

Memorandum

To: Jennifer May, Deputy City Manager

Via: Glenda Aragon, Interim Director of Finance

From: Razeeda Boochoon, Finance Manager

Date: February 7, 2023

Subject: Fort Bend MUD 192 Unlimited Tax Bonds Series 2023

Fort Bend County Municipal Utility District No. 192, located wholly within the extraterritorial jurisdiction of the City of Sugar Land, is presenting to the Mayor and City Council for consideration and approval of the proposed sale of \$4,450,000 of Unlimited Tax Bonds, Series 2023.

The City's Code of Ordinances, Sec. 5-237 applies to this district: "any district to be created in within the City of Sugar Land or its extraterritorial jurisdiction must, as a condition of its creation, comply with written policies adopted by the City Council."

On March 15, 2011 City Council Policy 5000-03: CREATION, OPERATIONS, AND DISSOLUTION OF SPECIAL PURPOSE DISTRICTS LOCATED WITHIN THE CITY OF SUGAR LAND OR ITS EXTRATERRITORIAL JURISDICTION was adopted by Resolution No. 11-07. State law gives the City Council authority over the creation, operations, and dissolution of special purpose districts. This policy sets forth the requirements that Council will exercise over special purpose districts.

Section I applies to ETJ Districts. Under D. Conditions for City Consent, the City imposes the following requirements as conditions of the City's consent.

1. All bonds, which shall be and remain obligations of the District until dissolution, must be approved by the City Council. The City Council may refuse to give its approval to the issuance of the bonds – or limit the amount of bonds issued by the District – if the District is not in compliance with the City's requirements contained in the consent resolution or ancillary documents. The City will request compliance with the following terms and reporting requirements:

a. The District's initial bond debt maturity date will not exceed 25 years. Once the District has established a maturity date for its initial bonds, the maturity date for any additional bonds will not extend beyond the maturity date for the initial bonds, without the approval of the City.

b. The amount of each annual principal payment on bond debt should be substantially the same or only moderately increased throughout the repayment term. In any case, at least 40% of the principal must be repaid in the first half of the repayment schedule, unless a portion of the bonds are structured as capital appreciation bonds.

c. The District may not fund more than 24 months of capitalized interest in a bond issue.

d. The City may limit a MUD to only issue bonds for the purposes of providing water, wastewater and drainage improvements.

e. The City may approve the issuance of District bonds for park or road improvements if the park or road improvements for which the bonds are issued are included in the City's master plans.

f. At least 30 days before the issuance of bonds, except refunding bonds, the District's financial advisor shall certify in writing that bonds are being issued within the existing economic feasibility guidelines established by the TCEQ - whether or not the District has been approved by the TCEQ. The report, provided to the City Manager, should also state the following:

- i. The amount of bonds being proposed for issuance,
- ii. The projects to be funded by such bonds,
- iii. The proposed debt service tax rate after issuance of the bonds.

g. Within 30 days after the District closes the sale of a series of bonds, the District shall deliver to the City Manager a copy of the final official statement for such series of bonds as well as any additional information requested by the City.

2.) All water, wastewater, drainage and road infrastructure owned and operated by the District shall become City owned and operated infrastructure. Therefore District infrastructure shall be constructed in accordance with City design standards. The City reserves the right to inspect all facilities being constructed by or on behalf of the District and to charge inspection fees required by ordinance.

3.) All District utility infrastructure must be designed and constructed as part of a City approved regional utility system and in compliance with the City's Water Master Plan and Wastewater Master Plan. The District must pay all applicable connection fees prior to connecting to the City's water and wastewater system.

4.) A District may not annex additional land into the District unless the City Council first adopts a resolution giving its consent to the annexation. The conditions contained in the resolution consenting to the creation of the District also apply to the land annexed, unless the resolution approving the District's annexation of additional land states otherwise. Conversely, the District may not enter into an agreement to be annexed, in whole or in part, with another district or municipality without written authorization from the City of Sugar Land.

5.) The District shall file a notice in the real property records of Fort Bend County stating that the City may annex the District as provided by State law. The parties may attach a form of such notice to the consent agreement or development agreement.

6.) The District shall send a copy of the order or other action setting an ad valorem tax rate to the City Secretary, City Finance Director and the City Manager within 30 days after District adoption of the rate.

7.) The District shall send a copy of its annual audit to the City Finance Director and City Manager. The District will also ensure that they are meeting accounting standards set by the Governmental Accounting Standards Board(GASB), and they are fulfilling all arbitrage compliance reports to the satisfaction of the City Finance Director.

8.) The District shall provide copies of any material event notices filed under applicable federal securities laws or regulations to the City Manager within thirty (30) days after such notices with the applicable federal agency.

Presented below is information regarding the District and the proposed bonds as provided in the Preliminary Official Statement.

District Creation	Fort Bend County Municipal Utility District No. 192 is a political subdivision of the State of Texas, created under article XVI, Section 59 of the Texas Constitution by Senate Bill 994, as passed by the 81 st Texas Legislature on June 19, 2009, and operates in accordance with Chapter 8330 of the Texas Special District Local Laws Code, and Chapters 49 and 54 of the Texas Water Code as amended.
Location	The District is located east of Macek Road, north of FM 2759 Road, and south of Greatwood Bend Subdivision. Residents gain access to the area within the District from Macek Road and FM 2759 Road. The District consists of approximately 100 acres of land. The entire District lies within the extraterritorial jurisdiction of the City of Sugar Land, Texas and the Lamar Consolidated Independent School District.
Acreage	100 acres

Status of the Development	<p>The District is being developed as Greatwood Lake, a single family residential community. Development in the District currently includes 258 single-family residential lots on approximately 99 acres. As of November 28, 2022, the District consisted of 223 completed homes (223 occupied) and 35 homes under construction or in a builders' name. The 2022 tax year average home value was \$384,000.00. According to the Developer, new home prices in the District currently range in price from approximately \$500,000 to \$590,000.</p> <p>All of the developable acreage within the District has been provided with water distribution, sanitary sewer and storm drainage facilities. In addition to the development described above, approximately 1.5 acres have been platted and developed as an amenity center, including open space, walking trails, recreational pool, playground equipment, covered area and bathrooms and approximately 2 acres have been developed as a pocket park.</p> <p>Approximately 18 acres is included in the subdivision plats and is restricted to drainage, landscape and open space purposes and is undevelopable.</p>
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Water & Wastewater Service	<p>The District currently obtains its water supply and wastewater treatment from the City of Sugar Land (the "City") following the annexation and dissolution of the Greatwood Districts, including Fort Bend County Municipal Utility District No. 106 ("MUD No. 106") in its capacity as master district (the "Master District") to the participating districts in the system (the "Greatwood Districts"). The District was served by the Master District under the Contract for Financing, Operation and Maintenance of Regional Water, Wastewater, and Storm Sewer Facilities dated November 15, 2012, as amended, (the "Master District Contract"). The District has 300 connections allocated to it under the Master District Contract. Following the annexation and dissolution of the Master District, the City and the District entered into a Water Supply and Wastewater Services Agreement which was approved on February 2, 2019, under which the Master District Contract was terminated, and the District is being served as an out of city wholesale customer of the City.</p> <p>The Water Supply and Wastewater Treatment facilities, which are now operated by the City as City facilities, include the following water supply facilities: (i) three 1,500 and one 1,340 gallons-per-minute ("g.p.m.") water wells, (ii) pumps aggregating 10,750 g.p.m., (iii) one 500,000 ground storage tank and one 1,000,000-gallon ground storage tank, (iv) one 30,000 gallon hydropneumatic tank and one 10,000 gallon hydropneumatic tank, and (v) an auxiliary power source. The Master District previously has financed an emergency water interconnection line connecting the Master District's water supply and distribution system with the water supply and distribution system of the adjoining Plantation Municipal Utility District ("Plantation MUD"). Fort Bend County Municipal Utility District No. 116 also has constructed an emergency water interconnection line with the Master District's water supply and distribution system. According to the City, such water supply facilities provide sufficient capacity to serve the approximate total of 4,615 ESFC for the Greatwood development, including the District.</p> <p>The District currently obtains wastewater treatment through the City pursuant to the Water Supply and Wastewater Services Agreement as outlined above. The Master District's permanent wastewater treatment plant, now operated by the City, which currently contains 1,350,000 gallons-per-day capacity, has the ability to serve the total of 4,615 equivalent single-family connections projected for the Greatwood development and the District upon its full development.</p>
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Issuance of Debt	<p>The Bonds are the third series of bonds issued out of an aggregate of \$28,600,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and refunding of such bonds. The Bonds are being issued pursuant to such authorization.</p> <p>As of February 1, 2023:</p> <table><tr><td></td><td>Original Principal Amount</td><td>Outstanding Bonds 2/1/2023</td></tr><tr><td>Series</td><td></td><td></td></tr><tr><td>2017 Road</td><td>\$ 1,500,000</td><td>\$ 1,315,000</td></tr><tr><td>2018</td><td>2,150,000</td><td>1,975,000</td></tr><tr><td>2020 Road</td><td>810,000</td><td>740,000</td></tr><tr><td>2022</td><td>1,765,000</td><td>1,710,000</td></tr><tr><td>Total</td><td>\$ 6,225,000</td><td>\$ 5,740,000</td></tr></table> <p>The District has never defaulted in the payment of principal and interest on the Outstanding Bonds.</p>		Original Principal Amount	Outstanding Bonds 2/1/2023	Series			2017 Road	\$ 1,500,000	\$ 1,315,000	2018	2,150,000	1,975,000	2020 Road	810,000	740,000	2022	1,765,000	1,710,000	Total	\$ 6,225,000	\$ 5,740,000
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Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District.																					
Municipal Bond Rating and Insurance	The The District has not applied for an underlying investment grade rating nor is it expected that the District would have been successful if such application had been made.																					
2022 Certified Taxable Assessed Value	\$78,034,967																					
2022 Tax Rate	Debt Service \$0.83 M & O 0.62 Total \$1.45																					
Projected Maximum Annual Principal & Interest (2022)	\$750,394																					
Projected Average Annual Principal & Interest (2022-2045)	\$655,037																					

<p>Tax Rate Requirement for Maximum and Average Debt Service (95% Collection)</p>	<p>The required tax rate for the Maximum Annual Debt Service payment on the bonds is \$1.02/\$100 based upon the 2022 Certified Taxable Assessed Valuation.</p> <p>The required tax rate for the Average Annual Debt Service payment on the bonds is \$0.89/\$100 based upon the 2022 Certified Taxable Assessed Valuation.</p>																																						
<p>Use of Proceeds</p>	<p>A portion of the proceeds from the sale of the Bonds will be used to pay for the construction costs associated with the items shown below. Additionally, a portion of the proceeds from the sale of the Bonds will be used to pay certain non-construction costs associated with the issuance of the Bonds. The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, \$2,988,325 is estimated for construction costs, and \$1,461,675 is estimated for nonconstruction costs as detailed below:</p> <table> <tr> <td colspan="2">CONSTRUCTION COSTS</td></tr> <tr> <td>Greatwood Lake, Section 1 Water, Sewer & Drainage.....</td><td>\$ 1,274,305</td></tr> <tr> <td>Greatwood Lake, Section 2A Water, Sewer and Drainage.....</td><td>1,209,542</td></tr> <tr> <td>Greatwood Lake, Section 2B Water, Sewer and Drainage.....</td><td>88,069</td></tr> <tr> <td>Engineering.....</td><td>516,521</td></tr> <tr> <td>Less: Surplus Funds Applied.....</td><td><u>(100,112)</u></td></tr> <tr> <td>Total Construction Costs</td><td>\$ 2,988,325</td></tr> <tr> <td colspan="2">NON-CONSTRUCTION COSTS</td></tr> <tr> <td>Legal Fees.....</td><td>\$ 126,250</td></tr> <tr> <td>Financial Advisory Fees.....</td><td>85,375</td></tr> <tr> <td>Developer Interest (Estimated).....</td><td>881,676</td></tr> <tr> <td>Capitalized Interest (6 Months at Estimated 5.75%).....</td><td>127,938</td></tr> <tr> <td>Bond Discount (Estimated at 3.00%).....</td><td>133,500</td></tr> <tr> <td>Bond Issuance Expense.....</td><td>44,861</td></tr> <tr> <td>Bond Application Report.....</td><td>46,500</td></tr> <tr> <td>TCEQ Fee (0.25%).....</td><td>11,125</td></tr> <tr> <td>Attorney General Fee.....</td><td><u>4,450</u></td></tr> <tr> <td>Total Non-Construction Costs</td><td>\$ 1,461,675</td></tr> <tr> <td>TOTAL BOND ISSUE</td><td>\$ 4,450,000</td></tr> </table>	CONSTRUCTION COSTS		Greatwood Lake, Section 1 Water, Sewer & Drainage.....	\$ 1,274,305	Greatwood Lake, Section 2A Water, Sewer and Drainage.....	1,209,542	Greatwood Lake, Section 2B Water, Sewer and Drainage.....	88,069	Engineering.....	516,521	Less: Surplus Funds Applied.....	<u>(100,112)</u>	Total Construction Costs	\$ 2,988,325	NON-CONSTRUCTION COSTS		Legal Fees.....	\$ 126,250	Financial Advisory Fees.....	85,375	Developer Interest (Estimated).....	881,676	Capitalized Interest (6 Months at Estimated 5.75%).....	127,938	Bond Discount (Estimated at 3.00%).....	133,500	Bond Issuance Expense.....	44,861	Bond Application Report.....	46,500	TCEQ Fee (0.25%).....	11,125	Attorney General Fee.....	<u>4,450</u>	Total Non-Construction Costs	\$ 1,461,675	TOTAL BOND ISSUE	\$ 4,450,000
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DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Outstanding Bonds and the estimated debt service requirements for the Bonds at an assumed interest rate of 5.00% per annum.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2023	\$ 392,994		\$ 92,708	\$ 92,708	\$ 485,702
2024	396,238	\$ 130,000	222,500	352,500	748,738
2025	393,944	140,000	216,000	356,000	749,944
2026	391,394	150,000	209,000	359,000	750,394
2027	388,606	150,000	201,500	351,500	740,106
2028	385,544	150,000	194,000	344,000	729,544
2029	388,881	155,000	186,500	341,500	730,381
2030	381,544	160,000	178,750	338,750	720,294
2031	389,206	160,000	170,750	330,750	719,956
2032	381,331	170,000	162,750	332,750	714,081
2033	383,456	175,000	154,250	329,250	712,706
2034	384,956	180,000	145,500	325,500	710,456
2035	380,994	190,000	136,500	326,500	707,494
2036	376,831	200,000	127,000	327,000	703,831
2037	382,400	210,000	117,000	327,000	709,400
2038	371,825	220,000	106,500	326,500	698,325
2039	371,150	230,000	95,500	325,500	696,650
2040	364,850	240,000	84,000	324,000	688,850
2041	363,350	240,000	72,000	312,000	675,350
2042	361,388	240,000	60,000	300,000	661,388
2043	359,075	240,000	48,000	288,000	647,075
2044	130,838	240,000	36,000	276,000	406,838
2045	97,375	240,000	24,000	264,000	361,375
2046	-	240,000	12,000	252,000	252,000
Total	\$ 8,218,169	\$ 4,450,000	\$ 3,052,708	\$ 7,502,708	\$ 15,720,877

Average Annual Debt Service Requirements (2023-2046).....\$655,037
Maximum Annual Debt Service Requirements (2026)\$750,394