

GENERAL DEBT SERVICE FUND

08-539

OVERVIEW:

The General Debt Service Fund is a governmental fund used to account for monies set aside for the payment of principal and interest to holders of the City's general obligation bonds. A general obligation (GO) bond is a legal debt instrument used to finance permanent public projects within city limits. In issuing bonds, the City pledges to levy whatever property tax is needed to repay the bonds for any particular year.

In October, 2011, the City Council approved an ordinance authorizing the issuance of \$7,000,000 in Certificates of Obligation, Series 2011 with proceeds funding constructing, improving, maintaining and operating a Relief Highway route around and outside the boundaries of the City to promote new or expanded business development, including related drainage, striping, signalization and site improvements. The Certificates of Obligation are supported completely by a limited Sales Tax approved by voters in May 2011.

There is no statutory debt limitation in the City Charter or under State Law. The City operates under a Home Rule Charter that limits the maximum ad valorem tax rate for all City purposes to \$2.50 per \$100 assessed valuation. Administrately, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for general obligation debt service. The City's proposed tax rate is \$.1890 per \$100 assessed valuation. The City's Fiscal Principles and Policies states the City will strive to limit general obligation annual debt service requirements to 20% of general governmental expenditures. Debt service to total general expenditures for the 2013-14 Budget is 9.3% (\$479,920 / \$5,175,120). All current debt is completely supported by a limited sales tax.

The 2012-13 debt service requirement is \$477,180. Additional proceeds from Sales Tax should allow an additional principal payment of over \$330,000 in 2013 which will lower the amount of interest paid over the life of the project.

The 2013-14 debt service requirement is \$479,920. 2014 budgeted proceeds from Sales Tax will allow an additional principal payment of \$235,737 in 2014, again, lowering the amount of interest paid over the life of the project.

| | Actual 2010-11 | Actual 2011-12 | Budget 2012-13 | Projected 2012-13 | Budget 2013-14 |
|----------------------------------|-------------------|-------------------|-------------------|----------------------|-------------------|
| REVENUES | | | | | |
| OTHER FINANCING SOURCES | | | | | |
| 2633. From Rel. Rte Constr. Fund | \$ - | \$ 699,511 | \$ 575,000 | \$ 796,020 | \$ 700,000 |
| Total Revenues | \$ - | \$ 699,511 | \$ 575,000 | \$ 796,020 | \$ 700,000 |
| EXPENDITURES | | | | | |
| OPERATIONAL EXPENSE | | | | | |
| 8330. Debt Service - Principal | \$ - | \$ 590,000 | \$ 434,046 | \$ 655,000 | \$ 573,390 |
| 8331. Debt Service - Interest | - | 109,511 | 140,954 | 141,020 | 126,610 |
| TOTAL OPERATIONAL EXPENSE | \$ - | \$ 699,511 | \$ 575,000 | \$ 796,020 | \$ 700,000 |
| EXCESS (DEFICIENCY) | \$ - | \$ - | \$ - | \$ - | \$ - |

GENERAL DEBT SERVICE FUND

Schedule of General Debt Service

SERIES 2011 CERTIFICATES OF OBLIGATION

| ORIGINAL BUDGET | | | | | | | |
|-----------------|--------------|--------------|-----------|----------|--------------|--------------|--------------|
| FY | Beg Bal | Principal | Add'l Pmt | Int Rate | Interest | Debt Service | End Bal |
| 2012 | \$ 7,000,000 | \$ 310,000 | \$ - | 2.20% | \$ 109,511 | \$ 419,511 | \$ 6,690,000 |
| 2013 | \$ 6,690,000 | \$ 330,000 | \$ - | 2.20% | \$ 147,180 | \$ 477,180 | \$ 6,360,000 |
| 2014 | \$ 6,360,000 | \$ 340,000 | \$ - | 2.20% | \$ 139,920 | \$ 479,920 | \$ 6,020,000 |
| 2015 | \$ 6,020,000 | \$ 345,000 | \$ - | 2.20% | \$ 132,440 | \$ 477,440 | \$ 5,675,000 |
| 2016 | \$ 5,675,000 | \$ 355,000 | \$ - | 2.20% | \$ 124,850 | \$ 479,850 | \$ 5,320,000 |
| 2017 | \$ 5,320,000 | \$ 310,000 | \$ - | 4.15% | \$ 220,780 | \$ 530,780 | \$ 5,010,000 |
| 2018 | \$ 5,010,000 | \$ 270,000 | \$ - | 4.15% | \$ 207,915 | \$ 477,915 | \$ 4,740,000 |
| 2019 | \$ 4,740,000 | \$ 285,000 | \$ - | 4.15% | \$ 196,710 | \$ 481,710 | \$ 4,455,000 |
| 2020 | \$ 4,455,000 | \$ 295,000 | \$ - | 4.15% | \$ 184,883 | \$ 479,883 | \$ 4,160,000 |
| 2021 | \$ 4,160,000 | \$ 305,000 | \$ - | 4.15% | \$ 172,640 | \$ 477,640 | \$ 3,855,000 |
| 2022 | \$ 3,855,000 | \$ 320,000 | \$ - | 4.15% | \$ 159,983 | \$ 479,983 | \$ 3,535,000 |
| 2023 | \$ 3,535,000 | \$ 335,000 | \$ - | 4.15% | \$ 146,703 | \$ 481,703 | \$ 3,200,000 |
| 2024 | \$ 3,200,000 | \$ 345,000 | \$ - | 4.15% | \$ 132,800 | \$ 477,800 | \$ 2,855,000 |
| 2025 | \$ 2,855,000 | \$ 360,000 | \$ - | 4.15% | \$ 118,483 | \$ 478,483 | \$ 2,495,000 |
| 2026 | \$ 2,495,000 | \$ 375,000 | \$ - | 4.15% | \$ 103,543 | \$ 478,543 | \$ 2,120,000 |
| 2027 | \$ 2,120,000 | \$ 390,000 | \$ - | 4.15% | \$ 87,980 | \$ 477,980 | \$ 1,730,000 |
| 2028 | \$ 1,730,000 | \$ 405,000 | \$ - | 4.15% | \$ 71,795 | \$ 476,795 | \$ 1,325,000 |
| 2029 | \$ 1,325,000 | \$ 425,000 | \$ - | 4.15% | \$ 54,988 | \$ 479,988 | \$ 900,000 |
| 2030 | \$ 900,000 | \$ 440,000 | \$ - | 4.15% | \$ 37,350 | \$ 477,350 | \$ 460,000 |
| 2031 | \$ 460,000 | \$ 460,000 | \$ - | 4.15% | \$ 19,090 | \$ 479,090 | \$ - |
| | | \$ 7,000,000 | | | \$ 2,569,541 | \$ 9,569,541 | |

| PROJECTED PAYMENT SCHEDULE | | | | | | | |
|----------------------------|--------------|--------------|------------|----------|--------------|--------------|--------------|
| FY | Beg Bal | Principal | Add'l Pmt | Int Rate | Interest | Debt Service | End Bal |
| 2012 | \$ 7,000,000 | \$ 310,000 | \$ 280,000 | 2.20% | \$ 109,511 | \$ 699,511 | \$ 6,410,000 |
| 2013 | \$ 6,410,000 | \$ 330,000 | \$ 325,000 | 2.20% | \$ 141,020 | \$ 796,020 | \$ 5,755,000 |
| 2014 | \$ 5,755,000 | \$ 340,000 | \$ 233,390 | 2.20% | \$ 126,610 | \$ 700,000 | \$ 5,181,610 |
| 2015 | \$ 5,181,610 | \$ 345,000 | | 2.20% | \$ 113,995 | \$ 458,995 | \$ 4,836,610 |
| 2016 | \$ 4,836,610 | \$ 355,000 | | 2.20% | \$ 106,405 | \$ 461,405 | \$ 4,481,610 |
| 2017 | \$ 4,481,610 | \$ 310,000 | | 4.15% | \$ 185,987 | \$ 495,987 | \$ 4,171,610 |
| 2018 | \$ 4,171,610 | \$ 270,000 | | 4.15% | \$ 173,122 | \$ 443,122 | \$ 3,901,610 |
| 2019 | \$ 3,901,610 | \$ 285,000 | | 4.15% | \$ 161,917 | \$ 446,917 | \$ 3,616,610 |
| 2020 | \$ 3,616,610 | \$ 295,000 | | 4.15% | \$ 150,089 | \$ 445,089 | \$ 3,321,610 |
| 2021 | \$ 3,321,610 | \$ 305,000 | | 4.15% | \$ 137,847 | \$ 442,847 | \$ 3,016,610 |
| 2022 | \$ 3,016,610 | \$ 320,000 | | 4.15% | \$ 125,189 | \$ 445,189 | \$ 2,696,610 |
| 2023 | \$ 2,696,610 | \$ 335,000 | | 4.15% | \$ 111,909 | \$ 446,909 | \$ 2,361,610 |
| 2024 | \$ 2,361,610 | \$ 345,000 | | 4.15% | \$ 98,007 | \$ 443,007 | \$ 2,016,610 |
| 2025 | \$ 2,016,610 | \$ 360,000 | | 4.15% | \$ 83,689 | \$ 443,689 | \$ 1,656,610 |
| 2026 | \$ 1,656,610 | \$ 375,000 | | 4.15% | \$ 68,749 | \$ 443,749 | \$ 1,281,610 |
| 2027 | \$ 1,281,610 | \$ 390,000 | | 4.15% | \$ 53,187 | \$ 443,187 | \$ 891,610 |
| 2028 | \$ 891,610 | \$ 405,000 | | 4.15% | \$ 37,002 | \$ 442,002 | \$ 486,610 |
| 2029 | \$ 486,610 | \$ 425,000 | | 4.15% | \$ 20,194 | \$ 445,194 | \$ 61,610 |
| 2030 | \$ 61,610 | \$ 61,610 | | 4.15% | \$ 2,557 | \$ 64,167 | \$ - |
| 2031 | \$ - | \$ - | | 4.15% | \$ - | \$ - | \$ - |
| | | \$ 6,161,610 | \$ 838,390 | | \$ 2,006,987 | \$ 9,006,987 | |