



S. David Smalling, Jr.
Senior Vice President
Public Finance

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August 4, 2015

Ms. Lonna Stein
Controller
City of League City
300 W. Walker, Suite 215
League City, TX 77573

RE: \$9,000,000 Galveston County Municipal Utility District No. 45
Unlimited Tax Bonds, Series 2015

Dear Ms. Stein:

The Board of Directors of the Galveston County Municipal Utility District No. 45 (the "District") has authorized submission to the Texas Commission on Environmental Quality ("TCEQ") for the approval of the sale of Bonds to reimburse the developers in the District for the construction of underground utilities pursuant to an agreement between the District and the developers. The District has received approval from the TCEQ for the issuance of the Bonds, and the District met on August 4, 2015, to authorize its consultants to proceed with the issuance of its Unlimited Tax Bonds, Series 2015. The Bonds are the first installment of bonds issued by the District.

Under the terms of the Utility Agreement between the District and the City dated September 23, 2003, Bonds may be sold by the District only with the approval of the City Council. The terms and conditions of the Bonds and expenditure of funds are in compliance with the Utility Agreement. Therefore, the District respectfully requests Council consideration and approval at the earliest possible Council Meeting. The following information has been included for staff review:

1. Debt Service Schedule;
2. Cash flow showing economic feasibility;
3. Tentative Schedule of Events.

Proceeds of the sale of the Bonds will be used by the District to finance (i) City of League City water and wastewater impact fees; (ii) South Shore Boulevard, Phase 1 utilities; (iii) Linear detention and Sand Pit detention/amenity facilities; (iv) Land costs for Lawrence Road and Linear detention and Sand Pit detention/ amenity; (v) Creation and Operating costs; (vi) Water, wastewater, and drainage facilities to serve (a) Hidden Lakes, Section 1; (b) Hidden Lakes, Section 2; and (c) Hidden Lakes, Section 3, Phase 1; and (vii) pay for administrative and issuance costs, legal fees, financial advisor fees, a fee to the Texas Commission on Environmental Quality (the "TCEQ"), a fee to the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds.

It is anticipated that the issuance of the Bonds will result in no increase to the District's current tax rate, which is \$1.00/\$100.A.V.

Thank you very much for your consideration of our request. If you have any questions, please do not hesitate in telephoning me at 832.871.5292.

Sincerely,
ROBERT W. BAIRD & CO. INCORPORATED

A handwritten signature in black ink, appearing to read "S. David Smalling, Jr." with a stylized flourish at the end.

S. David Smalling, Jr.
Senior Vice President