Debt Management Policy

DEBT MANAGEMENT POLICY

1.0 *POLICY*

Adherence to a debt management policy helps ensure that the City maintains the current or an improved bond rating in order to minimize borrowing costs and preserve access to credit. Doing so contributes to fulfilling the City's financial objective of maintaining a long-term stable and positive financial condition.

The City's Debt Management Policy ("the Debt Policy") provides guidance for staff to:

a. Ensure high quality debt management decisions;
b. Ensure support for debt issuances both internally and externally;
c. Impose order and discipline in the debt issuance process;
d. Promote consistency and continuity in the decision making process;
e. Ensure that the debt management decisions are viewed positively by rating agencies, investment community and taxpayers;
f. Articulate and communicate debt management goals;
g. Ensure complete and timely reporting of outstanding debt and
h. Demonstrate a commitment to long-term financial planning objectives.

2.0 *SCOPE*

This Policy applies to all debt instruments issued by the City regardless of the funding source. Funding sources can be derived from, and debt secured by, ad valorem taxes, general City revenues, enterprise fund revenues or any other source of revenue that may be identified for appropriate pledging for bonded indebtedness.

3.0 *OBJECTIVES*

The primary objective of this Policy is to ensure that the City establishes and maintains a solid position with respect to its debt service and bond proceed funds, and that proceeds from long-term debt will not be used for current operations but rather for capital improvements, and related expenses, and other long-term assets in accordance with State law and City ordinances. The exceptions to this requirement are the traditional costs of marketing and issuing debt, capitalized labor for design and construction of capital projects, and small component parts which are attached to major equipment purchases.

It is the policy of the City to avoid short-term debt whenever possible. For this purpose, short-term is considered less twelve months or less. Purchasing is preferred over leasing equipment. Should the need for short-term debt arise, every attempt will be made to retire the debt by fiscal year end.

The City will seek all possible federal and state reimbursement for mandated projects and/or programs. The City will pursue a balanced relationship between issuing debt and pay-as-you-go financing as dictated by prevailing economic factors and as directed by the City Commissioners.

Other objectives include:

a. Debt shall be paid back within a period not to exceed, and preferably sooner than, the expected useful life of the capital project;
b. Decisions shall be made based on a number of factors and will be evaluated against long-term goals rather than merely short-term solutions; and
c. Debt service and bond proceed funds shall be managed and invested in accordance with all federal, state and local laws and in conjunction with the Tax Compliance Certificate of each bond issue to assure availability to cover project costs and debt service payments when due.

4.0 ***IMPLEMENTATION***

The Policy requires:

a. Recognizing that debt issuance is usually a more expensive financing method, alternative financing sources will be explored before debt is issued;
b. Incurrence of debt be financed in accordance to the Canyon Home Rule Charter, Article IX, Sections 9.01 through 9.07, and applicable State Laws;
    i. The City has no general obligation *legal* debt limit other than a ceiling on the tax rate specified by the State of Texas ($2.50 per $100 of assessed valuation).
    ii. Administratively, 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.
c. The City will maintain procedures to comply with arbitrage rebate and other Federal requirements as necessary, and when applicable;
d. Payment of principal and interest on all outstanding debt in full and timely manner;
e. Development, approval and financing of capital improvements in accordance with City Code and the capital improvement budgeting process;
f. When appropriate, self-supporting revenues will pay debt service in lieu of tax revenue;
g. Structuring of principal and interest retirement schedules to: (1) achieve a low borrowing cost for the City, (2) accommodate the debt service payments of existing debt, and (3) respond to perceptions of market demand;
h. Selection of a method of sale that shall maximize the financial benefit to the City;
i. Effective communication with bond rating agencies to ensure complete and clear understanding of the credit worthiness of the City;
j. Full, complete, and accurate disclosure of financial conditions and operating results in every financial report, bond prospectus and Annual Information Statement ("AIS"). The City staff, with the assistance of fiscal advisors or bond counsel, will prepare the necessary disclosures for presentation to the rating agencies. All reports shall conform to guidelines issued by the Government Finance Officers Association ("GFOA"), Securities and Exchange Commission ("SEC"), and the Internal Revenue Service (IRS) to meet the disclosure needs of rating agencies, underwriters, investors, and taxpayers;

k. The City will be actively involved in the selection of all financial advisors, underwriters, paying agents, and bond counsel. The City shall evaluate the merits of professional advisors and consultants as well as the kinds of services and fee structures available from independent financial advisors, investment banking firms, and commercial banks. The City will carefully itemize and scrutinize all costs associated with the issuance of bonds.

5.0 ***STRUCTURE OF DEBT***

Debt service shall be structured to the greatest extent as follows:

a. Matching projected cash flows and pledged revenues;
b. Within the financial means of the City to service adequately;
c. Minimizing the impact of future tax levies;
d. Maintaining a consistent and as rapid as feasible payment of principal;
e. Avoidance of debt having a variable rate feature;
f. Maintaining a level overall annual debt service payment structure;
g. Items financed with debt must have useful lives that are greater than the maturity of the debt; and
h. Final maturity of debt issues of thirty (30), twenty-five (25), or twenty (20) years or less, dependent upon the nature of the project being financed.

6.0 ***LONG-TERM DEBT***

Long-term debt, including general obligation bonds, certificates of obligation, or revenue bonds shall be issued to finance significant and desirable capital improvements. Proceeds from the sale of long-term obligations will not be used for operating purposes, and the final maturity of the debt issues will not exceed the estimated useful life of the asset(s) being financed. Proceeds of general obligation debt will be used only for the purposes approved by voters in bond elections or set forth in the notices of intent for certificates of obligation or to refund previously issued general obligation bonds, certificates of obligation or revenue bonds. All bonds shall be sold in accordance with applicable law.

Voter approved general obligation bonds will have a final maturity of twenty (20) years or less. Revenue bonds and certificates of obligation will have a final maturity of twenty (20) years or less. If deemed appropriate due to extraordinary circumstances, staff may present to the City Commission financing options in which longer final maturities may be necessary but in no case shall the repayment term exceed the useful life of the financed asset.

Private activity bonds usually incur a higher cost of issuance than governmental purpose bonds; therefore, private activity bonds will only be issued when to do so will economically benefit the City.

Taxable debt usually incurs a higher financing cost than does tax-exempt debt. However, the issuance of taxable debt may be required by law, or may be more appropriate in some cases based on the circumstances, and may provide for flexibility for the use of the bond proceeds. As such, the City will, in most cases, strive to issue tax-exempt obligations, but may occasionally issue taxable obligations.

The following types of long-term debt may be utilized in accordance with the following:

6.1 General Obligation Bonds

General obligation bonds require voter approval for issuance and are secured by a promise to levy property taxes to provide the revenue required to pay the scheduled annual debt service associated with the debt issue.

The timing of general obligation bond elections shall take into consideration current outstanding bond issues and the current five-year outlook of the Capital Improvement Plan.

Any bond election proposition recommended to voters should not exceed the City's estimated ability to issue and service the debt for the issue under consideration when considered with the parameters provided by this Debt Management Policy.

An analysis showing the impact of the new debt issue being considered including the combined effect of existing debt on the City's tax rate and debt capacity, as provided for in this Debt Management Policy, will be included in any bond issue proposal.

6.2 Certificates of Obligation

Certificates of obligation may be issued to:

- Finance permanent improvements and land acquisitions;
- Finance costs associated with capital project overruns;
- Acquire equipment/ vehicles;
- Leverage grant funding;
- Renovate, acquire, construct facilities and facility improvements;
- Construct street improvements;
- Address necessary life safety needs; and
- Finance revenue supported projects/ assets if determined to be more economical than revenue bonds.

To the extent required by state law, a resolution authorizing publication of notice of intent to issue certificates of obligation shall be presented for the consideration of the City Council. The notice of intent shall be published in a newspaper of general circulation in the City once a week for two consecutive weeks with the first publication to be at least forty- six (46) days prior to the date set for passage of the ordinance authorizing the sale of the certificates. Additionally, the notice of intent shall be posted to the City' s website at least forty- five (45) days prior to date set for passage of the ordinance authorizing the sale of the certificates.

Certificates of obligation may be backed by a tax pledge under certain circumstances as permitted by law. They may also be backed by a combination tax and revenue pledge as permitted under state law. Some revenues are restricted as to the uses for which they may be pledged. Water and Wastewater revenues may be pledged without limit for Water and Wastewater purposes but may only be pledged to a limit of $1,000 for any one series of bonds issued for non-utility system purposes.

The final maturity of certificates of obligation will be in accordance with Section 5.0.

As prescribed in Section 271. 047, Local Government Code, the City Commission may not authorize certificates of obligation to pay a contractual obligation to be incurred if a bond proposition to authorize the issuance of bonds for the same purpose was submitted to the voters during the preceding three years and failed to be approved.

In the following circumstances, the City Commission may authorize a certificate that it is otherwise prohibited from authorizing:

1. In a case of public calamity if it is necessary to act promptly to relieve the necessity of residents or to preserve the property of the City;

2. A case in which it is necessary to preserve or protect the public health of the residents of the City;
3. A case of unforeseen damage to public machinery, equipment or other property;
4. To comply with a state or federal law, rule, or regulation if the City has been officially notified of noncompliance with the law, rule, or regulation.

6.3 Tax Notes

The City may sell tax notes, also called "anticipation notes", to finance construction of public works, the purchase of land or rights of way for public works. Tax notes used to pay for public works must mature before the seventh anniversary after the notes are approved by the attorney general.

6.4 Revenue Bonds

In addition to the policies set forth above, when cost-beneficial and when permitted under applicable state law, the City may consider the use of surety bonds, letters of credit, or similar instruments to satisfy debt service reserve fund requirements on outstanding and/ or proposed revenue bonds.

6.5 Combination Tax and Revenue Bonds

In addition to the policies set forth above, when cost-beneficial and when permitted under applicable state law, the City may consider the use of tax bonds or combination tax and revenue bonds for refunding obligations of the Water and Wastewater combined utility system, and Solid Waste or any other self-supporting revenue-producing City enterprise. Combination tax and revenue bonds will comply with applicable state law and are assigned the full faith and credit of the City, thereby enhancing the credit rating otherwise obtained from debt that is strictly supported by non-tax revenues (i.e., revenue bonds).

6.6 Public Property Finance Act Contractual Obligations

Public property finance contractual obligations may be issued to finance the acquisition of personal property. These obligations are provided for pursuant to the provisions of the Public Property Finance Act, Chapter 271, Subchapter A, of the Texas Local Government Code. This debt may be serviced by property tax revenue and other revenues lawfully available to the City and may be used to finance purchase of personal property.

6.7 Capital Leases

Capital leasing is an option for the acquisition of a piece or package of equipment.

Leasing shall not be considered when funds are on hand for the acquisition unless the interest expense associated with the lease is less than the interest that can be earned by investing the funds on hand or when other factors such as budget constraints or vendor responsiveness override the economic consideration.

Whenever a lease is arranged with a private sector entity, a tax-exempt rate shall be sought. Whenever a lease is arranged with a government or other tax-exempt entity, the City shall obtain an explicitly defined taxable rate so that the lease will not be counted in the City' s total annual borrowings subject to arbitrage rebate.

The lease agreement shall permit the City to refinance the lease at no more than reasonable cost should the City decide to do so. A lease which may be called at will is preferable to one which may merely be accelerated.

The City shall seek at least three (3) competitive proposals for any lease financing, except those related to technology equipment. Due to the proprietary nature of most technology equipment, lease financing is typically only offered through the technology' s vendor. The net present value of competitive bids shall be compared, taking into account whether payments are in advance or in arrears, and how frequently payments are made. The purchase price of equipment shall be competitively bid, as required by state law, as well as the financing costs.

The Director of Finance will ensure any leasing agreement is compared to other financing options to ensure the lease is cost beneficial. Alternate financing options will include revenue bonds, contractual obligations, certificates of obligation, tax notes, and lines of credit. The Director of Finance will be the person responsible for evaluating this financing source and will make a recommendation to the City Commission for approval.

7.0 ***METHODS OF SALE***

The City’s debt obligations may be sold by competitive, auction, negotiated or private placement sale methods. The selected method of sale depends upon the option which is expected to result in the lowest cost and most favorable terms to the City given the financial structure used, market conditions, and prior experience. When considering the method of sale, the City may consider the following issues:

a. Financial conditions;
b. Market conditions;
c. Transaction-specific conditions;
d. City-related conditions;
e. Risks associated with each method;
f. Complexity of the Issue – Municipal securities with complex security features require greater marketing and buyer education efforts on the part of the underwriter, to improve the investors’ willingness to purchase;
g. Volatility of Bond Yields – If municipal markets are subject to abrupt changes in interest rates, there may be a need to have some flexibility in the timing of the sale to take advantage of positive market changes or to delay a sale in the face of negative market changes; and

h. Size of the Issue - The City may choose to offer sizable issues as negotiated sales so that pre-marketing and buyer education efforts may be done to more effectively promote the bond sale.

7.1 Competitive Sale

In a competitive sale, bonds are awarded in a sealed bid sale to an underwriter or syndicate of underwriters that provides the lowest TIC bid. TIC is defined as the rate, which will discount the aggregate amount of debt service payable over the life of the bond issue to its present value on the date of delivery.

7.2 Auction Sale

In an auction sale, bonds are awarded to an underwriter or syndicate of underwriters that provides the lowest TIC bid after the auction period is up. TIC is defined as the rate, which will discount the aggregate amount of debt service payable over the life of the bond issue to its present value on the date of delivery.

7.3 Negotiated Sale

In a negotiated sale, the City chooses an underwriter or underwriting syndicate that is interested in reoffering a particular series of bonds to investors. The terms of the sale, including the size of the underwriter's discount, date of sale, and other factors, are negotiated between the two parties.

7.4 Private Placement

A private placement is a negotiated sale of debt securities to a limited number of selected investors including financial institutions or government agencies or authorities. The City may engage a placement agent to identify likely investors if deemed necessary. A private placement may be beneficial when the issue size is small, when the security of the bonds is somewhat weaker, or when a governmental lending agency or authority can provide beneficial interest rates or terms compared to financing in the public market.

8.0 *REFUNDING OF DEBT*

All forms of refunding debt shall be approved by the Commission in accordance with City ordinances and in accordance with State law.

8.1 Taxable Advance Refunding

Taxable advanced refunding and forward delivery refunding transactions for savings may be considered when the net present value savings as a percentage of the par amount of refunded bonds is approximately three percent.

8.2 Current Refunding

Current refunding transactions issued for savings maybe considered when the net present value savings as a percentage of the par amount of refunded bonds is approximately three percent.

8.3 Refunding for Debt Restructuring

From time to time, the City may also issue refunding debt for other purposes, rather than net present value savings, such as restructuring debt, changing covenants, or changing the repayment source of the bonds.

9.0 ***<u>LIMITATIONS OF INDEBTEDNESS AND DEBT SERVICE AFFORDABILITY</u>***

City staff, along with the financial advisor and bond counsel, will present to the City Commission a comprehensive analysis of the City's capacity for additional debt prior to issuing bonds or certificates of obligation. The analysis should include relevant information for making decisions related to the debt issuance consideration such as the following:

- Legal debt limitations, tax or expenditure ceilings;
- Effects of the additional bond issue on compliance with existing bond covenants;
- Measures of the tax and other revenue base, such as projections of relevant economic variable such as assessed property values and related trends, unemployment rates, and retail sales;
- Population trends;
- Trends relating to the City's financial performance, such as revenues and expenditures, net excess revenues available after meeting operating requirements, available and uncommitted cash reserves;
- Reliability of revenue sources expected to service debt;
- Unreserved fund balance levels;
- Existing debt service obligations;
- Debt service as a percentage of revenue and/or expenditures;
- Measures of debt burden on the community, such as outstanding debt per capita, debt as a percentage of assessed property value and overlapping debt of other taxing entities; and
- Tax-exempt and taxable market factors affecting interest costs, such as interest rates, market receptivity, and credit rating.

The following ratios and standards below are intended to provide guidelines which permit and facilitate long-term access to capital while ensuring that financial leveraging decisions do not negatively impact the City's annual operations. Practically, these will be used to evaluate the impact of an additional debt issuance in order to ensure careful consideration during the decision making process related to debt management.

9.1 Debt Metrics

The City will target the following debt metrics:

Tax-Supported Debt:

Annual debt service on all tax-supported debt shall be limited to no more than 25% of budgeted expenditures in the City's General Fund.

A Snapshot of Actual vs Targeted Debt Service Requirement (as of 8/31/2022)

	Actual Current	Allowable per Limit Metric	Capacity for Increase
Annual Debt Service Requirement	$ 540,136	$ 3,606,770	$ 3,066,634
General Fund Budgeted Expenditures for Fiscal Year 2022-2023	$ 14,427,079		

Annual Debt Service Requirement as a percentage of General Fund Budgeted Expenditures	3.85%	25.00%	21.15%

Self-Supported Debt:
The City has Certificates of Obligation and other indebtedness of the Water Works and Wastewater Fund, also known as the City's Utility Fund. The City will maintain ratios as specified by the City's outstanding debt covenants and commitments. Additionally, the City will follow a policy that the Utility Fund will maintain a debt service coverage ratio of at least 1.10 on all outstanding indebtedness of the Utility Fund. For this purpose, the debt coverage ratio is defined as the net revenue of the Utility Fund for the fiscal year (as per the audited financial statements for the most recent available fiscal year) divided by the maximum annual debt service for all then outstanding indebtedness of the Utility Fund. Net revenue shall be defined as operating income, with depreciation added back, less interest and fiscal charges, less interfund transfers.

9.2 Economic Metrics

a. Overall Net City Debt as a percentage of Taxable Value (taxable, assessed valuation as certified annually by Potter-Randall Appraisal District):
    i. Non-Voter Approved Debt Limit: equal to or less than 2%
    ii. Voter Approved Debt Limit: equal to or less than 2.5%
    iii. Total Debt Maximum: equal to or less than 4.5%

b. Overall total debt per capita less than $2,500.

10.0 ***CAPITAL IMPROVEMENT PLAN***

The City has implemented a Capital Improvement Plan (CIP) in order to identify and prioritize capital improvement projects. Debt issuance decisions related to financing selected capital improvement projects within the CIP will be subject to the policies set forth in this Debt Management Policy.

The City will seek all possible federal and state reimbursement for mandated projects and/or programs. The City will pursue a balanced relationship between issuing debt and pay-as- you-go financing as dictated by prevailing economic factors and as directed by the City Commission.

Debt incurred to finance capital improvements will be repaid within the useful life of the financed asset.

11.0 ***RATINGS***

Adherence to a debt management policy helps ensure that the City maintains the current or an improved bond rating in order to minimize borrowing costs and preserve access to credit. Toward that end, the City will take the following steps.

11.1 Strive to maintain good relationships with bond rating agencies as well as disclose financial reports and information to these agencies and to the public.

11.2 Obtain a rating from at least one nationally recognized bond-rating agency on all issues being sold in the public market.

11.3 Make timely disclosure of annual financial information or other requested information to the rating agencies.

12.0 ***CONTINUING DISCLOSURE***

The City will take all appropriate steps to comply with federal securities laws, including, but not limited to, Securities and Exchange Commission ("SEC") Rule 15c2 -12 the ("Rule"). The City will make annual and event disclosure filings to the MSRB via EMMA as required by the Rule and its continuing disclosure undertakings.

13.0 ***RECORDKEEPING, REPORTING AND RECORD RETENTION***

All proceeds from the issuance of debt will be separately accounted for in the City's financial accounting system to facilitate arbitrage tracking and reporting. The Director of Finance shill include in the City's Annual Financial Report the arbitrage rebate liability, if applicable, in accordance with accounting standards established by GASB.

With respect to each issue of tax-exempt obligations issued by the City, the Director of Finance will maintain, or cause to be maintained, all records relating to the investment and expenditure of the proceeds of the issue and the use of the proceeds financed or refinanced thereby for a period ending six years after the complete extinguishment of such issue of tax-exempt obligations. If any portion of an issue of tax-exempt obligations is refunded with the proceeds of another series of tax-exempt obligations, such records shall be maintained until the six years after the refunding obligations are completely extinguished. Such records may be maintained in paper or electronic format.

The Director of Finance shall annually publish on the City's website a Debt Report summarizing the City's total outstanding principal and interest for all long-term debt as of the end of the last fiscal year, in accordance with House Bill 1378 passed during the 2015 legislative session.

14.0 ***DEBT MANAGEMENT POLICY REVIEW***

This Debt Management Policy shall be reviewed at least once every two years by the City Commission. Any modifications to this Policy, at any time, shall be approved by City Commission.

Glossary of Terms

Arbitrage — The gain which may be obtained by borrowing funds at a lower (often tax- exempt) rate and investing the proceeds at higher (often taxable) rates. The ability to earn arbitrage by issuing tax- exempt securities has been severely curtailed by the Tax Reform Act of 1986, as amended.

Bond — A security that represents an obligation to pay a specified amount of money on a specific date in the future, typically with periodic interest payments.

Bond Counsel — An attorney (or firm of attorneys) retained by the issuer to give a legal opinion concerning the validity of the securities. The bond counsel' s opinion usually addresses the subject of tax exemption. Bond counsel may prepare, or review and advise the issuer regarding authorizing resolutions or ordinances, trust indentures, Official Statements, validation proceedings and litigation.

Capital Lease — The acquisition of a capital asset over time rather than merely paying a rental fee for temporary use. A lease -purchase agreement, in which provision is made for transfer of ownership of the property for a nominal price at the scheduled termination of the lease, is referred to as a capital lease.

Certificates of Obligation — A type of debt authorized to be issued pursuant to the Certificates of Obligation Act of 1971 (Subchapter C of Chapter 271, Texas Government Code).

Competitive Sale — A sale of securities in which the securities are awarded to the bidder who offers to purchase the issue at the best price or lowest cost.

Debt Limitation — The maximum amount of debt that is legally permitted by a jurisdiction' s charter, constitution, or statutory requirements.

Debt Obligation — As defined by Section 1201. 002, Government Code, means an issued public security which is an instrument, including a bond, certificate, note, or other type of obligation authorized to be issued by an issuer under a statute, a municipal home -rule charter, or the constitution of the state.

Debt Service — The amount necessary to pay principal and interest requirements on outstanding bonds for a given year or series of years.

Electronic Municipal Market Access (EMAM) — Effective July 1, 2009, the SEC implemented amendments to SEC Rule 15c2- 12 which approved the establishment by the MSRB of EMMA, the sole successor to the nationally recognized municipal securities information repositories with respect to filings made in connection with disclosure undertakings. Access to filings are made free of charge to the general public by the MSRB.

GASB — Government Accounting Standards Board.

GFOA — Government Finance Officers Association.

General Obligation Debt — Debt that is secured by a pledge of the ad valorem taxing power of the issuer. Also known as a full faith and credit obligation.

Issuance Costs — The costs incurred by the bond issuer during the planning and sale of securities. These costs include but are not limited to financial advisory and bond counsel fees, printing and advertising costs, rating agencies fees, and other expenses incurred in the marketing of an issue.

Municipal Securities Rulemaking Board (MSRB) — A self-regulating organization established on September 5, 1975 upon the appointment of a 15 -member Board by the Securities and Exchange Agreement. The MSRB, comprised of representatives from investment banking firms, dealer bank representatives, and public representatives, is entrusted with the responsibility of writing rules of conduct for the municipal securities market. New Board members are selected by the MSRB pursuant to the method set forth in Board rules.

Net Revenue — Gross revenue (excluding fair market value adjustment, capital contributions, investment earnings, gain or loss on disposition of assets and non-administrative transfers) less operating expenses (excluding depreciation) and transfers to other funds.

Official Statement — A Preliminary Official Statement or a Final Official Statement, as applicable.

Paying Agent — An agent of the issuer with responsibility for timely payment of principal and interest to bond holders.

Population – For calculating the debt per capita ratio, as well as for other considerations implied in this policy, the source for the population statistic shall be Texas Demographer.

Present Value — The value of a future amount or stream of revenues or expenditures in current dollars.

Refunding — An advance refunding is a refunding that occurs more than 90 days before the call date of the refunded bonds, and a current refunding is a refunding that occurs 90 days or less before the call date. A refunding is a process of selling a new issue of securities to obtain funds needed to retire existing securities. Debt refunding is done to extend maturity and/ or to reduce debt service cost.

Revenue Bond — A bond which is payable from a specific source of revenue and to which the full faith and credit of an issuer with taxing power is not pledged. Revenue bonds are payable from identified sources of revenue, and do not permit the bondholders to compel a jurisdiction .to pay debt service from any other source. Pledged revenues often are derived from the operation of an enterprise activity. Generally, no voter approval is required prior to issuance of such obligations.

SEC— Securities and Exchange Commission.

Surety Bond — A bond guaranteeing performance of a contract or obligation.

True Interest Cost (TIC) — An expression of the average interest cost in present value terms. The true interest cost is a more accurate measurement of the bond issue' s effective interest cost and should be used to ascertain the best bid in a competitive sale.

Variable Rate Bond — A bond on which the interest rate is reset periodically, usually no less often than semi- annually. The interest rate is reset either by means of an auction or through an index.

City of Canyon
Metrics per Debt Management Policy
As of: 8/31/2022

		Actual	Limit per Policy	
Revised Metrics:				
Tax-Supported Debt Metric:				
	Debt Capacity: Annual debt service on all tax-supported debt shall be limited to no more than 25% of budgeted expenditures in the City's General Fund	3.85%	25.00%	Compliant
Self-Supported Debt Metric:				
	Debt Service Coverage: Operating income net of interfund transfers of the Utility Fund for the most recent completed fiscal year (per audited financial statements) divided by the maximum annual debt service for all outstanding indebtedness of the Utility Fund	1.20	1.10	Compliant
Economic Metrics:				
9.2	Overall City Debt as a percentage of taxable, assessed valuation as certified by Potter-Randall Appraisal District:			
9.2 a. i.	Non-Voter Approved (Non-I&S Tax Serviced) Debt Limit:	0.0621%	2.00%	Compliant
9.2 a. ii.	Voter Approved (I&S Tax Serviced) Debt Limit:	0.4162%	2.50%	Compliant
9.2 a. iii.	Total Debt Maximum:	0.4783%	4.50%	Compliant
9.2 b.	Overall total debt outstanding per capita less than $2,500	$ 1,059.08	$ 2,500.00	Compliant

City of Canyon
Debt Management Policy
Debt Metric Calculations
Current as of 8/31/2022

For FY beginning 10/01/2022:			
Assessed Valuation - taxable	1,054,715,339		
Debt service (I&S) tax rate	0.02666	per $100	**6.66%**
Maintenance & Operation tax rate	0.37350	per $100	**93.34%**
Total tax rate	0.40016	per $100	100.00%

Debt Outstanding Balances & Annual
Debt Service Requirement:
from **Outstanding Debt** workbook

	Governmental Funds				Enterprise Funds (Utility & Golf)				All Funds
	Voter Approved Debt (I&S Tax Serviced Debt)	Non-Voter Approved Debt (M&O Tax Serviced Debt)			Non-Voter Approved Debt (Exess Revenue Serviced Debt)				All Debt
	Bonds	Loans	Capital Leases	Total	Bonds	Loans	Capital Leases	Total	Total
Current outstanding debt balances (FYE 9/30/2022)	4,390,000.00	96,451.67	558,697.20	5,045,148.87	11,035,000.00	1,160,256.11	39,544.90	12,234,801.01	17,279,949.88
Annual Debt Service Requirement (FY 22-23)	381,950.00	51,170.98	107,015.25	540,136.23	1,643,980.00	166,045.88	30,516.48	1,840,542.36	2,380,678.59

	General Fund	**Debt Service Fund**	**Governmental Fund Total**	**Utility Fund**	**Golf Fund**	**Enterprise Fund Total**	
Budgeted Expenditures:							
Fiscal Year 2022-2023	14,045,129.00	381,950.00	14,427,079.00	9,476,825.00	1,728,654.00	11,205,479.00	25,250,608.00
Budgeted Revenues:							
Fiscal Year 2022-2023	14,045,129.00	264,949.00	14,310,078.00	9,476,825.00	1,728,654.00	11,205,479.00	

Net Revenue per Audited Financial Statements Fiscal Year Ended September 30, 2021	2021	2020
Operating Income	2,177,188.00	4,963,471.00
Add back depreciation	1,363,561.00	1,078,632.00
Less Interest and fiscal charges	(253,867.00)	(259,490.00)
Transfers	(1,080,000.00)	(3,531,453.00)
	2,206,882.00	2,251,160.00
	1.20	1.22

Population (per Texas Demographer) 16,316