Late Backup

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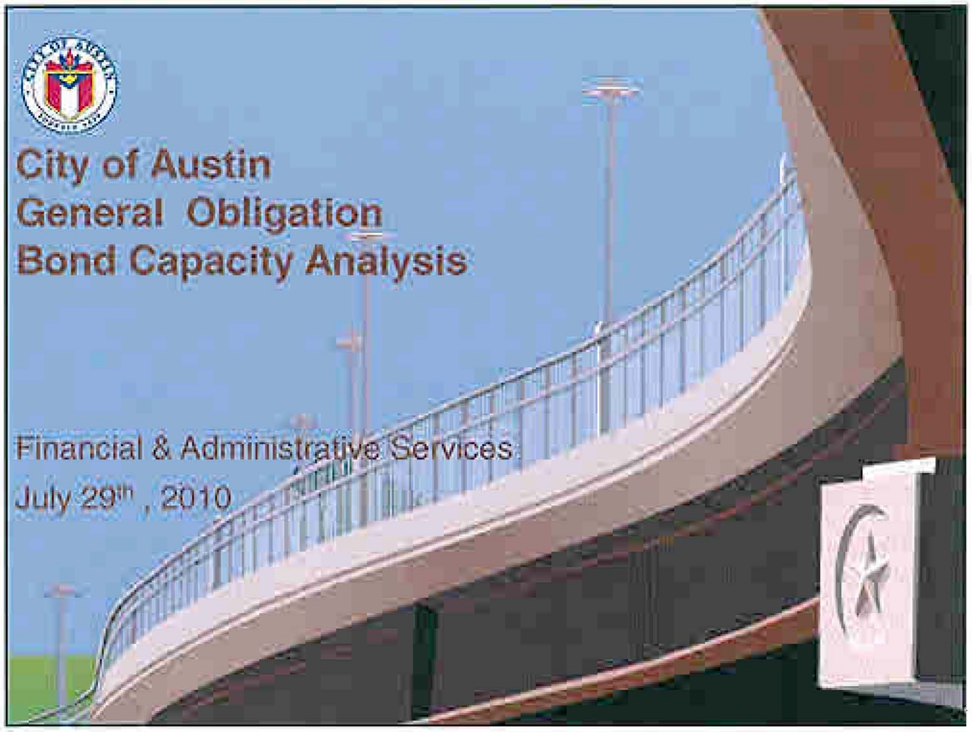

Outline

- Overview of General Obligation Debt
- Bond Ratings / Financial Policies
- Debt Scenarios for Bond Programs
  - Recap of 2010 Bond Program
  - Early look at potential 2012 Bond Program

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Overview of Debt

Overview of Debt

Why Debt

- To fund necessary & appropriate capital assets with long-term life-cycles
  - i.e. transportation network, facilities, parks
- Inter-generational cost sharing of public assets

Types of Debt

- General Obligation – backed by "full faith and credit" of the City's ability to levy taxes

Types of G.O. Debt	Purpose	Voter Approval	Term
Public Improvement Bonds (PIBs)	Capital Assets	Yes	20 yrs
Certificates of Obligation (COs)	Real Property, Off-cycle capital needs	No	10 - 20 yrs
Contractual Obligation (KOs)	Equipment	No	5- 10 yrs

- Debt Service on Tax supported PIBs, COs, and KOs are paid from the debt service piece of the ad valorem tax rate

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Overview of Debt

- Tax Rate has 2 components: O&M & Debt

Proposed Tax Rate: 45.71 ¢

O&M	Debt
(General Fund):	**(Debt Service Fund):**
32.62 ¢	**13.09 ¢**
$248 million	**$100 million**

Debt Service Tax Rate

- Set each year at level needed to fund principal and interest payments on debt that has been issued and pledged with property tax

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Overview of Debt

Issuing Debt

- Annual Bond Sale occurs in August each year
  - including Tax-Supported G.O. Debt (PIBs, COs, KOs)
  - Reviewed and approved by Texas Attorney General
  - Rating Agency (Standard & Poor's, Moody's, Fitch) review occurs prior to sale
  - Principal and interest payments are made 2x per year over the life of the debt
    - supported by revenue generated by the Debt Service tax rate

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Bond Ratings / Financial Policies

- Rating Agency process
  - Preparation of an Official Statement (OS)
    - used by investors
  - Analysis of debt proposal by rating agency
  - Analysis of "rating agency factors"
    - economy
    - management
    - debt burden & structure
  - City / Rating Agency meet to discuss
  - Rating issued

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Bond Ratings / Financial Policies

Economy

" .. combination of robust, high-wage job growth from the local tech and health-care sectors .. makes the City a national leader in economic vitality."

Moody's, 8/20/09

Management

" A key to maintaining the rating at the current level is the city's ability to meet expanding core service demands from a growing population in an environment of escalating core service costs and slowing revenue growth while maintaining its position of strong financial flexibility."

Fitch, 8/21/09

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Bond Ratings / Financial Policies

Debt Burden

- Financial Policy: "debt to assessed value less than 2%"
  - Current Debt to AV ratio: 1.08%
  - Current Debt per capita ratio: $1,034

"Overall net debt levels are low ... below 3% of market value."

Standard & Poor's, 8/20/09

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Financial Policies / Bond Ratings

	Debt per Capita	Debt to AV	Bond Ratings Moody's	S&P	Fitch	D.S. % of Tax Rate
Austin	$1,034	1.08%	Aa1	AAA	AA+	29%
Arlington	$683	1.42%	Aa2	AA+	AA	31%
Corpus Christi	$760	1.56%	A1	AA-	AA-	35%
Dallas	$1,615	2.37%	Aa1	AA+	NR	34%
Forth Worth	$709	1.27%	Aa2	AA+	AA	17%
Houston	$1,200	1.78%	Aa3	AA	AA-	28%
San Antonio	$684	1.29%	Aa1	AAA	AA+	37%
Moody's Median (cities > 500,000 pop.)	$1,392	1.09%				

[1] Source: Fiscal Year 2009 CAFR's, excludes self-supported debt and debt service fund balance; 2008 CAFR for Arlington, Dallas.

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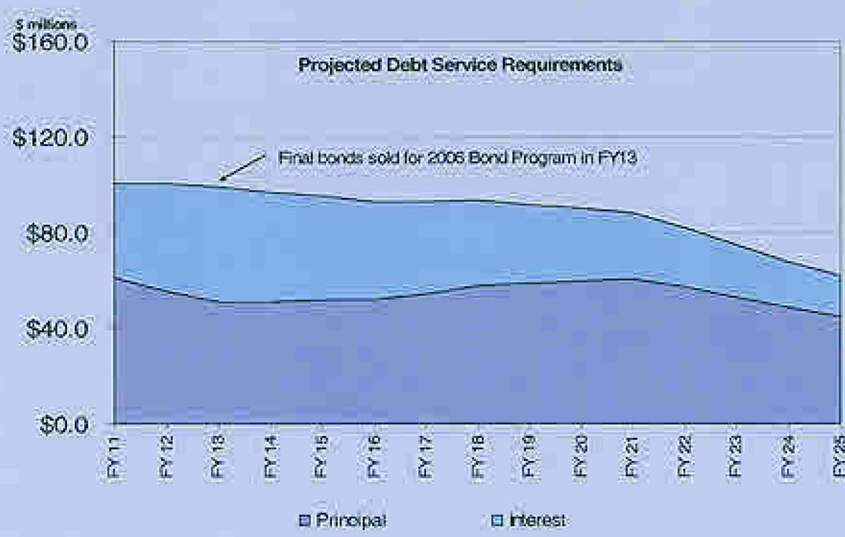
Debt Scenarios for Bond Programs

Debt Structure



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Bond Capacity Analysis

Underlying Assumptions

- Debt Service tax rate starting point is 13.09 cents
  - this is proposed debt service tax rate for FY11 to support current debt service requirements
- Remaining sales of 2006 Bonds – through FY13
  - $337 million in remaining authority to be issued
- Repay more than 50% of outstanding principal in 10 years
  - currently 63% will be repaid in 10 years
    - paying down principal helps lower borrowing costs in long-term for taxpayers

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Bond Capacity Analysis

Underlying Assumptions (con't)

- Conservative Assessed Value projections
  - (3.8%) in FY11, 0% in FY12, 2% to 3% in out years
- Conservative borrowing rate projections
- Two Bond Programs
  - November 2010 – dedicated to Transportation
  - November 2012 – potential comprehensive general bond program
- Bond Sales lag Bond Elections
  - i.e. first sale of debt for a November 2010 bond election would occur August 2011; first debt service payments on that issuance would occur in FY12 and be supported by the FY12 tax rate

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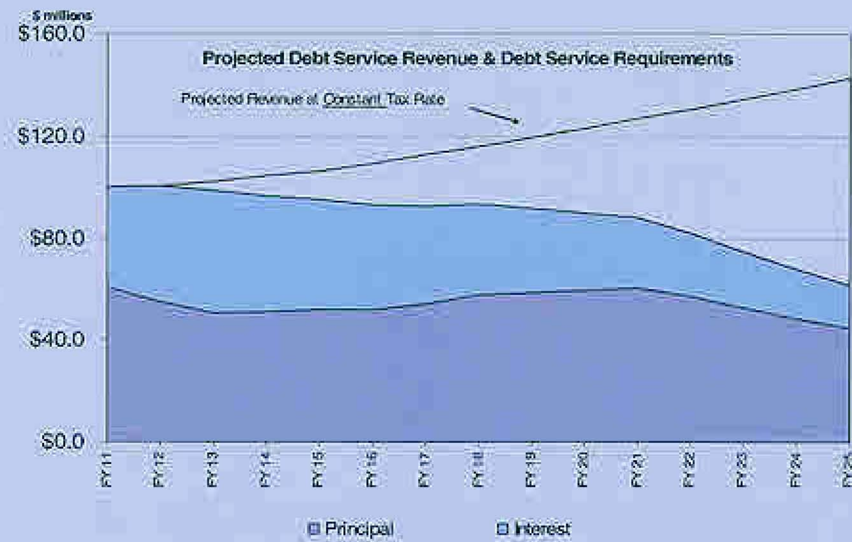
Bond Capacity Analysis



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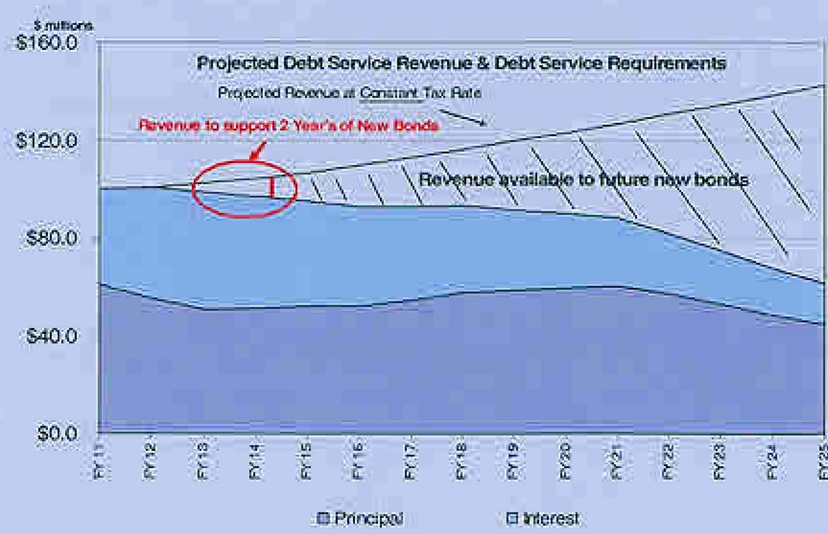
Bond Capacity Analysis



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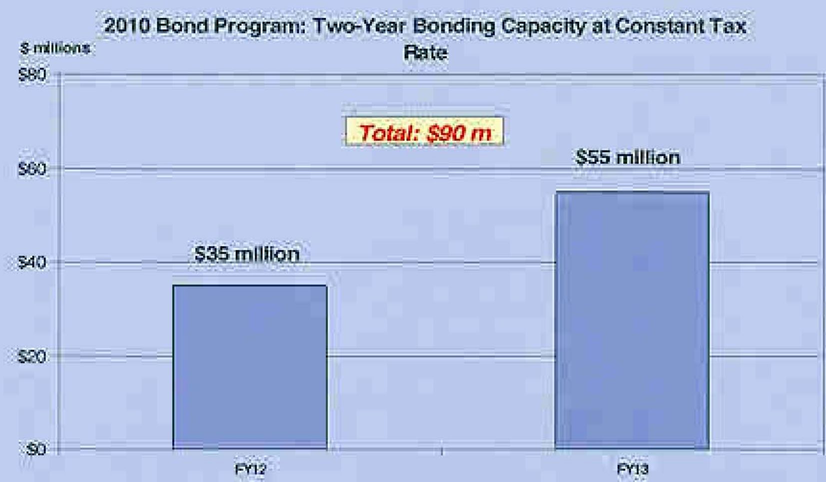
2010 Bond Program



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2012 Bond Program

Assumptions

- Six year bond program
  - November 2012 election
  - Bond sales start in FY14 thru FY19
- 5 Tax Rate scenarios

1 cent = ~ $8 million in revenue = ~ $130m in debt

Scenario	FY14	FY15	FY16	FY17	FY18	FY19
Scenario 1: constant	constant	constant	constant	constant	constant	constant
Scenario 2: 1 cent	+ 1 cent	constant	constant	constant	constant	constant
Scenario 3: 2 cents	+ 1 cent	+ 1 cent	constant	constant	constant	constant
Scenario 4: 3 cents	+ 1 cent	+ 1 cent	+ 1 cent	constant	constant	constant
Scenario 5: 4 cents	+ 1 cent	+ 1 cent	+ 1 cent	+ 1 cent	constant	constant

These are debt scenarios only; these are not based on needs assessment

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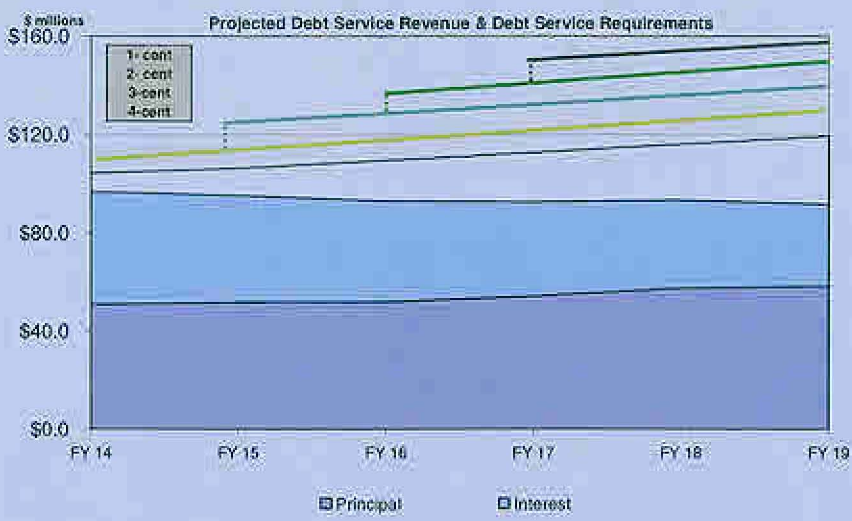
2012 Bond Program



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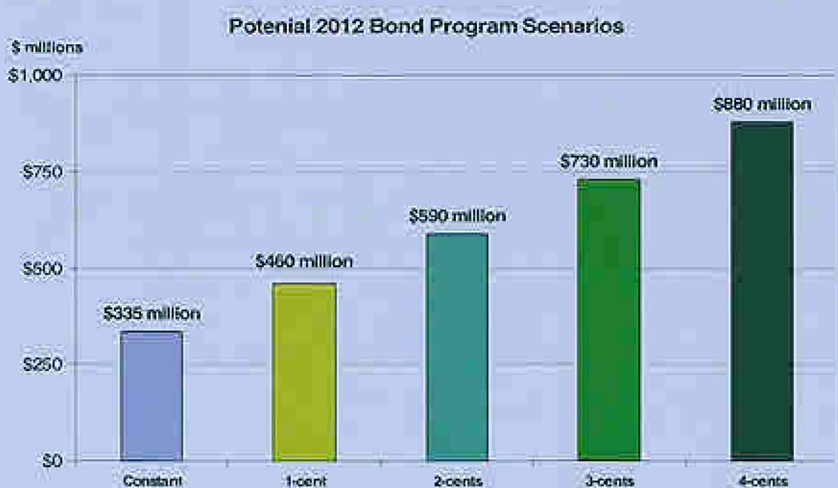
2012 Bond Program



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Summary

- 2010 Bond Program
  - $90 million over 2 years
    - assumes constant tax rate
    - debt per capita $1,291
    - debt to AV 1.37%
- Early look at 2012 Bond Program
  - 5 tax-rate scenarios
    - generate between $420 million to $880 million
    - peak debt per capita ranges from $1,380 to $1,692, depending on scenario
    - peak debt to AV ranges from 1.46% to 1.76%, depending on scenario

These are debt scenarios only; these are not based on needs assessment

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Summary

- 2012 Bond Program (con't)
  - Why these scenarios *will* change
    - Initial year of 1st bond sale, FY14, is 4 years away
    - Tax rate assumptions will change
    - AV assumptions will change
    - Borrowing rate assumptions will change
    - Have not analyzed debt issuance options

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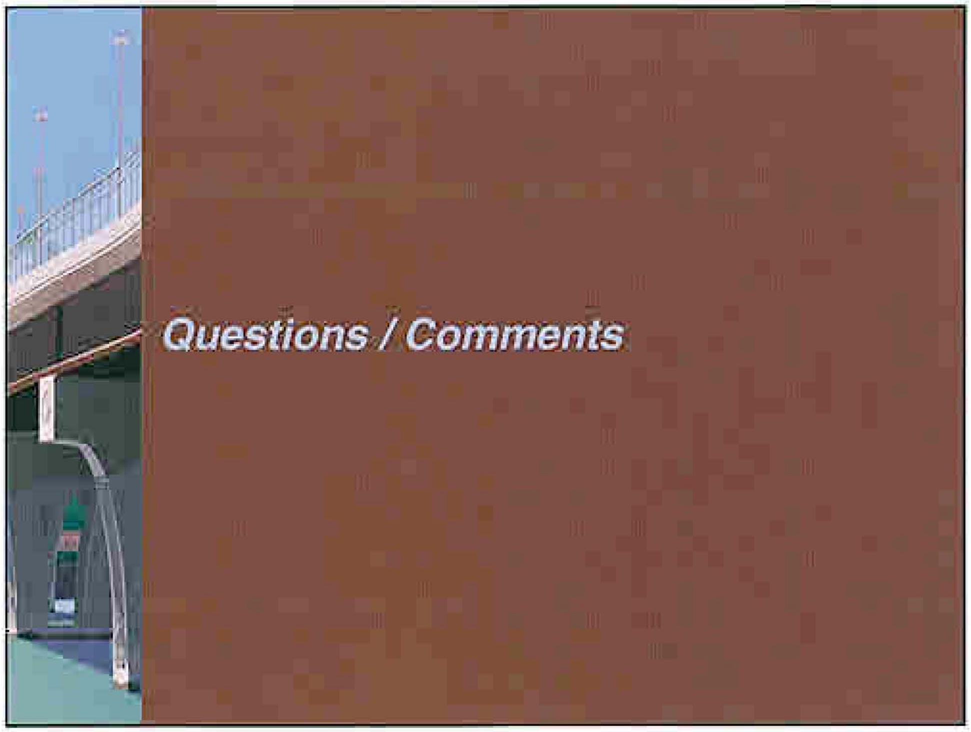
Questions / Comments