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Proposed Certificates of Obligation for Street Projects



September 6, 2022

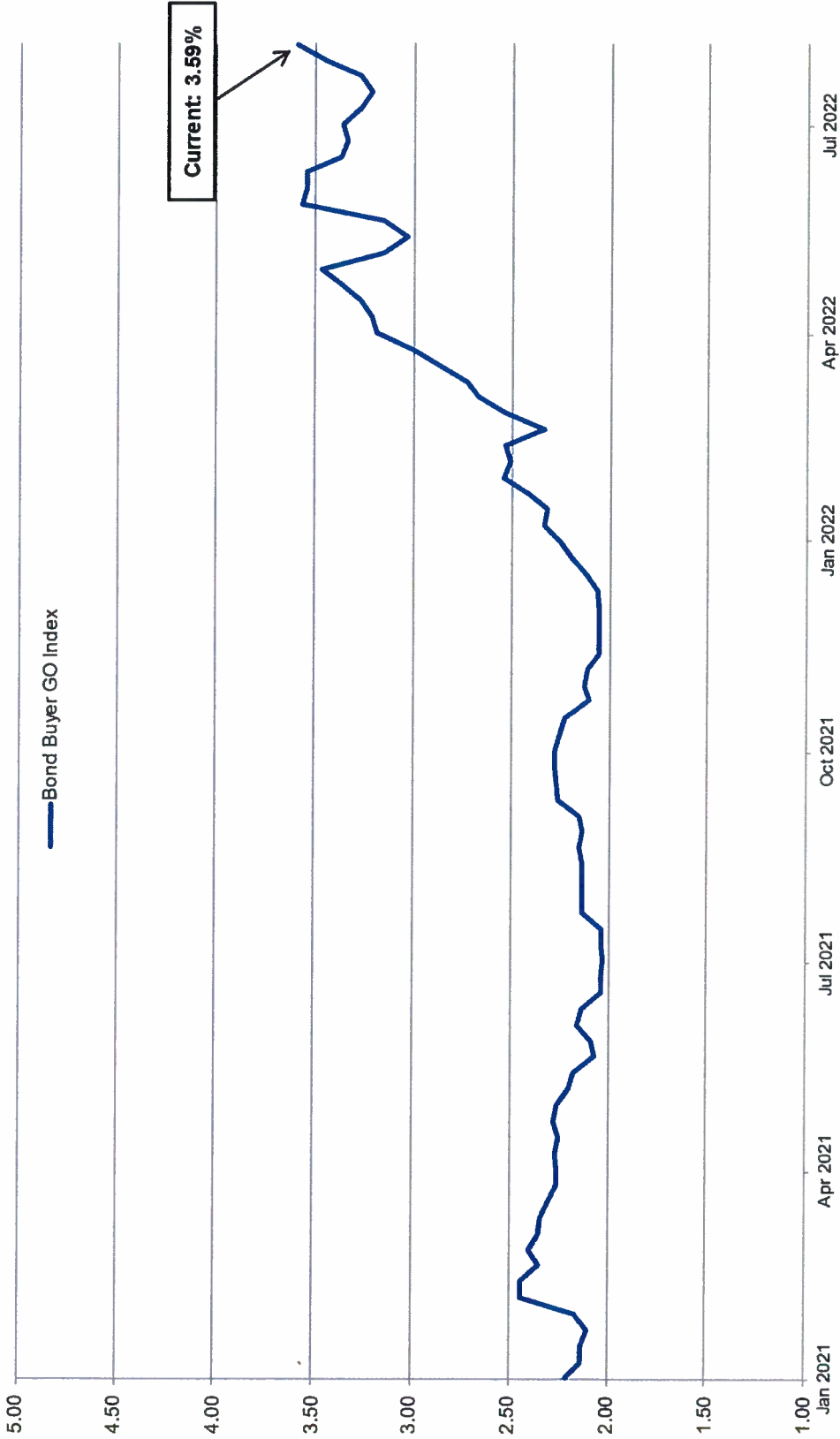
Johnson City, Texas

Market Update



Bond Buyer's Index of 20 Municipal Bonds

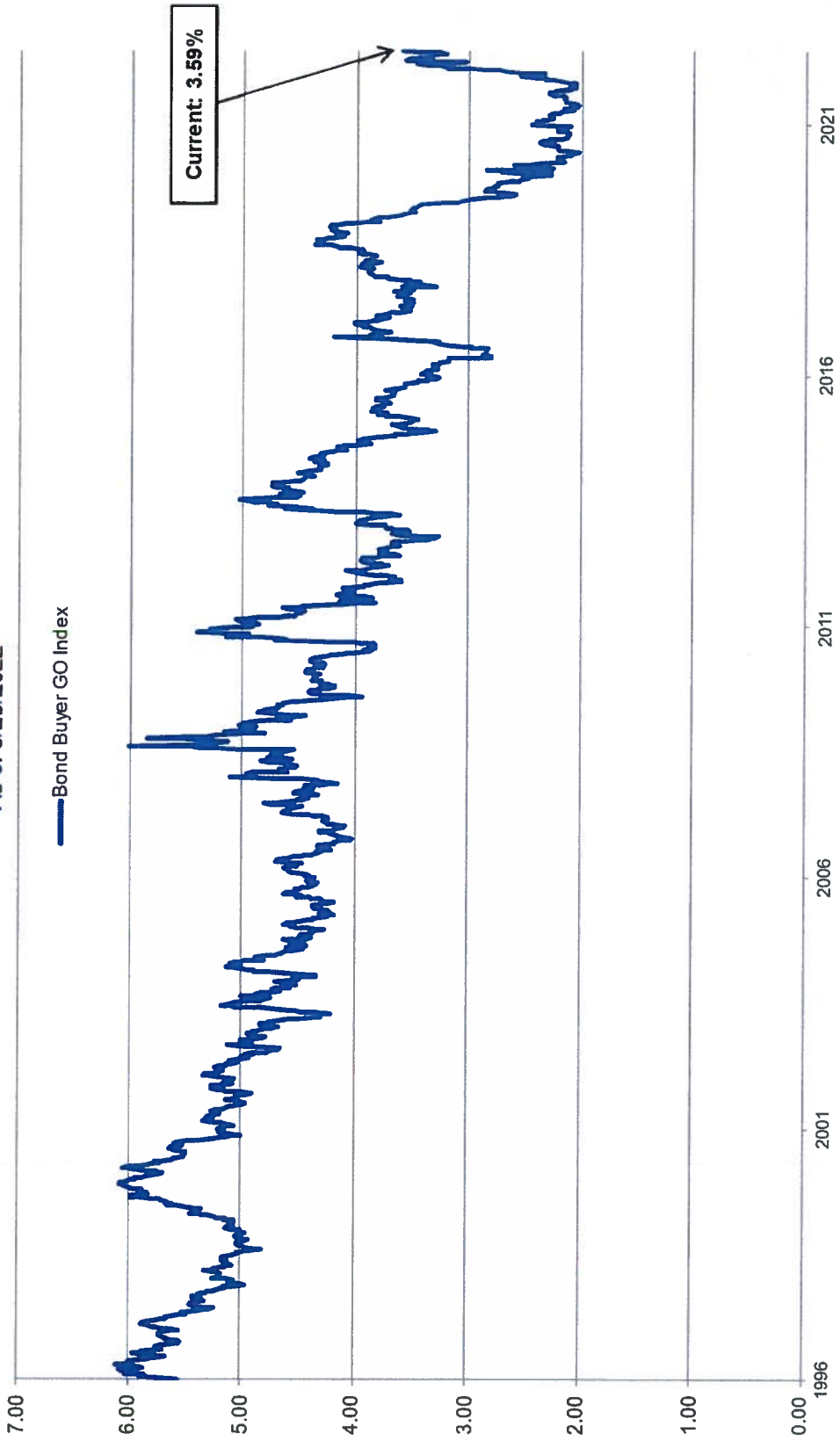
Bond Buyer GO Index
1 Year History
As of 8/25/2022



This graph depicts historical interest rates and their respective relationships. Future interest rates are dependent upon many factors such as but not limited to, interest rate trends, tax rates, the supply and demand of short term securities, changes in laws, rules and regulations, as well as changes in credit quality and rating agency considerations. The effect of changes in such factors individually or in any combination could materially affect the relationships and effective interest rates. These results should be viewed with these potential changes in mind as well as the understanding that there may be interruptions in the short term market or no market may exist at all.

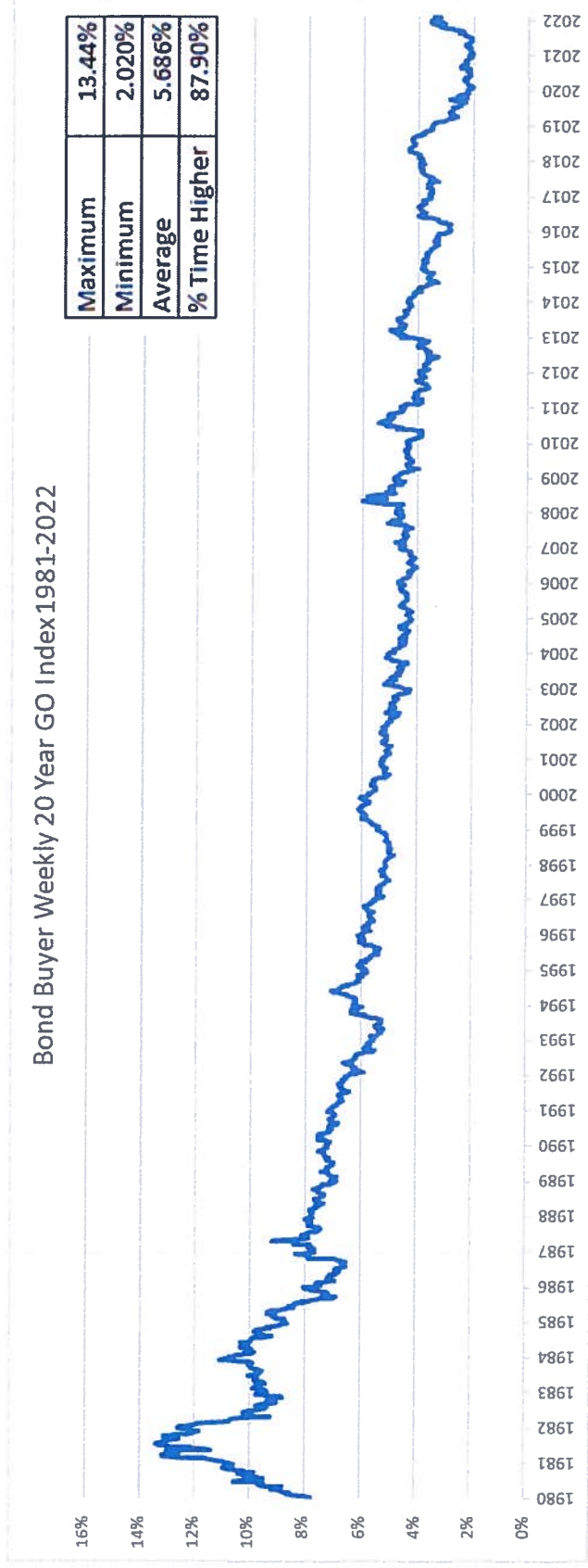
Bond Buyer's Index of 20 Municipal Bonds

Bond Buyer GO Index
25 Year History
As of 8/25/2022



This graph depicts historical interest rates and their respective relationships. Future interest rates are dependent upon many factors such as but not limited to, interest rate trends, tax rates, the supply and demand of short term securities, changes in laws, rules and regulations, as well as changes in credit quality and rating agency considerations. The effect of changes in such factors individually or in any combination could materially affect the relationships and effective interest rates. These results should be viewed with these potential changes in mind as well as the understanding that there may be interruptions in the short term market or no market may exist at all.

Historical Interest Rates



- Going back to 1981 when the Bond Buyer's Index of 20 Municipal Bonds was started, interest rates have been higher 87.90% of the time than current interest rates

Projected Bond Issue Debt Service and Tax Rate



Projected Issuance Debt Service and Tax Rate

\$1,500,000 Proposed Certificates of Obligation ^{(3),(4)} Series 2022														
FYE	Assessed Valuation ⁽¹⁾	Estimated AV Growth	Total		LESS: Self-Supporting Debt Service ⁽²⁾	Interest		Total		Projected Tax Supported Debt Service	Estimated I&S Tax Rate ⁽⁵⁾	Estimated I&S Tax Rate Change	FYE	
			Outstanding Debt Service	Debt Service ⁽²⁾		Principal	Interest	Principal	Interest					
2022	\$ 207,029,453		\$ 249,166	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 249,166	\$ 0.1187	\$ -	2022	
2023	289,465,853	39.82%	222,982	-	-	115,063	140,063	222,982	0.1077	222,982	(0.01)	(0.01)	2023	
2024	289,465,853	0.00%	225,172	63,374	63,374	77,438	157,438	301,861	0.1064	301,861	(0.00)	(0.00)	2024	
2025	289,465,853	0.00%	206,135	62,629	62,629	73,238	158,238	300,944	0.1061	300,944	(0.00)	(0.00)	2025	
2026	289,465,853	0.00%	207,983	61,819	61,819	68,775	123,775	304,402	0.1073	304,402	(0.00)	(0.00)	2026	
2027	289,465,853	0.00%	209,584	60,934	60,934	65,888	125,888	272,425	0.0960	272,425	(0.01)	(0.01)	2027	
2028	289,465,853	0.00%	200,948	59,984	59,984	62,738	122,738	266,852	0.0941	266,852	(0.00)	(0.00)	2028	
2029	289,465,853	0.00%	207,385	63,979	63,979	59,588	124,588	266,144	0.0938	266,144	(0.00)	(0.00)	2029	
2030	289,465,853	0.00%	203,500	62,824	62,824	56,175	121,175	265,264	0.0935	265,264	(0.00)	(0.00)	2030	
2031	289,465,853	0.00%	104,554	61,630	61,630	52,763	122,763	164,099	0.0578	164,099	(0.04)	(0.04)	2031	
2032	289,465,853	0.00%	60,404	60,404	60,404	49,088	124,088	122,763	0.0433	122,763	(0.01)	(0.01)	2032	
2033	289,465,853	0.00%	59,150	59,150	59,150	45,150	125,150	124,088	0.0437	124,088	0.00	0.00	2033	
2034	289,465,853	0.00%	62,868	62,868	62,868	40,950	120,950	125,150	0.0441	125,150	0.00	0.00	2034	
2035	289,465,853	0.00%	61,446	61,446	61,446	36,750	121,750	120,950	0.0426	120,950	(0.00)	(0.00)	2035	
2036	289,465,853	0.00%	-	-	-	32,288	122,288	121,750	0.0429	121,750	0.00	0.00	2036	
2037	289,465,853	0.00%	-	-	-	27,563	122,563	122,288	0.0431	122,288	0.00	0.00	2037	
2038	289,465,853	0.00%	-	-	-	22,575	122,575	122,563	0.0432	122,563	0.00	0.00	2038	
2039	289,465,853	0.00%	-	-	-	17,325	122,325	122,575	0.0432	122,575	0.00	0.00	2039	
2040	289,465,853	0.00%	-	-	-	11,813	121,813	122,325	0.0431	122,325	(0.00)	(0.00)	2040	
2041	289,465,853	0.00%	-	-	-	6,038	121,038	121,813	0.0429	121,813	(0.00)	(0.00)	2041	
2042	289,465,853	0.00%	-	-	-	-	-	121,038	0.0427	121,038	(0.00)	(0.00)	2042	
2043	289,465,853	0.00%	-	-	-	-	-	-	-	-	(0.04)	(0.04)	2043	
2044	289,465,853	0.00%	-	-	-	-	-	-	-	-	-	-	2044	
			<u>\$ 2,281,272</u>					<u>\$ 1,500,000</u>		<u>\$ 921,200</u>			<u>\$ 2,421,200</u>	
												- Maximum Tax Rate -	\$ 0.1187	
												- Estimated Tax Rate Increase -	\$ -	

Notes:

- (1) Certified 2022 Values provided by Blanco County Appraisal District.
- (2) Previously the Series 2015 COs were supported by Ad Valorem Taxes; however, going forward those are projected to be self-supporting and funded by WW&SS revenues.
- (3) Projected TIC is 5.25% for purposes of illustration.
- (4) Estimated closing date of February 15, 2023 with principal and interest payments on February 1 and August 1 of each year starting in 2024.
- (5) Actual FYE 2022 Tax Rate levied. Projected FYE 2023 Tax Rate. Assumed Tax Collection Rate of: 98%

PRELIMINARY - for discussion purposes only.



Certificates of Obligation Timing Considerations



CO Timeline



Process takes approximately 95 days

(1) Process also includes posting the notice on the City's website continuously for at least 46 days

Sale Method Considerations



Types of Bond Sales

- **Open Market:** public offering of debt obligations
 - Can be accomplished as a competitive or negotiated offering
 - Subject to additional requirements, since bonds are expected to be publicly offered and traded
- **Private Placement:** a limited distribution to one or several investors
 - Issues delivered to bank as direct placements of bonds for example
 - Can be accomplished quickly (typically no need for offering document or ratings), but terms are less flexible (primarily banks)

Open Market versus Direct Placement Sale

Open Market Sale

- Process includes the following:
 - Prepare Offering or Disclosure Document
 - Obtain a rating from one of the nationally recognized rating agencies
 - In addition to the rating process, the rating will also require annual surveillance
 - An underwriter will need to be selected
 - Underwriter's Counsel is required to undertake a formal due diligence process
- Generally, interest rate lower than Direct Placement
 - However, overall cost may not be less after factoring in the preparation of the disclosure document, the rating fee, the underwriter's counsel fee
- Process can take more time to execute
- Continuing disclosure requirement more formal and required to be through EMMA
- CO's could not be sold prior to mid - January

Direct Placement Sale

- Process includes the following:
 - Purchaser is identified
 - Local bank or depository, or through a competitive solicitation
 - Generally, a disclosure document is not required
 - Generally, a rating is not required
 - Generally, minimal due diligence process required
 - Interest rate may be higher than an Open Market transaction
 - However, overall cost may be less after factoring in the preparation of the disclosure document, the rating fee, the underwriter's counsel fee
 - Process requires less steps for execution
 - Continuing disclosure requirement generally less onerous, for example, providing annual audit to purchaser annually
 - CO's could be issued sold at any time, with issuance process

Summary



Summary

- The City has the option to consider the utilization of Certificates of Obligation to fund street related capital improvement project costs
- We have confirmed with the City's Bond Counsel that all capital improvement projects currently being considered are eligible under the provisions for Certificates of Obligation
- The Certificate of Obligation process takes approximately 95 days
- While municipal interest rates have increased, going back to 1981 when the Bond Buyer's Index of 20 Municipal Bonds was started, interest rates have been higher 87.90% of the time than current interest rates
- Should the City be interested in pursuing this process, we can initiate discussions with the local bank
- Part of the process should include a discussion on proposed timing;
 - When funds are needed, and
 - Potential interest rate risk between now and then