | 0.315344 | 0.327425 | 0.338099 | 0.343963 |
| Average COT Tax Bill (\$300,000 value) | \$880 | \$946 | \$982 | \$1,014 | \$1,032 |
| Projected Utility Rate Increase (%) | 0.00% | 9.00% | 8.80% | 9.20% | 6.10% |
| Average COT W/WW Utility Bill (10,000 gal) | | | | | |
| Monthly | \$106 | \$115 | \$125 | \$137 | \$145 |
| Yearly | \$1,270 | \$1,384 | \$1,506 | \$1,644 | \$1,743 |
| Total Tax Bill + W/WW Utility Bill | \$2,150 | \$2,330 | \$2,488 | \$2,658 | \$2,775 |

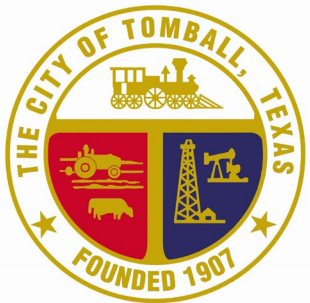
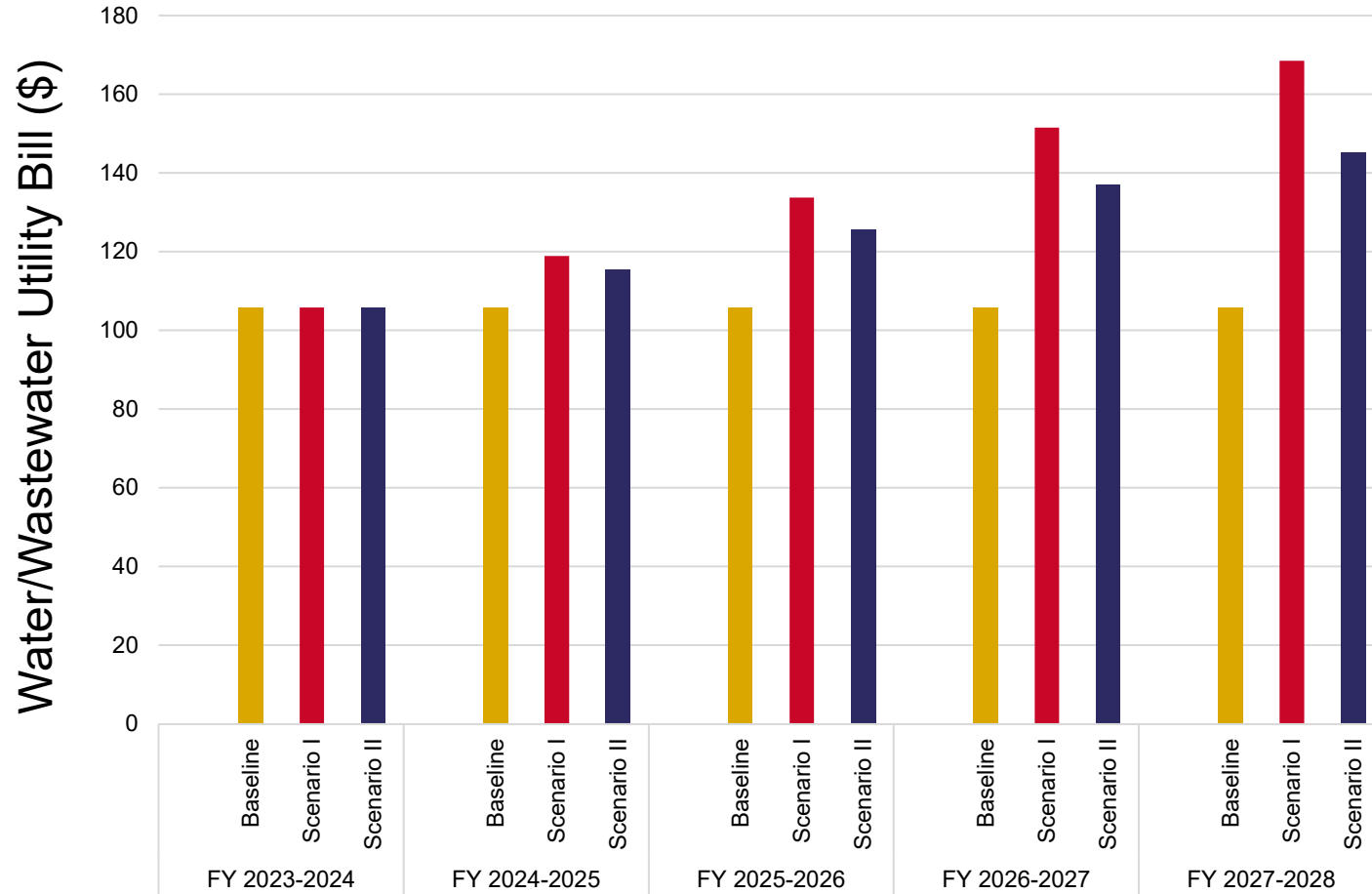
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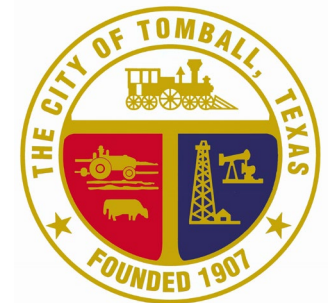
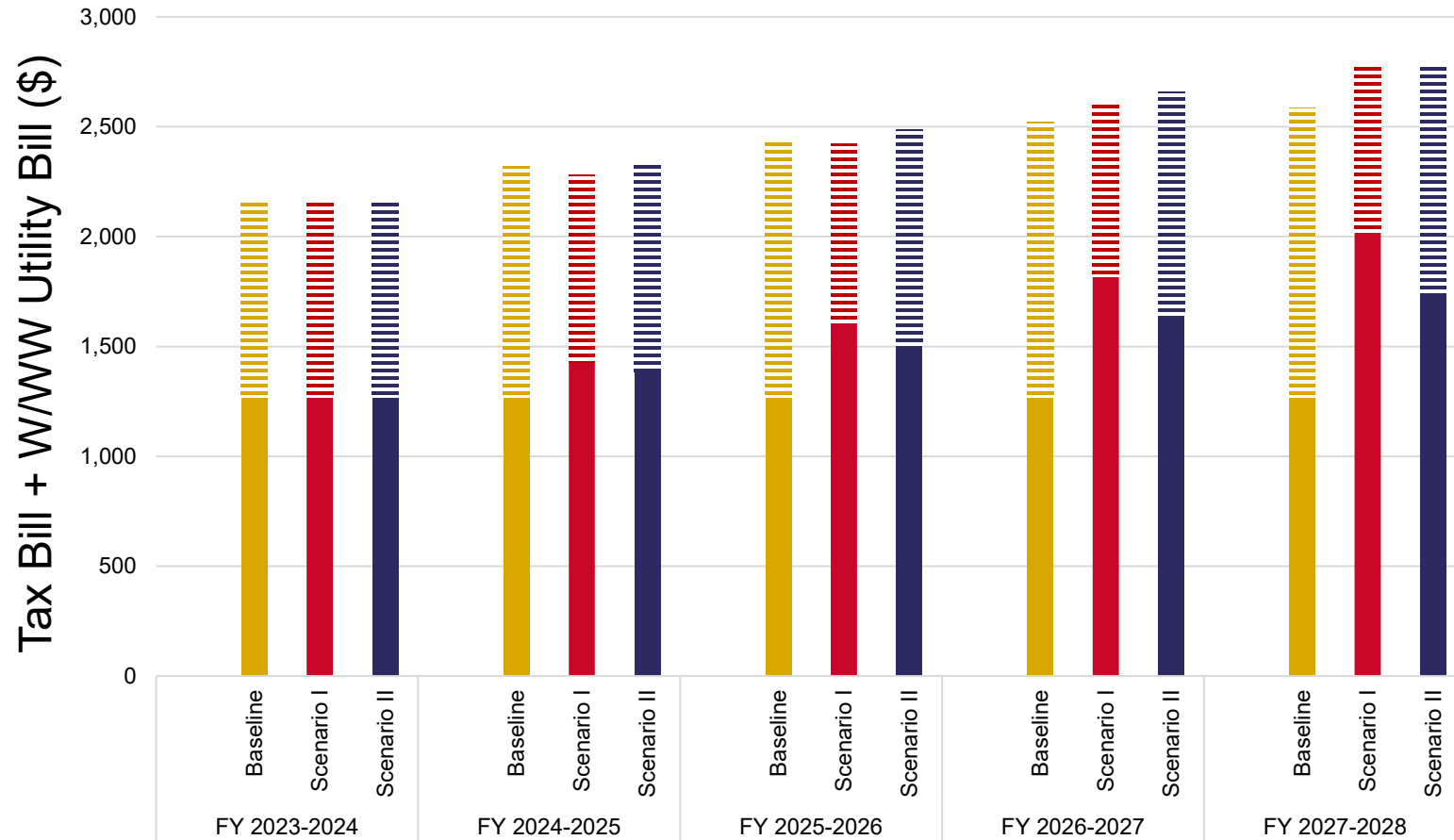
Tax Rate Impacts



Monthly Utility Bill



Total Estimated Annual Cost to Resident



Questions?

