



Greg Lentz

Director
Public Finance

August 9, 2016

Via E-mail: rebecca.underhill@leaguecity.com

Ms. Rebecca Underhill
Assistant City Manager-Finance
City of League City
300 W. Walker Street
League City, Texas 77573

**Re: Galveston County Municipal Utility District No. 46 (the “District”)
\$8,760,000 Unlimited Tax Bonds, Series 2016A**

Dear Rebecca:

The District is proposing to sell its \$8,760,000 Unlimited Tax Bonds, Series 2016A (the “Bonds”) to finance water, sewer and drainage facilities. Pursuant to the attached “Utility Agreement By and Between the District and the City of League City, Texas” (the “Utility Agreement”), the District is required to obtain City of League City approval prior to the sale of the Bonds. The terms and conditions of the Bonds and expenditure of funds are in compliance with the Utility Agreement, in particular, the District is in compliance with Section 5.02 of the Utility Agreement which stipulates maximum debt ratios allowed (see detail below).

The bond application and sale of the Bonds has been approved by the TCEQ. We have attached the bond application report that includes a schedule showing the use of Bond proceeds and a no growth cash flow analysis related to the financing for your review. The District is levying a total 2015 tax rate of \$0.98 per \$100 of taxable assessed valuation (\$0.89 for debt service and \$0.09 maintenance) and anticipates levying a 2016 tax rate of \$0.97 (\$0.90 for debt service and \$0.07 for maintenance). The District’s 2016 Taxable Assessed Valuation as of January 1, 2016 and Estimated Taxable Assessed Valuation as of July 1, 2016, as provided by the Galveston Central Appraisal District is \$304,288,613 (\$300,233,263 of certified value and \$4,055,350 of uncertified value) and \$324,322,813, respectively. The District’s outstanding debt assuming issuance of the Bonds and will be \$37,425,000. The ratios of outstanding debt to 2016 Taxable Assessed Valuation as of January 1, 2016 and Estimated Taxable Assessed Valuation as of July 1, 2016 are 12.30% and 11.54%, respectively. **There is no tax rebate associated with the District.**

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The District would like to sell the Bonds in early October 2016, and in connection therewith, the District would like to obtain League City approval as soon as possible. Please let us know if you need any additional information.

Thank you for your assistance with this financing.

A handwritten signature in blue ink, appearing to read "Greg Lentz".

Greg Lentz
Director

Enclosures

cc: Mr. Greer Pagan, Allen Boone Humphries Robinson LLP
Ms. Julie Peak, FirstSouthwest, a Division of Hilltop Securities Inc.