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July 8, 2014

Debt Management Analysis  
For discussion purposes only, actual results may vary  
City of Anna, Texas

## Disclosure

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# Outstanding General Obligation Debt as of July 8, 2014

City of Anna, Texas

Series	Name	Amount Outstanding	Interest Rates	Call Date	Final Maturity	Supported by:
1976	GO Water Bonds	\$10,000	5.00%	Currently Callable	1/1/2016	Water & Sewer Revenues
2006	Comb Tax & Ltd Surplus Rev C/O	\$1,755,000	4.00 – 5.25%	2/15/2016	2/15/2026	I&S Taxes
2007	Comb Tax & Rev C/O	\$885,000	3.95% through 2/15/2017 15% thereafter	2/15/2017	2/15/2027	I&S Taxes
2007	GO Ref Bonds	\$230,000	3.95% through 2/15/2017 15% thereafter	2/15/2017	2/15/2027	I&S Taxes
2009	Comb Tax & Rev C/O	\$755,000	4.28% through 2/15/2018 15% thereafter	2/15/2018	2/15/2029	I&S Taxes
2009	Comb Tax & Rev Ref Bonds	\$4,040,000	4.28% through 2/15/2018 15% thereafter	2/15/2018	2/15/2026	Water & Sewer Revenues
2011	PPFCOs	\$344,000	4.49%	Currently Callable	2/15/2026	I&S Taxes
2012	Comb Tax & Rev C/O	\$4,210,000	1.50 – 2.50%	2/15/2019	2/15/2033	Water & Sewer Revenues
2014	Comb Tax & Rev C/O	\$4,180,000	2.00 – 3.65%	2/15/2024	2/15/2034	Water & Sewer Revenues
	<b>TOTAL</b>	<b>\$16,409,000</b>				

CITY OF ANNA, TEXAS

# Breakdown of General Obligation Debt as of July 8, 2014

City of Anna, Texas

I&S Tax Supported Debt		
Series	Name	Amount Outstanding
2006	Comb Tax & Ltd Surplus Rev C/O	\$1,755,000
2007	Comb Tax & Rev C/O	\$885,000
2007	GO Ref Bonds	\$230,000
2009	Comb Tax & Rev C/O	\$755,000
2011	PPFCOs	\$344,000
	<b>TOTAL</b>	<b>\$3,969,000</b>

Water & Sewer Supported Debt		
Series	Name	Amount Outstanding
1976	GO Water Bonds	\$10,000
2009	Comb Tax & Rev Ref Bonds	\$4,040,000
2012	Comb Tax & Rev C/O	\$4,210,000
2014	Comb Tax & Rev C/O	\$4,180,000
	<b>TOTAL</b>	<b>\$12,440,000</b>

CITY OF ANNA, TEXAS

# Analysis of Existing General Obligation Debt (I&S Fund)

City of Anna, Texas

A	B	C	D	E	F	G	H	I	J	K	L	M
Fiscal Year Ending 9/30	Estimated Growth Factor <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Existing General Obligation Debt Service	Existing I&S Tax-Supp. Notes Debt Service <sup>(3)</sup>	Budgeted Paying Agent Fees <sup>(3)</sup>	Less: Self-Supporting Debt Service	Existing Net General Obligation Debt Service	Less: I&S Fund Drawdown & Transfers <sup>(4)</sup>	Net General Obligation Debt Service	Projected I&S Tax Rate <sup>(5)</sup>	I&S Tax Rate Variance from Fiscal '14	Variance from Fiscal '14 in Dollars
2014		\$ 431,258,729	\$ 804,398	\$ 12,729	\$ 2,500	\$ 371,168	\$ 448,459	\$ 74,628	\$ 373,831	\$ 0.0910		
2015	14.55%	494,000,000	1,420,293	-	2,500	980,740	442,052	-	442,052	0.0923	0.0013	68,221
2016	0.00%	494,000,000	1,433,529	-	2,500	989,305	446,724	-	446,724	0.0932	0.0023	72,893
2017	0.00%	494,000,000	1,419,525	-	2,500	981,692	440,333	-	440,333	0.0919	0.0009	66,502
2018	0.00%	494,000,000	1,575,035	-	2,500	1,101,286	476,250	-	476,250	0.0994	0.0084	102,419
2019	0.00%	494,000,000	1,710,376	-	2,500	1,183,338	529,538	-	529,538	0.1105	0.0195	155,707
2020	0.00%	494,000,000	1,455,797	-	2,500	938,638	519,659	-	519,659	0.1084	0.0175	145,828
2021	0.00%	494,000,000	1,302,106	-	2,500	790,763	513,844	-	513,844	0.1072	0.0163	140,013
2022	0.00%	494,000,000	1,282,770	-	2,500	770,088	515,183	-	515,183	0.1075	0.0165	141,352
2023	0.00%	494,000,000	1,238,323	-	2,500	742,425	498,398	-	498,398	0.1040	0.0130	124,567
2024	0.00%	494,000,000	1,249,852	-	2,500	747,625	504,727	-	504,727	0.1053	0.0144	130,896
2025	0.00%	494,000,000	1,235,535	-	2,500	750,288	487,747	-	487,747	0.1018	0.0108	113,916
2026	0.00%	494,000,000	1,371,507	-	2,500	887,538	486,469	-	486,469	0.1015	0.0106	112,638
2027	0.00%	494,000,000	1,150,625	-	2,500	910,750	242,375	-	242,375	0.0506	(0.0404)	(131,456)
2028	0.00%	494,000,000	998,275	-	2,500	918,650	82,125	-	82,125	0.0171	(0.0738)	(291,706)
2029	0.00%	494,000,000	990,613	-	2,500	920,738	72,375	-	72,375	0.0151	(0.0759)	(301,456)
2030	0.00%	494,000,000	921,801	-	-	921,801	-	-	-	-	(0.0910)	(373,831)
2031	0.00%	494,000,000	921,830	-	-	921,830	-	-	-	-	(0.0910)	(373,831)
2032	0.00%	494,000,000	925,999	-	-	925,999	-	-	-	-	(0.0910)	(373,831)
2033	0.00%	494,000,000	934,183	-	-	934,183	-	-	-	-	(0.0910)	(373,831)
2034	0.00%	494,000,000	432,756	-	-	432,756	-	-	-	-	(0.0910)	(373,831)
			\$ 24,775,126	\$ 12,729	\$ 40,000	\$ 18,121,596	\$ 6,706,259	\$ 74,628	\$ 6,631,631			

(1) For illustration purposes only.

(2) Fiscal Year 2014 value is as reported by the Collin Central Appraisal District. Fiscal Year 2015 Value is preliminary as reported by the Appraisal District.

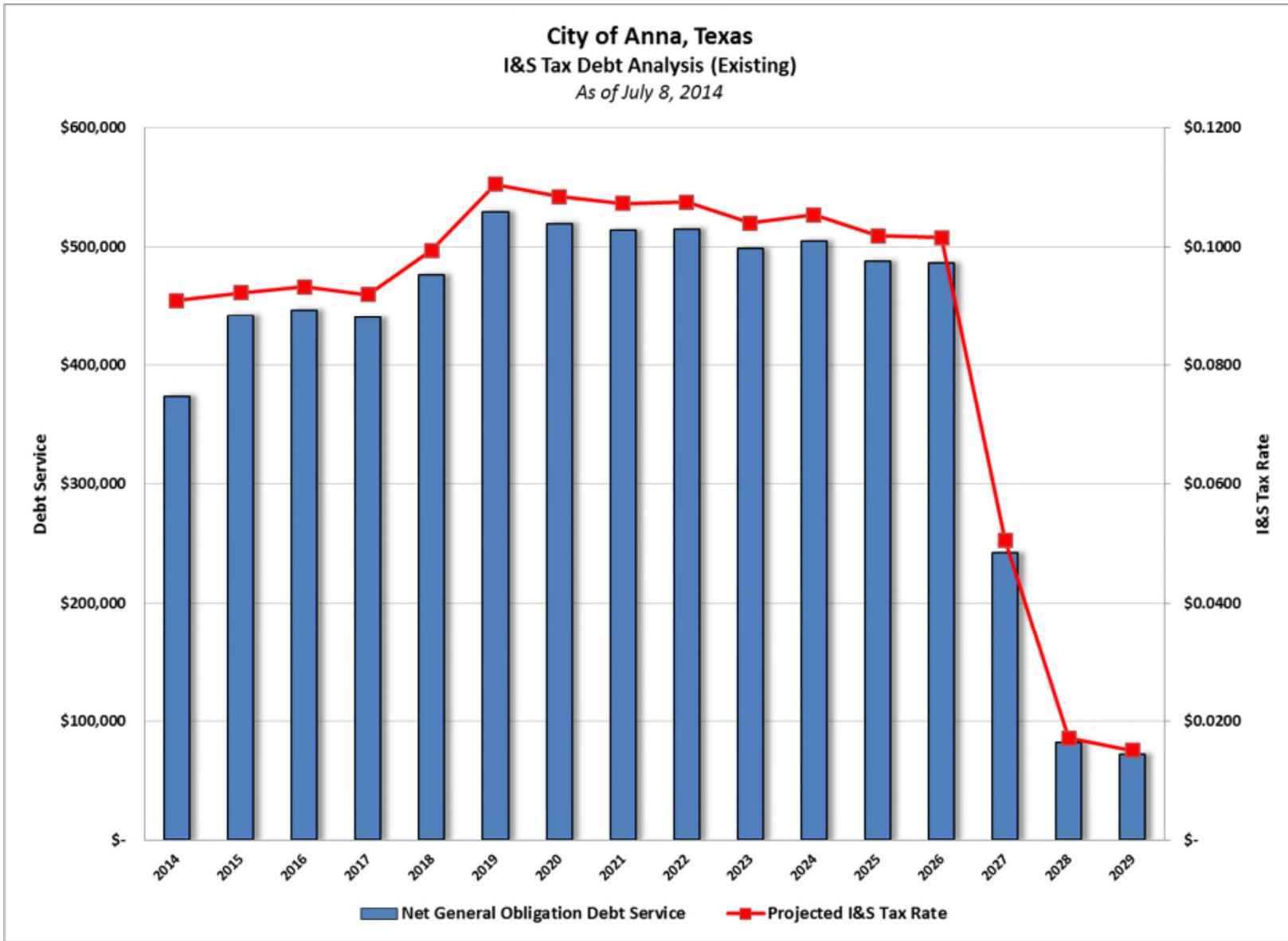
(3) As reported by the City.

(4) As reported by the City of Anna. Represents remaining balance of Series 2006 C/Os and other transfers. Amount shown for 2014 represents current budget.

(5) Tax Rate for 2014 is actual. Subsequent rates calculated at 97% tax collections.

# Analysis of Existing General Obligation Debt (I&S Fund)

City of Anna, Texas



CITY OF ANNA, TEXAS

# Interest and Sinking Fund Debt Management Program (Part 1 of 6)

City of Anna, Texas

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- The City is currently subsidizing the Interest and Sinking (“I&S”) Fund Tax Rate by utilizing excess bond proceeds from the Series 2006 Certificates of Obligation and transfers.
- Excess funds in the I&S Fund run out after the Fiscal 2014 tax rate mitigation drawdown.
- The objective of this analysis is to refund debt for savings (when possible) and restructure principal payments in order to maintain the existing I&S Tax Rate.
- The assumed Taxable Assessed Valuation of \$494,000,000 (Tax Year 2014 / Fiscal Year 2015 as reported by the appraisal district) is not inflated over time.
- Extension of maturity may be required under this stress scenario of no growth and no tax increase for as long as possible.
- This proposed I&S Fund Debt Management program is expected to be implemented in 3 phases, the first one being in Fiscal Year 2015, when excess funds in the I&S Fund run out.

# Interest and Sinking Fund Debt Management Program (Part 2 of 6)

City of Anna, Texas

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- PHASE 1 – October/November 2014 (subject to change)
  - Refunding of Series 2006 Certificates of Obligation and Series 2011 PPFCOs
  - Present Value Savings of Phase 1 is expected to be approximately \$72,000
  - Interest Rate of Refunding Bonds assumed at 3.00% for 12 years
  - NO year extension of original 2026 final maturity for either refunded obligation
  
- PHASE 2 – October/November 2016 (subject to change)
  - Refunding of Series 2007 Certificates of Obligation; maturities 2018 – 2027 (\$640,000)
  - Refunding of Series 2007 GO Refunding Bonds; maturities 2018 – 2027 (\$165,000)
  - Present Value Savings of Phase 2 are expected to be at or above \$0 – *Possible PV benefit*
  - Interest Rate of Refunding Bonds assumed at 4.00% for 11 years
  - No extension of original 2027 final maturity

CITY OF ANNA, TEXAS

# Interest and Sinking Fund Debt Management Program (Part 3 of 6)

City of Anna, Texas

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- PHASE 3 – October/November 2017 (subject to change)
  - Refunding of Series 2009 Certificates of Obligation; maturities 2019 - 2029 (\$600,000)
  - Present Value Savings of Phase 3 are expected to be at or above \$0 – *Possible PV benefit*
  - Interest Rate of Refunding Bonds assumed at 4.50% for 12 years
  - No extension of original 2029 final maturity

# Interest and Sinking Fund Debt Management Program (Part 4 of 6)

City of Anna, Texas

A	B	C	D	E	F	G	H	I	J	K	L	M	N
Fiscal Year Ending 9/30	Estimated Growth Factor <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Existing Net General Obligation Debt Service <sup>(3)</sup>	Less: I&S Fund Drawdown <sup>(4)</sup>	Net General Obligation Debt Service	Less: Tax Rate Mgmt Transfer	Series 2014 Refunding / Restructuring Savings	Series 2016 Refunding / Restructuring Savings	Series 2017 Refunding / Restructuring Savings	NET NEW General Obligation Debt Service	Projected I&S Tax Rate <sup>(5)</sup>	I&S Tax Rate Variance from Fiscal '14	Variance from Fiscal '14 in Dollars
2014		\$ 431,258,729	\$ 448,459	\$ 48,128	\$ 400,331	\$ 26,500	\$ -	\$ -	\$ -	\$ 373,831	\$ 0.0910		
2015	14.55%	494,000,000	442,052	-	442,052	6,000	501	-	-	435,551	0.0909	(0.0001)	61,720
2016	0.00%	494,000,000	446,724	-	446,724	-	10,859	-	-	435,865	0.0910	(0.0000)	62,034
2017	0.00%	494,000,000	440,333	-	440,333	-	5,655	1,281	-	433,397	0.0904	(0.0005)	59,566
2018	0.00%	494,000,000	476,250	-	476,250	-	5,854	37,150	4,414	428,832	0.0895	(0.0015)	55,001
2019	0.00%	494,000,000	529,538	-	529,538	-	7,763	58,975	35,525	427,275	0.0892	(0.0018)	53,444
2020	0.00%	494,000,000	519,659	-	519,659	-	7,384	59,650	36,813	415,813	0.0868	(0.0042)	41,981
2021	0.00%	494,000,000	513,844	-	513,844	-	7,344	59,575	32,725	414,200	0.0864	(0.0045)	40,369
2022	0.00%	494,000,000	515,183	-	515,183	-	6,558	58,200	33,263	417,163	0.0871	(0.0039)	43,331
2023	0.00%	494,000,000	498,398	-	498,398	-	9,298	60,425	33,575	395,100	0.0825	(0.0085)	21,269
2024	0.00%	494,000,000	504,727	-	504,727	-	7,552	60,875	33,400	402,900	0.0841	(0.0069)	29,069
2025	0.00%	494,000,000	487,747	-	487,747	-	10,272	59,275	32,738	385,463	0.0804	(0.0105)	11,631
2026	0.00%	494,000,000	486,469	-	486,469	-	6,469	60,525	36,475	383,000	0.0799	(0.0110)	9,169
2027	0.00%	494,000,000	242,375	-	242,375	-	-	58,975	34,613	148,788	0.0311	(0.0599)	(225,044)
2028	0.00%	494,000,000	82,125	-	82,125	-	-	-	37,150	44,975	0.0094	(0.0816)	(328,856)
2029	0.00%	494,000,000	72,375	-	72,375	-	-	-	34,088	38,288	0.0080	(0.0830)	(335,544)
2030	0.00%	494,000,000	-	-	-	-	-	-	-	-	-	(0.0910)	(373,831)
2031	0.00%	494,000,000	-	-	-	-	-	-	-	-	-	(0.0910)	(373,831)
2032	0.00%	494,000,000	-	-	-	-	-	-	-	-	-	(0.0910)	(373,831)
2033	0.00%	494,000,000	-	-	-	-	-	-	-	-	-	(0.0910)	(373,831)
2034	0.00%	494,000,000	-	-	-	-	-	-	-	-	-	(0.0910)	(373,831)
			\$ 6,706,259	\$ 48,128	\$ 6,658,131	\$ 32,500	\$ 85,510	\$ 574,906	\$ 384,777	\$ 5,580,438			

(1) For illustration purposes only.

(2) Fiscal Year 2014 value is as reported by the Collin Central Appraisal District. Fiscal Year 2015 Value is preliminary as reported by the Appraisal District.

(3) Includes the Notes payable from I&S tax revenue and the budgeted paying agent fees, but excludes GO debt supported by the water and sewer fund.

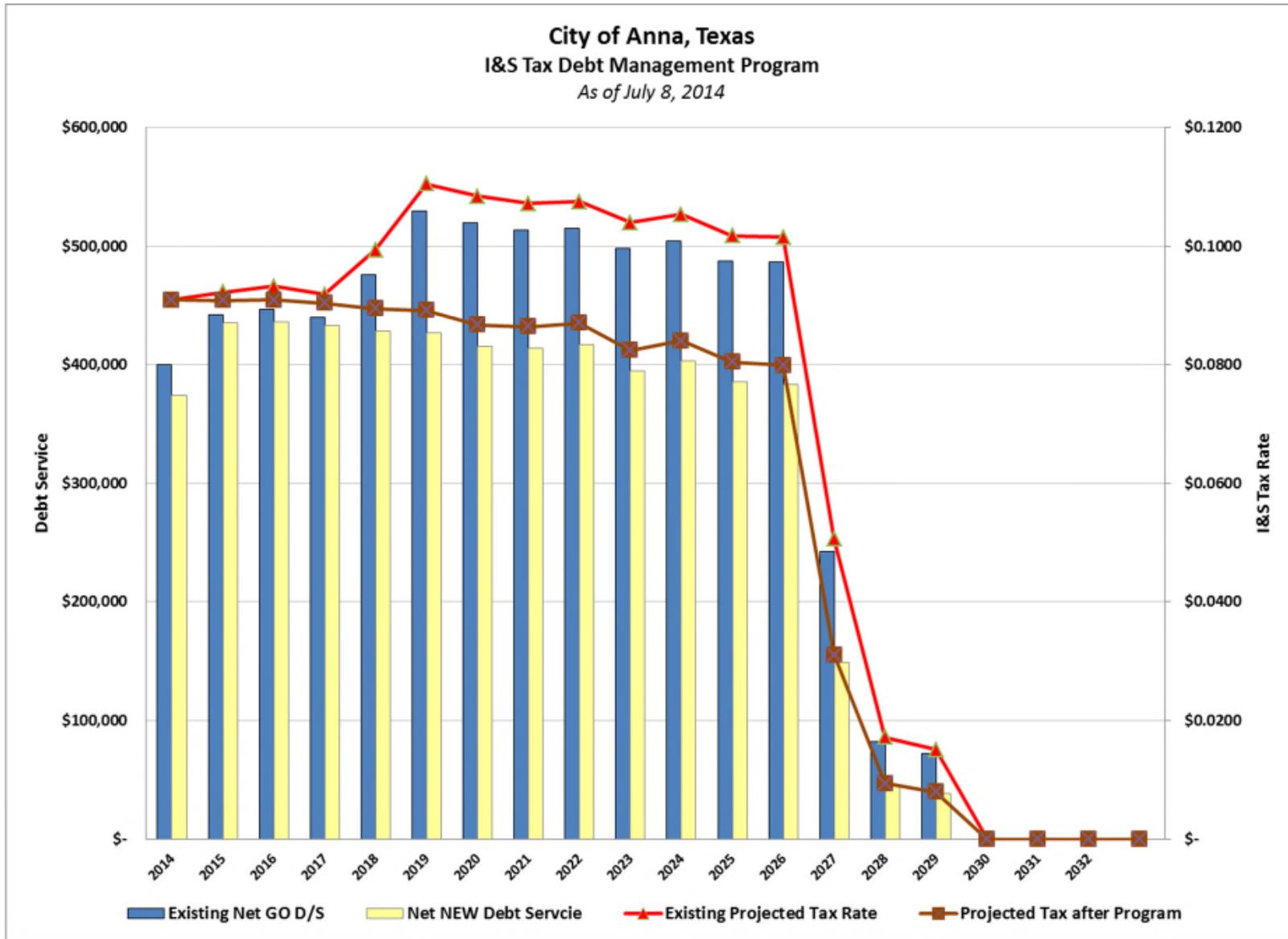
(4) As reported by the City of Anna. Represents remaining balance of Series 2006 C/Os and other transfers. Amount shown for 2014 represents current budget.

(5) Tax Rate for 2014 is actual. Subsequent rates calculated at 97% tax collections.

CITY OF ANNA, TEXAS

# Interest and Sinking Fund Debt Management Program (Part 5 of 6)

City of Anna, Texas



CITY OF ANNA, TEXAS

# Interest and Sinking Fund Debt Management Program (Part 6 of 6)

City of Anna, Texas

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- Sustainability and feasibility of Proposed Debt Management Program
  - If the tax base growth is 0% after FY 2015 and the City does not issue additional tax supported debt, the 9 cent I&S tax rate can be maintained until Phase 3 of the Program is implemented.
  - A reduction of the current I&S tax rate will compromise the program.
  - This is a stress scenario of 0% growth. If the City's tax base continues to grow, the Program must be readjusted to structure savings based on the City's future CIP needs.
  
- Additional Debt Capacity - Driven by 3 factors:
  - City's willingness to pay
  - **Growth in the tax base**
  - **City's willingness to increase the I&S property tax rate**
  
- Credit Rating considerations
  - The City is currently rated "A1" by Moody's and "A" by Fitch Ratings, the outlook is stable.
  - [Healthy General Fund balance as a percentage of revenues – Moody's 2014 Review]
  - TAX BASE GROWTH ACCELERATES FOLLOWING RECENT SLOWDOWN – Moody's 2014 Review
  - STRONG FINANCIAL POSITION SUPPORTED BY HEALTHY GENERAL FUND BALANCE – Moody's 2014 Review
  - DEBT BURDEN MITIGATED BY WATER AND SEWER SYSTEM SUPPORT – Moody's 2014 Review
  - SOLID FINANCIAL POSITION despite growth pressures – Fitch 2013 Review
  - Diverse revenue sources (sales taxes) – Fitch 2013 Review
  - DEVELOPMENT RESUMES after a recessionary drop – Fitch 2013 Review

# Outstanding Water & Sewer System Debt as of July 8, 2014

City of Anna, Texas

Series	Name	Amount Outstanding	Interest Rates	Call Date	Final Maturity	Repayment Pledge
1976	WW&SS Rev Bonds	\$5,000	5.00%	Currently Callable	9/1/2014	W&S Revenues
1976	GO Water Bonds	\$10,000	5.00%	Currently Callable	1/1/2016	General Obligation
2005	Contract Rev Ref Bonds	\$2,085,000	4.42%	Non Callable	5/1/2028	GTUA Contract
2005	Contract Rev Bonds	\$537,500	4.64 – 5.74%	4/1/2015	10/1/2028	GTUA Contract
2006	Contract Rev Bonds	\$1,455,000	3.35 – 3.75%	12/1/2016	6/1/2026	GTUA Contract
2006	TWDB State Participation	\$2,168,750	5.68 – 5.83%	N/A	8/1/2040	GTUA Contract
2007	Contract Rev Bonds	\$1,810,000	3.35 – 4.10%	12/1/2017	6/1/2028	GTUA Contract
2007-A	Contract Rev Bonds	\$590,000	4.52 – 5.57%	5/1/2017	5/1/2027	GTUA Contract
2007-B	Contract Rev Bonds	\$870,000	4.52 – 5.57%	11/1/2017	5/1/2027	GTUA Contract
2007-C	Contract Rev Bonds	\$3,160,000	4.52 – 5.62%	11/1/2017	5/1/2032	GTUA Contract
2007	Contract Rev Bonds	\$1,105,000	4.42 – 5.62%	4/1/2017	10/1/2036	GTUA Contract
2008	Contract Rev Bonds	\$420,000	5.14%	Any date @ 101%	5/1/2027	GTUA Contract
2009	Comb Tax & Rev Ref Bonds	\$4,040,000	4.28% through 2/15/2018 15% thereafter	2/15/2018	2/15/2026	General Obligation
2012	Comb Tax & Rev C/O	\$4,210,000	1.50 – 2.50%	2/15/2019	2/15/2033	General Obligation
2014	Comb Tax & Rev C/o	\$4,180,000	2.00 – 3.65%	2/15/2024	2/15/2034	General Obligation
	<b>TOTAL</b>	<b>\$26,646,250</b>				

CITY OF ANNA, TEXAS

# Water and Sewer Debt Management Program (Part 1 of 6)

City of Anna, Texas

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- The City's water and sewer system debt obligations have been shifting from Greater Texoma Utility Authority ("GTUA") contract debt (53% of the total debt) to City of Anna direct obligations.
- The GTUA issues debt at higher interest rates and requires debt service reserve funds. The City of Anna (rated A1/A) can borrow at lower costs and without the need of reserve funds.
- The City has previously refunded GTUA obligations (Series 2009 Bonds) by issuing City general obligation bonds, thus allowing for lower borrowing costs and avoidance of debt service reserves.
- The debt burden on the water and sewer fund is above average in comparison to similar cities. However, the City is in growth mode once again after the recession.
- This proposed Debt Management program is expected to be implemented in several phases. It doesn't include new CIP needs as those have been funded by 2012 and 2014 Certificates.
- The model conservatively assumes refunding of City and GTUA obligations to achieve the debt management program goal of a gradual escalation/stabilization of debt payments.
- Extension of maturity is required under this stress scenario if the City wants to avoid sudden rate increases to pay debt.

# Water and Sewer Debt Management Program (Part 2 of 6)

City of Anna, Texas

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- PHASE 1 – November/October 2014 (subject to change)
  - Escrowing of maturities 2015 – 2018 (\$1,835,000) of the Series 2009 Tax & Revenue Refunding Bonds
  - Taxable transaction for maximum structuring and term flexibility
  - Present Value Cost of Phase 1 is estimated at approx. \$140,000
  - Interest Rate of Refunding Bonds assumed at 4.60% for 12 years
  - No extension of Bonds maturity, but rearrangement of principal payments toward the latter years 2019-2026.
  
- PHASE 2 – August 2017 (subject to change)
  - Refunding of all outstanding GTUA Anna Project Bonds except the Series 2005 which is Non Callable (\$485,000 Series 2007-A; \$715,000 Series 2007-B; \$3,010,000 Series 2007-C and \$345,000 Series 2008 Anna GTUA Contract Revenue Bonds)
  - Assumes the reserves associated with the Anna Project cannot be released since the 2005 series would remain outstanding
  - Present Value Savings of Phase 2 are expected to be negative – *Possible PV loss*
  - Interest Rate of Refunding Bonds assumed at 4.75% for 15 years
  - 5-year extension of maturity through 2032 for all the Series 2007A&B and Series 2008 bonds and no extension of maturity for the Series 2007C bonds

# Water and Sewer Debt Management Program (Part 3 of 6)

City of Anna, Texas

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- PHASE 3 – October/November 2017
  - Refunding of all outstanding Series 2009 bonds (\$2,205,000) before the interest rate reset on February 15, 2018
  - Present Value Savings of Phase 3 are expected to be at or above \$0 – *Possible PV benefit*
  - Interest Rate of Refunding Bonds assumed at 4.25% for 9 years
  - NO extension of original 2026 maturity

# Water and Sewer Debt Management Program (Part 4 of 6)

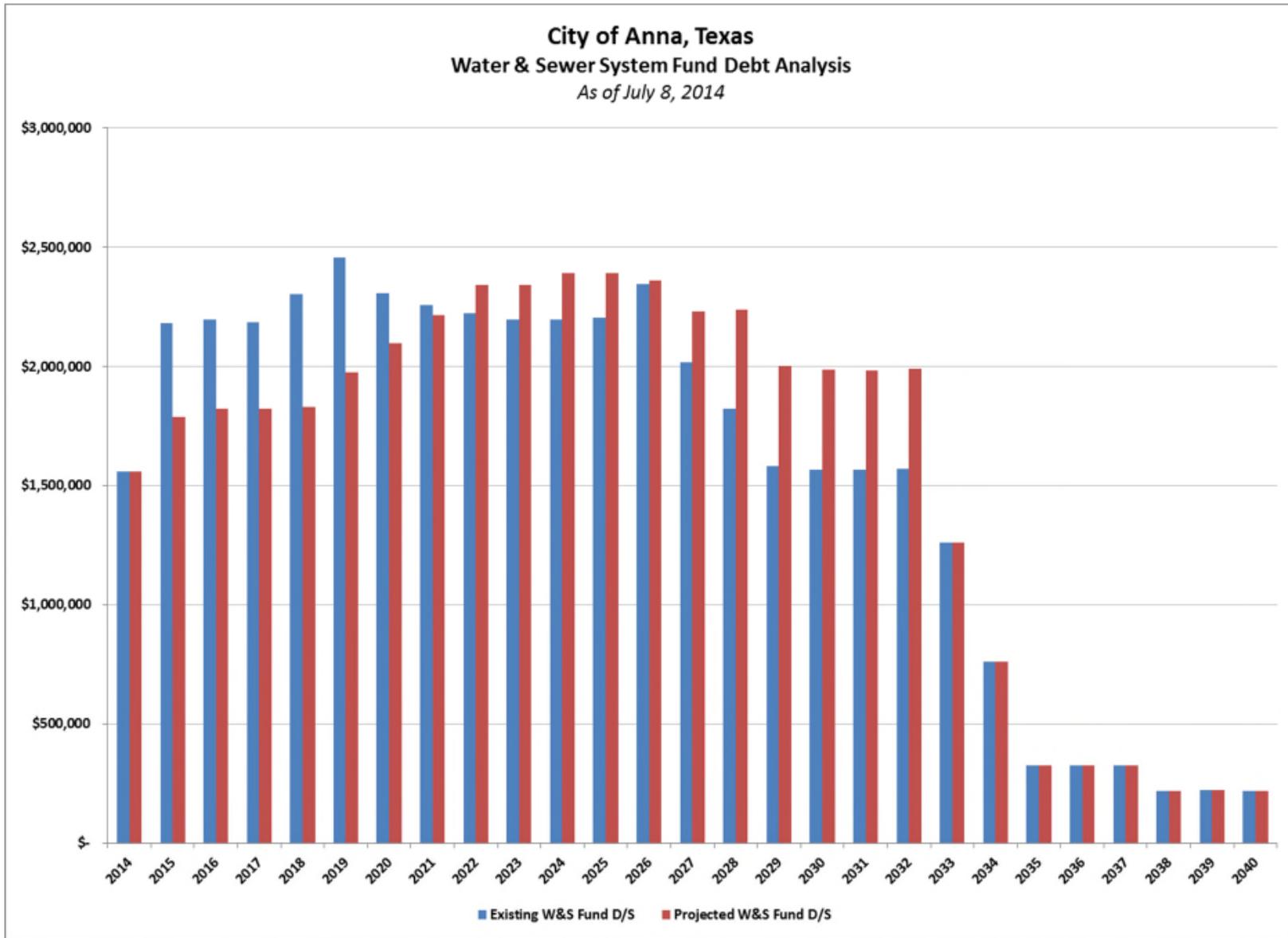
City of Anna, Texas

Fiscal Year Ending 30-Sep	B Existing W&S Fund Debt Service	C <i>Plus:</i> 1st QTR Series 2014 C/Os \$4.14mm Proj.	D <i>Less:</i> 4th QTR Series 2014-B W&S Fund Restructuring	E Debt Service after Series 2014	G <i>Less:</i>		H Debt Service after Series 2018
					F Series 2017A Refunding Savings	F Series 2017B Refunding Savings	
2014	\$ 1,559,632	\$ -	\$ -	\$ 1,559,632	\$ -	\$ -	\$ 1,559,632
2015	1,975,442	206,048	391,679	1,789,811	-	-	1,789,811
2016	1,986,183	209,788	374,983	1,820,987	-	-	1,820,987
2017	1,976,365	208,388	362,250	1,822,502	-	-	1,822,502
2018	2,092,613	211,938	378,661	1,925,889	4,098	89,884	1,831,907
2019	2,244,824	210,438	(281,420)	2,736,681	114,867	645,500	1,976,314
2020	2,099,500	208,938	(277,105)	2,585,542	214,886	273,994	2,096,663
2021	2,045,098	212,188	(277,445)	2,534,730	219,553	98,119	2,217,058
2022	2,011,967	210,188	(277,325)	2,499,479	223,188	(66,219)	2,342,510
2023	1,990,563	207,988	(281,630)	2,480,181	230,763	(93,338)	2,342,755
2024	1,956,708	240,063	(280,360)	2,477,130	227,140	(140,413)	2,390,403
2025	1,938,025	266,163	(278,630)	2,482,818	242,669	(153,031)	2,393,180
2026	1,916,005	428,475	(281,325)	2,625,805	241,427	23,919	2,360,460
2027	1,585,257	432,188	-	2,017,445	(214,708)	-	2,232,152
2028	1,392,279	430,463	-	1,822,741	(415,518)	-	2,238,259
2029	1,148,755	433,300	-	1,582,055	(420,312)	-	2,002,366
2030	1,136,374	430,426	-	1,566,801	(419,243)	-	1,986,043
2031	1,135,214	431,830	-	1,567,044	(417,592)	-	1,984,636
2032	1,138,527	432,686	-	1,571,213	(420,240)	-	1,991,453
2033	827,347	432,995	-	1,260,342	-	-	1,260,342
2034	327,040	432,756	-	759,796	-	-	759,796
2035	325,884	-	-	325,884	-	-	325,884
2036	326,514	-	-	326,514	-	-	326,514
2037	327,500	-	-	327,500	-	-	327,500
2038	219,397	-	-	219,397	-	-	219,397
2039	221,112	-	-	221,112	-	-	221,112
2040	219,597	-	-	219,597	-	-	219,597
	\$ 36,123,719	\$ 6,277,242	\$ (727,667)	\$ 43,128,628	\$ (589,020)	\$ 678,415	\$ 43,039,233

CITY OF ANNA, TEXAS

# Water and Sewer Debt Management Program (Part 5 of 6)

City of Anna, Texas



CITY OF ANNA, TEXAS

# Water and Sewer Debt Management Program (Part 6 of 6)

City of Anna, Texas

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- Sustainability and feasibility of Proposed Water & Sewer Fund Debt Management Program
  - Assumes NO additional capital needs through Fiscal Year 2018
  - The debt service will escalate a total of \$830,000 from 2014 through 2025 in a gradual manner versus high one-time increases.
  - This is a stress scenario therefore assumed rates and terms of refundings are conservative.
  
- Additional Debt Capacity - Driven by 3 factors:
  - City's willingness to pay
  - Growth in water sales and water customers
  - Water/Sewer rates the City is willing to charge
  
- Credit Rating considerations
  - The City's GO rating applies to this Program.
  - The City would not issue publicly traded Water & Sewer Revenue Bonds under this Program, refunding bonds would be sold with a tax pledge.