


# Memorandum

**To:** Michael W. Goodrum, City Manager

**Via:** Jennifer Brown, Director of Finance 

**From:** Adrian Miller, Budget Analyst

**Date:** March 20, 2020

**Subject:** Burney Road Municipal Utility District  
\$4,940,000 Unlimited Tax Refunding Bonds, Series 2020

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Burney Road Municipal Utility District, a wholly incorporated District within the City limits is presenting to the Mayor and City Council for consideration and approval of the proposed sale of \$4,940,000 of Unlimited Tax Refunding Bonds, Series 2020.

Selected applicable rules, regulations and standards as set forth in Chapter 5 of the Code and the creation agreement are summarized as follows:

1. Bonds may be issued by the District only for the purpose of purchasing, constructing, improving, and maintaining water, sanitary sewer and drainage systems within the boundaries of the District. (However, since the voters in this district approved bonds for recreation purposes, the district may issue bonds for additional purposes).
2. All district bonds will expressly provide that the district reserves the right to redeem such bonds on any interest payment date subsequent to the tenth anniversary of the date of issuance at a premium not to exceed two and one-half percent of par value reducing one-half of one percent of par value each year thereafter to par value.
3. Bonds (other than refunding bonds and bonds sold to a federal or state agency) may be sold only after the taking of public bids.
4. No bonds shall be sold for less than ninety-five percent of par, provided that the net effective interest rate on the bonds sold, taking into consideration any discount or premium as well as the rate borne by the bonds, shall not exceed two percent above the highest average interest rate reported by the Daily Bond Buyer during the thirty-day period preceding the date of the sale of the bonds.
5. Bids will be received not more than forty-five days after notice of sale of the bonds is given.

6. The order or resolution of the District authorizing the issuance of all refunding bonds of the District shall be approved by the Mayor.
7. The District's resolution authorizing the issuance will contain a provision that the pledge of the revenues from the operation of the District's water and sewer and/or drainage system to the payment of the District's bonds will terminate when and if the City or some other City annexes the District, takes over the assets of the District and assumes the obligations of the District. This issuance, under consideration, is bonds payable from annual ad valorem tax. (This part is Not Applicable as the District is wholly and fully incorporated within City limits)
8. The District shall not be permitted to escrow any funds in excess of two years' interest on the bonds which the district issued and shall levy a tax simultaneously with the first installment of such bonds and will continue a tax levy until such bonds are paid in full, unless the revenues of the system are adequate to discharge such bonds.
9. Prior to the sale of any series of District bonds, the district shall secure a letter from the Mayor to the effect that the district is in compliance with Chapter 5. The Mayor shall address a letter to the Attorney General of Texas approving the form of the resolution or order of the Board of Directors authorizing the issuance of any bonds of the district absent the interest rates on and sales price of the bonds.
10. The district must use its best efforts to structure its rates for water and sewer service in the same manner as the city even though level of rates may vary. (This part is N/A as the District is wholly and fully incorporated within City limits)
11. The City will make recommendations to the board of the district and its financial advisor as to the amount of bonds that should be authorized, the installment sale of such authorization, the maturity schedule of each installment, the optional provisions to be contained in such bonds, and the sale and delivery of the district bonds.

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

|                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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| District Creation | Burney Road Municipal Utility District (the "District"), a political subdivision of the State of Texas, created by an Order of the Texas Commission on Environmental Quality ("TCEQ" or "Commission"), dated September 26, 1984, is located wholly within the City of Sugar Land's corporate limits. The District operates under Chapter 54 and Chapter 49 of the Texas Water Code, and other general statutes of Texas applicable to municipal utility districts. |
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| Location                                               | The District is located entirely within Fort Bend County, Texas, and within the corporate boundaries of the City of Sugar Land, Texas. The District is approximately 22 miles southwest of the central business district of the City of Houston, Texas. The District is bounded on the west by Burney Road and on the north of Florence Road.                                      |
| Acreage                                                | 445.7 acres                                                                                                                                                                                                                                                                                                                                                                        |
| Development and Home Construction                      | The District contained 1,183 homes, all of which have been sold to homeowners. All applicable water, sewer and drainage infrastructure has been completed and conveyed to the City.<br>The District is located within the corporate limits of the City and obtains water, sewer and drainage service from the City.                                                                |
| Authority for Issuance                                 | The rights, powers, privileges, authority, and functions of the District are established by Article XVI, Section 59, of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended.                                                          |
| Issuance of Additional Debt                            | The District may issue additional bonds, with the approval of the TCEQ, necessary to provide improvements and facilities consistent with the purposes for which the District was created.<br><br>Following the issuance of the Bonds, \$11,185,000 unlimited tax bonds will remain authorized but unissued for construction of the System and \$13,809,576 for refunding purposes. |
| Source of Payment                                      | Principal of and interest of the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as the rate or amount, levied upon all taxable property within the District.                                                                                                                                                                            |
| Municipal Bond Rating and Insurance                    | S&P has previously assigned an underlying rating of "A+" (stable outlook) to the District's Outstanding Bonds. The underwriter of the bonds may purchase insurance at their own expense.                                                                                                                                                                                           |
| 2019 Tax Rate<br>(Per \$100 of Assessed Valuation)     | \$0.18 Debt Service<br><del>\$0.04</del> O & M<br>\$0.22 Total                                                                                                                                                                                                                                                                                                                     |
| Maximum Annual Debt Service Requirement (2026)         | \$1,135,570                                                                                                                                                                                                                                                                                                                                                                        |
| Average Annual Debt Service Requirement<br>(2020-2026) | \$1,128,652                                                                                                                                                                                                                                                                                                                                                                        |

|                                                                            |                                                                                                                                                                                                                                                                                                                                                                                              |
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| Use of Proceeds from Bonds                                                 | <p>Proceeds of the bonds will be applied to refund three series of outstanding bonds totaling \$5,040,000:</p> <ul style="list-style-type: none"> <li>• \$965,000- Series 2007</li> <li>• \$1,420,000 - Series 2011</li> <li>• \$2,645,000 Series 2012 Refunding</li> </ul> <p>The sale of the refunding bonds will provide present value savings on currently outstanding debt service.</p> |
| Taxable Assessed Valuation<br>(As of January 1, 2019)                      | \$356,733,813 - 2019 Assessed Valuation                                                                                                                                                                                                                                                                                                                                                      |
| Tax Rate Requirement for Maximum and Average Debt Service (95% collection) | Based upon the 2019 Taxable Assessed Valuation, the required tax rates for the Average Annual Debt Service Requirement and the Maximum Annual Debt Service Requirements on the bonds are \$0.17 per \$100 of Assessed Valuation at a 95% tax collection rate.                                                                                                                                |

### Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements of the Outstanding Bonds, less the debt service requirements of the Refunded Bonds, plus the principal and estimated interest requirements of the Bonds.

| <u>Year Ending<br/>December 31</u>            | <u>Current<br/>Total Debt<br/>Service</u> | <u>Less: Debt<br/>Service on<br/>Refunded<br/>Bonds *</u> | <u>Plus - The Bonds*</u>       |                    | <u>Current<br/>Total New<br/>Debt Service<br/>Requirements*</u> |
|-----------------------------------------------|-------------------------------------------|-----------------------------------------------------------|--------------------------------|--------------------|-----------------------------------------------------------------|
|                                               |                                           |                                                           | <u>Principal<br/>(Due 9-1)</u> | <u>Interest **</u> |                                                                 |
| 2020                                          | \$ 1,156,220                              | \$ 87,575                                                 |                                | \$ 61,750          | \$ 1,130,395                                                    |
| 2021                                          | 1,161,620                                 | 530,150                                                   | \$350,000                      | 148,200            | 1,129,670                                                       |
| 2022                                          | 1,160,870                                 | 1,030,950                                                 | 860,000                        | 137,700            | 1,127,620                                                       |
| 2023                                          | 1,159,070                                 | 1,031,150                                                 | 885,000                        | 111,900            | 1,124,820                                                       |
| 2024                                          | 1,161,120                                 | 1,035,300                                                 | 915,000                        | 85,350             | 1,126,170                                                       |
| 2025                                          | 1,161,570                                 | 1,038,150                                                 | 945,000                        | 57,900             | 1,126,320                                                       |
| 2026                                          | 1,165,820                                 | 1,044,800                                                 | 985,000                        | 29,550             | 1,135,570                                                       |
| 2027                                          | 363,420                                   |                                                           |                                |                    | 363,420                                                         |
| 2028                                          | 359,450                                   |                                                           |                                |                    | 359,450                                                         |
|                                               | <u>\$8,849,160</u>                        | <u>\$5,798,075</u>                                        | <u>\$4,940,000</u>             | <u>\$632,350</u>   | <u>\$8,623,435</u>                                              |
| Average Annual Requirements (2020-2026) ..... |                                           |                                                           |                                |                    | \$ 1,128,652                                                    |
| Maximum Annual Requirement (2026) .....       |                                           |                                                           |                                |                    | \$ 1,135,570                                                    |

\* Preliminary, subject to change.

\*\* Interest is estimated at rates that vary from maturity to maturity.