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March 10, 2017

Ms. Rebecca Underhill, Director of Finance
City of League City
300 West Walker
League City, TX 77573

Dear Ms. Underhill:

RE: Request for Early Dissolution of Galveston County MUD No.13
("District") by City of League City ("City")

We are writing this letter to formally request that the City dissolve the District prior to its last debt service payment which is due on May 1, 2017. The District had originally anticipated having enough funds to make this payment. The District's Financial Advisor along with the help of the District's bookkeeper prepared a budget for the last year of operation. The Financial Advisor used a number in the budget for the Tax Rebate due from the City. The amount of the rebate was provided by the City as an estimated or projected Tax Rebate Amount (\$328,063.66, see attached projection provided by the City) After receiving the Tax Rebate Payment in the amount of \$264,485.56 the District realized that it does not have sufficient funds to make the last debt service payment nor make final payments to the District's consultants as they close down business.

The Rebate Payment was significantly below estimates. Currently, the District possesses the following funds:

Tax Account Balance as of 03/02/2017	\$ 181,213.48
Maintenance Tax check #1362 received at 02/21	7,347.52
Operating Cash Balance as of 02/21/2017	213,941.67
Debt Service Fund as of 02/21/2017	402,014.56
City of League City (for funds through 02/28/2017)	<u>264,485.10</u>
Sub-Total	\$1,069,002.33
Bond Payment due 05/01/2017	(1,088,771.25)
Shortfall (if we pay NOTHING else)	(19,768.92)

We believe it is in the City's and the District's best interests to have the City dissolve the District before the May 1, 2017 payment. We believe that because:

- (1) If the City doesn't dissolve the District, the District will be forced to issue a Tax Anticipation Note and levy a tax for 2017.
- (2) Since the District will have outstanding obligations, the City will be required to make the Supplemental Rebate Payment (Approximately \$64,000) and the 2018 Rebate Payment (About \$330,000).
- (3) None of those payments will be necessary if the City dissolves The MUD. In that case, the City could utilize the existing funds of \$1,069,002.33 less wind down costs of no more than \$2,500 to apply to the debt payment leaving a shortfall of \$22,268 to be made up for by the City. We have kept the wind down costs to a minimum.
- (4) As noted, the City then does not have to make the Supplemental Rebate Payment of approximately \$64,000 and this more than covers the \$22,268 shortfall.

It just makes economic sense to have the City dissolve the District and we hope that the City will be able to do that. May 1, 2017 is close at hand and the City would have to act fairly quickly. Thank you for your consideration of this and please let me know if the City would like to do this. If not, I will need to get the necessary Tax Anticipation Note in place.

Very truly yours,



Dax W. Philbin
Attorney for District

encs.

VIA FED EX

c The Honorable Pat Hallisey, Mayor
All Council Members
Lonna Stein, Assistant Director of Finance
Greg Lentz, District Financial Advisor
Claudia Redden, District Bookkeeper