SERVICE SOLUTIONS SUCCESS

City of El Paso Plan for Quality of Life Bond Issuance

Presented on October 4, 2011

Purpose of Presentation

- To begin discussion about a possible 2012 QOL bond election
- Discuss the elements as follows:
  - Scope
  - Community Outreach
  - Timing
  - Size
  - Impact on operating budget

Proposed Debt Plan Related to Outstanding Authorizations

Current Key Assumptions

- Issuance of All Existing Debt Remaining
- Use of Fund Balance
- Timing of Issuances of Remaining Debt
- Assessed Valuation Growth
- True Interest Cost
- Maximum Debt Rate of 27 cents

PROJECTED ISSUANCES 2011 AND BEYOND:

- Projected issuances
  - Existing authorizations
  - Proposed Scenarios
- Modifying principal structure could provide further tax rate relief
- Use of the fund balance to mitigate tax increase

Remaining Authorizations
December 2008
February 2010
March 2010
November 2010
April 2011

CO Issuances Outstanding

Remaining Authorizations	
December 2008 Authorization	27,963,305
February 2010 Authorization	20,000,000
March 2010 Authorization	15,417,219
November 2010 Authorization	68,393.833
April 2011 Short-Term CIP	64,123,000
Total of Authorizations	**$195,897,357**
Less Non-Tax Supported Debt within Authorizations	($13,500,000)
Net Total Tax Supported Debt	**$182,397,357**

*Includes $12 million in self-supporting debt from Sun Metro and $1.5 million from the Municipal Court Tech Fund)

Note: 2% for bond issuance costs and 2% for arts funding for various issuances need to be added to the final total.

ASSESSED VALUATION GROWTH

- The following assessed valuation growth has been built in the tax model:
  - Affecting Fiscal Years
    - 2012 2.05%
    - 2013 1.00%
    - 2014 2.00%
    - 2015 2.00%
    - 2016 2.00%
    - 2017+ 2.50%

TRUE INTEREST COST

- Interest Rate Assumptions:
  - Projected based on current market trends
  - Subject to market variations
- Projected rates used in model
  - Series 2012 5.50%
  - Series 2013+ 5.75%

Current Debt Model Using Key Assumptions

Assumptions:
(1) Assumes annual taxable value growth as follows: 1.0% for 2013-2014, 2.0% for 2015-2016, 2.50% thereafter.
(2) Net of self-supporting debt and BAB Tax Credit payments. The 2009 Pension Obligation Bonds structure assumes an initial 5 year bullet at 3.74%; thereafter, debt service shown is for 25 years at 7%.
(3) Net of Capitalized Interest.
(4) Years beyond 2021 reflect a declining debt tax rate.
Note: Model is subject to change due to market rates, assessed valuations and other key assumption changes.

Year	Authorized but not Issued
2012	0.2283
2013	0.2301
2014	0.2409
2015	0.2525
2016	0.2512
2017	0.2468
2018	0.2423
2019	0.2365
2020	0.2335
2021	02283

Review of Current Debt Model

- Debt Rate is set at 27 ¢ per $100 of assessed valuation per the City's Debt Management Policy
- Rate pertains to property-tax supported debt
- Debt Management Policy was set in November 2005; revised in April 2011

Potential Impact of Additional Debt on City's Credit Rating

Current Credit Ratings

- Standard & Poor's
  - AA
  - Stable Outlook
- Fitch Ratings
  - AA
  - Rating Outlook - Stable

Current Credit Ratings (cont'd)

- Standard & Poor's ratings reflect the following strengths:
  - Deep, diverse, and stable economy, anchored by a strong government presence;
  - Preeminence as a regional economic center due to its strong access to international trade routes; and
  - Strong financial management practices.

Current Credit Ratings (cont'd)

- Standard & Poor's opinion is partly offsetting by:
  - Adequate but below-average wealth and income levels, and
  - *Moderately high overall net debt* as a percentage of market value.

Current Credit Ratings (cont'd)

- Standard & Poor's outlook proposes the following potential changes to the rating:
  - "significant deterioration in the city's financial position could put pressure on the rating.
  - ***Conversely,*** an increase in financial reserves and a decline in the city's debt burden could lead us to raise the rating."

Note: Fitch has similar wording in its latest writeup related to September 2011 debt.

Proposed Quality of Life Bond Issuance

The size and timing of the issue will dictate the impact on the City's overall tax rate. For every $100 million issued as follows:

Scenario 1:

- $20,000,000 each year over a period of five years will add an estimated .00416 incrementally to the tax rate every year (two cents by year 5, assuming 4%)
- Projects tend to be smaller projects constructed over a span of five to seven years

Proposed Quality of Life Bond Issuance (continued)

Scenario 2:

- $50,000,000 each year for two years will add an estimated .01 to the tax rate every year (two cents by Year 2, assuming 4%)
- Two or three large-scale projects (signature projects) over a short-term period

Proposed Phases of 2012 Quality of Life Bond Issue

Phase I – Oct. 2011

- Refine video for public meetings.
- Create meeting schedule for community vetting process; public notices, etc.

Phase II – Nov. 2011 – Jan. 2012

- Conduct community meetings to solicit projects – to be staff/council /community driven.
  - Staff will work with each district, neighborhood coalitions, businesses, etc. to ensure broad input and perspective
- Compile proposed project list.
- Prioritize projects.

Phase II – Nov. 2011 – Jan. 2012 (continued)

- Present proposed prioritized list of projects to City Council for their approval and direction to obtain estimates.
- Prioritized list will determined what type of bond election this will be
  - Compiliation of smaller community-based projects that can be implemented over a 7-10 year period; or
  - Signature projects (limited number); or
  - Combination of the two
- Work with private sector to form a PAC

Phase III - Feb. 2012 – July 2012

- Develop Scope & estimate for proposed projects.
- Simultaneously develop O&M for each proposed project.

Phase IV
August 2012 – until Bond Election in Nov. 2012

- PAC driven Community Process with full marketing campaign.

Questions / Comments