

Brown County

Financing Alternatives Texas Counties

September 14, 2020
(Exhibit # 12)

General Obligation Bonds “GOs”

- Requires bond election for authorization
 - Once voter authorized, no additional legal requirements in order to be issued
- Issued for any public purpose
 - Real Property
 - Personal Property
 - Legal Judgment
 - Land Acquisition
- Amortization not to exceed 40 years
- Secured in Texas by an entities ad valorem taxing power
 - To the extent that other revenues or funds are available for payment, a tax rate does not have to be set for debt payments in that year
- Viewed as County’s most secure obligation
 - Attracts lowest interest rate
- I&S tax rate to pay back debt service is not subject to rollback

B R O W N C O U N T Y

Certificates of Obligation "COs"

- Requires no voter authorization
 - A petition signed by 5% of the registered voters can force an election
- Notice of Intent to Issue is required
 - Published in the local paper on the same day of two consecutive weeks
 - First publication must be at least 45 days prior to sale date
- When secured solely by ad valorem taxes available purposes are limited: constructing a jail, constructing/renovating a County building, land acquisition, judgment funding or constructing a bridge
- When secured by an ad valorem tax and a revenue pledge, COs can be issued for the same lawful purposes as GOs, including road improvement and equipment acquisition.
- Sell at interest rates similar to GO bonds
- I&S tax rate to pay debt service is not subject to rollback
- Prohibited from issuing COs if there was a failed bond proposition for the same project in the preceding three years

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Tax Notes

- Authorized by legislature in 1993 (Chapter 1431, TX Gov't Code)
- Do not require an election or notice of intent to sale
 - Requires authorization by order approved by the Commissioner's Court
- Have a maximum maturity of seven years
- Secured by pledge of anticipated ad valorem taxes OR revenues
 - Ad valorem taxes are primary method
 - In order to pledge revenues, there must be specific authority to permit the particular revenue source to be pledged for bonds or similar obligations
- May be issued to finance the following:
 - Any public purpose (construction, materials, equipment, lands)
 - Pay for professional services
 - Pay operating expenses or to fund cash flow deficit (must be repaid following year)
- Sell at interest rates similar to General Obligation bonds
- Not subject to rollback under effective tax rate calculation, if backed by ad valorem taxes

B R O W N C O U N T Y

Lease Purchase Financing

- Used primarily for financing equipment
- Lease purchase agreements generally not considered debt
 - Attorney General approval is not required, but approval can be obtained
- Lease payments generally subject to annual appropriation
 - The governmental entity may cease to appropriate funds
 - Failure to appropriate can lead to downgrade of all debt of the governmental entity
- Many lease purchase agreements contain provisions for the governmental entity to terminate
- Typically more expensive than direct debt
 - Used when state laws limit the use of direct debt
 - Capital item being acquired does not justify expense of issuing direct debt
- Is subject to rollback under effective tax rate calculation

B R O W N C O U N T Y