

Certificates of Obligation Note Program

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A Smarter, Phased Approach to Financing Downtown Infrastructure

Instead of borrowing the full project cost at once, the City opens a bank line of credit and draws funds only as construction expenses occur during the project's four-year timeline.

What Is the CO Note Program?

Home Construction Loan Analogy

Think of it like a construction loan for a home: you only pay interest on the money that has been used, not the full loan amount. The City pays interest only on what it has drawn, plus a small administrative fee.

ESTIMATED SAVINGS

\$30.4M

vs. Traditional Bond Financing

FUNDS RESTRICTED TO PUBLIC INFRASTRUCTURE



Parks



Streets



Drainage



Water & Wastewater Infrastructure

FUNDING SOURCES

TIF 1

\$120M

Utility Rates

\$58M

COST PER AVERAGE UTILITY BILL

\$0.67 per Month

Note Program vs. Traditional Financing

CO Note Program

Traditional CO Financing

Repayment Begins

Timed to coincide with new private development at Barron's Branch, which will help offset the debt cost



Principal and interest immediately upon issuance, regardless of project status

Interest Costs

Only on funds actually drawn to date at a rate of **80% of SOFR plus 0.56%** (~3.62%), plus a small administrative fee on undrawn funds of **0.17%** (waived after 60% of funds drawn)



On the full borrowed amount from day one (~4.01%)

Project Suitability

Phased, multi-year construction projects



Projects where all funds are needed at once

Total Cost Impact

Saves an estimated \$30.4 million over the life of the debt



Higher cost due to early and full interest exposure

How it Works

Step-by-Step Process

1

DRAW FUNDS

The City draws on the line of credit only as construction costs are incurred over approximately 4 years.

2

PAY AS YOU GO

During construction, the City pays an interest charge on the drawn amount, plus a minor administrative fee on undrawn funds.

3

DEVELOPMENT ARRIVES

As private investment occurs in Barron's Branch, new property value and tax revenue help offset the City's debt obligation.

4

CONVERT & SAVE

The note converts to standard long-term debt at the end of the program. Estimated savings of \$30.4M compared to traditional financing.

The Bottom Line for Waco

\$0.67

ESTIMATED UTILITY BILL INCREASE

*Per Average Month
(Subject to usage)*

\$30.4M

ESTIMATED TAXPAYER SAVINGS

vs. Traditional Bond Financing

(Under current market conditions)

The Case for the Direct Note Program

Pay Only for What Is Built

The City draws funds only as construction costs are incurred, avoiding full upfront borrowing.

Align Borrowing with Growth

Repayment aligns with private development at Barron's Branch, where new tax revenue helps offset debt obligations.

Protect the Taxpayer

By reducing interest exposure, the City is estimated to save approximately \$30.4 million compared to traditional bond financing.



Thank You