

CARROLLTON, TEXAS- PERSPECTIVES OF A SMALLER ISSUER

Securities and Exchange Commission
Birmingham, Alabama Hearing
July 29, 2011



Where Connections Happen

- Affluent NW Dallas Suburb of 122,000
- Diversified Manufacturing and Distribution Center
- Grew by 95,000 residents between 1970 and 2000 and is now approaching build out.
- Most infrastructure in the City was built with a 25-30 year design life.

City of Carrollton Overview

- Replacement cost of its existing infrastructure is estimated at approximately \$2 billion.
- The city addresses its capital replacement needs primarily through bond issuance and pay as you go capital programs.
- Total outstanding debt at 9/30/2010 is \$193 million.
- Total FY 2011 operating budget is \$170 million vs. \$172 million in 2010.

City of Carrollton Overview

- In 2001 recognizing approaching build out and the need to shift emphasis from managing growth to capital replacement and redevelopment, the City re-invented itself through re-engineering, right-sizing and managed competition by reducing its payroll from over 1000 to under 800 employees at a time when the City was still growing in population.
- Finance and accounting actually have less staff than in 1990 when population was 82,000.

City of Carrollton Overview

- In spite of all staff wearing multiple hats, Official Statement is prepared in house both to reduce issuance costs and to have a better understanding of debt related commitments.
- Debt markets are accessed a maximum of once a year to reduce burden on staff.
- Virtually all G.O. debt issued is voted debt and is a result of an extensive capital project prioritization process.

Debt Issuance Philosophy

- Carrollton's financial disclosure approach is influenced by the following:
 - State law
 - Limited staff resources with none solely dedicated to financial reporting or investor relations
 - Debt covenants and continuing disclosure requirements
 - Wealth of information available on its website
 - Wealth of information available on other websites

Financial Disclosure Philosophy

- Comprehensive Annual Financial Report (CAFR)
 - Issuance target of February 1st (four months after year end)
 - Filed with EMMA upon issuance
 - Includes all 15c2-12 continuing disclosure requirements (GFOA Best Practice)
- Preliminary, Proposed, Adopted Budgets
 - Preliminary issued by August 1st
 - Detailed fund by fund including multi-year capital and planned debt issuance

Two Primary Financial Disclosure Documents

- Additional requirements do not necessarily mean additional resources
- Further staff cuts could mean outsourcing OS preparation to Financial Advisor
- Misapplication of Accountability
- Proliferation of GASB standards in number and complexity
 - Shelf life of standards appear to be getting shorter
 - Ever increasing reporting requirements working against desire to increase timeliness of annual report

Concerns for the Future