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Sachse Bond 2021 Committee

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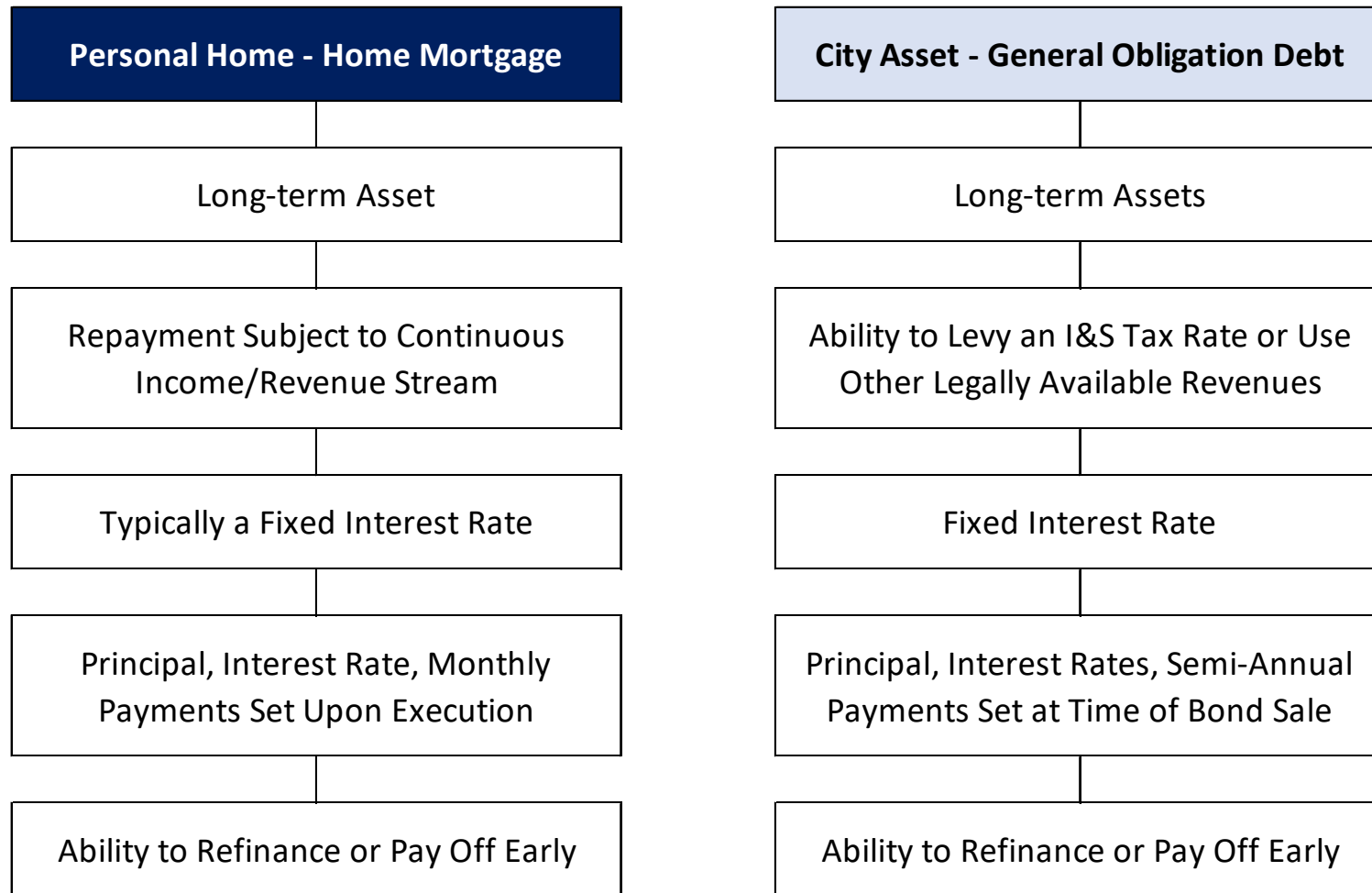
**Discussion Regarding Potential Bond Election**

## Issuance of Bonds for Capital Projects

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- Finance projects over their useful lives with a variety of repayment options
- Can finance larger projects on a more timely basis
- Helps minimize impact on property tax and/or user rates
- Future beneficiaries pay their “fair share” for public improvements/services
- Tax-exempt feature provides low cost, long-term financing
- Allows a city access to another revenue stream, the Interest & Sinking Fund tax rate
  - Outside of rollback
- Can allow for potential participation by residents to buy bonds

# Mortgage vs. GO Bond



# Summary of Debt Options

	General Obligation Bonds	Certificates of Obligation	Tax Notes
Public Approval	Bond Election; Council Approval of Sale	Council Approval of Notice of Intent; Council Approval of Sale	Council Approval of Sale
Security/Pledge	Taxes Only	Taxes and Revenues	Taxes and/or Revenues
Other Considerations	If the Election fails, how does the City Address Needs?	Subject to Petition by 5% of Registered Voters	Maximum Maturity of 7 Years
Ratings	Highest Rated Credit for a City Based on Ad Valorem Tax Pledge		
Statutory Authority	Subject to Legislative Risk		

# Summary of Professionals

	Financial Advisor	Bond Counsel	Underwriter	Texas Attorney General
Responsibilities	Advises the City on all financial matters related to capital improvement program and bond issuance	Opines on legal matters related to bond issuance	Firm(s) tasked with marketing and selling the City's bonds	Reviews public bond sales in Texas
	Structure overall finance plan to maximize marketability and minimize borrowing cost	Ensure City is in compliance with State law and Federal tax law	May acquire the securities by either competitive or negotiated sale	Review period is approximately 30 days
	Fiduciary responsibility to the City	Drafting of legal documents; shepherd bond transactions through the AG's office	Fiduciary responsibility is to bond investors, not the City	Once AG has approved the issuance, it is incontestable

## Credit Rating Agencies

- Primary Rating Criteria for Tax-Backed Bonds
  - General Economy
  - Finances
  - Management
  - Debt and Contingent Liabilities
  - Institutional Framework
- Moody's and Standard & Poor's assign their respective credit rating via a scorecard approach

	<b>Moody's Investors Service</b>	<b>Standard &amp; Poor's Rating Service</b>
<b>Highest</b>	Aaa	AAA
	Aa1	AA+
	<b>Aa2</b>	<b>AA</b>
	Aa3	AA-
	A1	A+
	A2	A
	A3	A-
	Baa1	BBB+
	Baa2	BBB
<b>Lowest</b>	Baa3	BBB-

## What Happens if Things Don't Go as Planned?

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- Tax values flatten or even decrease
  - City does not have to issue all of the voted authority
  - Timing of bond sales can be altered
  - Other legally available funds can be used to mitigate an unanticipated tax rate increase
- Interest rates increase significantly
  - Debt can be structured differently (principal deferral, longer amortization) in order to stay within the tax rate target communicated to the citizens
- Project costs increase significantly
  - City can provide “cushion” to the bond election amount
- The City's credit rating(s) gets downgraded
  - Under current rating methodology, a downgrade would not occur solely from the issuance of voted debt
  - City's debt is extremely marketable, even with a downgrade

## Summary of Debt Position

FYE	TOTAL DEBT			TOTAL WATER/SEWER DEBT			I&S-Backed Debt Service
	Principal	Interest	Total	Principal	Interest	Total	Total
2021	\$ 4,020,000	\$ 1,684,030	\$ 5,704,030	\$ 365,000	\$ 405,763	\$ 770,763	\$ 4,933,268
2022	3,210,000	1,617,731	4,827,731	380,000	393,413	773,413	4,054,319
2023	2,880,000	1,536,621	4,416,621	405,000	379,013	784,013	3,632,609
2024	2,785,000	1,446,857	4,231,857	415,000	362,613	777,613	3,454,245
2025	2,870,000	1,356,325	4,226,325	435,000	345,613	780,613	3,445,713
2026	2,805,000	1,263,575	4,068,575	450,000	327,913	777,913	3,290,663
2027	2,910,000	1,158,900	4,068,900	470,000	309,513	779,513	3,289,388
2028	3,035,000	1,040,000	4,075,000	490,000	290,313	780,313	3,294,688
2029	2,725,000	924,800	3,649,800	510,000	270,313	780,313	2,869,488
2030	2,840,000	813,500	3,653,500	535,000	249,413	784,413	2,869,088
2031	2,955,000	700,350	3,655,350	550,000	230,463	780,463	2,874,888
2032	3,340,000	582,325	3,922,325	570,000	213,663	783,663	3,138,663
2033	3,450,000	467,700	3,917,700	585,000	196,338	781,338	3,136,363
2034	3,560,000	361,350	3,921,350	605,000	178,488	783,488	3,137,863
2035	1,115,000	291,225	1,406,225	620,000	160,113	780,113	626,113
2036	1,150,000	257,250	1,407,250	640,000	141,213	781,213	626,038
2037	1,180,000	221,972	1,401,972	655,000	121,788	776,788	625,184
2038	1,225,000	185,228	1,410,228	680,000	101,763	781,763	628,466
2039	1,260,000	146,825	1,406,825	700,000	80,625	780,625	626,200
2040	1,300,000	106,825	1,406,825	720,000	58,438	778,438	628,387
2041	1,340,000	65,203	1,405,203	745,000	35,547	780,547	624,656
2042	1,380,000	21,947	1,401,947	765,000	11,953	776,953	624,994
	<u>\$ 53,335,000</u>	<u>\$ 16,250,540</u>	<u>\$ 69,585,540</u>	<u>\$ 12,290,000</u>	<u>\$ 4,864,263</u>	<u>\$ 17,154,263</u>	<u>\$ 52,431,277</u>



# Bond Election Schedules

# City of Sachse

## Scenario 1: Tax Rate Analysis for \$43mm Bond Election - No I&S Tax Rate Increase (as of 5.19.21)

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>	<u>J</u>	<u>K</u>
Fiscal Year End	Taxable Assessed Valuation <sup>(1)</sup>	Growth Rate	Sachse Station		November 2021 GO Bond Election <sup>(3)</sup>			Net Total Tax-Backed P+I	Calculated I&S Tax Rate <sup>(4)</sup>	Amount Over 2021 I&S Rate
			Taxable Assessed Valuation <sup>(2)</sup>	Current Tax-Backed P+I	Series 2022	Series 2024	Series 2026			
2021	\$ 2,598,477,395		\$ -	\$ 4,933,268				\$ 4,933,268	\$ 0.1942	
2022	2,750,000,000		9,683,670	4,054,319				4,054,319	0.1942 <sup>(5)</sup>	-
2023	2,832,500,000	3.0%	19,138,456	3,632,609	\$ 1,774,025			5,406,634	0.1941	-
2024	2,860,825,000	1.0%	132,079,076	3,454,245	2,115,588			5,569,832	0.1942	-
2025	2,889,433,250	1.0%	193,765,902	3,445,713	899,838	\$ 1,334,200		5,679,750	0.1941	-
2026	2,889,433,250		213,316,285	3,290,663	898,019	1,513,300		5,701,981	0.1942	-
2027	2,889,433,250		308,672,625	3,289,388	900,631	953,700	\$ 648,831	5,792,550	0.1942	-
2028	2,889,433,250		315,760,092	3,294,688	897,675	949,400	656,281	5,798,044	0.1942	-
2029	2,889,433,250		366,631,309	2,869,488	899,150	949,400	1,128,213	5,846,250	0.1941	-
2030	2,889,433,250		366,631,309	2,869,088	899,975	953,500	1,124,413	5,846,975	0.1942	-
2031	2,889,433,250		366,631,309	2,874,888	900,150	951,700	1,119,763	5,846,500	0.1942	-
2032	2,889,433,250		366,631,309	3,138,663	899,675	949,100	859,788	5,847,225	0.1942	-
2033	2,889,433,250		366,631,309	3,136,363	898,550	950,600	859,594	5,845,106	0.1941	-
2034	2,889,433,250		366,631,309	3,137,863	896,775	951,100	858,763	5,844,500	0.1941	-
2035	2,889,433,250		366,631,309	626,113	899,269	950,600	1,180,281	3,656,263	0.1214	-
2036	2,889,433,250		366,631,309	626,038	900,950	949,100	1,178,831	3,654,919	0.1214	-
2037	2,889,433,250		366,631,309	625,184	896,900	951,500	1,176,106	3,649,691	0.1212	-
2038	2,889,433,250		366,631,309	628,466	897,119	952,700	1,177,000	3,655,284	0.1214	-
2039	2,889,433,250		366,631,309	626,200	896,525	952,700	1,176,406	3,651,831	0.1213	-
2040	2,889,433,250		366,631,309	628,388	900,038	951,500	1,179,219	3,659,144	0.1215	-
2041	2,889,433,250		366,631,309	624,656	897,656	949,100	1,175,438	3,646,850	0.1211	-
2042	2,889,433,250		366,631,309	624,994	899,381	950,400	1,179,956	3,654,731	0.1214	-
2043	2,889,433,250		366,631,309			950,300	1,177,669	2,127,969	0.0707	-
2044	2,889,433,250		366,631,309			953,700	1,178,575	2,132,275	0.0708	-
2045	2,889,433,250		366,631,309				1,177,569	1,177,569	0.0391	-
2046	2,889,433,250		366,631,309				1,179,544	1,179,544	0.0392	-
				\$ 52,431,277	\$ 20,067,888	\$ 19,967,600	\$ 21,392,238	\$ 113,859,002		

**Proceeds: \$ 15,000,000 + \$ 14,000,000 + \$ 14,000,000 = \$ 43,000,000**

(1) FYE 2021 is actual. FYE 2022 is preliminary estimate per Dallas Central and Collin County Appraisal Districts less \$50 million cushion. All other values assumed to grow per the percentages in column "C".

(2) Based on projections per the Project and Finance Plan.

(3) Based on an projected interest rates; preliminary, subject to change.

(4) Based on 98% collections. Takes into account Sachse Station TIRZ participation.

(5) FYE 2022 I&S tax rate assumed to remain unchanged from FYE 2021.

# City of Sachse

## Scenario 2: Tax Rate Analysis for \$68.2mm Bond Election - Five Cent I&S Tax Rate Increase (as of 5.19.21)

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>			<u>G</u>	<u>H</u>	<u>I</u>	<u>J</u>	<u>K</u>
Fiscal Year End	Taxable Assessed Valuation <sup>(1)</sup>	Growth Rate	Sachse Station		Current Tax-Backed P+I	November 2021 GO Bond Election <sup>(3)</sup>			Net Total Tax-Backed P+I	Calculated I&S Tax Rate <sup>(4)</sup>	Amount Over 2021 I&S Rate	
			Taxable Assessed Valuation <sup>(2)</sup>			Series 2022	Series 2025	Series 2028				
2021	\$ 2,598,477,395		\$ -		\$ 4,933,268				\$ 4,933,268	\$ 0.1942		
2022	2,750,000,000		9,683,670		4,054,319				4,054,319	0.1942 <sup>(5)</sup>	-	
2023	2,832,500,000	3.0%	19,138,456		3,632,609	\$ 2,470,825			6,103,434	0.2191	0.0249	
2024	2,860,825,000	1.0%	132,079,076		3,454,245	2,833,531			6,287,776	0.2192	0.0250	
2025	2,889,433,250	1.0%	193,765,902		3,445,713	2,969,431			6,415,144	0.2192	0.0250	
2026	2,889,433,250		213,316,285		3,290,663	1,283,488	\$ 1,858,431		6,432,581	0.2191	0.0249	
2027	2,889,433,250		308,672,625		3,289,388	1,283,706	1,961,666		6,534,759	0.2191	0.0249	
2028	2,889,433,250		315,760,092		3,294,688	1,288,031	1,960,981		6,543,700	0.2191	0.0249	
2029	2,889,433,250		366,631,309		2,869,488	1,286,463	1,600,969	\$ 1,597,088	7,354,006	0.2442	0.0500	
2030	2,889,433,250		366,631,309		2,869,088	1,284,081	1,601,834	1,596,319	7,351,322	0.2441	0.0499	
2031	2,889,433,250		366,631,309		2,874,888	1,285,806	1,601,256	1,594,363	7,356,313	0.2443	0.0501	
2032	2,889,433,250		366,631,309		3,138,663	1,286,556	1,604,131	1,327,631	7,356,981	0.2443	0.0501	
2033	2,889,433,250		366,631,309		3,136,363	1,286,331	1,600,459	1,326,363	7,349,516	0.2441	0.0499	
2034	2,889,433,250		366,631,309		3,137,863	1,285,131	1,605,138	1,324,381	7,352,513	0.2442	0.0500	
2035	2,889,433,250		366,631,309		626,113	1,287,875	1,603,063	1,956,250	5,473,300	0.1818	-	
2036	2,889,433,250		366,631,309		626,038	1,284,563	1,604,234	1,956,138	5,470,972	0.1817	-	
2037	2,889,433,250		366,631,309		625,184	1,285,194	1,603,550	1,958,531	5,472,459	0.1817	-	
2038	2,889,433,250		366,631,309		628,466	1,284,688	1,601,009	1,958,313	5,472,475	0.1817	-	
2039	2,889,433,250		366,631,309		626,200	1,283,044	1,601,509	1,955,481	5,466,234	0.1815	-	
2040	2,889,433,250		366,631,309		628,388	1,285,181	1,604,844	1,954,919	5,473,331	0.1818	-	
2041	2,889,433,250		366,631,309		624,656	1,286,019	1,601,013	1,956,388	5,468,075	0.1816	-	
2042	2,889,433,250		366,631,309		624,994	1,285,556	1,600,016	1,959,650	5,470,216	0.1817	-	
2043	2,889,433,250		366,631,309				1,601,647	1,954,706	3,556,353	0.1181	-	
2044	2,889,433,250		366,631,309				1,600,803	1,956,438	3,557,241	0.1181	-	
2045	2,889,433,250		366,631,309				1,602,381	1,959,488	3,561,869	0.1183	-	
2046	2,889,433,250		366,631,309					1,958,738	1,958,738	0.0650	-	
2047	2,889,433,250		366,631,309					1,959,069	1,959,069	0.0651	-	
2048	2,889,433,250		366,631,309					1,955,363	1,955,363	0.0649	-	
					\$ 52,431,277	\$ 30,125,500	\$ 33,018,934	\$ 36,165,613	\$ 151,741,324			

**Proceeds: \$ 22,735,000 + \$ 22,735,000 + \$ 22,730,000 = \$ 68,200,000**

(1) FYE 2021 is actual. FYE 2022 is preliminary estimate per Dallas Central and Collin County Appraisal Districts less \$50 million cushion. All other values assumed to grow per the percentages in column "C".

(2) Based on projections per the Project and Finance Plan.

(3) Based on an projected interest rates; preliminary, subject to change.

(4) Based on 98% collections. Takes into account Sachse Station TIRZ participation.

(5) FYE 2022 I&S tax rate assumed to remain unchanged from FYE 2021.

**City of Sachse**  
**Summary of Tax Rate Impact**

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>
Scenario	Description	Total Proceeds	Final Issuance	Projected Maximum I&S Rate	Current I&S Rate	Projected Tax Rate Increase	Estimated Tax Payment Increase Based on Average Home Value of \$283,000	
1	No Increase over Current I&S Tax Rate	\$43,000,000	FY 2026	\$0.1942	\$0.1942	\$0.0000	Annual	\$0.00
							Monthly	\$0.00
							Weekly	\$0.00
2	5 Cent Increase over Current I&S Tax Rate	\$68,200,000	FY 2028	\$0.2443	\$0.1942	\$0.0501	Annual	\$141.80
							Monthly	\$11.82
							Weekly	\$2.73