FY 2027 Proposed Budget

Debt Management Plan

City Council Budget Worksession

Presented by: Troy Elliott, Chief Financial Officer
September 2, 2026

Types of Debt Issued

General Obligation Bonds

- Backed by Property Taxes
- Voter Approved

Certificates of Obligation

- Backed by Property Taxes
- Not Voter Approved
- 45 Day Notice

Tax Notes

- Backed by Property Taxes
- Not Voter Approved
- Short Maturity

Revenue Bonds

- Backed by Specific Revenue
- Not Voter Approved

Debt Management

Primary Assumptions & Components of the Debt Management Plan:

Maintaining a Targeted Debt Service Tax Rate of $0.2115

Property Values

Duration of Debt
Average Life

Interest Rates
Credit Ratings

Moderate Conservative Projections

Ad Valorem – Debt Service Tax Rate

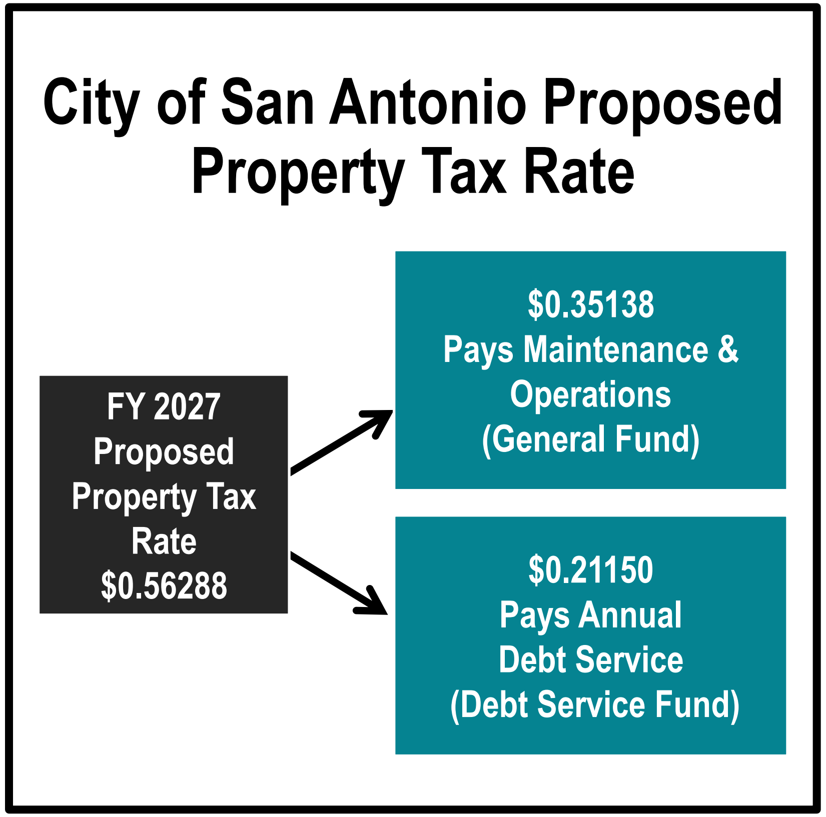
Debt Service Tax Rate is $0.2115 per $100 of Taxable Assessed Valuation

Debt Service Tax Rate is sufficient to cover the minimum dollar amount required to be expended for debt service for the current year (Texas Tax Code §26.012(3))

- Accounts for principal and interest on debt secured by property taxes

City Council has authority to establish Debt Service Tax Rates, limitations include:

- Should not exceed 10% of Total Assessed Valuation – Current ceiling is $21.4 Billion (Texas Gov Code and City Charter)
  - Current Outstanding Debt Service is $2.9 Billion or 1.36% of Total Assessed Valuation
- Property taxes levied for debt must not exceed $1.50 per $100 of Total Assessed Valuation (Texas Attorney General)
  - Current Debt Service Tax Rate is $0.2115 for every $100 of Total Assessed Valuation



Bond Rating Scale

	Moody's	S&P	Fitch
Prime	Aaa	AAA	AAA
High Grade	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Upper Medium Grade	A1	A+	A+
	A2	A	A
	A3	A-	A-
Lower Medium Grade	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-

Bond Rating Highlights

- The City continues to maintain top-tier credit ratings from all three major Rating Agencies
- Rating Agencies noted:
  - History of positive budgetary performance and strategic measures to maintain financial stability
  - Well embedded policies and practices
  - Sophisticated and experienced management team with practices including monthly monitoring, multiyear budgeting with five-year forecasts and adherence to reserve policies
  - City can maintain better credit characteristics than U.S. in stress scenario

Current City Bond Ratings

	Moody's	S&P	Fitch
Ad Valorem - Property Tax Debt	Aaa	AAA	AA+
PFC Lease Revenue Bonds – Convention Center Expansion	Aa2	AA+	AA
Airport - General Airport Revenue Bonds	A2	A+	A+
Airport - Passenger Facility Charge Revenue Bonds	A2	A	A
Airport – Customer Facility Charge Revenue Bonds	A3	A	A-
Stormwater Revenue Bonds	Aa2	AA	AA+
Contract Revenue Bonds – Starbright (Toyota)	Aa1	AA+	AA
MFC Lease Revenue Bonds – City Tower	Aa1	AA+	AA

Results of Bond Pricing – August 24-25, 2026

Successful transaction in a competitive market due to City's favorable ratings and name recognition in the market

- Over $2 Billion in orders generated submitted by 79 institutional investors including 60 new investors
- Refunding Bonds of $95 Million generated $2.3 Million in total savings and $2 Million in present value savings
- Refunding Bonds of $84 Million issued to tender* $98 Million of currently outstanding bonds generated $3.5 Million in total savings with $2.9 Million in present value savings

$385.8M
General Improvement and Refunding Bonds**

$141.2M
Certificates of Obligation**

$7.6M
Tax Notes**

$534.6 Million

Overall Interest Rate: 4.40%

Bond Ratings: "Aaa" Moody's / "AAA" S&P / "AA+" Fitch

* Tender offered the City the opportunity to buy back existing bonds from bondholders for interest cost savings
** City Council authorized these issuances on August 6, 2026

Current Outstanding Debt – September 2026

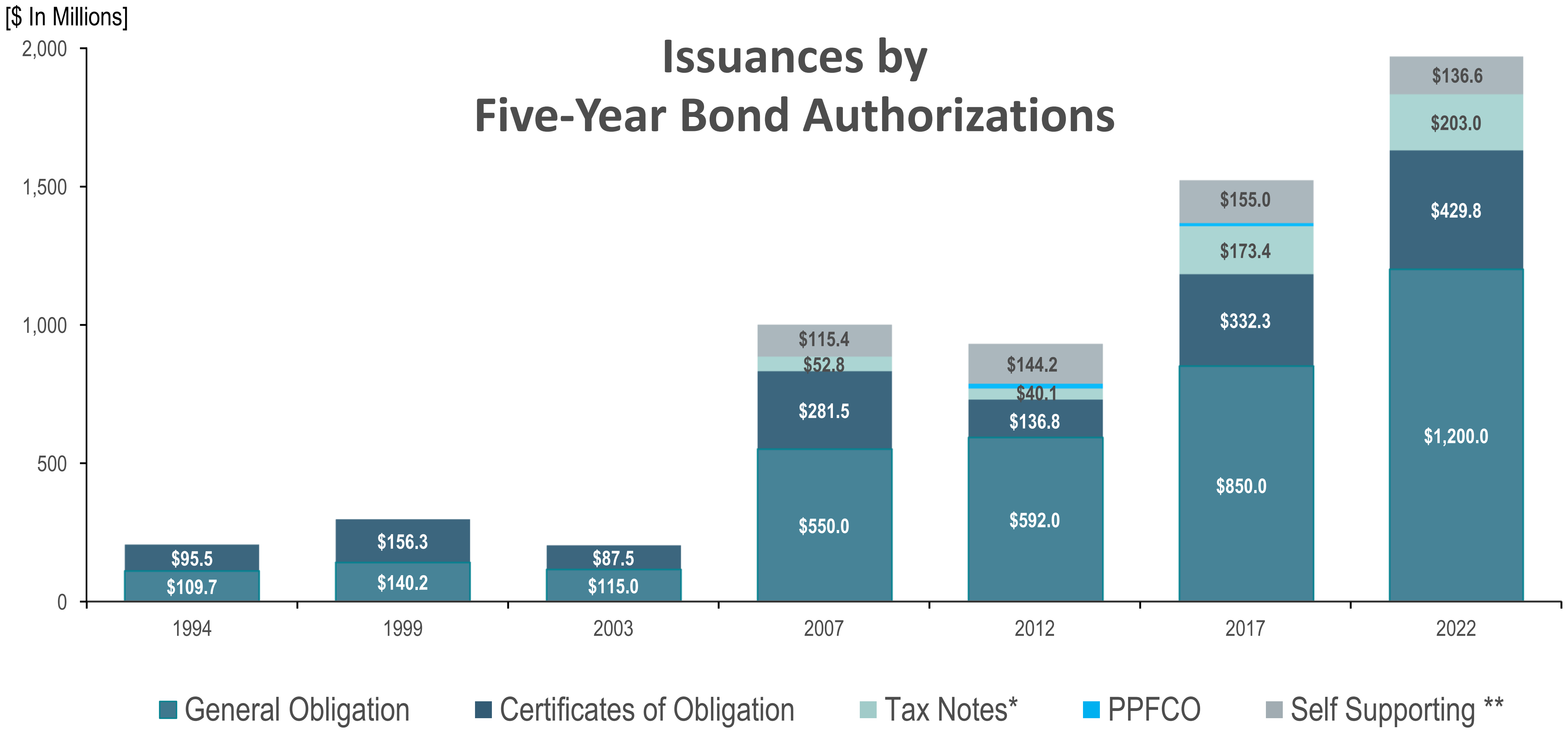
	Outstanding Principal [$ In Millions]	Effective Interest Rate	Average Life (Years)
G.O./C.O./Tax Notes [1, 2, 3]	$2,699.0	3.11%	7.9
PFC Lease Revenue Bonds – Convention Center Expansion	528.8	3.70%	10.7
Airport – General Airport Revenue Bonds	921.2	4.78%	20.2
Airport – Passenger Facility Charge Revenue Bonds	59.1	2.24%	5.2
Airport – Customer Facility Charge Revenue Bonds	110.6	5.83%	11.7
Stormwater Revenue Bonds	18.9	3.26%	1.7
Contract Revenue Bonds – Starbright (Toyota)	9.7	4.57%	4.2
Municipal Facilities Corporation (MFC)			
MFC Contract Revenue Notes - Brooks	3.5	4.39%	2.4
MFC Fixed Rate Revenue Bonds – City Tower	57.1	2.44%	13.8
MFC Variable Rate Taxable Revenue Bonds – City Tower	29.4	4.73%	23.5
MFC Edwards Aquifer Contract Revenue Notes	30.0	3.25%	4.0
Total	$4,467.30		

[1] Includes private placement debt

[2] Includes self-supporting debt in the amount of $204.2 Million

[3] Excludes Interim Financing for the Airport issued as Tax Notes in the amount of $200 Million

Debt Management Plan
Ad Valorem Actual and Projected Issuances: Summer 2026 Plan



* Amount excludes Interim financing for Airport

**Self Supporting debt paid from non-property tax revenues

Debt Management Plan

In January 2026, an update to the Debt Management Plan was presented to City Council as part of the Bond Program Update

- Assumptions included in the Debt Management Plan produced an estimated capacity of $625 Million for a potential 2026 Bond Program with no projected change in the Debt Service Tax Rate anticipated

- Two alternatives were also presented that produced estimated capacity of $1 Billion and $1.2 Billion with adjustments to the Debt Service Tax Rate based on varying growth in assessed valuation

Debt Management Plan

Historically, the City has structured bond programs around maintaining a fixed Debt Service Tax Rate

A larger bond program could be pursued if City Council is open to a variable Debt Service Tax Rate

A variable Debt Service Tax Rate may increase or decrease annually based on property valuations

Based on the current forecast, a bond program comparable in size to the 2022 program would require a Debt Service Tax Rate increase to meet bond repayment obligations

Conversely, stronger-than-expected property value growth could allow for a lower Debt Service Tax Rate and/or a shorter bond repayment period

This approach would support funding a higher level of community improvements and infrastructure investments

Historical Approach – Debt Service Tax Rate

$450 Million Bonding Capacity for 2027 Bond Program and Capital Improvement Plan

- Based on Moderately Conservative Assumptions
- Target of $0.21150 Debt Service Tax Rate
  - Additional Capacity in Future Years would be used to support capital projects utilizing Certificates of Obligation and Tax Notes
  - Continued decline in Taxable Values more than expected, may require an adjustment to the Debt Service Tax Rate to support a $450 Million Bond Program

Alternate Approach – Debt Service Tax Rate

Targeted Bonding Capacity in excess of $450 Million

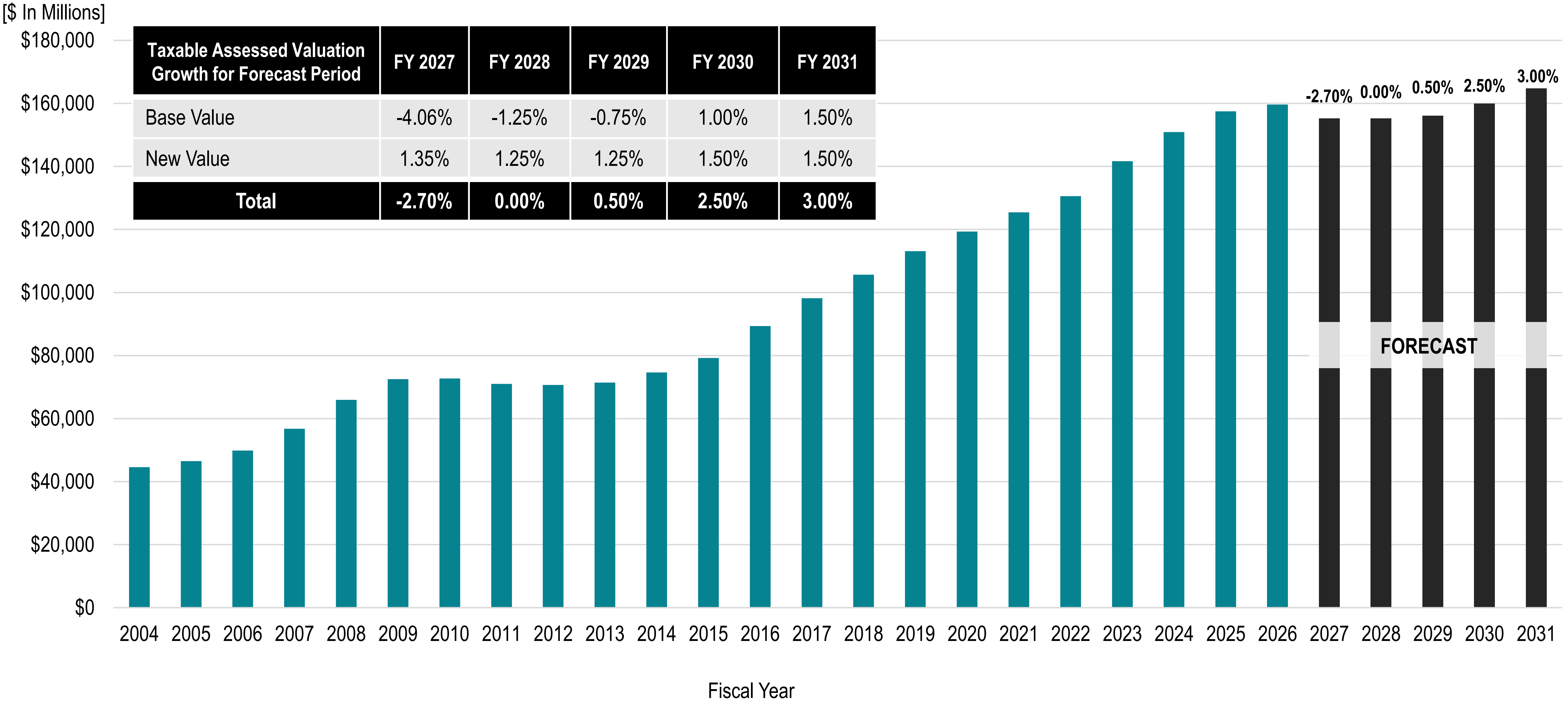
Would require Flexibility to adjust the Debt Service Tax Rate

- Continue use of Moderately Conservative Assumptions
- Timeline – Decision on Debt Service Tax Rate
  - City Council Calls Bond Election – February 2027
  - Bond Election – May 2027
  - First Issuance of 2027 Bond Program – Summer 2027
  - Adoption of Debt Service Tax Rate for FY 2028 – September 2027

Sensitivity: 1.0% increase in Taxable Values equates to an increase in capacity of approximately $165 Million
1 cent increase in Tax Rate equates to an increase in capacity of approximately $300 Million

Taxable Assessed Valuation Growth Assumptions for Forecast

Taxable Assessed Valuation Growth for Forecast Period	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Base Value	-4.06%	-1.25%	-0.75%	1.00%	1.50%
New Value	1.35%	1.25%	1.25%	1.50%	1.50%
Total	**-2.70%**	**0.00%**	**0.50%**	**2.50%**	**3.00%**



Debt Management Plan – Scenario Assumptions*

Scenario 1: Maintain Current Debt Service Tax Rate
Provides $450 Million in Bonding Capacity

- No increase in Debt Service Tax Rate of $0.2115 is assumed
- Average Growth of 1.50% between FY 2028-2031
  - Included in Forecast

Scenario 2: Variable Debt Service Tax Rate
Provides $1.2 Billion in Bonding Capacity

- Debt Service Tax rate is dependent on annual taxable value growth
- 4.50% average annual taxable value growth (FY 2028 – FY 2031) is required to maintain the current $0.2115 debt service tax rate
- Actual tax rates would adjust based on realized taxable values (Projected to range from $0.2115 to approximately $0.2400)

Scenario 3: Variable Debt Service Tax Rate
Provides $1.0 Billion in Bonding Capacity

- Debt Service Tax rate is dependent on annual taxable value growth
- 3.75% average annual taxable value growth (FY 2028 – FY 2031) is required to maintain the current $0.2115 debt service tax rate
- Actual tax rates would adjust based on realized taxable values (Projected to range from $0.2115 to approximately $0.2300)

* Projected Issuances – FY 2026 through FY 2031, 25-year amortizations, and $100 Million in taxable bonds for affordable housing

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