Overview of League City Debt Profile

July 9, 2019
Debt for Cities in Texas

✓ Must Have Specific Authorization
  ➢ Texas Constitution Gives Authority
  ➢ State Statutes Give Types of Obligations

✓ Valid and legal debt obligations are one of the few ways that the current City Council can commit future City Councils.

✓ Texas Attorney General approve all debt issues for compliance with Texas Laws.
Types of Debt Obligations

✓ General Obligation Bonds
  ➢ Wide range of uses – Public Purpose
  ➢ Voted
  ➢ Ad Valorem Taxes

✓ Certificates of Obligation
  ➢ Wide range of uses – Public Purpose
  ➢ Subject to Petition
  ➢ Ad Valorem Taxes and/or User Revenues

✓ Contractual Obligations
  ➢ Only for acquisition of personal property (equipment)
  ➢ Non Voted
  ➢ Ad Valorem Taxes – Maintenance Tax
Types of Debt Obligations

✓ Tax Notes / Revenue Notes
  ➢ Wide range of uses – Public Purpose
  ➢ Non Voted, Limited to seven year term
  ➢ Ad Valorem Taxes and/or User Revenues

✓ Revenue Bonds
  ➢ Usually for Utility System improvement or extension
  ➢ Non Voted
  ➢ User Fees – Net Revenues from Operations

✓ Contract Revenue Bonds
  ➢ Example – Gulf Coast Water Authority
  ➢ Non Voted
  ➢ User Fees – Net Revenues from Operations - Maintenance Taxes
League City’s Debt Profile – Debt Paid From Ad Valorem Taxes

Outstanding Tax Supported Debt as of FY2019

This does not include any of the pending voted bonds to be issued.
League City’s Debt Profile – Debt Paid From Utility Revenue

Outstanding Utility Supported Debt as of FY 2019

This does not include any of the planned CIP issuance for utility projects.
League City’s Debt Profile – Debt Paid From PID Revenue

Outstanding PID Supported Debt as of FY 2019

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$600,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>2020</td>
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<td>$200,000</td>
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<tr>
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<td>$800,000</td>
</tr>
<tr>
<td>2026</td>
<td>$0</td>
<td>$900,000</td>
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</tbody>
</table>
League City’s Debt Profile – Debt Paid From TIRZ Revenue

Outstanding TIRZ Supported Debt as of FY2019

- 2019
- 2020
- 2021
- 2022
- 2023
- 2024
- 2025
- 2026
- 2027
- 2028
- 2029
- 2030
- 2031
- 2032

[Bar chart showing outstanding TIRZ supported debt with principal and interest categories for each year from 2019 to 2032.]

- Principal
- Interest
League City’s Debt Profile – Debt Paid From Sales Tax Revenue

Outstanding 4B Corporation Debt as of FY2019

- Principal
- Interest

Years: 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030

Amounts: $100,000, $200,000, $300,000, $400,000, $500,000, $600,000, $700,000, $800,000
Rating Considerations

✓ Debt is a major category in rating scorecards

➢ Moody’s: 10%, 20% when factoring in Pension and Other Post Employment Benefits

➢ Standard and Poor’s: 10%

✓ Structure – Individual and Aggregate

✓ Term – Average Life: Individual and Aggregate

✓ Metrics (Examples)

  Debt to Assessed Valuation   Rate of Pay Down   Net Direct Debt
  Debt Per Capita               Wealth and Income   Net Direct and Overlapping Debt
Issuance Considerations

✓ Project Timing

➢ Will Certify expectation to spend proceeds within 3 years of issuance

➢ Size of Issue Driven by Contract Size

➢ Need to Have All Funds Available at Contract Award – City Attorney

✓ Planning and Design – Construction

✓ Structure – Try to Maintain a Downward Slope on Aggregate Debt. This may be challenging given the amount of debt that may be issued in the next five years.

✓ Term – Consider Useful Life, Future Resident Vs. Current

✓ Reimbursement Resolutions – Preserve ability to repay yourself for upfront contributions

✓ Continue Cash Funding