

**To:** Allen Bogard, City Manager

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

**From:** Cathy L. Wray, Finance/Investment Analyst

**Date:** November 14, 2017

**Subject:** Fort Bend County Municipal Utility District No. 137  
\$6,765,000 Unlimited Tax Bonds, Series 2017A

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Fort Bend County Municipal Utility District No. 137, 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 \$6,765,000 of Unlimited Tax Bonds, Series 2017A.

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.
2. All 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 to 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 not applicable 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 the information regarding the District and the proposed bonds, as provided in the Notice of Sale and Preliminary Official Statement:

District Creation	Fort Bend County Municipal Utility District No. 137 is a political subdivision of the State of Texas, created by order of the Texas Commission on Environmental Quality ("TCEQ"), on April 1, 2005, and operates pursuant to Chapters 49 and 54 of the Texas Water Code.
Location	The District is located wholly within the corporate boundaries of the City of Sugar Land and Fort Bend ISD. Access to the District is provided by U.S. Highway 59 to University Boulevard
Acreage	The District contains approximately 816 acres.
Status of District Development	Single family development consisting of 1,470 single-family residential lots on approximately 487 acres has been completed. Homes within the District range in price from approximately \$275,000 to \$795,000. An elementary school has been constructed on approximately 12 acres and Fort Bend ISD owns approximately 65 acres which it plans to use for a future school site. Approximately 20 acres has been developed as the Telfair West Business District. A two story medical office

	<p>building has been constructed on approximately 5 acres. In addition, approximately 1 acre has been developed where an Acura auto dealership is under construction. There are an additional approximately 25 acres of developable commercial property which have not been fully provided with water distribution, wastewater collection and storm drainage facilities. There are approximately 202 undevelopable acres (drainage and pipeline easements, street rights-of-way, recreation and open spaces and utility sites).</p>
Telfair	<p>The District is part of the 2,018 acre master-planned community of Telfair in the City of Sugar Land, Texas, consisting of the District and three other municipal utility districts and a levee improvement district. Approximately 2,839 single-family residential lots have been constructed in Telfair, including 1,470 in the District. Recreational amenities within Telfair include a 2,200 square foot meeting complex and central sales office, a lake system, a greenbelt system, over five miles of landscaped trails, eleven neighborhood parks each with open space and playground and two recreational pools, a sand volley ball court and a playground.</p>
Fort Bend Levee Improvement District No. 17	<p>All of the land within Telfair lies within Fort Bend Levee Improvement District No. 17, which encompasses approximately 2,317 acres of land. LID 17 has constructed a system of levees, detention ponds, channels and other drainage improvements, reclaiming land from the Brazos River flood-plain, including the land within the District, and finances the acquisition and/or construction of drainage and levee facilities with the proceeds of its unlimited tax bonds. LID 17 has \$58,600,000 principal amount of bonds outstanding. Neither the District nor the City bear any responsibility for LID obligations. LID 17 levied a total 2016 tax rate of \$0.57 per \$100 of assessed valuation (\$0.285 for debt service and \$0.285 for maintenance and operations).</p>
Issuance of Debt	<p>The District's voters have authorized the issuance of \$81,800,000 principal amount of unlimited tax bonds for the Purpose of constructing and or acquiring a waterworks, sanitary sewer and storm sewer system and could authorize additional amounts. After the issuance of the Bonds, \$45,000,000 principal amount of unlimited tax bonds for a waterworks, sanitary sewer and storm sewer system will remain authorized but unissued.</p> <p>The District voters have also authorized the issuance of \$53,100,000 principal amount of unlimited tax bonds for refunding purposes. Currently, \$51,595,000 principal amount of unlimited tax refunding bonds remains authorized but unissued.</p> <p>Prior to the issuance of bonds for any purposes, the District must first obtain the consent of the City of Sugar Land to issue such bonds. In addition, the issuance of bonds for water, sewer and</p>

	drainage facilities or recreational facilities requires the approval of the Texas Commission on Environmental Quality.																																																																	
Outstanding Bonds	<p>The District has previously sold \$36,800,000 principal amount of unlimited tax bond for water, sewer and drainage facilities and \$18,945,000 principal amount of unlimited tax refunding bonds. The District has a total of \$29,270,000 principal amount of bonds outstanding including this bond issue to date (see below). The District has never defaulted on payment on its Outstanding Bonds.</p> <table><tr><th>Series</th><th>Original Principal Amount</th><th>Principal Amount Currently Outstanding</th><th>Refunded Bonds</th><th>Currently Outstanding Bonds</th></tr><tr><td>2007</td><td>\$5,515,000</td><td>\$0</td><td>\$0</td><td>\$0</td></tr><tr><td>2008</td><td>7,980,000</td><td>0</td><td>0</td><td>0</td></tr><tr><td>2008A</td><td>8,550,000</td><td>0</td><td>0</td><td>0</td></tr><tr><td>2009</td><td>5,240,000</td><td>3,565,000</td><td>3,355,000</td><td>210,000</td></tr><tr><td>2011</td><td>5,000,000</td><td>3,680,000</td><td>3,240,000</td><td>440,000</td></tr><tr><td>2012</td><td>2,430,000</td><td>1,870,000</td><td>0</td><td>1,870,000</td></tr><tr><td>2014 (a)</td><td>7,715,000</td><td>7,330,000</td><td>0</td><td>7,330,000</td></tr><tr><td>2016 (a)</td><td>11,230,000</td><td>10,665,000</td><td>0</td><td>10,665,000</td></tr><tr><td>2017</td><td>2,085,000</td><td>1,990,000</td><td>0</td><td>1,990,000</td></tr><tr><td><b>Total</b></td><td><b>\$55,745,000</b></td><td><b>\$29,100,000</b></td><td><b>\$6,595,000</b></td><td><b>\$22,505,000</b></td></tr><tr><td><b>Bonds</b></td><td></td><td></td><td></td><td><b>6,765,000</b></td></tr><tr><td colspan="4"><b>Bonds and Remaining Outstanding Bonds</b></td><td><b>\$29,270,000</b></td></tr></table> <p>(a) Unlimited Tax Refunding Bonds</p>	Series	Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds	Currently Outstanding Bonds	2007	\$5,515,000	\$0	\$0	\$0	2008	7,980,000	0	0	0	2008A	8,550,000	0	0	0	2009	5,240,000	3,565,000	3,355,000	210,000	2011	5,000,000	3,680,000	3,240,000	440,000	2012	2,430,000	1,870,000	0	1,870,000	2014 (a)	7,715,000	7,330,000	0	7,330,000	2016 (a)	11,230,000	10,665,000	0	10,665,000	2017	2,085,000	1,990,000	0	1,990,000	<b>Total</b>	<b>\$55,745,000</b>	<b>\$29,100,000</b>	<b>\$6,595,000</b>	<b>\$22,505,000</b>	<b>Bonds</b>				<b>6,765,000</b>	<b>Bonds and Remaining Outstanding Bonds</b>				<b>\$29,270,000</b>
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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. The Bonds are obligations of the District and are not obligations of the City, Fort Bend County, the State of Texas or any entity other than the District.																																																																	
Municipal Bond Rating and Insurance	Application has been made to Moody’s Investor Service for an underlying rating on the Bonds. Application has also been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. For the upcoming bond issue, this District is rated A2 by Moody’s.																																																																	
2017 Tax Rate (Per \$100 Valuation)	\$0.240 Debt Service <u>\$0.175</u> Maintenance \$0.415																																																																	
Maximum Annual P & I (2018)	\$2,637,813																																																																	
Average Annual P & I (2018 – 2034)	\$2,241,749																																																																	
Use of Proceeds from Bonds	Proceeds of the Bonds will be used to pay certain costs incurred in connection with the issuance of the Bonds and to advance																																																																	

	refund \$6,595,000 of the Outstanding Bonds in order to achieve net savings in the District's annual debt service expense.
2017 Certified Taxable Assessed Valuation	\$670,505,067
Tax Rate Requirement for Maximum and Average Debt Service (95% collection)	Based on the 2017 Taxable Assessed Valuation, the required tax rate for the Maximum Annual Debt Service Requirement on the bonds is \$0.42/\$100 and the required tax rate for the Average Annual Debt Service Requirement payment on the bonds is \$0.36/\$100 assuming a 95% collection rate.

## DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$6,595,000 principal amount), plus the estimated debt service on the Bonds.

[illegible]