

Bryan W. Shaw, Ph.D., P.E., *Chairman*
Toby Baker, *Commissioner*
Jon Niermann, *Commissioner*
Richard A. Hyde, P.E., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

November 13, 2017

Mr. E. Rusty Vidrine, President
Galveston County MUD No. 46 Board of Directors
% Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, Texas 77027-7537

Re: Issuance of bonds by Galveston County Municipal Utility District No. 46 (District) in the revised amount of \$4,030,000 at a net effective interest rate of 4.99%.

Dear Mr. Vidrine:

Enclosed are certified copies of an order of the Texas Commission on Environmental Quality (TCEQ) approving your district's project and the issuance of bonds in the revised amount of \$4,030,000 at a net effective interest rate of 4.99% to finance the District's project, all being more fully set out in the order.

Your attention is directed to Texas Water Code Section 54.601, which reads as follows:

At the time bonds payable in whole or in part from taxes are issued, the board shall levy a continuing direct annual ad valorem tax for each year while all or part of the bonds are outstanding on all taxable property within the District in sufficient amount to pay the interest on the bonds as it becomes due and to create a sinking fund for the payment of the principal of the bonds when due or the redemption price at any earlier required redemption date and to pay the expenses of assessing and collecting the taxes.

Based on the projected taxable assessed valuation discussed in the TCEQ memorandum associated with the District's application, we have concluded that initially a tax of \$0.83 per \$100 valuation should be levied to pay interest, principal, and the cost of assessing and collecting such taxes. Application of the recommended tax rate should provide sufficient funds to satisfy the average annual debt service requirement of \$2,667,268.

You should read the enclosed Order carefully. This action is taken under authority delegated by the Executive Director of the TCEQ. Please take particular note of the provision that no substantial alterations in the approved plans and specifications shall be made without prior TCEQ approval. This is a requirement of Texas Water Code Section 49.182.

Mr. E. Rusty Vidrine, President
Page 2

A copy of the TCEQ's Order and this letter are being sent to the Attorney General's Office, Public Finance Division, Austin, Texas. Additional copies are being provided to your attorney, engineer, and fiscal agent of record.

Sincerely,



Cari-Michel La Caille, Director
Water Supply Division
Texas Commission on Environmental Quality

CML/dh

Enclosures

cc: Mr. Greer Pagan
Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, Texas 77027-7537

Mr. Edmund D. Rucker, P.E.
LJA Engineering, Inc
1904 W. Grand Parkway North, Suite 100
Houston, Texas 77042-3703

Mr. Greg Lentz
First Southwest Company
700 Milam Street, Suite 500
Houston, Texas 77002

Attorney General's Office
Public Finance Division
P O Box 12548 Capitol Station
Austin, Texas 78711-2548

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

THE STATE OF TEXAS
COUNTY OF TRAVIS

I HEREBY CERTIFY THAT THIS IS A TRUE AND CORRECT COPY
OF A TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
DOCUMENT, WHICH IS FILED IN THE PERMANENT RECORDS



NOV 13 2017

OF THE COMMISSION, GIVEN UNDER MY HAND AND THE
SEAL OF OFFICE ON

Bridget C. Bohan
BRIDGET C. BOHAN, CHIEF CLERK
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

AN ORDER APPROVING (1) AN ENGINEERING PROJECT
AND THE ISSUANCE OF \$4,030,000 IN UNLIMITED TAX BONDS
AND (2) USE OF \$426,114 IN SURPLUS FUNDS FOR
GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 46

An application by Galveston County Municipal Utility District No. 46 (the "District") was presented to the Executive Director of the Texas Commission on Environmental Quality (TCEQ) for consideration of approval pursuant to TEX. WATER CODE §§ 5.122 and 49.181. The District requests approval of an engineering project and issuance of \$4,485,000 in bonds and the use of \$426,114 in surplus funds to finance: a portion of construction costs for Mar Bella Sitework, Planting and Irrigation Phase 1; City of League City water and wastewater capital recovery fees; and water, wastewater, and drainage facilities to serve single-family residential development within Mar Bella Sections 15A, 15B, 16B, and 16C. The TCEQ has jurisdiction to consider this matter, and the following Findings of Fact and Conclusions of Law are appropriate after examining the application and supporting documentation.

FINDINGS OF FACT

1. The District filed an application with the TCEQ on August 23, 2017 for approval of a proposed engineering project and the issuance of \$4,485,000 in bonds, including \$3,000,000 in water, wastewater and drainage bonds plus \$1,485,000 in recreational bonds, and the use of \$426,114 in surplus funds. Subsequently, the District submitted a revised cost summary supporting a revised bond amount of \$4,030,000.
2. The Executive Director has investigated the District.
3. The application and accompanying documents have been examined. The project site was visited by a member of the TCEQ's Districts Section on November 2, 2017, and a memorandum was prepared on the project dated November 3, 2017, a copy of which is attached and made a part hereof.
4. The District's project and issuance of \$4,030,000 in bonds at a net effective interest rate of 4.99% to finance the project should be approved. Further, direct the District that the bonds are to be sold only upon the District receiving an acceptable credit rating on the bonds as defined in 30 TEX. ADMIN. CODE § 293.47(b).
5. The request for a waiver of the 30% developer contribution requirement should be granted in accordance with 30 TEX. ADMIN. CODE § 293.47(a)(2), if the District obtains an acceptable credit rating on the bonds as defined in 30 TEX. ADMIN. CODE § 293.47(b).
6. The request for approval to reimburse developer interest for a period of more than two years should be granted in accordance with 30 TEX. ADMIN. CODE Section 293.50(b).
7. The request for approval to use \$426,114 in surplus funds as shown in the summary of costs to reduce the bond issue requirement should be granted.

8. The District should be directed that it may expend funds for purchase of facilities conveyed to the City of League City without the need for a pre-purchase inspection pursuant to 30 TEX. ADMIN. CODE § 293.69(h).

9. The District should be directed that for facilities not conveyed to the City of League City, the District should not purchase facilities or assume facility contracts from the developer until either (a) the TCEQ's region office has inspected the project, and the District has received a region office report with no deficiencies noted, for which approval is valid for 120 days from the date of this Order; or, if a region office report indicates deficiencies, (b) the TCEQ's Districts Section has received a request from the District and a region office report, reviewed the contract administration, and given written authorization to finalize the purchase or assumption; either one in accordance with 30 TEX. ADMIN. CODE § 293.69.

10. The District's Board of Directors should be directed to review to its satisfaction the detailed calculations of the developer's interest to ensure that the costs are authorized District expenditures and in accordance with 30 TEX. ADMIN. CODE § 293.50 before reimbursement to the developer is made.

11. The District should be advised that the legal, fiscal agent, and engineering fees have not been evaluated to determine whether these fees are reasonable or competitive. These fees are included as presented in the engineering report.

12. The District should be directed that any surplus bond proceeds resulting from the sale of bonds at a lower interest rate than that proposed shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval pursuant to TCEQ rules on surplus funds.

CONCLUSIONS OF LAW

1. The TCEQ has jurisdiction to consider the engineering report and bond application pursuant to TEX. WATER CODE § 49.181.

2. The Executive Director of the TCEQ has investigated the District, and the TCEQ has found it legally organized and feasible.

3. The Districts Section's memorandum, dated November 3, 2017 on this engineering project and bond issue should be adopted as the written TCEQ project report in compliance with TEX. WATER CODE § 49.181(d).

NOW THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY that the Districts Section's memorandum dated November 3, 2017 on this engineering project and bond issue is adopted as the written TCEQ project report. Pursuant to TEX. WATER CODE § 49.181, the engineering project for Galveston County Municipal Utility District No. 46 is hereby approved together with the issuance of a revised amount of \$4,030,000 in bonds at a net effective interest rate of 4.99%. Further, the District is directed that the bonds are to be sold only upon the District receiving an acceptable credit rating on the bonds as defined in 30 TEX. ADMIN. CODE § 293.47(b). The request for a waiver of the 30% developer contribution requirement associated with the bond issue is granted in accordance with 30 TEX. ADMIN. CODE § 293.47(a)(2), if the District obtains an acceptable credit rating on the bonds as defined in 30 TEX. ADMIN. CODE § 293.47(b). The request for approval to reimburse developer interest for a period of more than two years is granted in accordance with 30 TEX. ADMIN. CODE Section 293.50(b). The request to use \$426,114 in surplus funds as shown in the summary of costs to reduce the bond issue requirement is granted. The District is directed that it may expend funds for purchase of facilities conveyed to the City of League City without the need for a pre-purchase inspection pursuant to 30 TEX. ADMIN. CODE § 293.69(h). The District is directed that for facilities not conveyed to the City of League City, the District should not purchase facilities

or assume facility contracts from the developer until either (1) the TCEQ's region office has inspected the project, and the District has received a region office report with no deficiencies noted, for which approval is valid for 120 days from the date of this Order; or, if a region office report indicates deficiencies, (2) the TCEQ's Districts Section has received a request from the District and a region office report, reviewed the contract administration, and given written authorization to finalize the purchase or assumption; either one in accordance with 30 TEX. ADMIN. CODE § 293.69. The District's Board of Directors is directed to review to its satisfaction the detailed calculations of the developer's interest to ensure that the costs are authorized District expenditures and in accordance with 30 TEX. ADMIN. CODE § 293.50 before reimbursement to the developer is made. The District is advised that the legal, fiscal agent, and engineering fees have not been evaluated to determine whether these fees are reasonable or competitive. These fees are included as presented in the engineering report. The District is directed that any surplus bond proceeds resulting from the sale of bonds at a lower interest rate than that proposed shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval pursuant to TCEQ rules on surplus funds. The approval of the sale of these bonds herein shall be valid for one year from the date of this Order unless extended by written authorization of the TCEQ.

BE IT FURTHER ORDERED that pursuant to TEX. WATER CODE § 5.701, the District shall pay to the TCEQ 0.25% of the principal amount of bonds actually issued not later than the seventh (7th) business day after receipt of the bond proceeds. The fees shall be paid by check payable to the Texas Commission on Environmental Quality.

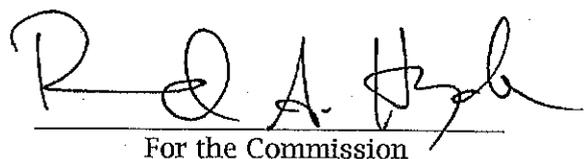
BE IT FURTHER ORDERED that to enable the TCEQ to carry out the responsibilities imposed by TEX. WATER CODE §§ 49.181-182, the District shall (1) furnish the Districts Section copies of all bond issue project construction documentation outlined under 30 TEX. ADMIN. CODE § 293.62, including detailed progress reports and as-built plans required by TEX. WATER CODE § 49.277(b), which have not already been submitted; (2) notify the Districts Section and obtain approval of the TCEQ for any substantial alterations in the engineering project approved herein before making such alterations; and (3) ensure, as required by TEX. WATER CODE § 49.277(b), that all construction financed with the proceeds from the sale of bonds is completed by the construction contractor according to the plans and specifications contracted.

BE IT FURTHER ORDERED that failure of said District to comply with all applicable laws and with provisions of this Order shall subject the District and its directors to all penalties that are provided by law and shall further be considered by the TCEQ as grounds for refusal to approve other bonds of the District.

The Chief Clerk of the TCEQ is directed to forward the District a copy of this Order.

If any provision, sentence, clause, or phrase of this Order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the Order.

Issue Date: **November 8, 2017**



For the Commission

Texas Commission on Environmental Quality

TECHNICAL MEMORANDUM

To: Chris S. Ulmamm, P.E., Manager
Districts Section

Date: November 3, 2017

Thru: Tom Glab, Leader
Districts Bond Team

From: Daniel Harrison
Districts Bond Team

Subject: Galveston County Municipal Utility District No. 46; Application for Approval of \$4,485,000 Unlimited Tax Bonds, Tenth Issue, 4.99% Net Effective Interest Rate, Series 2017; Pursuant to Texas Water Code Section 49.181; and Use of \$426,114 in Surplus Funds.
TCEQ Internal Control No. D-08232017-058 (TC)
CN: 602635179 RN: 105160634

A. GENERAL INFORMATION

Galveston County Municipal Utility District No. 46 (District) submitted an application requesting Texas Commission on Environmental Quality (TCEQ) approval of the issuance of \$4,485,000 in unlimited tax bonds and the use of \$426,114 in surplus funds. Subsequently, the District submitted a revised cost summary supporting a revised bond amount of \$4,030,000 to finance the District's share of the following:

1. A portion of the costs for Mar Bella Sitework, Planting and Irrigation Phase 1;
2. City of League City (City) water and wastewater capital recovery (impact) fees; and
3. Water, wastewater, and drainage facilities to serve the following developments:

<u>Development</u>	<u>Type of Development</u>	<u>Acreage</u>	<u>Active ESFCs</u> ⁽¹⁾	<u>Ultimate ESFCs</u>
Mar Bella Section 15 A & B	Single-Family	22.07	20	88
Mar Bella Section 16 B & C	Single-Family	14.67	34	80
Totals		36.74	54	168

Note:

- (1) Equivalent single-family connections (ESFCs) as of May 25, 2017, as stated in the engineering report.

The District's previous bond issues and surplus funds funded utilities to serve 1,090 equivalent ESFCs on 307.91 acres (both revised from the previous bond issue). Including this bond issue, the District will have funded utilities to serve 1,258 ESFCs on 344.65 acres. According to the engineering report and based on a current District area of 482.54 acres, the District's ultimate development is projected to serve 1,350 ESFCs on 395.97 developable acres (both revised from the previous bond issue).

B. ECONOMIC ANALYSIS

Tax Rate Analysis

The feasibility of this bond issue is based on no-growth to a February 1, 2017 estimated taxable assessed valuation (AV) of \$367,757,266. A market study has not been provided, and is not required since the feasibility of the bond issue is based on no-growth.

According to a Galveston Central Appraisal District certificate, the District's February 1, 2017 estimated taxable AV is \$367,757,266. The annual debt service requirement for a revised bond amount of \$4,030,000 and existing debt averages \$2,667,268 for the 22-year life of the District's bond debt. According to the engineering report, the District levied a maintenance tax of \$0.08 in 2016 and is projecting to levy a maintenance tax of \$0.08 in the future.

The District's financial advisor submitted a cash flow schedule considering the requested \$4,485,000 bond issue, no-growth to a February 1, 2017 estimated taxable AV of \$367,757,266, no capitalized interest, a 4.75% bond interest rate, a 3% bond discount, a 97% collection rate, and a projected tax rate of \$0.83 per \$100 assessed valuation. A TCEQ Districts Section financial analyst has reviewed the financial information submitted and concluded that the following level debt service tax rate would be sufficient for the revised bond amount of \$4,030,000.

	<u>Projected Tax Rate</u>
District	
Debt Service	\$0.83 ⁽¹⁾⁽²⁾
Maintenance Tax	<u>\$0.08</u>
Subtotal District Taxes	\$0.91
City of League City Taxes	
Attributable to W, WW, D, & Rec	<u>\$0.06</u> ⁽³⁾
Total	\$0.97 ⁽⁴⁾

Notes:

- (1) Based on a net effective interest rate of 4.99%, a 97% tax collection rate, no-growth to a February 1, 2017 estimated taxable AV of \$367,757,266, and at least a 25% ending debt service fund balance.
- (2) The term "commission-approved tax rate" in 30 Texas Administrative Code (TAC) Section 293.85 refers to an initial ad valorem debt service tax of \$0.83 per \$100 assessed valuation.
- (3) According to a March 13, 2017 City letter, of the City's current \$0.159503 debt service tax rate, \$0.05969 is attributable to drainage and recreational facilities, and no portion is for water or wastewater facilities.
- (4) Represents the combined projected tax rate as defined by 30 TAC Section 293.59(f).

Additional Financial Comments

The District is exempt from the 75% and 25% build-out requirements of 30 TAC Sections 293.59(l)(4) and 293.59(k)(7) respectively, based on its combined no-growth tax rate of \$0.97 not exceeding \$1.50 pursuant to 30 TAC Sections 293.59(l) and 293.59(k)(11)(C).

C. ENGINEERING ANALYSIS

Water Supply

The District receives water from the City, whose supply is a combination of groundwater and surface water from the City of Houston (Southeast Water Purification Plant) and from the City of Dickinson

(Thomas Mackey Water Purification Plant). Pursuant to the "Utility Agreement by and between Galveston County Municipal Utility District No. 46, Grason Communities, Ltd., and the City of League City, Texas" dated October 21, 2003 (Utility Agreement), the City will provide the District's ultimate water supply requirements. The District purchases water capacity in the City's system through the payment of capital recovery (impact) fees. The District constructs internal water distribution facilities which are conveyed to the City for operation and maintenance. In regards to capital recovery fees; the District has previously received credit for 161 water ESFCs for funding City facilities in previous bond issues and has funded 966 (245 plus 71 plus 143 plus 30 plus 129 plus 177 plus 171) ESFCs, and in this bond issue proposes to fund 168 ESFCs, for a total of 1,295 ESFCs.

The following table summarizes the City's existing water supply facilities along with the ESFC capacity of each component based on criteria stated in 30 TAC Section 290.45 or the engineering report, whichever is more stringent.

<u>Facility</u>	<u>Minimum Requirements</u>	<u>Total Capacity (ESFCs)</u>
Surface & Water Wells	0.6 gpm/ESFC	9.0 MGD (10,417 ESFCs)
Ground Storage	200 gal/ESFC	4.26 MG (33,300 ESFCs) ⁽¹⁾
Elevated Storage	100 gal/ESFC	2.40 MG (24,000 ESFCs)
Booster Pump	2 gpm/ESFC or 1,000 gpm max.	17,450 gpm (8,725 ESFCs)

Note:

- (1) Total storage of 6.66 (4.26 plus 2.40) million gallons provides capacity for 33,300 ESFCs at 200 gal/ESFC.

The District has no emergency interconnects with any system outside the City's water system.

The City's water supply facilities appear adequate to serve the existing 1,092 ESFCs upon which the feasibility of this bond issue is based.

Wastewater Treatment

Wastewater treatment for the District is provided by the City through its 12.0 million gallons per day (MGD) Dallas-Salmon Wastewater Treatment Plant. Texas Pollutant Discharge Elimination System permit no. WQ0010568005 authorizes the plant to discharge a flow of 12.0 MGD. Pursuant to the Utility Agreement, the City will provide the District's ultimate wastewater treatment requirements. The District purchases plant capacity in the City's system through the payment of capital recovery fees. The District constructs internal wastewater collection facilities which are conveyed to the City for operation and maintenance. In regards to capital recovery fees; the District has previously received credit for 178 wastewater ESFCs for funding City facilities in previous bond issues and has funded 913 (228 plus 71 plus 143 plus 30 plus 93 plus 177 plus 171) ESFCs, and in this bond issue proposes to fund 168 ESFCs, for a total of 1,259 ESFCs.

The City's wastewater treatment plant capacity appears adequate to serve the existing 1,092 ESFCs upon which the feasibility of this bond issue is based.

Storm Water Drainage

Storm water from within the District will generally drain through underground lines to detention ponds, then to a drainage channel, and ultimately to Gum Bayou.

Purchase of Existing Facilities/Assumption of Contracts

<u>Project</u>	<u>Contractor</u>	<u>% Completion (Date)</u>	<u>Final Contract Amount⁽¹⁾</u>	<u>Amt. Subj. to Distr. Contrib.</u>
Mar Bella Sections 15 A & B - W, WW & D	Jaho, Inc.	100% (11/18/15)	\$ 679,982	\$ 679,982
Mar Bella Sections 16 B & C - W, WW, & D	B-5 Construction Company, Inc.	100% (12/8/15)	\$ 584,287	\$ 584,287
Mar Bella Sitework, Planting and Irrigation Phase 1	Shooter & Lindsey, Inc.	100% (1/8/09)	\$1,705,137	\$1,705,137 \$1,006,031 ⁽²⁾

Notes:

- (1) Based on original contract amount plus/minus any change orders and final quantity adjustments.
- (2) Due to funding limitations, the District is requesting to fund 59% of the eligible costs with this recreational bond issue. The remaining 41% (\$699,106) may be requested in the future.

Approved plans and specifications, preconstruction agreements, and various construction contract documents have been provided.

Facilities to be Constructed

None.

Inspection

The District was inspected by the TCEQ's Districts Section on November Y, 2017. Streets and utilities appeared to be complete within Mar Bella Sections 15 A and B and 16 B and C, which are being funded from the current bond issue. The District appeared as represented in the engineering report. District name signs were properly posted.

D. SUMMARY OF COSTS

<u>Construction Costs</u>	<u>District's Share Utilities⁽¹⁾</u>	<u>District's Share Recreation⁽¹⁾</u>
A. Developer Contribution Items		
1. Mar Bella Sections 15 A & B - W, WW, & D	\$ 679,982	
2. Mar Bella Sections 16 B & C - W, WW, & D	584,287	
3. Mar Bella Sitework, Planting and Irrigation Phase 1		\$1,006,031
4. Engineering (14.7% of Items No. 1-2)	185,430 ⁽²⁾	
5. Geotechnical (1.7% of Items No. 1-2)	21,750 ⁽³⁾	
6. Landscape Design Fees (15% of Item No. 3)		<u>151,193</u> ⁽⁴⁾
7. Surveying (0.5% of Items No. 1-2)	6,720 ⁽⁵⁾	
8. Storm Water Pollution Prevention Planning (SWPPP)	<u>53,841</u> ⁽⁶⁾	
Total Developer Contribution Items	\$1,532,010	\$1,157,224

B. District Items

1. City Water and Wastewater Capital Recovery Fees	<u>946,512</u> ⁽⁷⁾	
Total District Items	<u>946,512</u>	
TOTAL CONSTRUCTION COSTS (90.2% of BIR)	\$2,478,522	\$1,157,224
Less Use of Surplus Funds	(\$426,114)	
NET TOTAL CONSTRUCTION COSTS (79.6% of BIR)	\$2,052,408	\$1,157,224

Nonconstruction Costs

A. Legal Fees (3.0%)	\$ 76,350 ⁽⁸⁾	\$ 44,550 ⁽⁸⁾
B. Fiscal Agent Fees (2.0%)	50,900 ⁽⁹⁾	29,700 ⁽⁹⁾
C. Developer Interest	240,386 ⁽¹⁰⁾	185,283 ⁽¹⁰⁾
D. Bond Discount (2.0%)	50,900	29,700
E. Bond Issuance Expenses	36,731	16,763
F. Bond Application Report Costs	28,418	16,582
G. Attorney General Fee (0.10% or \$9,500 max.)	2,545	1,485
H. TCEQ Bond Issuance Fee (0.25%)	<u>6,362</u>	<u>3,713</u>
TOTAL NONCONSTRUCTION COSTS	\$ 492,592	\$ 327,776
TOTAL BOND ISSUE REQUIREMENT	\$2,545,000	\$1,485,000

Notes:

- (1) The District has requested a waiver of the 30% developer contribution requirement of 30 TAC Section 293.47.
- (2) Includes \$104,535 for Item No. 1 and \$80,896 for Item No. 2, according to material provided.
- (3) Represents \$11,500 for Item No. 1 plus \$10,250 for Item No. 2, according to material provided.
- (4) Represents 59% of the \$256,259 in design fees, and the remaining 41% (\$105,066) may be requested in the future, according to material provided.
- (5) Represents \$3,640 for Item No. 1 plus \$3,080 for Item No. 2, according to material provided.
- (6) Represents \$32,696 for Item No. 1 plus \$21,145 for Item No. 2, according to material provided.
- (7) Represents 168 ESFCs at \$5,634 (\$3,215 for water plus \$2,419 for wastewater) per ESFC for Mar Bella Section 15A and 15B (88 ESFCs) and Section 16B and 16C (80 ESFCs).
- (8) According to contract provided, legal fees are based on 3% of the first \$3,000,000 in bonds issued, plus 2.5% of bonds issued between \$3,000,000 and \$5,000,000, plus 2% of bonds issued above \$5,000,000.
- (9) According to contract provided, fiscal agent fees are based on 2% of the first \$3,000,000 in bonds issued, plus 1.75% of bonds issued between \$3,000,000 and \$5,000,000, plus 1.5% of bonds issued above \$5,000,000.
- (10) Estimated at 4.75% through November 1, 2017, or a maximum of five years. The District has requested to reimburse more than two years of interest in accordance with 30 TAC Section 393.50(b). Includes \$30,433 in interest on \$151,193 in landscape design fees and \$154,850 in interest on \$1,006,031 in construction costs for the Mar Bella Sitework, Planting and Irrigation project. The District has requested less than one year of capitalized interest in accordance with 30 TAC Section 293.50(b)(2), and the District's financial advisor has concurred with the request in a letter dated July 12, 2017.

E. SPECIAL CONSIDERATIONS

1. 30% Developer Contribution Requirement

The District has requested a waiver of the 30% developer contribution requirement (30 TAC Section 293.47) pursuant to 30 TAC Section 293.47(a)(2) based on obtaining an acceptable credit rating on the bonds. By letter dated July 12, 2017, the District's financial advisor has indicated

that the District anticipates obtaining an acceptable credit rating on the proposed bond issue, thereby qualifying for the requested waiver. Accordingly, a waiver of the 30% developer contribution requirement can be granted pursuant to 30 TAC Section 293.47(a)(2).

2. Surplus Funds

The District's board resolution requesting approval of the \$4,485,000 bond issue also included a request for Commission approval of the use of \$426,114 in surplus funds to finance a portion of the projects. A letter from the District's bookkeeper dated July 19, 2017 has been received stating that the District had a surplus funds balance of \$426,114 as of July 11, 2017. Commission staff recommends approval of the requested use of \$426,114 in surplus funds to finance a portion of the projects as presented in the cost summary.

3. Developer Interest for a Period of More Than Two Years

The District has requested approval to reimburse developer interest for a period of more than two years pursuant to 30 TAC Section 293.50(b)(2). Because the \$425,669 in developer interest in this bond issue does not exceed an amount equal to four years interest on the total bond issue (\$852,150), the request to reimburse developer interest should be approved pursuant to 30 TAC Section 293.50(b).

4. Capital Recovery Fees

The District is required to make capital recovery (impact) fee payments to the City for capacity in the City's water and wastewater conveyance and treatment plants. Pursuant to two separate "Utility Conveyance and Security Agreements" between the District and the City, the District received 161 capital recover fee credits for water and 178 capital recover fee credits for wastewater. The Credits were given in exchange for the District constructing certain water facilities (16 and 24-inch water lines) and wastewater facilities (Mar Bella Lift Station and Force Main), which serve land located outside the District, but inside the boundaries of the City in its first bond issue. Including the 168 water and 168 wastewater capital recovery fees to be funded in this bond issue, the total number of City capital recovery fees funded would be 1,295 (161 plus 245 plus 71 plus 143 plus 30 plus 129 plus 177 plus 171 plus 168) for water and 1,259 (178 plus 228 plus 71 plus 143 plus 30 plus 93 plus 177 plus 171 plus 168) for wastewater.

F. CONCLUSIONS

1. Based on \$86,500,000 in unlimited tax bonds approved by voters on May 13, 2006, for water, wastewater, and drainage facilities, and \$37,095,000 previously approved by the TCEQ and issued by the District, the District has sufficient voter-authorized bonds (\$49,405,000) for the proposed bond issue.
2. Based on \$12,000,000 in unlimited tax bonds approved by voters on May 13, 2006, for recreational facilities, and \$2,280,000 previously approved by the TCEQ and issued by the District for recreational facilities, the District has \$9,720,000 in remaining voter-authorized bonds for the proposed bond issue.
3. Based on the review of the engineering report, plans, specifications, and supporting documents, the bond issue is considered feasible and meets the criteria established by the TCEQ's economic feasibility rules, 30 TAC Section 293.59.
4. The recommendations are made under authority delegated by the Executive Director of the TCEQ.

G. RECOMMENDATIONS

1. Approve the bond issue in the revised amount of \$4,030,000 in accordance with the recommended summary of costs, at a net effective interest rate of 4.99%. Further, direct the District that the bonds are to be sold only upon the District receiving an acceptable credit rating on the bonds as defined in 30 TAC Section 293.47(b).
2. Grant a waiver of the 30% developer contribution requirement pursuant to 30 TAC Section 293.47(a)(2), if the District obtains an acceptable credit rating on the bonds as defined in 30 TAC Section 293.47(b).
3. Approve the District's request to reimburse developer interest for a period of more than two years in accordance with 30 TAC Section 293.50(b).
4. Approve the use of \$426,114 in surplus funds to partially fund project costs in order to reduce the bond issue requirement.
5. Direct the District that it may expend funds for the purchase of facilities to be conveyed to the City of League City without the need for a pre-purchase inspection pursuant to 30 TAC Section 293.69(h).
6. Direct the District that for facilities not conveyed to the City of League City, the District should not purchase facilities or assume facility contracts from the developer until either (a) the TCEQ's field office staff has inspected the project, and the District has received a field office report with no deficiencies noted, for which approval is valid for 120 days from the date of the order approving the bonds; or if a field office report indicates deficiencies, (b) the TCEQ's Districts Section has received a request from the District and a field office report, reviewed the contract administration, and given written authorization to finalize the purchase or assumption, either one pursuant to 30 TAC Section 293.69.
7. Standard recommendations regarding developer interest, consultant fees, surplus proceeds, time of approval, and bond proceeds fee apply.