



Financing Mobility Improvements



Mobility Committee

March 2, 2016



Today's briefing



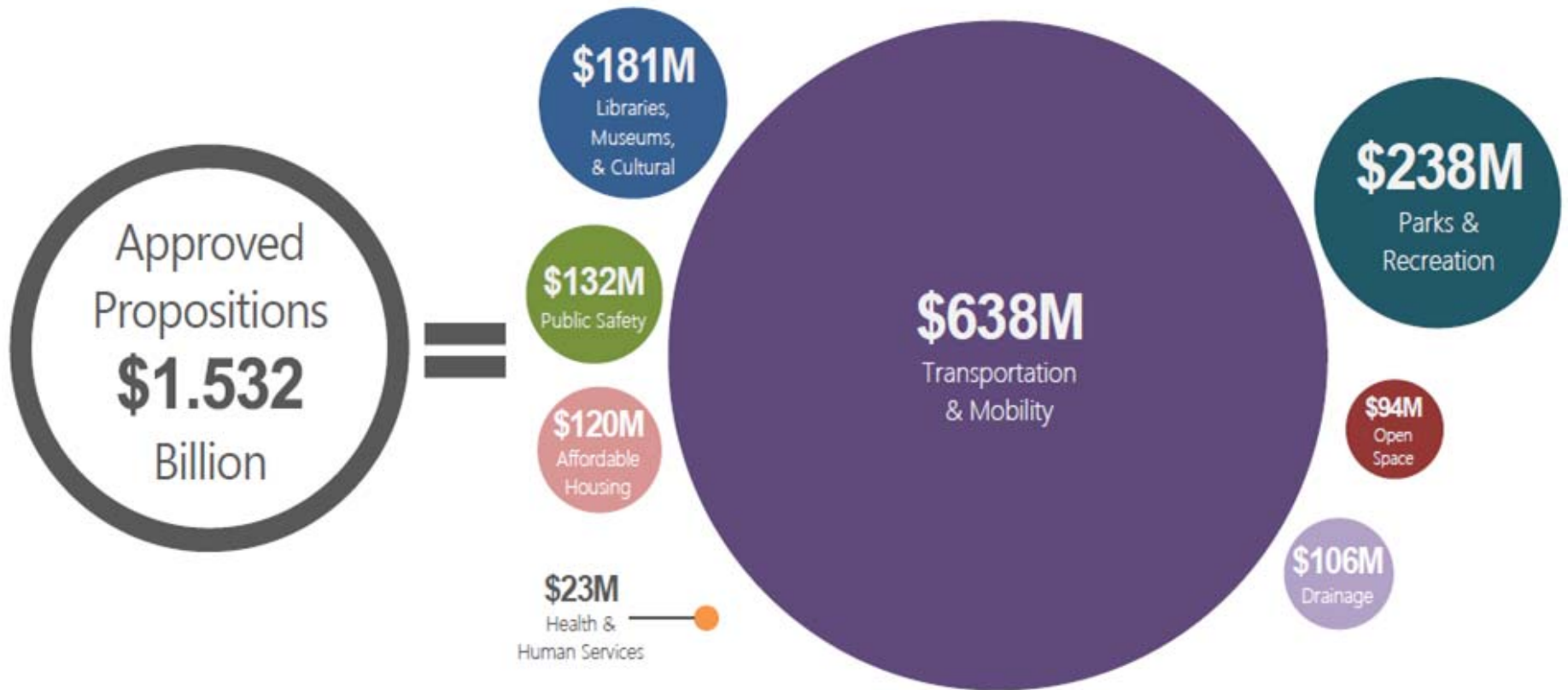
Debt Financing

Other Financing Tools



Bond Election History

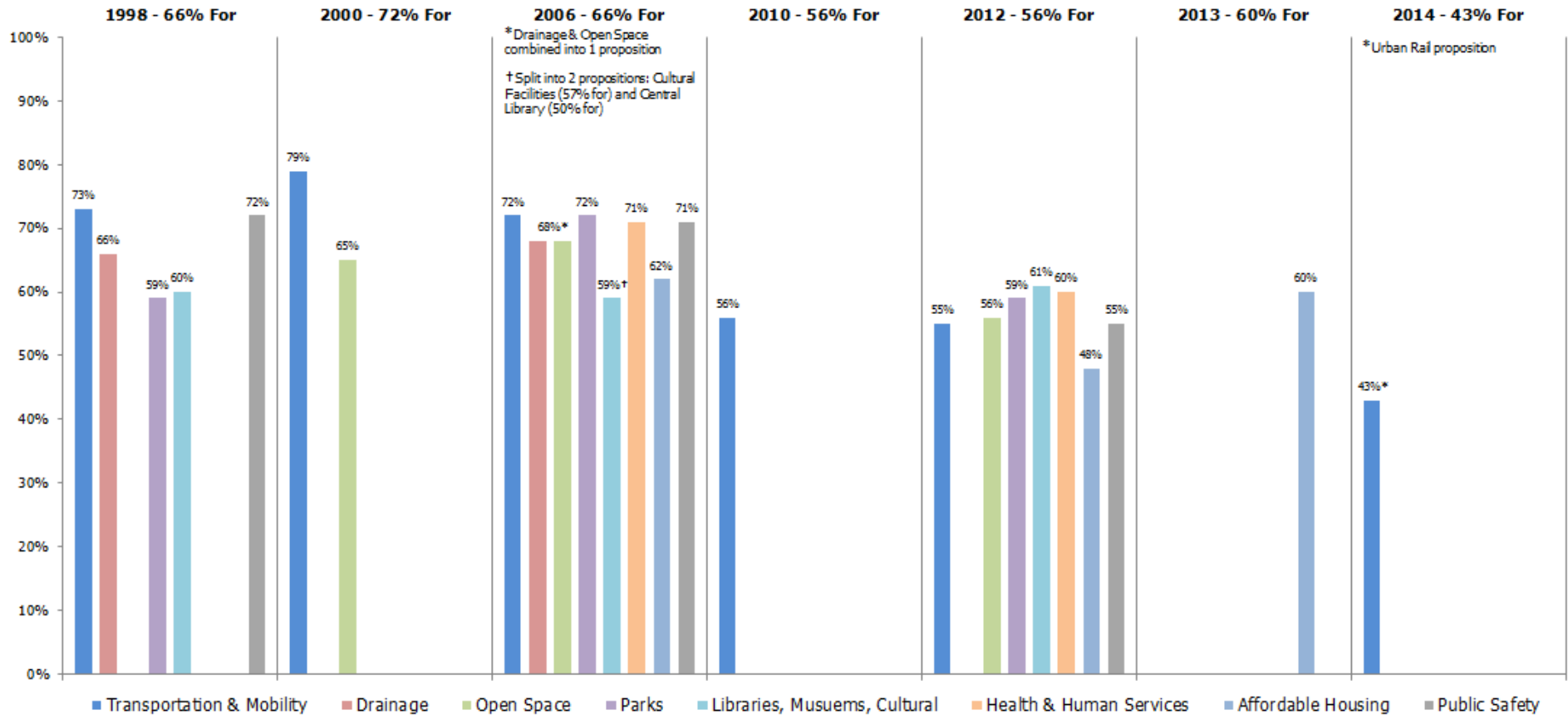
BOND ELECTION HISTORY G.O. Bond Elections 1998-2014





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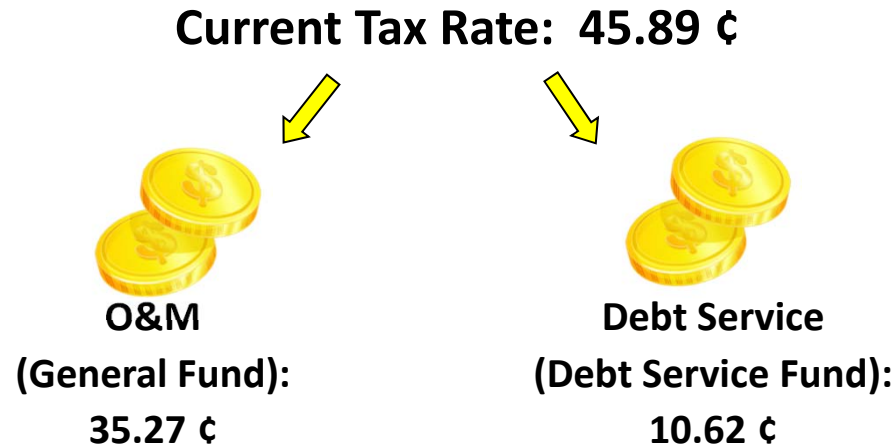
BOND ELECTION HISTORY G.O. Bond Elections 1998-2014





Debt Capacity “101”

- City Property Tax Rate has 2 components



- Tax rate adopted by City Council each year in September as part of Budget Adoption
 - Debt service tax rate set each year at level necessary to fund principal and interest payments on debt that has been issued and pledged with property tax (i.e. “Full Faith and Credit”)



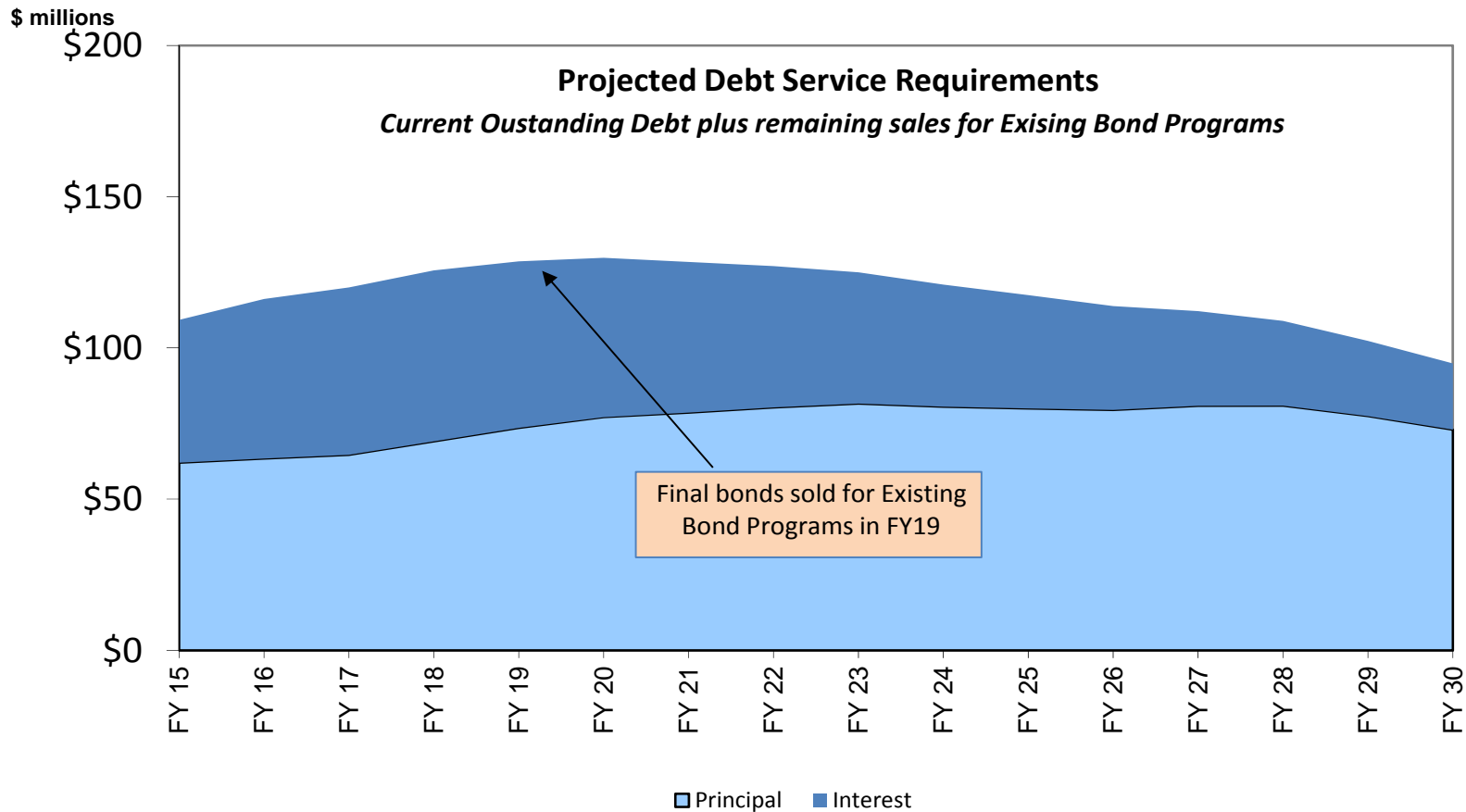
Debt Capacity “101”

- Public Improvement Bonds, Certificate of Obligation, and Contractual Obligations
 - \$1.3 billion in outstanding G.O. debt currently
 - Bonds for capital projects are issued over multiple years
 - Issued once per year in August prior to setting the tax rate
 - Revenue pledge – backed by property (ad valorem) and “full faith and credit” of the City
 - City has “AAA” credit rating

Types of G.O Debt	Purpose	Voter Approval	Term
Public Improvement Bonds (PIBs)	Capital improvement projects & assets	Yes	20 Yrs
Certificates of Obligation (COs)	Real property; off-bond cycle needs	No	10-20 Yrs
Contractual Obligations (KOs)	Personal property, equipment, vehicles	No	5 -10 Yrs



Debt Capacity "101"



- \$195 million in bonds still to be sold for 4 active bond programs (2006, 2012, 2013; bonds for 2010 all sold, but still spending activity), plus \$150 million other tax-supported debt (Certificates of Obligation & Contractuals)
- Current annual debt service is \$117 million, peaks at \$139 million in FY20



Debt Capacity “101”

- Debt Capacity is determined by a variety of factors - tax rate, State Law, and financial measures
- State law limits city tax rate to \$2.50 cents per \$100 valuation – current City rate is below this threshold
- City Financial Policy calls for total net debt to assessed valuation to be less than 2%
 - Currently at 1.22%
 - Debt per capita is at \$1,496
- Rating Agency (Moody's, Fitch, Standard&Poors) factors
 - Economy, Tax Base, Management, Debt Levels & Ratios



Tax Increment Financing

Tax Increment Financing (TIF)

- Popular financing tool to encourage economic development within a defined geographic area or zone
- Various Texas Code sections allow reinvestment zones, including Chapter 311 of Tax Code and Chapter 373A of Local Government Code
- **Purpose** - set aside property tax revenues due to assessed valuation growth in zone to use for specific purposes in zone
- Usually public investments that stimulate economic development



TIFs – How They Work





TIFS and the Tax Rate





- Chapter 311 TIFs

- Mueller
- Seaholm
- Waller Creek

All created as a mechanism to finance public improvement via debt, using the “value capture” as repayment

- Chapter 373A TIF

- Homestead Preservation District A

Pay-as-go (i.e. annual) funds to be used on preservation of housing within the district



- Public Improvement Districts (PID)
 - Additional assessment, on top of existing property taxes
 - Can be used fund operational or infrastructure needs within the District
 - Downtown PID
 - South Congress PID
 - PID requires a petition that is signed by the owners in the proposed district
 - 50% of land owners in district
 - Service plan and annual assessment
 - Use of PIDs for Infrastructure



Next Steps

- Contract approval to conduct economic impact analysis of corridor improvements
- Update Debt Capacity scenarios



Questions / Comments