



April 8, 2016

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

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

Re: South Shore Harbour Municipal Utility District No. 7
\$3,380,000* Unlimited Tax Refunding Bonds, Series 2016

Dear Ms. Underhill:

On Tuesday, April 12, 2016, the South Shore Harbour Municipal Utility District No. 7's (the "District") Board of Directors will approve the issuance of its fourth refunding series. The District is required to receive approval from the City of League City (the "City") prior to the sale of bonds, in compliance with the "Utility Agreement between the District and the City of League City, Texas" (the "Agreement"). The terms and conditions of the Bonds are in compliance with the Utility Agreement.

It is anticipated that the issuance of the Bonds will result in no increase to the District's 2015 tax rate of \$0.49 per \$100 of taxable assessed valuation, split into \$0.45 for debt service and \$0.04 for maintenance. The District's 2015 Certified Assessed Valuation as provided by the Galveston Central Appraisal District is \$328,720,290 as of January 1, 2015.

The Bonds will advance refund a portion of the District's outstanding Unlimited Tax Bonds, Series 2006. The Bonds, structured with the same maturity schedule as the refunded bonds, will not extend the District's debt. The Bonds, as of April 8, 2016, are projected to provide the District with 6.78% (\$218,867) in net present value savings and \$282,472 in Debt Service savings.

The attached refunding numbers reflect a bond issue size of \$3,380,000. However, the District would like to request approval for a bond issue size not to exceed \$4,000,000.

If I may be of further assistance, please do not hesitate to contact me at 713-651-3338.

Sincerely,

A handwritten signature in black ink, appearing to read 'Eugene B. Shepherd'.

Eugene B. Shepherd
Managing Director

cc: Lonna Stein City of League City, Texas
Paul Philbin Paul Philbin & Assoc., P.C.

Enclosure

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Proposed Series 2016 Refunding
Bank Qualified
Private Placement Option

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**SOURCES AND USES OF FUNDS**

South Shore Harbour Municipal Utility District #7
Proposed Series 2016 Refunding
Bank Qualified
Private Placement Option

Dated Date 06/15/2016
Delivery Date 06/15/2016

Sources:

| | |
|----------------|--------------|
| Bond Proceeds: | |
| Par Amount | 3,380,000.00 |
| | 3,380,000.00 |

Uses:

| | |
|----------------------------|--------------|
| Refunding Escrow Deposits: | |
| Cash Deposit | 0.44 |
| SLGS Purchases | 3,290,412.00 |
| | 3,290,412.44 |
| Delivery Date Expenses: | |
| Cost of Issuance | 89,240.00 |
| Other Uses of Funds: | |
| Additional Proceeds | 347.56 |
| | 3,380,000.00 |

**SUMMARY OF REFUNDING RESULTS**

South Shore Harbour Municipal Utility District #7
Proposed Series 2016 Refunding
Bank Qualified
Private Placement Option

| | |
|---|--------------|
| Dated Date | 06/15/2016 |
| Delivery Date | 06/15/2016 |
| Arbitrage yield | 3.000312% |
| Escrow yield | 0.202510% |
| Value of Negative Arbitrage | 19,224.27 |
| Bond Par Amount | 3,380,000.00 |
| True Interest Cost | 3.000312% |
| Net Interest Cost | 3.000000% |
| All-In TIC | 3.310119% |
| Average Coupon | 3.000000% |
| Average Life | 10.458 |
| Weighted Average Maturity | 10.458 |
| Par amount of refunded bonds | 3,225,000.00 |
| Average coupon of refunded bonds | 4.180741% |
| Average life of refunded bonds | 10.824 |
| Remaining weighted average maturity of refunded bonds | 10.807 |
| PV of prior debt to 06/15/2016 @ 3.310119% | 3,509,280.32 |
| Net PV Savings | 218,867.88 |
| Percentage savings of refunded bonds | 6.786601% |

**SAVINGS**

South Shore Harbour Municipal Utility District #7

Proposed Series 2016 Refunding

Bank Qualified

Private Placement Option

| Date | Prior Debt Service | Refunding Debt Service | Savings | Present Value to 06/15/2016 @ 3.3101187% |
|------------|-----------------------|---------------------------|------------|--|
| 09/01/2016 | 66,818.75 | 51,406.67 | 15,412.08 | 15,305.63 |
| 09/01/2017 | 133,637.50 | 115,500.00 | 18,137.50 | 17,694.02 |
| 09/01/2018 | 263,637.50 | 250,050.00 | 13,587.50 | 12,894.60 |
| 09/01/2019 | 268,437.50 | 250,550.00 | 17,887.50 | 16,342.69 |
| 09/01/2020 | 272,837.50 | 255,900.00 | 16,937.50 | 14,980.69 |
| 09/01/2021 | 266,837.50 | 250,950.00 | 15,887.50 | 13,604.64 |
| 09/01/2022 | 270,837.50 | 256,000.00 | 14,837.50 | 12,301.85 |
| 09/01/2023 | 279,437.50 | 265,750.00 | 13,687.50 | 10,989.45 |
| 09/01/2024 | 277,437.50 | 260,050.00 | 17,387.50 | 13,452.02 |
| 09/01/2025 | 279,967.50 | 264,350.00 | 15,617.50 | 11,698.63 |
| 09/01/2026 | 282,082.50 | 268,350.00 | 13,732.50 | 9,961.54 |
| 09/01/2027 | 283,782.50 | 267,050.00 | 16,732.50 | 11,704.58 |
| 09/01/2028 | 289,962.50 | 275,600.00 | 14,362.50 | 9,726.18 |
| 09/01/2029 | 295,512.50 | 278,700.00 | 16,812.50 | 10,986.20 |
| 09/01/2030 | 295,432.50 | 281,500.00 | 13,932.50 | 8,810.21 |
| 09/01/2031 | 294,932.50 | 279,000.00 | 15,932.50 | 9,724.41 |
| 09/01/2032 | 299,012.50 | 281,350.00 | 17,662.50 | 10,410.48 |
| 09/01/2033 | 302,325.00 | 288,400.00 | 13,925.00 | 7,932.52 |
| | 4,722,928.75 | 4,440,456.67 | 282,472.08 | 218,520.32 |

Savings Summary

| | |
|-------------------------------|------------|
| PV of savings from cash flow | 218,520.32 |
| Plus: Refunding funds on hand | 347.56 |
| Net PV Savings | 218,867.88 |

**BOND SUMMARY STATISTICS**

South Shore Harbour Municipal Utility District #7
Proposed Series 2016 Refunding
****Bank Qualified****
Private Placement Option

| | |
|-----------------------------------|--------------|
| Dated Date | 06/15/2016 |
| Delivery Date | 06/15/2016 |
| Last Maturity | 09/01/2033 |
| Arbitrage Yield | 3.000312% |
| True Interest Cost (TIC) | 3.000312% |
| Net Interest Cost (NIC) | 3.000000% |
| All-In TIC | 3.310119% |
| Average Coupon | 3.000000% |
| Average Life (years) | 10.458 |
| Weighted Average Maturity (years) | 10.458 |
| Par Amount | 3,380,000.00 |
| Bond Proceeds | 3,380,000.00 |
| Total Interest | 1,060,456.67 |
| Net Interest | 1,060,456.67 |
| Total Debt Service | 4,440,456.67 |
| Maximum Annual Debt Service | 288,400.00 |
| Average Annual Debt Service | 257,999.42 |
| Underwriter's Fees (per \$1000) | |
| Average Takedown | |
| Other Fee | |
| Total Underwriter's Discount | |
| Bid Price | 100.000000 |

| Bond Component | Par Value | Price | Average Coupon | Average Life | Average Maturity Date |
|----------------|--------------|---------|----------------|--------------|-----------------------|
| Term Bond | 3,380,000.00 | 100.000 | 3.000% | 10.458 | 11/29/2026 |
| | 3,380,000.00 | | | 10.458 | |

| | TIC | All-In TIC | Arbitrage Yield |
|----------------------------|--------------|--------------|-----------------|
| Par Value | 3,380,000.00 | 3,380,000.00 | 3,380,000.00 |
| + Accrued Interest | | | |
| + Premium (Discount) | | | |
| - Underwriter's Discount | | | |
| - Cost of Issuance Expense | | -89,240.00 | |
| - Other Amounts | | | |
| Target Value | 3,380,000.00 | 3,290,760.00 | 3,380,000.00 |
| Target Date | 06/15/2016 | 06/15/2016 | 06/15/2016 |
| Yield | 3.000312% | 3.310119% | 3.000312% |

**BOND PRICING**

South Shore Harbour Municipal Utility District #7
Proposed Series 2016 Refunding
Bank Qualified
Private Placement Option

| Bond Component | Maturity Date | Amount | Rate | Yield | Price |
|----------------|---------------|-----------|--------|--------|---------|
| Term Bond: | 09/01/2033 | 3,380,000 | 3.000% | 3.000% | 100.000 |
| | | 3,380,000 | | | |

| | | |
|-------------------------|--------------|-------------|
| Dated Date | 06/15/2016 | |
| Delivery Date | 06/15/2016 | |
| First Coupon | 09/01/2016 | |
| Par Amount | 3,380,000.00 | |
| Original Issue Discount | | |
| Production | 3,380,000.00 | 100.000000% |
| Underwriter's Discount | | |
| Purchase Price | 3,380,000.00 | 100.000000% |
| Accrued Interest | | |
| Net Proceeds | 3,380,000.00 | |

**BOND DEBT SERVICE**

South Shore Harbour Municipal Utility District #7
Proposed Series 2016 Refunding
Bank Qualified
Private Placement Option

Dated Date 06/15/2016
Delivery Date 06/15/2016

| Period Ending | Principal | Coupon | Interest | Debt Service |
|------------------|-----------|--------|--------------|--------------|
| 09/01/2016 | 30,000 | 3.000% | 21,406.67 | 51,406.67 |
| 09/01/2017 | 15,000 | 3.000% | 100,500.00 | 115,500.00 |
| 09/01/2018 | 150,000 | 3.000% | 100,050.00 | 250,050.00 |
| 09/01/2019 | 155,000 | 3.000% | 95,550.00 | 250,550.00 |
| 09/01/2020 | 165,000 | 3.000% | 90,900.00 | 255,900.00 |
| 09/01/2021 | 165,000 | 3.000% | 85,950.00 | 250,950.00 |
| 09/01/2022 | 175,000 | 3.000% | 81,000.00 | 256,000.00 |
| 09/01/2023 | 190,000 | 3.000% | 75,750.00 | 265,750.00 |
| 09/01/2024 | 190,000 | 3.000% | 70,050.00 | 260,050.00 |
| 09/01/2025 | 200,000 | 3.000% | 64,350.00 | 264,350.00 |
| 09/01/2026 | 210,000 | 3.000% | 58,350.00 | 268,350.00 |
| 09/01/2027 | 215,000 | 3.000% | 52,050.00 | 267,050.00 |
| 09/01/2028 | 230,000 | 3.000% | 45,600.00 | 275,600.00 |
| 09/01/2029 | 240,000 | 3.000% | 38,700.00 | 278,700.00 |
| 09/01/2030 | 250,000 | 3.000% | 31,500.00 | 281,500.00 |
| 09/01/2031 | 255,000 | 3.000% | 24,000.00 | 279,000.00 |
| 09/01/2032 | 265,000 | 3.000% | 16,350.00 | 281,350.00 |
| 09/01/2033 | 280,000 | 3.000% | 8,400.00 | 288,400.00 |
| | 3,380,000 | | 1,060,456.67 | 4,440,456.67 |

**SUMMARY OF BONDS REFUNDED**

South Shore Harbour Municipal Utility District #7
Proposed Series 2016 Refunding

****Bank Qualified****

Private Placement Option

| Bond | Maturity Date | Interest Rate | Par Amount | Call Date | Call Price |
|---------------------------|---------------|---------------|--------------|------------|------------|
| U/L Tax Bds, Series 2006: | | | | | |
| TERM19 | 09/01/2018 | 4.000% | 130,000.00 | 09/01/2016 | 100.000 |
| | 09/01/2019 | 4.000% | 140,000.00 | 09/01/2016 | 100.000 |
| TERM21 | 09/01/2020 | 4.000% | 150,000.00 | 09/01/2016 | 100.000 |
| | 09/01/2021 | 4.000% | 150,000.00 | 09/01/2016 | 100.000 |
| TERM23 | 09/01/2022 | 4.000% | 160,000.00 | 09/01/2016 | 100.000 |
| | 09/01/2023 | 4.000% | 175,000.00 | 09/01/2016 | 100.000 |
| TERM26 | 09/01/2024 | 4.150% | 180,000.00 | 09/01/2016 | 100.000 |
| | 09/01/2025 | 4.150% | 190,000.00 | 09/01/2016 | 100.000 |
| | 09/01/2026 | 4.150% | 200,000.00 | 09/01/2016 | 100.000 |
| TERM29 | 09/01/2027 | 4.200% | 210,000.00 | 09/01/2016 | 100.000 |
| | 09/01/2028 | 4.200% | 225,000.00 | 09/01/2016 | 100.000 |
| | 09/01/2029 | 4.200% | 240,000.00 | 09/01/2016 | 100.000 |
| TERM31 | 09/01/2030 | 4.200% | 250,000.00 | 09/01/2016 | 100.000 |
| | 09/01/2031 | 4.200% | 260,000.00 | 09/01/2016 | 100.000 |
| TERM33 | 09/01/2032 | 4.250% | 275,000.00 | 09/01/2016 | 100.000 |
| | 09/01/2033 | 4.250% | 290,000.00 | 09/01/2016 | 100.000 |
| | | | 3,225,000.00 | | |

**COST OF ISSUANCE**

South Shore Harbour Municipal Utility District #7
Proposed Series 2016 Refunding
Bank Qualified
Private Placement Option

| Cost of Issuance | \$/1000 | Amount |
|-------------------------|----------------|---------------|
| Bond Counsel | 10.00000 | 33,800.00 |
| Financial Advisor | 10.00000 | 33,800.00 |
| Special Tax Counsel | 2.00000 | 6,760.00 |
| Attorney General | 1.00000 | 3,380.00 |
| Paying Agent | 0.29586 | 1,000.00 |
| Escrow Agent | 0.59172 | 2,000.00 |
| Verification Agent | 1.03550 | 3,500.00 |
| Miscellaneous | 1.47929 | 5,000.00 |
| | 26.40237 | 89,240.00 |

**ESCROW REQUIREMENTS**

South Shore Harbour Municipal Utility District #7
Proposed Series 2016 Refunding
Bank Qualified
Private Placement Option

| Period Ending | Interest | Principal Redeemed | Total |
|--------------------------|-----------------|-------------------------------|--------------|
| 09/01/2016 | 66,818.75 | 3,225,000.00 | 3,291,818.75 |
| | 66,818.75 | 3,225,000.00 | 3,291,818.75 |

**ESCROW DESCRIPTIONS**

South Shore Harbour Municipal Utility District #7
Proposed Series 2016 Refunding
Bank Qualified
Private Placement Option

| Type of Security | Type of SLGS | Maturity Date | First Int Pmt Date | Par Amount | Rate | Max Rate |
|---------------------|-----------------|------------------|-----------------------|---------------|--------|-------------|
| Jun 15, 2016: | | | | | | |
| SLGS | Certificate | 09/01/2016 | 09/01/2016 | 3,290,412 | 0.200% | 0.200% |
| | | | | 3,290,412 | | |

SLGS Summary

| | |
|------------------------------------|--------------|
| SLGS Rates File | 08APR16 |
| Total Certificates of Indebtedness | 3,290,412.00 |

**ESCROW STATISTICS**

South Shore Harbour Municipal Utility District #7
Proposed Series 2016 Refunding
Bank Qualified
Private Placement Option

| Total Escrow Cost | Modified Duration (years) | Yield to Receipt Date | Yield to Disbursement Date | Perfect Escrow Cost | Value of Negative Arbitrage | Cost of Dead Time |
|------------------------------|--|--------------------------------------|---|------------------------------------|--|------------------------------|
| Global Proceeds Escrow: | | | | | | |
| 3,290,412.44 | 0.211 | 0.202510% | 0.202510% | 3,271,188.16 | 19,224.27 | 0.01 |
| 3,290,412.44 | | | | 3,271,188.16 | 19,224.27 | 0.01 |

Delivery date 06/15/2016
Arbitrage yield 3.000312%

**ESCROW CASH FLOW**

South Shore Harbour Municipal Utility District #7
Proposed Series 2016 Refunding
Bank Qualified
Private Placement Option

| Date | Principal | Interest | Net Escrow Receipts | Present Value to 06/15/2016 @ 0.2025101% |
|------------|--------------|----------|---------------------|--|
| 09/01/2016 | 3,290,412.00 | 1,406.31 | 3,291,818.31 | 3,290,412.00 |
| | 3,290,412.00 | 1,406.31 | 3,291,818.31 | 3,290,412.00 |

Escrow Cost Summary

| | |
|------------------------------|--------------|
| Purchase date | 06/15/2016 |
| Purchase cost of securities | 3,290,412.00 |
| Target for yield calculation | 3,290,412.00 |